

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. REVENUE (Continued)

We also receive other revenue related to vehicle-related design and testing services we perform for others, various Mobility operations, and net commissions for serving as the agent in facilitating the sale of a third party's products or services to our customers. 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 *Company excluding Ford Credit 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 sheets 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.

Ford Credit Segment

Leasing Income. Ford Credit offers leasing plans to retail consumers through Ford and Lincoln brand dealers that originate the leases. Ford Credit records an operating lease upon purchase of a vehicle subject to a lease from the dealer. 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, which 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 *Ford Credit 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 sales-type and 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)

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

	2020	2021	2022
Net periodic pension and OPEB income/(cost), excluding service cost (Note 17)	\$ 69	\$ 5,997	\$ 1,336
Investment-related interest income	452	254	639
Interest income/(expense) on income taxes	(2)	7	(23)
Realized and unrealized gains/(losses) on cash equivalents, marketable securities, and other investments (a)	325	9,159	(7,518)
Gains/(Losses) on changes in investments in affiliates (Note 21 and Note 22)	3,446	368	(147)
Gains/(Losses) on extinguishment of debt (Note 19)	(1)	(1,702)	(121)
Royalty income	493	619	483
Other	117	31	201
Total	\$ 4,899	\$ 14,733	\$ (5,150)

(a) Includes a \$ 9.1 billion gain and \$ 7.4 billion loss on our Rivian investment during the year ended December 31, 2021 and December 31, 2022, respectively.