

FORD MOTOR CO
Form 10-K
February 19, 2013

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, 2012

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

* In addition, shares of Common Stock of Ford are listed on certain stock exchanges in Europe.

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

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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 R

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 o

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 o

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. R

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

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

As of June 29, 2012, Ford had outstanding 3,742,926,268 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 (\$9.59 per share), the aggregate market value of such Common Stock was \$35,894,662,910. 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 29, 2012 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 9, 2013 (our "Proxy Statement"), which is incorporated by reference under various Items of this Report as indicated below.

As of February 1, 2013, Ford had outstanding 3,851,395,591 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 (\$13.02 per share), the aggregate market value of such Common Stock was \$50,145,170,595.

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.

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FORD MOTOR COMPANY
ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2012

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PART I.

ITEM 1. Business.

Ford Motor Company (referred to herein as "Ford," the "Company," "we," "our," or "us") 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 one of the world's largest producers of automobiles. We and our subsidiaries also engage in other businesses, including financing vehicles.

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, 2012 ("2012 Form 10-K Report" or "Report"), extensive information about our Company can be found at www.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 in this area of our website. All of these documents may be accessed by going to our corporate website and clicking on "Our Company," then "Corporate Governance," and then "Corporate Governance Policies," 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.

In addition, all of our recent periodic report filings 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 through our website. 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.

To access our SEC reports or amendments or the Section 16 filings, go to our corporate website and click "Our Company," then "Investor Relations," then "Reports and SEC Filings," and then "SEC Filings," which links to a list of reports 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.

ITEM 1. Business (Continued)

OVERVIEW

Segments. We review and present our business results in two sectors: Automotive and Financial Services. Within these sectors, our business is divided into reportable segments based on the organizational structure that we use to evaluate performance and make decisions on resource allocation, as well as availability and materiality of separate financial results consistent with that structure.

The reportable segments within our Automotive and Financial Services sectors at December 31, 2012 were as described in the table below:

Business Sector	Reportable Segments (a)	Description
Automotive:	Ford North America	Primarily includes the sale of Ford- and Lincoln-brand vehicles, service parts, and accessories in North America (the United States, Canada, and Mexico), together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories. (b)
	Ford South America	Primarily includes the sale of Ford-brand vehicles, service parts, and accessories in South America, together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories.
	Ford Europe	Primarily includes the sale of Ford-brand vehicles, components, service parts, and accessories in Europe, Turkey, and Russia, together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories.
	Ford Asia Pacific Africa	Primarily includes the sale of Ford-brand vehicles, service parts, and accessories in the Asia Pacific region and South Africa, together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories.
Financial Services:	Ford Motor Credit Company	Primarily includes vehicle-related financing, leasing, and insurance.
	Other Financial Services	Includes a variety of businesses including holding companies and real estate.

(a) We have experienced a number of changes to our reportable segments within the last five years, including the following:

• We discontinued the Mercury brand as of the end of 2010.

• We sold our Volvo operations on August 2, 2010.

• Based on significant reductions in our stock ownership, beginning with the fourth quarter of 2008 we have accounted for our interest in Mazda Motor Corporation ("Mazda") as a marketable security (instead of as an operating segment).

• We sold our Jaguar Land Rover operations on June 2, 2008.

• We sold Aston Martin on May 31, 2007.

For periods prior to January 1, 2009, this segment also included the sale of Mazda6 vehicles produced by our (b) then-consolidated affiliate AutoAlliance International, Inc. ("AAI"). AAI was an unconsolidated affiliate in 2009 - 2011, but was restructured in 2012 and consolidated.

ITEM 1. Business (Continued)

AUTOMOTIVE SECTOR

General

Our vehicle brands are Ford and Lincoln. In 2012, we sold approximately 5,668,000 vehicles at wholesale throughout the world. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("Item 7") for discussion of our calculation of wholesale unit volumes.

Substantially all of our vehicles, parts, and accessories are marketed through retail dealers in North America, and through distributors and dealers outside of North America (collectively, "dealerships"), the substantial majority of which are independently owned. At December 31, 2012, the approximate number of dealerships worldwide distributing our vehicle brands was as follows:

Brand	Number of Dealerships at December 31, 2012
Ford	10,537
Ford-Lincoln (combined)	876
Lincoln	206
Total	11,619

We do not depend on any single customer or small group of customers to the extent that the loss of such customer or group of 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). Through our dealerships, we also offer extended service contracts to retail customers.

The worldwide automotive industry, Ford included, is affected significantly by general economic conditions, among other factors, over which we have little control. This is especially so because vehicles are durable goods, which provide consumers 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 and trucks and the availability and cost of credit and fuel). As we recently have seen in the United States and Europe, in particular, the number of cars and trucks 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. In the short term, 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, impacts 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, particularly in mature markets such as North America and Europe. For the past several decades, manufacturers typically have given

ITEM 1. Business (Continued)

price discounts and other marketing incentives to maintain market share and production levels. A discussion of our strategies to compete in this pricing environment is set forth in the "Overview" section in Item 7.

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, General Motors Company, Honda Motor Company, Hyundai-Kia Automotive Group, PSA Peugeot Citroen, Renault-Nissan B.V., Suzuki Motor Corporation, Toyota Motor Corporation, and Volkswagen AG Group.

Seasonality. We generally record the sale of a vehicle (and recognize revenue) when it is produced and shipped or delivered to our customer (i.e., the dealership). See the "Overview" section in Item 7 for additional discussion of revenue recognition practices.

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). In the past, 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).

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 ferrous metals (e.g., steel and iron castings), non-ferrous metals (e.g., aluminum), precious metals (e.g., palladium), energy (e.g., natural gas), and plastics/resins (e.g., polypropylene). We believe that 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.

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.

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 currently have approximately 20,600 active patents and pending patent applications globally, with an average age for patents in our active patent portfolio of just under five and a half 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 that 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 and Additional Service Actions. We currently 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, usage of the product, and the geographic location of its sale. In compliance with regulatory requirements, we also provide emissions-defects and emissions-performance warranty coverage. 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 additional service actions, including product recalls and customer satisfaction actions.

For additional information regarding warranty and related costs, see "Critical Accounting Estimates" in Item 7 and Note 31 of the Notes to the Financial Statements.

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ITEM 1. Business (Continued)

Industry Sales Volume

Industry sales volume is an internal estimate based on publicly-available data collected from various government, private, and public sources around the globe. The following chart shows industry sales volume for the last five years for certain key markets in each region, and for the total we track within each of our Ford North America, Ford South America, Ford Europe, and Ford Asia Pacific Africa regions (in millions of units):

	Industry Sales Volume (a)				
	2012	2011	2010	2009	2008
United States	14.8	13.0	11.8	10.6	13.5
Canada	1.7	1.6	1.6	1.5	1.7
Mexico	1.0	0.9	0.8	0.8	1.1
Ford North America	17.5	15.5	14.2	12.9	16.3
Brazil	3.8	3.6	3.5	3.1	2.8
Argentina	0.8	0.8	0.7	0.5	0.6
Ford South America (b)	5.6	5.4	5.0	4.2	4.3
Britain	2.3	2.2	2.3	2.2	2.5
Germany	3.4	3.5	3.2	4.0	3.4
Ford Europe (c)	14.0	15.3	15.3	15.9	16.6
Turkey	0.8	0.9	0.8	0.6	0.5
Russia	3.0	2.7	2.0	1.5	3.1
China	18.9	18.4	18.3	14.1	9.9
India	3.6	3.3	3.1	2.3	2.0
Australia	1.1	1.0	1.0	0.9	1.0
South Africa	0.5	0.5	0.4	0.4	0.5
ASEAN (d)	3.4	2.6	2.4	1.9	2.0
Ford Asia Pacific Africa (e)	33.4	30.4	30.7	24.5	20.9

(a) Throughout this Report, industry sales volume and wholesale unit volumes include sales of medium and heavy trucks.

(b) Ford South America industry sales volume and market share are based, in part, on estimated vehicle registrations for the six markets we track in the region (i.e., Argentina, Brazil, Chile, Colombia, Ecuador, and Venezuela).

Ford Europe industry sales volume and market share are based, in part, on estimated vehicle registrations for the 19 markets we track (i.e., Austria, Belgium, Britain, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, and Switzerland); sales of

(c) Ford-brand vehicles in Turkey and Russia by our unconsolidated affiliates Ford Otomotiv Sanayi Anonim Sirketi ("Ford Otosan") and Ford Sollers Netherlands B.V. ("FordSollers"), respectively, contribute to Ford Europe's wholesale unit volumes, but are not reflected in industry sales volume or market share for the region.

(d) ASEAN includes Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Ford Asia Pacific Africa industry sales volume and market share are based, in part, on estimated vehicle sales for the 12 markets we track (i.e., Australia, China, Japan, India, Indonesia, Malaysia, New Zealand, Philippines, South

(e) Africa, Taiwan, Thailand, and Vietnam); market share data for 2008 to the present include Ford and local-brand vehicles produced by our unconsolidated affiliates, including our Chinese joint venture Jiangling Motors Corporation, Ltd. ("JMC").

ITEM 1. Business (Continued)

Ford North America

The following tables show our wholesales and market share by market in North America:

	Wholesales (a)				
	(in thousands)				
	2012	2011	2010	2009	2008
United States	2,302	2,224	1,947	1,563	1,825
Canada	281	273	278	223	198
Mexico	83	88	88	80	134
Ford North America (b)	2,784	2,686	2,413	1,927	2,329

(a) Throughout this Report, wholesale unit volumes include all Ford-badged units (whether produced by Ford or by an unconsolidated affiliate), units manufactured by Ford that are sold to other manufacturers and units distributed for other manufacturers, and JMC-brand vehicles produced by our unconsolidated affiliate. Revenue from certain vehicles in wholesale unit volumes (specifically, Ford-badged vehicles produced and distributed by our unconsolidated affiliates, and JMC-brand vehicles produced by our unconsolidated affiliate) are not included in our revenue. Vehicles sold to daily rental car companies that are subject to a guaranteed repurchase option, as well as other sales of finished vehicles for which the recognition of revenue is deferred (e.g., consignments), are included in wholesale unit volumes.

(b) Throughout this Report, regional wholesale unit volumes include wholesales to various export markets.

	Market Share (a)				
	2012	2011	2010	2009	2008
United States	15.2	% 16.5	% 16.4	% 15.3	% 14.2
Canada	16.1	17.1	16.9	15.2	12.6
Mexico	8.2	9.4	10.5	11.8	12.1

(a) Throughout this Report, market share represents reported retail sales of our brands as a percent of total industry sales volume in the relevant market (as opposed to wholesale unit volumes reflecting sales directly by us to our customers, generally our dealers).

United States. The competitive environment in the United States continues to intensify as foreign manufacturers continue to increase both imports to the United States and production capacity in North America. During 2012, Japanese manufacturers fully recovered from the production disruptions caused by natural disasters the previous year, production capacity expanded, and post-recessionary new product cadence strengthened among most manufacturers.

Overall, we see a long-term industry trend toward smaller and more fuel-efficient vehicles; the small car segment has increased its share from 14% in 2004 to nearly 21% in 2012 - one of the most significant segment shifts in the industry. Sales of small cars showed the strongest expansion of any vehicle segment in 2012, posting a 23% increase compared with overall industry expansion of just 13%. At the same time, our sales of small cars were up 29% in 2012, giving us just over 10% of the small car segment, more than a full percentage point increase compared to 2010, and our best share of the U.S. small car segment since 2003.

Mid-size cars were the fastest-growing segment of the U.S. industry following small cars. In 2012, this segment grew 21%, to represent just over 17% of U.S. industry - the segment's largest share in more than a decade. This growth can be attributed largely to the strong launch cadence of new products in the segment during 2012. Since many of the all-new high-volume mid-size cars were launched in the second half of 2012 - including our 2013 Fusion launched in September 2012 - this segment of industry should continue to benefit from last year's launch activity.

Small car-based utilities grew at a slightly slower rate during 2012, at 12%, with segment share of the U.S. industry flat compared with the prior year at about 13%. This segment likely will continue to grow in the years to come, as the

number of "baby boomers" moving toward "empty nester" status continues to multiply. Our Escape small utility produced another record sales year in 2012, with more than 260,000 vehicles sold - its best sales since launch of the vehicle in 2000. In 2012, Ford was the number-one selling brand of utility in America for the second straight year.

Although the full-size pickup segment has begun to grow, its share of total U.S. industry has remained flat over the last three years at approximately 11.5%. We will need to see a continued and sustainable recovery in the construction industry (including new housing starts) in order to see the full-size pickup segment increase significantly as a percentage of total industry sales. Another factor that could positively influence full-size pickup truck sales in the years to come is the unusually high average age of the truck population, which is now at 10 years. Within the full-size pickup truck segment, our F-Series retains strong market leadership, marking its 36th straight year as America's best-selling pickup and its 31st straight year as America's best-selling vehicle. With a total of more than 645,000 pickups sold, F-Series grabbed 39% share of the full-size pickup segment during 2012, its highest share since 2001.

ITEM 1. Business (Continued)

Our strong U.S. vehicle sales in 2012 reflected our balanced portfolio of fuel-efficient vehicles, as our passenger cars, utilities, and trucks each reported gains last year.

The data above include both retail and fleet sales. Fleet sales include sales to commercial fleet customers, daily rental car companies, and governments; in general, fleet sales tend to be less profitable than retail sales. In 2012, fleet sales were 30% of our total sales, compared with 32% in 2011; the majority was with commercial and government customers, which are more profitable than daily rentals. In 2012, our daily rental business was 12% of total sales, equal to a year ago and to industry average. As the leading manufacturer of commercial vehicles in the United States, commercial buyers are increasingly choosing Ford cars and crossovers because of our improved resale values, and continue to favor Ford trucks and vans.

Canada. Industry sales volume in Canada grew 6% in 2012. Within that total, car sales increased by 1.7 percentage points to 45% of overall industry vehicle sales, while truck sales decreased to 55% of industry sales volume. Our sales performance in the market earned Ford Canada the sales leadership title for the third year in a row. In 2012, Ford Canada earned segment leadership with Mustang, Escape, Explorer, F-150, and Super Duty. F-Series maintained truck leadership for the 47th straight year, achieving record sales of more than 106,000 units.

Mexico. Industry sales volume in Mexico grew 9% during 2012. The sales performance of our Fiesta and Ikon in the B-car segment - which is the fastest growing segment in the industry - favorably impacted our market share, although the improvement was limited by production availability. The main contributors to share decline were discontinuation of Courier, balance-out of the EcoSport in advance of introduction of the new model, limited availability of the new Escape, and suspension of the free trade agreement with Argentina that affected import of Ranger pickups. Our plans for near-term market share growth inclu