
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2020

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
(State of incorporation)

38-0549190
(I.R.S. Employer Identification No.)

One American Road
Dearborn, Michigan
(Address of principal executive offices)

48126
(Zip code)

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

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.01 per share	F	New York Stock Exchange
6.200% Notes due June 1, 2059	FPRB	New York Stock Exchange
6.000% Notes due December 1, 2059	FPRC	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 Exchange Act).
Yes No

As of April 24, 2020, Ford had outstanding 3,906,187,867 shares of Common Stock and 70,852,076 shares of Class B Stock.

FORD MOTOR COMPANY
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended March 31, 2020

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

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

	For the periods ended March 31,	
	2019	2020
	First Quarter (unaudited)	
Cash flows from operating activities		
Net income/(loss)	\$ 1,183	\$ (1,993)
Depreciation and tooling amortization	2,429	2,444
Other amortization	(287)	(302)
Held-for-sale impairment charges	—	3
Provision for credit and insurance losses	43	598
Pension and other post-retirement employee benefits ("OPEB") expense/(income)	(18)	(178)
Equity investment dividends received in excess of (earnings)/losses	17	118
Foreign currency adjustments	(49)	338
Net (gain)/loss on changes in investments in affiliates	(3)	(15)
Stock compensation	85	38
Provision for deferred income taxes	221	702
Decrease/(Increase) in finance receivables (wholesale and other)	(1,813)	(1,080)
Decrease/(Increase) in accounts receivable and other assets	(237)	39
Decrease/(Increase) in inventory	(1,083)	(1,177)
Increase/(Decrease) in accounts payable and accrued and other liabilities	2,944	194
Other	112	(202)
Net cash provided by/(used in) operating activities	3,544	(473)
Cash flows from investing activities		
Capital spending	(1,633)	(1,780)
Acquisitions of finance receivables and operating leases	(12,595)	(12,184)
Collections of finance receivables and operating leases	12,336	12,709
Proceeds from sale of business (Note 17)	—	1,340
Purchases of marketable securities and other investments	(3,923)	(8,244)
Sales and maturities of marketable securities and other investments	4,441	4,998
Settlements of derivatives	(14)	131
Other	54	(84)
Net cash provided by/(used in) investing activities	(1,334)	(3,114)
Cash flows from financing activities		
Cash payments for dividends and dividend equivalents	(597)	(596)
Purchases of common stock	—	—
Net changes in short-term debt	420	(622)
Proceeds from issuance of long-term debt	15,411	26,691
Principal payments on long-term debt	(13,277)	(12,948)
Other	(84)	(71)
Net cash provided by/(used in) financing activities	1,873	12,454
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	29	(448)
Net increase/(decrease) in cash, cash equivalents, and restricted cash	\$ 4,112	\$ 8,419
Cash, cash equivalents, and restricted cash at beginning of period (Note 7)	\$ 16,907	\$ 17,741
Net increase/(decrease) in cash, cash equivalents, and restricted cash	4,112	8,419
Cash, cash equivalents, and restricted cash at end of period (Note 7)	\$ 21,019	\$ 26,160

The accompanying notes are part of the consolidated financial statements.

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

	For the periods ended March 31,	
	2019	2020
	First Quarter	
	(unaudited)	
Revenues		
Automotive	\$ 37,239	\$ 31,340
Ford Credit	3,097	2,967
Mobility	6	13
Total revenues (Note 3)	40,342	34,320
Costs and expenses		
Cost of sales	33,942	30,522
Selling, administrative, and other expenses	2,843	2,432
Ford Credit interest, operating, and other expenses	2,355	2,924
Total costs and expenses	39,140	35,878
Operating income/(loss)	1,202	(1,558)
Interest expense on Automotive debt	231	214
Interest expense on Other debt	14	13
Other income/(loss), net (Note 4)	628	680
Equity in net income/(loss) of affiliated companies	25	(41)
Income/(Loss) before income taxes	1,610	(1,146)
Provision for/(Benefit from) income taxes	427	847
Net income/(loss)	1,183	(1,993)
Less: Income/(Loss) attributable to noncontrolling interests	37	—
Net income/(loss) attributable to Ford Motor Company	\$ 1,146	\$ (1,993)
EARNINGS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 6)		
Basic income/(loss)	\$ 0.29	\$ (0.50)
Diluted income/(loss)	0.29	(0.50)
Weighted-average shares used in computation of earnings per share		
Basic shares	3,973	3,963
Diluted shares	3,997	3,963

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the periods ended March 31,	
	2019	2020
	First Quarter	
	(unaudited)	
Net income/(loss)	\$ 1,183	\$ (1,993)
Other comprehensive income/(loss), net of tax (Note 18)		
Foreign currency translation	243	(1,453)
Marketable securities	63	14
Derivative instruments	(446)	692
Pension and other postretirement benefits	5	14
Total other comprehensive income/(loss), net of tax	(135)	(733)
Comprehensive income/(loss)	1,048	(2,726)
Less: Comprehensive income/(loss) attributable to noncontrolling interests	37	—
Comprehensive income/(loss) attributable to Ford Motor Company	\$ 1,011	\$ (2,726)

The accompanying notes are part of the consolidated financial statements.

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

	December 31, 2019	March 31, 2020
	(unaudited)	
ASSETS		
Cash and cash equivalents (Note 7)	\$ 17,504	\$ 25,971
Marketable securities (Note 7)	17,147	20,399
Ford Credit finance receivables, net of allowance for credit losses of \$162 and \$389 (Note 8)	53,651	54,889
Trade and other receivables, less allowances of \$63 and \$72	9,237	6,625
Inventories (Note 9)	10,786	11,312
Assets held for sale (Note 17)	2,383	700
Other assets	3,339	4,380
Total current assets	114,047	124,276
Ford Credit finance receivables, net of allowance for credit losses of \$351 and \$842 (Note 8)	53,703	51,141
Net investment in operating leases	29,230	28,514
Net property	36,469	35,294
Equity in net assets of affiliated companies	2,519	2,275
Deferred income taxes	11,863	10,922
Other assets	10,706	11,728
Total assets	\$ 258,537	\$ 264,150
LIABILITIES		
Payables	\$ 20,673	\$ 18,439
Other liabilities and deferred revenue (Note 12)	22,987	22,674
Automotive debt payable within one year (Note 14)	1,445	1,609
Ford Credit debt payable within one year (Note 14)	52,371	51,303
Other debt payable within one year (Note 14)	130	—
Liabilities held for sale (Note 17)	526	469
Total current liabilities	98,132	94,494
Other liabilities and deferred revenue (Note 12)	25,324	25,105
Automotive long-term debt (Note 14)	13,233	28,411
Ford Credit long-term debt (Note 14)	87,658	85,533
Other long-term debt (Note 14)	470	470
Deferred income taxes	490	439
Total liabilities	225,307	234,452
EQUITY		
Common Stock, par value \$.01 per share (4,023 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	22,165	22,150
Retained earnings	20,320	17,527
Accumulated other comprehensive income/(loss) (Note 18)	(7,728)	(8,461)
Treasury stock	(1,613)	(1,607)
Total equity attributable to Ford Motor Company	33,185	29,650
Equity attributable to noncontrolling interests	45	48
Total equity	33,230	29,698
Total liabilities and equity	\$ 258,537	\$ 264,150

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.

	December 31, 2019	March 31, 2020
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 3,202	\$ 2,549
Ford Credit finance receivables, net	58,478	54,038
Net investment in operating leases	14,883	14,410
Other assets	12	1
LIABILITIES		
Other liabilities and deferred revenue	\$ 19	\$ 110
Debt	50,865	48,379

The accompanying notes are part of the consolidated financial statements.

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

	Equity Attributable to Ford Motor Company						Equity Attributable to Non- controlling Interests	Total Equity
	Capital Stock	Cap. In Excess of Par Value of Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss) (Note 18)	Treasury Stock	Total		
Balance at December 31, 2018	\$ 41	\$ 22,006	\$ 22,668	\$ (7,366)	\$ (1,417)	\$ 35,932	\$ 34	\$ 35,966
Adoption of accounting standards	—	—	13	—	—	13	—	13
Net income	—	—	1,146	—	—	1,146	37	1,183
Other comprehensive income/(loss), net	—	—	—	(135)	—	(135)	—	(135)
Common stock issued (a)	—	20	—	—	—	20	—	20
Treasury stock/other	—	—	—	—	23	23	(35)	(12)
Dividends and dividend equivalents declared (\$0.15 per share) (b)	—	—	(601)	—	—	(601)	—	(601)
Balance at March 31, 2019	\$ 41	\$ 22,026	\$ 23,226	\$ (7,501)	\$ (1,394)	\$ 36,398	\$ 36	\$ 36,434
Balance at December 31, 2019	\$ 41	\$ 22,165	\$ 20,320	\$ (7,728)	\$ (1,613)	\$ 33,185	\$ 45	\$ 33,230
Adoption of accounting standards	—	—	(202)	—	—	(202)	—	(202)
Net income/(loss)	—	—	(1,993)	—	—	(1,993)	—	(1,993)
Other comprehensive income/(loss), net	—	—	—	(733)	—	(733)	—	(733)
Common stock issued (a)	—	(15)	—	—	—	(15)	—	(15)
Treasury stock/other	—	—	—	—	6	6	3	9
Dividends and dividend equivalents declared (\$0.15 per share) (b)	—	—	(598)	—	—	(598)	—	(598)
Balance at March 31, 2020	\$ 41	\$ 22,150	\$ 17,527	\$ (8,461)	\$ (1,607)	\$ 29,650	\$ 48	\$ 29,698

(a) Includes impacts of share-based compensation.

(b) Dividends and dividend equivalents declared for Common and Class B Stock.

The accompanying notes are part of the consolidated financial statements.

**FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

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**FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

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 consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information, instructions to the Quarterly Report on Form 10-Q, and Rule 10-01 of Regulation S-X.

In the opinion of management, these unaudited financial statements reflect a fair statement of our results of operations and financial condition for the periods, and at the dates, presented. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. Reference should be made to the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2019 (“2019 Form 10-K Report”).

Global Pandemic

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic and recommended containment and mitigation measures. Since then, extraordinary actions have been taken by international, federal, state, and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19 in regions throughout the world. These actions include travel bans, quarantines, “stay-at-home” orders, and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations.

Consistent with the actions taken by governmental authorities, in late March 2020, we idled our manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February, but began resuming operations in March. In addition, nearly all of our non-production employees outside of China are currently working remotely in order to reduce the spread of COVID-19.

To ensure the Company maintains sufficient cash reserves while taking these unprecedented actions in our operations, on March 19, 2020, we announced the suspension of our regular quarterly dividend and fully drew our corporate and supplemental revolving credit facilities for \$15.4 billion (see Note 14). To further enhance our liquidity, on April 22, 2020, we issued in the aggregate \$8 billion of three-year, five-year, and ten-year public, unsecured debt securities (see Note 21).

The full impact of the COVID-19 pandemic on our full year financial results will depend on future developments, such as the ultimate duration and scope of the outbreak, its impact on our customers, dealers, and suppliers, the rate at which economic conditions, operations, and demand for our products return to pre-COVID-19 levels, and the risk of a recession in key markets due to the effects of the pandemic. Although the ultimate impact on Ford cannot be determined at this time, we expect our full year 2020 results of operations to be adversely affected.

Our first quarter 2020 results include various adjustments to our assets and liabilities made due to the impact of COVID-19, the most significant of which were a valuation allowance of \$855 million on certain deferred tax assets (see Note 5), a charge of \$486 million to the provision for credit losses on Ford Credit’s finance receivables (see Note 8), and approximately \$100 million of adjustments to net realizable value for certain assets to account for declines in auction values. Our assessments of the effect of COVID-19 on our financial statements, including estimates, are based on a variety of factors and are subject to many uncertainties.

Although the potential magnitude and duration of the business and economic impacts of COVID-19 are uncertain, we believe the phased restart of our manufacturing plants, supply network, and other dependent functions is probable of commencing in the second quarter of 2020. We believe this, along with our cash on hand at March 31, 2020, funds received in April 2020 in connection with our unsecured debt offering, and management’s operating plan, will provide sufficient liquidity to fund our operations for at least the next twelve months from the issuance of these financial statements. If we experience a significant delay in the phased restart of our manufacturing operations, or we are unable to maintain expected levels of production, we may take additional actions, such as further reducing costs or seeking additional financing.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. NEW ACCOUNTING STANDARDS**Adoption of New Accounting Standards**

Accounting Standards Update (“ASU”) 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments. On January 1, 2020, we adopted the new credit loss standard and all of the related amendments, which replaced the incurred loss impairment method with a method that reflects lifetime expected credit losses. We adopted the changes in accounting for credit losses by recognizing the cumulative effect of initially applying the new credit loss 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 standard in effect for those periods.

The cumulative effect of the changes made to our consolidated balance sheet at January 1, 2020, for the adoption of *ASU 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments*, was as follows (in millions):

	<u>Balance at December 31, 2019</u>	<u>Adjustments due to ASU 2016-13</u>	<u>Balance at January 1, 2020</u>
Assets			
Ford Credit finance receivables, net, current	\$ 53,651	\$ (69)	\$ 53,582
Trade and other receivables, net	9,237	(3)	9,234
Ford Credit finance receivables, net, non-current	53,703	(183)	53,520
Equity in net assets of affiliated companies	2,519	(7)	2,512
Deferred income taxes	11,863	2	11,865
Liabilities			
Deferred income taxes	490	(58)	432
Equity			
Retained earnings	20,320	(202)	20,118

We also adopted the following ASUs during 2020, none of which had a material impact to our consolidated financial statements or financial statement disclosures:

ASU	Effective Date
2020-01 Clarifying the Interaction between Equity Securities, Equity Method and Joint Ventures, and Derivatives and Hedging	January 1, 2020
2018-18 Clarifying the Interaction between Collaborative Arrangements and Revenue from Contracts with Customers	January 1, 2020
2018-15 Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract	January 1, 2020

Accounting Standards Issued But Not Yet Adopted

The Company considers the applicability and impact of all ASUs. ASUs were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. REVENUE

The following table disaggregates our revenue by major source for the periods ended March 31 (in millions):

	First Quarter 2019			
	Automotive	Mobility	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 35,576	\$ —	\$ —	\$ 35,576
Used vehicles	1,020	—	—	1,020
Extended service contracts	333	—	—	333
Other revenue	213	6	51	270
Revenues from sales and services	<u>37,142</u>	<u>6</u>	<u>51</u>	<u>37,199</u>
Leasing income	97	—	1,477	1,574
Financing income	—	—	1,528	1,528
Insurance income	—	—	41	41
Total revenues	<u>\$ 37,239</u>	<u>\$ 6</u>	<u>\$ 3,097</u>	<u>\$ 40,342</u>

	First Quarter 2020			
	Automotive	Mobility	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 29,841	\$ —	\$ —	\$ 29,841
Used vehicles	931	—	—	931
Extended service contracts	364	—	—	364
Other revenue	146	13	41	200
Revenues from sales and services	<u>31,282</u>	<u>13</u>	<u>41</u>	<u>31,336</u>
Leasing income	58	—	1,459	1,517
Financing income	—	—	1,425	1,425
Insurance income	—	—	42	42
Total revenues	<u>\$ 31,340</u>	<u>\$ 13</u>	<u>\$ 2,967</u>	<u>\$ 34,320</u>

The amount of consideration we receive and revenue we recognize on our vehicles, parts, and accessories varies with changes in return rights and marketing incentives we offer to our customers and their customers. Estimates of marketing incentives are based on expected retail and fleet sales volumes, mix of products to be sold, and incentive programs to be offered. Customer acceptance of products and programs, as well as other market conditions, will impact these estimates. As a result of changes in our estimate of marketing incentives, we recorded a decrease related to revenue recognized in prior periods of \$481 million and \$885 million in the first quarter of 2019 and 2020, respectively. The change in estimate for the first quarter of 2020 includes additional marketing incentives offered to customers in connection with market conditions affected by the COVID-19 pandemic.

We sell separately-priced service contracts that extend mechanical and maintenance coverages beyond our base warranty agreements to vehicle owners (“extended service contracts”). We had a balance of \$4.2 billion and \$4.1 billion of unearned revenue associated with outstanding contracts reported in *Other liabilities and deferred revenue* at December 31, 2019 and March 31, 2020, respectively. We expect to recognize approximately \$1 billion of the unearned amount in the remainder of 2020, \$1.1 billion in 2021, and \$2 billion thereafter. We recognized \$305 million and \$330 million of unearned amounts as revenue during the first quarter of 2019 and 2020, respectively.

Amounts paid to dealers to obtain these contracts are deferred and recorded as *Other assets*. We had a balance of \$270 million and \$280 million in deferred costs as of December 31, 2019 and March 31, 2020, respectively. We recognized \$19 million and \$20 million of amortization during the first quarter of 2019 and 2020, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. OTHER INCOME/(LOSS)

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

	First Quarter	
	2019	2020
Net periodic pension and OPEB income/(cost), excluding service cost	\$ 272	\$ 451
Investment-related interest income	203	162
Interest income/(expense) on income taxes	(20)	(23)
Realized and unrealized gains/(losses) on cash equivalents, marketable securities, and other investments	67	(32)
Gains/(Losses) on changes in investments in affiliates	3	15
Royalty income	84	89
Other	19	18
Total	<u>\$ 628</u>	<u>\$ 680</u>

NOTE 5. INCOME TAXES

For interim tax reporting, we estimate one single effective tax rate for tax jurisdictions not subject to a valuation allowance, which is applied to the year-to-date ordinary income/(loss). Tax effects of significant unusual or infrequently occurring items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

During the first quarter of 2020, based on all available evidence, we established an \$855 million valuation allowance against certain tax credits as it is more likely than not that these deferred tax assets will not be realized. In assessing the realizability of deferred tax assets, we have changed our priorities due to the effects of COVID-19 on our operations. We are currently prioritizing preservation of near-term cash in-lieu of long-term planning actions, which could have resulted in cash outlays to preserve some of our tax credits.

NOTE 6. CAPITAL STOCK AND EARNINGS PER SHARE**Earnings Per Share Attributable to Ford Motor Company Common and Class B Stock**

Basic and diluted income/(loss) per share were calculated using the following (in millions):

	First Quarter	
	2019	2020
Basic and Diluted Income/(Loss) Attributable to Ford Motor Company		
Basic income/(loss)	\$ 1,146	\$ (1,993)
Diluted income/(loss)	1,146	(1,993)
Basic and Diluted Shares		
Basic shares (average shares outstanding)	3,973	3,963
Net dilutive options, unvested restricted stock units, and unvested restricted stock shares (a)	24	—
Diluted shares	<u>3,997</u>	<u>3,963</u>

(a) Not included in the calculation of diluted earnings per share, due to their antidilutive effect, are 30 million shares for the first quarter of 2020.

**FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES

Cash Equivalents

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 consolidated 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.

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 *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 credit losses. We compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis of the security, we determine if a credit loss allowance is necessary. If a credit loss allowance is necessary, we will record an allowance, limited by the amount that fair value is less than the amortized cost basis, and recognize the corresponding charge in *Other income/(loss), net*. Factors we consider to make such determination include the severity of the impairment, the reason for the decline in value, interest rate changes, and counterparty long-term ratings.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES (Continued)

The fair values of cash, cash equivalents, and marketable securities measured at fair value on a recurring basis were as follows (in millions):

	Fair Value Level	December 31, 2019			
		Automotive	Mobility	Ford Credit	Consolidated
Cash and cash equivalents					
U.S. government	1	\$ 520	\$ —	\$ —	\$ 520
U.S. government agencies	2	125	—	—	125
Non-U.S. government and agencies	2	601	—	350	951
Corporate debt	2	642	—	604	1,246
Total marketable securities classified as cash equivalents		1,888	—	954	2,842
Cash, time deposits, and money market funds		6,432	117	8,113	14,662
Total cash and cash equivalents		\$ 8,320	\$ 117	\$ 9,067	\$ 17,504
Marketable securities					
U.S. government	1	\$ 2,930	\$ —	\$ 195	\$ 3,125
U.S. government agencies	2	1,548	—	210	1,758
Non-U.S. government and agencies	2	4,217	—	2,408	6,625
Corporate debt	2	4,802	—	193	4,995
Equities (a)	1	81	—	—	81
Other marketable securities	2	273	—	290	563
Total marketable securities		\$ 13,851	\$ —	\$ 3,296	\$ 17,147
Restricted cash		\$ 15	\$ 21	\$ 139	\$ 175
Cash, cash equivalents, and restricted cash in held-for-sale assets		\$ —	\$ —	\$ 62	\$ 62

	Fair Value Level	March 31, 2020			
		Automotive	Mobility	Ford Credit	Consolidated
Cash and cash equivalents					
U.S. government	1	\$ 3,150	\$ —	\$ 825	\$ 3,975
U.S. government agencies	2	3,024	—	200	3,224
Non-U.S. government and agencies	2	795	—	378	1,173
Corporate debt	2	480	—	598	1,078
Total marketable securities classified as cash equivalents		7,449	—	2,001	9,450
Cash, time deposits, and money market funds		8,799	95	7,627	16,521
Total cash and cash equivalents		\$ 16,248	\$ 95	\$ 9,628	\$ 25,971
Marketable securities					
U.S. government	1	\$ 4,772	\$ —	\$ 294	\$ 5,066
U.S. government agencies	2	3,985	—	160	4,145
Non-U.S. government and agencies	2	3,787	—	1,520	5,307
Corporate debt	2	5,094	—	199	5,293
Equities (a)	1	41	—	—	41
Other marketable securities	2	267	—	280	547
Total marketable securities		\$ 17,946	\$ —	\$ 2,453	\$ 20,399
Restricted cash		\$ 18	\$ 21	\$ 150	\$ 189
Cash, cash equivalents, and restricted cash in held-for-sale assets		\$ —	\$ —	\$ —	\$ —

(a) Net unrealized gains/losses incurred during the reporting periods on equity securities still held at December 31, 2019 and March 31, 2020 were a \$44 million loss and a \$38 million loss, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES (Continued)

The cash equivalents and marketable securities accounted for as available-for-sale (“AFS”) securities were as follows (in millions):

	December 31, 2019						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Fair Value of Securities with Contractual Maturities		
					Within 1 Year	After 1 Year through 5 Years	After 5 Years
Automotive							
U.S. government	\$ 2,839	\$ 11	\$ (1)	\$ 2,849	\$ 1,028	\$ 1,772	\$ 49
U.S. government agencies	1,445	2	(1)	1,446	830	589	27
Non-U.S. government and agencies	3,925	20	(1)	3,944	1,546	2,398	—
Corporate debt	5,029	53	—	5,082	1,837	3,245	—
Other marketable securities	230	1	—	231	—	149	82
Total	<u>\$ 13,468</u>	<u>\$ 87</u>	<u>\$ (3)</u>	<u>\$ 13,552</u>	<u>\$ 5,241</u>	<u>\$ 8,153</u>	<u>\$ 158</u>

	March 31, 2020						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Fair Value of Securities with Contractual Maturities		
					Within 1 Year	After 1 Year through 5 Years	After 5 Years
Automotive							
U.S. government	\$ 2,598	\$ 71	\$ —	\$ 2,669	\$ 574	\$ 2,033	\$ 62
U.S. government agencies	1,329	14	—	1,343	444	822	77
Non-U.S. government and agencies	3,625	55	(1)	3,679	1,594	2,085	—
Corporate debt	5,197	23	(55)	5,165	1,845	3,293	27
Other marketable securities	227	—	(4)	223	—	153	70
Total	<u>\$ 12,976</u>	<u>\$ 163</u>	<u>\$ (60)</u>	<u>\$ 13,079</u>	<u>\$ 4,457</u>	<u>\$ 8,386</u>	<u>\$ 236</u>

Sales proceeds and gross realized gains/losses from the sale of AFS securities for the periods ended March 31 were as follows (in millions):

	First Quarter	
	2019	2020
Automotive		
Sales proceeds	\$ 1,142	\$ 1,865
Gross realized gains	2	7
Gross realized losses	5	7

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. 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, 2019					
	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	\$ 183	\$ (1)	\$ 50	\$ —	\$ 233	\$ (1)
U.S. government agencies	370	(1)	344	—	714	(1)
Non-U.S. government and agencies	463	—	390	(1)	853	(1)
Corporate debt	29	—	53	—	82	—
Other marketable securities	59	—	17	—	76	—
Total	<u>\$ 1,104</u>	<u>\$ (2)</u>	<u>\$ 854</u>	<u>\$ (1)</u>	<u>\$ 1,958</u>	<u>\$ (3)</u>
	March 31, 2020					
	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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. government agencies	70	—	42	—	112	—
Non-U.S. government and agencies	377	(1)	25	—	402	(1)
Corporate debt	2,023	(54)	24	(1)	2,047	(55)
Other marketable securities	160	(3)	20	(1)	180	(4)
Total	<u>\$ 2,630</u>	<u>\$ (58)</u>	<u>\$ 111</u>	<u>\$ (2)</u>	<u>\$ 2,741</u>	<u>\$ (60)</u>

We determine credit losses on cash equivalents and marketable securities using the specific identification method. During the first quarter of 2020, we did not recognize any credit loss. The unrealized losses on securities are due to changes in interest rates and market liquidity.

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash, as reported in the consolidated statement of cash flows, were as follows (in millions):

	December 31, 2019	March 31, 2020
Cash and cash equivalents	\$ 17,504	\$ 25,971
Restricted cash (a)	175	189
Cash, cash equivalents, and restricted cash in held-for-sale assets	62	—
Total cash, cash equivalents, and restricted cash	<u>\$ 17,741</u>	<u>\$ 26,160</u>

(a) Included in *Other assets* in the non-current assets section of our consolidated balance sheet.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

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

For all finance receivables, Ford Credit defines “past due” as any payment, including principal and interest, that is at least 31 days past the contractual due date.

Ford Credit finance receivables, net were as follows (in millions):

	December 31, 2019	March 31, 2020
Consumer		
Retail installment contracts, gross	\$ 68,905	\$ 66,116
Finance leases, gross	8,566	8,107
Retail financing, gross	77,471	74,223
Unearned interest supplements	(3,589)	(3,402)
Consumer finance receivables	73,882	70,821
Non-Consumer		
Dealer financing	33,985	36,440
Non-Consumer finance receivables	33,985	36,440
Total recorded investment	<u>\$ 107,867</u>	<u>\$ 107,261</u>
Recorded investment in finance receivables	\$ 107,867	\$ 107,261
Allowance for credit losses	(513)	(1,231)
Finance receivables, net	<u>\$ 107,354</u>	<u>\$ 106,030</u>
Current portion	\$ 53,651	\$ 54,889
Non-current portion	53,703	51,141
Total finance receivables, net	<u>\$ 107,354</u>	<u>\$ 106,030</u>
Net finance receivables subject to fair value (a)	\$ 99,168	\$ 98,332
Fair value (b)	99,297	98,513

(a) Net finance receivables subject to fair value exclude finance leases.

(b) The fair value of finance receivables is categorized within Level 3 of the fair value hierarchy.

Ford Credit’s finance leases are comprised of sales-type and direct financing leases. Financing revenue from finance leases for the first quarter of 2019 and 2020 was \$92 million and \$95 million, respectively, and is included in *Ford Credit revenues* on our consolidated income statement.

At December 31, 2019 and March 31, 2020, accrued interest was \$251 million and \$239 million, respectively, which we report in *Other assets* in the current assets section of our consolidated balance sheet.

Included in the recorded investment in finance receivables at December 31, 2019 and March 31, 2020, were consumer receivables of \$38.3 billion and \$37 billion, respectively, and non-consumer receivables of \$26.8 billion and \$25.7 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.

The value of finance receivables considered held for sale at December 31, 2019 was \$1.5 billion, primarily made up of \$1.2 billion of Forso Nordic AB (“Forso”) finance receivables. At March 31, 2020, there were \$36 million of certain wholesale finance receivables specifically identified as held for sale. These held-for-sale values are reported in *Assets held for sale* on our consolidated balance sheet. See Note 17 for more information.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)**Credit Quality**

Consumer Portfolio. Credit quality ratings for consumer receivables are based on aging. 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.

The credit quality analysis of consumer receivables at December 31, 2019 was as follows (in millions):

	Total
Consumer	
31 - 60 days past due	\$ 839
61 - 120 days past due	166
Greater than 120 days past due	35
Total past due	1,040
Current	72,842
Total	\$ 73,882

The credit quality analysis of consumer receivables at March 31, 2020 was as follows (in millions):

	Amortized Cost Basis by Origination Year						Total
	Prior to 2016	2016	2017	2018	2019	2020	
Consumer							
31 - 60 days past due	\$ 79	\$ 95	\$ 139	\$ 185	\$ 143	\$ 10	\$ 651
61 - 120 days past due	13	21	36	43	35	1	149
Greater than 120 days past due	16	7	6	6	2	—	37
Total past due	108	123	181	234	180	11	837
Current	2,181	5,080	11,048	19,267	26,210	6,198	69,984
Total	\$ 2,289	\$ 5,203	\$ 11,229	\$ 19,501	\$ 26,390	\$ 6,209	\$ 70,821

Non-Consumer Portfolio. Ford Credit uses 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 are considered most significant in predicting a dealer's ability to meet its financial obligations. Ford Credit also considers numerous other financial and qualitative factors of the dealer's operations, including capitalization and leverage, liquidity and cash flow, profitability, and credit history with Ford Credit and other creditors. The credit quality of dealer financing receivables is evaluated based on an internal dealer risk rating analysis.

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.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The credit quality analysis of dealer financing receivables at December 31, 2019 was as follows (in millions):

	Total
Dealer financing	
Group I	\$ 26,281
Group II	5,407
Group III	2,108
Group IV	189
Total (a)	\$ 33,985

(a) Total past due dealer financing receivables at December 31, 2019 were \$62 million.

The credit quality analysis of dealer financing receivables at March 31, 2020 was as follows (in millions):

	Amortized Cost Basis by Origination Year						Total	Wholesale Loans	Total
	Dealer Loans								
	Prior to 2016	2016	2017	2018	2019	2020			
Group I	\$ 676	\$ 147	\$ 154	\$ 276	\$ 120	\$ 122	\$ 1,495	\$ 26,774	\$ 28,269
Group II	31	30	28	14	24	45	172	5,886	6,058
Group III	9	—	4	17	22	17	69	1,943	2,012
Group IV	2	1	—	—	2	4	9	92	101
Total (a)	\$ 718	\$ 178	\$ 186	\$ 307	\$ 168	\$ 188	\$ 1,745	\$ 34,695	\$ 36,440

(a) Total past due dealer financing receivables at March 31, 2020 were \$34 million.

Non-Accrual of Revenue. The accrual of financing revenue is discontinued at the time a receivable is determined to be uncollectible or when it is 90 days past due. Accounts may be restored to accrual status only when a customer settles all past-due deficiency balances and future payments are reasonably assured. For receivables in non-accrual status, subsequent financing revenue is recognized only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

Troubled Debt Restructuring ("TDR"). A restructuring of debt constitutes a TDR if a concession is granted to a debtor for economic or legal reasons related to the debtor's financial difficulties that Ford Credit 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. Ford Credit does not grant concessions on the principal balance of the 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.

Ford Credit has offered several programs to provide relief to customers and dealers during the COVID-19 pandemic. These programs, which were broadly available to customers and dealers, included payment extensions. Ford Credit concluded that these programs did not meet TDR criteria.

**FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for Credit Losses

The allowance for credit losses represents an estimate of the lifetime expected credit losses inherent in finance receivables as of the balance sheet date.

Additions to the allowance for credit losses are made by recording charges to *Ford Credit interest, operating, and other expenses* on our consolidated 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 or borrower, the value of the collateral, recourse to guarantors, and other factors.

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. In the event Ford Credit repossesses the collateral, the receivable is charged off and the collateral is recorded at its estimated fair value less costs to sell and reported in *Other assets* on our consolidated balance sheet.

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 finance leases with retail customers, government entities, daily rental companies, and fleet customers.

For consumer receivables that share similar risk characteristics such as product type, initial credit risk, term, vintage, geography, and other relevant factors, Ford Credit estimates the lifetime expected credit loss allowance based on a collective assessment using measurement models and management judgment. The lifetime expected credit losses for the receivables is determined by applying probability of default and loss given default models to monthly expected exposures, then discounting these cash flows to present value using the receivable's original effective interest rate or the current effective interest rate for a variable rate receivable. Probability of default models are developed from internal risk scoring models taking into account the expected probability of payment and time to default, adjusted for macroeconomic outlook and recent performance. The models consider factors such as risk evaluation at the time of origination, historical trends in credit losses (which include the impact of TDRs), and the composition and recent performance of the present portfolio (including vehicle brand, term, risk evaluation, and new / used vehicles). The loss given default is the percentage of the expected balance due at default that is not recoverable, taking into account the expected collateral value and trends in recoveries (including key metrics such as delinquencies, repossessions, and bankruptcies). Monthly exposures are equal to the receivables' expected outstanding principal and interest balance.

The loss allowance incorporates forward-looking macroeconomic conditions for baseline, upturn, and downturn scenarios. Three separate credit loss allowances are calculated from these scenarios. They are then probability-weighted to determine the credit loss allowance recognized in the financial statements. Ford Credit uses forecasts from a third party that revert to a long-term historical average after a reasonable and supportable forecasting period, which is specific to the particular macroeconomic variable and which varies by market. Ford Credit updates the forward-looking macroeconomic forecasts quarterly.

If management does not believe these models reflect lifetime expected credit losses for the portfolio, an adjustment is made to reflect management judgment regarding observable changes in recent or expected economic trends and conditions, portfolio composition, and other relevant factors.

On an ongoing basis, Ford Credit reviews its models, including macroeconomic factors, the selection of macroeconomic scenarios, and their weighting, to ensure they reflect the risk of the portfolio.

**FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Non-Consumer Portfolio

Dealer financing includes wholesale loans to dealers to finance vehicle inventory, also known as floorplan financing, as well as loans to dealers to finance working capital, improvements to dealership facilities, to finance purchase of dealership real estate, and to finance other dealer programs.

Dealer financing is evaluated on an individual dealer basis by segmenting dealers by risk characteristics (such as the amount of the loans, the nature of the collateral, financial status of the dealer, and TDR modifications) to determine if an individual dealer requires a specific allowance for credit loss. If required, the allowance is based on the present value of the expected future cash flows of the dealer's receivables discounted at the loans' original effective interest rate or the fair value of the collateral adjusted for estimated costs to sell.

For the remaining dealer financing, Ford Credit estimates an allowance for credit losses on a collective basis.

Wholesale Loans. Ford Credit estimates the allowance for credit losses for wholesale loans based on historical loss-to-receivable (LTR) ratios, expected future cash flows, and the fair value of collateral. For wholesale loans with similar risk characteristics, the allowance for credit losses is estimated on a collective basis using the LTR model and management judgment. The LTR model is based on the most recent years of history. An LTR 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 is multiplied by the end-of-period balances, representing the lifetime expected credit loss reserve.

Dealer Loans. Ford Credit uses a weighted-average remaining maturity method to estimate the lifetime expected credit loss reserve for dealer loans. The loss model is based on the industry-wide commercial real estate credit losses, adjusted to factor in the historical credit losses for the dealer loans portfolio. The expected credit loss is calculated under different economic scenarios and are weighted to provide the total lifetime expected credit loss.

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 forward-looking economic factors, an adjustment is made based on management judgment.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

An analysis of the allowance for credit losses related to finance receivables for the periods ended March 31 was as follows (in millions):

	First Quarter 2019 (a)		
	Consumer	Non-Consumer	Total
Allowance for credit losses			
Beginning balance	\$ 566	\$ 23	\$ 589
Charge-offs	(137)	(17)	(154)
Recoveries	43	2	45
Provision for credit losses	24	9	33
Other	—	—	—
Ending balance	<u>\$ 496</u>	<u>\$ 17</u>	<u>\$ 513</u>
	First Quarter 2020		
	Consumer	Non-Consumer	Total
Allowance for credit losses			
Beginning balance	\$ 496	\$ 17	\$ 513
Adoption of ASU 2016-13 (b)	247	5	252
Charge-offs	(145)	(1)	(146)
Recoveries	43	2	45
Provision for credit losses	534	52	586
Other (c)	(18)	(1)	(19)
Ending balance	<u>\$ 1,157</u>	<u>\$ 74</u>	<u>\$ 1,231</u>

(a) The comparative information has not been restated and continues to be reported under the accounting standard in effect during 2019.

(b) Cumulative pre-tax adjustments recorded to retained earnings as of January 1, 2020. See Note 2 for additional information.

(c) Primarily represents amounts related to translation adjustments.

During the first quarter of 2020, the allowance for credit losses increased \$718 million reflecting an increase to the reserve of \$252 million related to the adoption of ASU 2016-13 and an increase of \$486 million primarily attributable to COVID-19, offset by a decrease for translation adjustments. The economic uncertainty, along with government mandated stay-at-home orders, which resulted in extensive temporary closures of businesses and drove a significant increase in unemployment, is expected to increase the probability of default and loss given default rates in the consumer portfolio over the next twelve months, especially in the United States. These economic trends and conditions are also expected to negatively impact the dealers. While we anticipate government relief programs, Ford Credit's customer payment deferral programs, and dealer support actions to mitigate these impacts, the overall result on credit losses is expected to be adverse.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. INVENTORIES

Inventories were as follows (in millions):

	December 31, 2019	March 31, 2020
Raw materials, work-in-process, and supplies	\$ 4,402	\$ 4,598
Finished products	6,384	6,714
Total inventories	<u>\$ 10,786</u>	<u>\$ 11,312</u>

NOTE 10. OTHER INVESTMENTS

We have investments in entities for which we do not have the ability to exercise significant influence and fair values are not readily available. We record these investments at cost (less impairment, if any), adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer. We report the carrying value of these investments in *Other assets* in the non-current assets section of our consolidated balance sheet. These investments were \$1.2 billion at both December 31, 2019 and March 31, 2020. In the first quarter of 2020, there were no material adjustments to the fair values of these investments held at March 31, 2020.

NOTE 11. GOODWILL

The net carrying amount of goodwill was \$278 million at both December 31, 2019 and March 31, 2020, and is reported in *Other assets* in the non-current assets section of our consolidated balance sheet.

NOTE 12. OTHER LIABILITIES AND DEFERRED REVENUE

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

	December 31, 2019	March 31, 2020
Current		
Dealer and dealers' customer allowances and claims	\$ 13,113	\$ 13,257
Deferred revenue	2,091	2,111
Employee benefit plans	1,857	1,612
Accrued interest	1,128	819
OPEB (a)	332	326
Pension (a)	185	183
Operating lease liabilities	367	361
Other	3,914	4,005
Total current other liabilities and deferred revenue	<u>\$ 22,987</u>	<u>\$ 22,674</u>
Non-current		
Pension (a)	\$ 9,878	\$ 9,414
OPEB (a)	5,740	5,605
Dealer and dealers' customer allowances and claims	1,921	2,252
Deferred revenue	4,191	4,140
Operating lease liabilities	1,047	1,006
Employee benefit plans	1,104	1,097
Other	1,443	1,591
Total non-current other liabilities and deferred revenue	<u>\$ 25,324</u>	<u>\$ 25,105</u>

(a) Balances at March 31, 2020 reflect pension and OPEB liabilities at December 31, 2019, updated for service and interest cost, expected return on assets, curtailment and settlement gains and associated interim remeasurement (where applicable), separation expense, actual benefit payments, and cash contributions. For plans without interim remeasurement, the discount rate and rate of expected return assumptions are unchanged from year-end 2019. Included in *Other assets* are pension assets of \$3.2 billion and \$3.4 billion at December 31, 2019 and March 31, 2020, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. RETIREMENT BENEFITS**Defined Benefit Plans - Expense**

The pre-tax net periodic benefit cost/(income) for our defined benefit pension and OPEB plans for the periods ended March 31 were as follows (in millions):

	First Quarter					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Worldwide OPEB	
	2019	2020	2019	2020	2019	2020
Service cost	\$ 114	\$ 130	\$ 129	\$ 131	\$ 11	\$ 12
Interest cost	409	323	176	133	53	43
Expected return on assets	(649)	(699)	(286)	(267)	—	—
Amortization of prior service costs/(credits)	22	1	8	9	(18)	(4)
Net remeasurement (gain)/loss	—	—	—	(80)	—	58
Separation programs/other	1	10	12	24	—	(1)
Settlements and curtailments	—	—	—	1	—	(2)
Net periodic benefit cost/(income)	<u>\$ (103)</u>	<u>\$ (235)</u>	<u>\$ 39</u>	<u>\$ (49)</u>	<u>\$ 46</u>	<u>\$ 106</u>

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 *Other income/(loss), net* on our consolidated income statement.

As part of our ongoing global redesign activities, we recognized additional expense of \$13 million and \$24 million in the first quarter of 2019 and 2020, respectively, related to separation programs. In addition, in the first quarter, we recognized settlements and curtailments, which required plan remeasurements at current discount rates, asset returns, and economic conditions. This resulted in remeasurement gain of \$22 million in the first quarter of 2020. Until our global redesign actions are completed, we anticipate further adjustments to our plans in subsequent periods.

Pension Plan Contributions

During 2020, we expect to contribute between \$500 million and \$700 million of cash to our global funded pension plans. We also expect to make about \$350 million of benefit payments to participants in unfunded plans. In the first quarter of 2020, we contributed \$175 million to our worldwide funded pension plans and made \$86 million of benefit payments to participants in unfunded plans.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. DEBT

The carrying value of Automotive, Ford Credit, and Other debt was as follows (in millions):

	December 31, 2019	March 31, 2020
Automotive		
Debt payable within one year		
Short-term	\$ 315	\$ 569
Long-term payable within one year		
U.S. Department of Energy Advanced Technology Vehicles Manufacturing ("DOE ATVM") Incentive Program	591	591
Other debt	540	450
Unamortized (discount)/premium	(1)	(1)
Total debt payable within one year	1,445	1,609
Long-term debt payable after one year		
Public unsecured debt securities	10,583	10,583
Credit facilities (a)	—	15,068
Delayed draw term loan	1,500	1,500
DOE ATVM Incentive Program	880	732
Other debt	547	800
Unamortized (discount)/premium	(161)	(157)
Unamortized issuance costs	(116)	(115)
Total long-term debt payable after one year	13,233	28,411
Total Automotive	\$ 14,678	\$ 30,020
Fair value of Automotive debt (b)	\$ 15,606	\$ 22,877
Ford Credit		
Debt payable within one year		
Short-term	\$ 13,717	\$ 12,424
Long-term payable within one year		
Unsecured debt	15,062	17,137
Asset-backed debt	23,609	21,736
Unamortized (discount)/premium	1	2
Unamortized issuance costs	(17)	(19)
Fair value adjustments (c)	(1)	23
Total debt payable within one year	52,371	51,303
Long-term debt payable after one year		
Unsecured debt	55,148	51,138
Asset-backed debt	32,162	32,973
Unamortized (discount)/premium	6	4
Unamortized issuance costs	(197)	(188)
Fair value adjustments (c)	539	1,606
Total long-term debt payable after one year	87,658	85,533
Total Ford Credit	\$ 140,029	\$ 136,836
Fair value of Ford Credit debt (b)	\$ 141,678	\$ 128,714
Other		
Long-term debt payable within one year	\$ 130	\$ —
Long-term debt payable after one year		
Unsecured debt	474	474
Unamortized (discount)/premium	(3)	(3)
Unamortized issuance costs	(1)	(1)
Total long-term debt payable after one year	470	470
Total Other	\$ 600	\$ 470
Fair value of Other debt	\$ 720	\$ 448

- (a) We drew \$15.4 billion under our corporate credit facility and supplemental revolving credit facility in the first quarter of 2020, and received \$15.1 billion as of March 31, 2020, and the remaining \$300 million on April 8, 2020.
- (b) The fair value of debt includes \$315 million and \$569 million of Automotive short-term debt and \$12.8 billion and \$11.3 billion of Ford Credit short-term debt at December 31, 2019 and March 31, 2020, respectively, carried at cost, which approximates fair value. All debt is categorized within Level 2 of the fair value hierarchy.
- (c) These adjustments relate to fair value hedges. The carrying value of hedged debt was \$39.4 billion and \$41.6 billion at December 31, 2019 and March 31, 2020, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. 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. 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.

Income Effect of Derivative Financial Instruments

The gains/(losses), by hedge designation, reported in income for the periods ended March 31 were as follows (in millions):

	First Quarter	
	2019	2020
Cash flow hedges (a)		
Reclassified from AOCI to Cost of sales		
Foreign currency exchange contracts	\$ 54	\$ (70)
Commodity contracts	(5)	(14)
Fair value hedges		
Interest rate contracts		
Net interest settlements and accruals on hedging instruments	(20)	28
Fair value changes on hedging instruments	250	1,110
Fair value changes on hedged debt	(253)	(1,093)
Derivatives not designated as hedging instruments		
Foreign currency exchange contracts (b)	(28)	586
Cross-currency interest rate swap contracts	(145)	(151)
Interest rate contracts	(27)	(74)
Commodity contracts	11	(43)
Total	\$ (163)	\$ 279

- (a) For the first quarter of 2019 and 2020, a \$521 million loss and an \$897 million gain, respectively, were reported in *Other comprehensive income/(loss), net of tax* related to foreign currency exchange contracts. For the first quarter of 2019 and 2020, an \$11 million gain and a \$101 million loss, respectively, were reported in *Other comprehensive income/(loss), net of tax* related to commodity contracts.
- (b) For the first quarter of 2019 and 2020, a \$22 million loss and a \$376 million gain were reported in *Cost of sales* and a \$6 million loss and a \$210 million gain were reported in *Other income/(loss), net*, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)**Balance Sheet Effect of Derivative Financial Instruments**

Derivative assets and liabilities are reported on our consolidated 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. Collateral represents cash received or paid under reciprocal arrangements that we have entered into with our derivative counterparties which we do not use to offset our derivative assets and liabilities.

The fair value of our derivative instruments and the associated notional amounts were as follows (in millions):

	December 31, 2019			March 31, 2020		
	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	\$ 15,349	\$ 47	\$ 493	\$ 13,148	\$ 606	\$ 168
Commodity contracts	673	5	29	665	—	108
Fair value hedges						
Interest rate contracts	26,577	702	19	23,663	1,549	—
Derivatives not designated as hedging instruments						
Foreign currency exchange contracts	19,350	58	270	17,509	476	130
Cross-currency interest rate swap contracts	5,849	134	67	5,938	126	238
Interest rate contracts	68,914	275	191	72,822	651	561
Commodity contracts	467	9	9	474	1	46
Total derivative financial instruments, gross (a) (b)	\$ 137,179	\$ 1,230	\$ 1,078	\$ 134,219	\$ 3,409	\$ 1,251
Current portion		\$ 390	\$ 772		\$ 1,388	\$ 759
Non-current portion		840	306		2,021	492
Total derivative financial instruments, gross		\$ 1,230	\$ 1,078		\$ 3,409	\$ 1,251

(a) At December 31, 2019 and March 31, 2020, we held collateral of \$18 million and \$23 million, and we posted collateral of \$78 million and \$86 million, respectively.

(b) At December 31, 2019 and March 31, 2020, the fair value of assets and liabilities available for counterparty netting was \$269 million and \$841 million, respectively. All derivatives are categorized within Level 2 of the fair value hierarchy.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. 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. Costs associated with benefits that are contingent on the employee continuing to provide service are accrued over the required service period.

Automotive Segment**Global Redesign**

As previously announced, we are executing a global redesign of our business. Redesign-related activities, including employee separation costs, payments to dealers and suppliers, and other charges, are recorded in *Cost of sales* and *Selling, administrative, and other expenses*. Below are actions we have initiated as part of the redesign.

Brazil. In February 2019, Ford Motor Company Brasil Ltda. ("Ford Brazil"), our subsidiary in Brazil, committed to a plan to exit the commercial heavy truck business in South America. As a result, Ford Brazil ceased production at the São Bernardo do Campo plant in Brazil during 2019.

Russia. In March 2019, Ford Sollers Netherlands B.V. ("Ford Sollers"), a joint venture between Ford and Sollers PJSC ("Sollers") in which Ford had control, announced its plan to restructure its business in Russia to focus exclusively on commercial vehicles and to exit the passenger car segment. As a result of these actions, Ford acquired 100% ownership of Ford Sollers and ceased production at the Naberezhnye Chelny and St. Petersburg vehicle assembly plants and the Elabuga engine plant during the second quarter of 2019.

Subsequent to completion of the restructuring actions, in July 2019, Ford sold a 51% controlling interest in the restructured entity to Sollers, which resulted in deconsolidation of the Ford Sollers subsidiary. Our continued involvement in Ford Sollers is accounted for as an equity method investment.

United Kingdom. In June 2019, Ford Motor Company Limited ("Ford of Britain"), a subsidiary of Ford, announced its plan to exit the Ford Bridgend plant in South Wales in 2020.

India. In the third quarter of 2019, Ford committed to a plan to sell specific net assets in our India Automotive operations. See Note 17 for more information concerning this plan.

Other Global Redesign Actions. In 2018, we announced our plan to end production at the Ford Aquitaine Industries plant in Bordeaux, France, and in March 2019, we announced our plan to phase-out the production of the C-Max at the Saarlouis Body and Assembly Plant in Germany. Furthermore, we are reducing our global workforce and taking other restructuring actions.

The following table summarizes the redesign-related activities for the periods ended March 31, which are recorded in *Other liabilities and deferred revenue* (in millions):

	First Quarter	
	2019	2020
Beginning balance	\$ 291	\$ 734
Changes in accruals (a)	267	68
Payments	(136)	(172)
Foreign currency translation	(8)	(29)
Ending balance	<u>\$ 414</u>	<u>\$ 601</u>

(a) Excludes pension costs of \$13 million and \$24 million in the first quarter of 2019 and 2020, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. EMPLOYEE SEPARATION ACTIONS AND EXIT AND DISPOSAL ACTIVITIES (Continued)

We also recorded \$251 million and \$14 million in the first quarter of 2019 and 2020, respectively, for accelerated depreciation and other non-cash items. We estimate that we will incur total charges in 2020 that range between \$700 million and \$1.2 billion related to the actions above, primarily attributable to employee separations, accelerated depreciation, and dealer and supplier settlements.

Other Actions

United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") Voluntary Separation Packages. As agreed in the collective bargaining agreement ratified in November 2019, during the first quarter of 2020, we offered voluntary separation packages to our UAW hourly workforce who were eligible for normal or early retirement. All separations are expected to occur before the end of the year. The costs associated with this action were \$201 million and are recorded in *Cost of sales*.

NOTE 17. HELD-FOR-SALE OPERATIONS**Automotive Segment**

In the third quarter of 2019, we committed to a plan to sell specific net assets in our India Automotive operations. We entered into a definitive agreement to form a joint venture with Mahindra & Mahindra Limited ("Mahindra"), with Mahindra owning a 51% controlling stake and Ford owning a 49% stake. Under the terms of the transaction, which is expected to close mid-2020, we will sell certain India Automotive operations to the joint venture. Accordingly, we have reported the assets and liabilities of these operations as held for sale and ceased depreciation and amortization of those assets.

The assets and liabilities of our India Automotive operations classified as held for sale were as follows (in millions):

	December 31, 2019	March 31, 2020
Assets		
Trade and other receivables, net	\$ 269	\$ 186
Inventories	208	261
Other assets, current	147	96
Net property	279	263
Other assets, non-current	10	9
Total assets of held-for-sale operations	913	815
Less: Intercompany asset balances	(228)	(151)
Automotive segment total assets of held-for-sale operations (a)	<u>\$ 685</u>	<u>\$ 664</u>
Liabilities		
Payables	\$ 461	\$ 473
Other liabilities and deferred revenue, current	71	68
Automotive debt payable within one year	90	84
Other liabilities and deferred revenue, non-current	28	25
Total liabilities of held-for-sale operations	650	650
Less: Intercompany liability balances	(169)	(181)
Automotive segment total liabilities of held-for-sale operations (a)	<u>\$ 481</u>	<u>\$ 469</u>

(a) As of December 31, 2019 and March 31, 2020, intercompany items and transactions have been eliminated on the consolidated balance sheet. Upon closing, the buyer will assume the intercompany assets and liabilities. Accordingly, we have presented those balances in the table for informational purposes.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. HELD-FOR-SALE OPERATIONS (Continued)

We recognized pre-tax impairment charges of \$804 million in 2019 and \$3 million in the first quarter of 2020 to adjust the carrying value of the held-for-sale assets to fair value less cost to sell. These charges are reported in *Cost of sales*. The value is measured on a nonrecurring basis and categorized within Level 3 of the fair value hierarchy. We determined fair value using a market approach, estimated based on expected proceeds to be received, which we conclude is most representative of the value of the assets given the current market conditions, the characteristics of viable market participants, and the pending sales transaction. The transaction is subject to regulatory approvals and satisfaction of other closing conditions that may impact the final proceeds received.

Ford Credit Segment

In the fourth quarter of 2019, Ford Credit committed to a plan to sell its operations in Forso, a wholly owned subsidiary of Ford Credit, which provides retail and dealer financing in Denmark, Finland, Norway, and Sweden. As a result, we classified the assets and liabilities of these operations as held for sale and recognized a pre-tax fair value impairment charge of \$20 million, reported in *Other income/(loss), net*, in the fourth quarter of 2019.

The assets and liabilities of the Forso operations classified as held for sale at December 31, 2019 were as follows (in millions):

	December 31, 2019
Assets	
Cash and cash equivalents	\$ 61
Ford Credit finance receivables, net, current	516
Trade and other receivables, net	8
Other assets, current	106
Ford Credit finance receivables, net, non-current	715
Net property	2
Deferred income taxes	9
Other assets, non-current	1
Total assets of held-for-sale operations	1,418
Less: Intercompany asset balances	(2)
Ford Credit segment total assets of held-for-sale operations (a)	<u>\$ 1,416</u>
Liabilities	
Payables	\$ 34
Other liabilities and deferred revenue, current	8
Ford Credit long-term debt	1,254
Deferred income taxes	23
Total liabilities of held-for-sale operations	1,319
Less: Intercompany liability balances	(1,274)
Ford Credit segment total liabilities of held-for-sale operations (a)	<u>\$ 45</u>

(a) As of December 31, 2019, intercompany items and transactions have been eliminated on the consolidated balance sheet. Upon closing, the buyer assumed the intercompany assets and liabilities. Accordingly, we have presented those balances in the table for informational purposes.

On February 28, 2020, Ford Credit completed the sale of Forso recognizing a pre-tax loss of \$4 million, reported in *Other income/(loss), net*, and cash proceeds of \$1.3 billion.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. 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 periods ended March 31 were as follows (in millions):

	First Quarter	
	2019	2020
Foreign currency translation		
Beginning balance	\$ (4,800)	\$ (4,626)
Gains/(Losses) on foreign currency translation	271	(1,406)
Less: Tax/(Tax benefit)	28	27
Net gains/(losses) on foreign currency translation	243	(1,433)
(Gains)/Losses reclassified from AOCI to net income (a)	—	(20)
Other comprehensive income/(loss), net of tax	243	(1,453)
Ending balance	\$ (4,557)	\$ (6,079)
Marketable securities		
Beginning balance	\$ (59)	\$ 71
Gains/(Losses) on available for sale securities	80	19
Less: Tax/(Tax benefit)	19	5
Net gains/(losses) on available for sale securities	61	14
(Gains)/Losses reclassified from AOCI to net income	3	—
Less: Tax/(Tax benefit)	1	—
Net (gains)/losses reclassified from AOCI to net income	2	—
Other comprehensive income/(loss), net of tax	63	14
Ending balance	\$ 4	\$ 85
Derivative instruments		
Beginning balance	\$ 201	\$ (488)
Gains/(Losses) on derivative instruments	(510)	796
Less: Tax/(Tax benefit)	(102)	173
Net gains/(losses) on derivative instruments	(408)	623
(Gains)/Losses reclassified from AOCI to net income	(49)	84
Less: Tax/(Tax benefit)	(11)	15
Net (gains)/losses reclassified from AOCI to net income (b)	(38)	69
Other comprehensive income/(loss), net of tax	(446)	692
Ending balance	\$ (245)	\$ 204
Pension and other postretirement benefits		
Beginning balance	\$ (2,708)	\$ (2,685)
Amortization and recognition of prior service costs/(credits)	12	4
Less: Tax/(Tax benefit)	2	1
Net prior service costs/(credits) reclassified from AOCI to net income	10	3
Translation impact on non-U.S. plans	(5)	11
Other comprehensive income/(loss), net of tax	5	14
Ending balance	\$ (2,703)	\$ (2,671)
Total AOCI ending balance at March 31	\$ (7,501)	\$ (8,461)

(a) Reclassified to *Other income/(loss), net*.

(b) Reclassified to *Cost of sales*. During the next twelve months we expect to reclassify existing net gains on cash flow hedges of \$147 million. See Note 15 for additional information.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies primarily consist of guarantees and indemnifications, litigation and claims, and warranty and field service actions.

Guarantees and Indemnifications

Financial Guarantees. Financial guarantees and indemnifications are recorded at fair value at their inception. Subsequent to initial recognition, the guarantee liability is adjusted at each reporting period to reflect the current estimate of expected payments resulting from possible default events over the remaining life of the guarantee. The probability of default is applied to the expected exposure at the time of default less recoveries to determine the expected payments. Factors to consider when estimating the probability of default include the obligor's financial position, forecasted economic environment, historical loss rates, and other communications. The liability recorded represents Ford's exposure to credit risk. The maximum potential payments for financial guarantees were \$162 million and \$427 million at December 31, 2019 and March 31, 2020, respectively. The carrying value of recorded liabilities related to financial guarantees was \$33 million and \$49 million at December 31, 2019 and March 31, 2020, respectively.

Our financial guarantees consist of 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.

Non-Financial Guarantees. Non-financial 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. The maximum potential payments for non-financial guarantees were \$587 million and \$678 million at December 31, 2019 and March 31, 2020, respectively. The carrying value of recorded liabilities related to non-financial guarantees was \$200 million and \$253 million at December 31, 2019 and March 31, 2020, respectively.

We guarantee the resale value of vehicles sold in certain arrangements to daily rental companies. The maximum potential payment of \$673 million as of March 31, 2020 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 \$252 million as our best estimate of the amount we will have to pay under the guarantee.

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.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. COMMITMENTS AND CONTINGENCIES (Continued)

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.

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 \$400 million. In addition, we have a reasonably possible risk of loss for an emission certification matter. At this stage, we cannot estimate the risk of loss or predict the outcome, and cannot provide reasonable assurance that it will not have a material adverse effect on us.

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.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. COMMITMENTS AND CONTINGENCIES (Continued)**Warranty and Field Service Actions**

We accrue the estimated cost of both base warranty coverages and field service actions at the time of sale. We establish our estimate of base warranty obligations using a patterned estimation model, using historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. We establish our estimates of field service action obligations using a patterned estimation model, using historical information regarding the nature, frequency, severity, and average cost of claims for each model year. In addition, from time to time, we issue extended warranties at our expense, the estimated cost of which is accrued at the time of issuance. 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 recovery is virtually certain. Recoveries are reported in *Trade and other receivables, net* and *Other assets*.

The estimate of our future warranty and field service action costs, net of estimated supplier recoveries, for the periods ended March 31 was as follows (in millions):

	First Quarter	
	2019	2020
Beginning balance	\$ 5,137	\$ 5,702
Payments made during the period	(1,074)	(1,075)
Changes in accrual related to warranties issued during the period	693	805
Changes in accrual related to pre-existing warranties	271	521
Foreign currency translation and other	7	(164)
Ending balance	<u>\$ 5,034</u>	<u>\$ 5,789</u>

Changes to our estimated costs are reported as changes in accrual related to pre-existing warranties in the table above.

**FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 20. SEGMENT INFORMATION

We report segment information consistent with the way our chief operating decision maker evaluates the operating results and performance of the Company. Accordingly, we analyze the results of our business through the following segments: Automotive, Mobility, and Ford Credit. Below is a description of our reportable segments and other activities.

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. This segment includes revenues and costs related to our electrification vehicle programs. The segment includes the following regional business units: North America, South America, Europe, China (including Taiwan), and the International Markets Group.

Mobility Segment

Our Mobility segment primarily includes development costs related to our autonomous vehicles and our investment in mobility through Ford Smart Mobility LLC ("FSM"). Autonomous vehicles includes self-driving systems development and vehicle integration, autonomous vehicle research and advanced engineering, autonomous vehicle transportation-as-a-service network development, user experience, and business strategy and business development teams. FSM designs and builds mobility products and subscription services on its own, and collaborates with service providers and technology companies.

Ford Credit Segment

The Ford Credit segment is comprised of the Ford Credit business on a consolidated basis, which is primarily vehicle-related financing and leasing activities.

Corporate Other

Corporate Other primarily includes corporate governance expenses, interest income (excluding interest earned on our extended service contract portfolio that is included in our Automotive segment) and gains and losses from our cash, cash equivalents, marketable securities, and other investments, and foreign exchange derivatives gains and losses associated with intercompany lending. Corporate governance expenses are primarily administrative, delivering benefit on behalf of the global enterprise, and are not allocated to specific Automotive business units or operating segments. These include expenses related to setting and directing global policy, providing oversight and stewardship, and promoting the Company's interests. The underlying assets and liabilities associated with these activities remain with the respective Automotive and Mobility segments.

Interest on Debt

Interest on Debt is presented as a separate reconciling item and consists of interest expense on Automotive and Other debt. The underlying liability is reported in the Automotive segment and in Corporate Other.

Special Items

Special Items are presented as a separate reconciling item. They consist of (i) pension and OPEB rereasurement gains and losses, (ii) significant personnel expenses, dealer-related costs, and facility-related charges stemming from 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. Our management excludes these items from its review of the results of the operating segments for purposes of measuring segment profitability and allocating resources. We also report these special items separately to help investors track amounts related to these activities and to allow investors analyzing our results to identify certain infrequent significant items that they may wish to exclude when considering the trend of ongoing operating results.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. SEGMENT INFORMATION (Continued)

Key financial information for the periods ended or at March 31 was as follows (in millions):

	Automotive	Mobility	Ford Credit	Corporate Other	Interest on Debt	Special Items	Adjustments	Total
First Quarter 2019								
Revenues	\$ 37,239	\$ 6	\$ 3,097	\$ —	\$ —	\$ —	\$ —	\$ 40,342
Income/(loss) before income taxes	2,009	(288)	801	(75)	(245)	(592)	—	1,610
Equity in net income/(loss) of affiliated companies	17	2	6	—	—	—	—	25
Cash, cash equivalents, marketable securities, and restricted cash	24,034	167	13,700	—	—	—	—	37,901
Total assets	102,113	949	164,409	—	—	—	(4,190) (a)	263,281
First Quarter 2020								
Revenues	\$ 31,340	\$ 13	\$ 2,967	\$ —	\$ —	\$ —	\$ —	\$ 34,320
Income/(loss) before income taxes	(177)	(334)	30	(151)	(227)	(287)	—	(1,146)
Equity in net income/(loss) of affiliated companies	(47)	—	6	—	—	—	—	(41)
Cash, cash equivalents, marketable securities, and restricted cash	34,212	116	12,231	—	—	—	—	46,559
Total assets	111,388	941	156,393	—	—	—	(4,572) (a)	264,150

(a) Includes eliminations of intersegment transactions occurring in the ordinary course of business and deferred tax netting.

NOTE 21. SUBSEQUENT EVENT

In late March 2020, we suspended our manufacturing operations in regions around the world, other than China, and these operations continue to be idle. Our key liquidity objective during these unprecedented and uncertain times is to prioritize actions that preserve or improve our cash balance until we are able to resume and sustain normal production and generate revenue. To further increase our liquidity, on April 22, 2020, we issued \$8 billion of unsecured notes, consisting of \$3.5 billion of three-year 8.5% unsecured notes, \$3.5 billion of 9% five-year unsecured notes, and \$1 billion of 9.625% ten-year unsecured notes.

The full impact of the COVID-19 pandemic on our full year financial results will depend on future developments, such as the ultimate duration and scope of the outbreak, its impact on our customers, dealers, and suppliers, the rate at which economic conditions, operations, and demand for our products return to pre-COVID-19 levels, and the potential for recession in key markets due to the effects of the pandemic. Accordingly, the ultimate impact on Ford cannot be determined at this time. Nevertheless, despite the uncertainty of the COVID-19 situation, we expect our full year 2020 results of operations to be adversely affected.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

RECENT DEVELOPMENTS

The impact of the COVID-19 pandemic has created significant volatility in the global economy and led to reduced economic activity. There have been extraordinary actions taken by international, federal, state, and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19 in regions throughout the world, including travel bans, quarantines, "stay-at-home" orders, and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. The pandemic has resulted, and may continue to result, in significant economic disruption that has and may likely continue to adversely affect our business.

While we are unable to predict the duration or scope of the overall impact the COVID-19 pandemic will have on our business, results of operations, or liquidity, we believe it is important to share the impact to date, how our response to the pandemic is progressing, and how our results and financial condition may change going forward.

Remote Work Arrangements and Suspension of Manufacturing Operations

We released our fourth quarter and full year 2019 results on February 4, 2020. At that time, the impact of COVID-19 was concentrated in China. COVID-19 spread quickly, and the World Health Organization declared it a global pandemic on March 11, 2020. As of March 16, 2020, our non-production personnel began working remotely in virtually all locations globally except China. On March 19, 2020, we suspended our manufacturing operations in North America, followed shortly afterwards with suspension of our manufacturing operations in Europe and other regions. The suspension of manufacturing operations has not only interrupted current vehicle production but also delayed new vehicle launches from our original plan.

The remote work arrangements and suspension of manufacturing operations remain in place. Our remote work arrangements have been designed to allow for continued operation of non-production business-critical functions, including financial reporting systems and internal control. Our controls and procedures have incorporated remote work arrangements using appropriate digital tools.

Liquidity and Guidance Actions

Our Automotive segment revenue is generated primarily by sales of vehicles, parts, and accessories. For the majority of sales, revenue is recognized when products are shipped from our plants.

With our manufacturing operations suspended due to the COVID-19 pandemic, we have been unable to generate any meaningful revenue since late March 2020. Accordingly, on March 19, 2020, we provided notice to our lenders under our credit facilities that we were fully drawing the credit facilities in order to increase our cash balance by \$15.4 billion. Further, we announced that we were suspending our \$0.6 billion regular quarterly dividend and anti-dilutive share repurchase program, and taking other steps to preserve cash, including lowering operating costs, reducing capital expenditures, and deferring portions of executive salaries. On March 19, 2020, we withdrew all financial guidance for 2020.

To further increase our liquidity, on April 22, 2020, we issued \$8.0 billion of unsecured notes, consisting of \$3.5 billion of three-year unsecured notes, \$3.5 billion of five-year unsecured notes, and \$1.0 billion of ten-year unsecured notes.

Rating Agency Actions

On March 23, 2020, Fitch downgraded our credit rating to BBB-, and on March 25, 2020, S&P downgraded our credit rating to BB+. Both Moody's and S&P now rate us as non-investment grade.

Medical Supplies

At the same time that we are taking action to preserve and protect our business, we have stepped up to contribute in this time of need. We have joined forces with medical equipment makers GE Healthcare and 3M to lend our manufacturing and engineering expertise to quickly expand production of medical equipment and supplies. These actions include producing ventilators, powered air-purifying respirators, and more than eight million face shields, and we recently started production of medical masks and reusable gowns for health care workers. Also, we are working with Thermo Fisher Scientific to quickly expand production of kits to test for COVID-19.

Enhanced Safety Standards

We are establishing new protocols to help protect the health and safety of our workforce when our operations restart around the world. The planned actions include a daily, online health self-certification, a no-touch temperature scan upon entering Company premises, a policy requiring the use of face masks in Ford facilities, and measures to provide additional personal protective equipment, such as gloves and face shields or goggles, in instances where employees' jobs do not allow them to follow social distancing guidelines. We also plan to schedule more time between shifts to minimize potential interaction between employees and allow for additional cleaning between shifts.

Forward Looking Information

The full impact of the COVID-19 pandemic on Ford will depend on future developments, such as the ultimate duration and scope of the outbreak, its impact on our customers, dealers, and suppliers, how quickly normal economic conditions, operations, and the demand for our products can resume, and whether the pandemic leads to recessionary conditions in any of our key markets. Accordingly, the ultimate impact on Ford cannot be determined at this time; however, despite the uncertainty of the COVID-19 situation, we expect our full year 2020 results of operations to be adversely affected.

While the potential magnitude and duration of the business and economic impacts of COVID-19 are uncertain, we believe the phased restart of our manufacturing plants, supply network, and other dependent functions is probable of commencing in the second quarter of 2020. We believe this, together with cash on hand and the company's operating plan, will provide sufficient liquidity to fund operations for at least the next twelve months. If we experience a significant delay in the phased restart of our manufacturing operations, or we are unable to maintain expected levels of production, we may take additional actions, such as further reducing costs or seeking additional financing.

We cannot provide assurance that the assumptions used to estimate our liquidity requirements will be correct because we have never previously experienced such a sustained suspension of our manufacturing operations. For additional information on the impact and potential impact of COVID-19 on Ford, please see Item 1A. Risk Factors on page 73.

RESULTS OF OPERATIONS

In the first quarter of 2020, the net loss attributable to Ford Motor Company was \$1,993 million, and Company adjusted EBIT was a loss of \$632 million.

Net income/(loss) includes certain items ("special items") that are excluded from Company adjusted EBIT. These items are discussed in more detail in Note 20 of the Notes to the Financial Statements. We report special items separately to allow investors analyzing our results to identify certain infrequent significant items that they may wish to exclude when considering the trend of ongoing operating results. Our pre-tax and tax special items were as follows (in millions):

	First Quarter	
	2019	2020
Global Redesign		
Europe excl. Russia	\$ (115)	\$ (105)
India	—	(3)
South America	(201)	(17)
Russia	(174)	20
China	—	—
Separations and Other (not included above)	(24)	(1)
Subtotal Global Redesign	<u>\$ (514)</u>	<u>\$ (106)</u>
Other Items		
Focus cancellation	\$ (67)	\$ —
Other incl. UAW Retirement Buyout and Chariot	(11)	(203)
Subtotal Other Items	<u>\$ (78)</u>	<u>\$ (203)</u>
Pension and OPEB Gain/(Loss)		
Pension and OPEB remeasurement	\$ —	\$ 22
Pension curtailment	—	—
Subtotal Pension and OPEB Gain/(Loss)	<u>\$ —</u>	<u>\$ 22</u>
Total EBIT Special Items	<u><u>\$ (592)</u></u>	<u><u>\$ (287)</u></u>
Cash effect of Global Redesign (incl. separations)	\$ (136)	\$ (172)
Tax special items*	\$ 7	\$ (787)

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

We recorded \$287 million of pre-tax special item charges in the first quarter of 2020 with cash effects of \$172 million. Our pre-tax special items reflect primarily buyouts accepted under the terms of our UAW contract ratified in the fourth quarter of 2019 and Global Redesign actions. Tax special item charges in the quarter included \$855 million for a valuation allowance related to certain deferred tax assets.

In Note 20 of the Notes to the Financial Statements, special items are reflected as a separate reconciling item, as opposed to being allocated among the Automotive, Mobility, and Ford Credit segments. This reflects the fact that management excludes these items from its review of operating segment results for purposes of measuring segment profitability and allocating resources.

COMPANY KEY METRICS

The table below shows our first quarter 2020 key metrics for the Company, compared to a year ago.

	First Quarter		
	2019	2020	H / (L)
GAAP Financial Measures			
Cash Flows from Operating Activities (\$B)	\$ 3.5	\$ (0.5)	\$ (4.0)
Revenue (\$M)	40,342	34,320	(15)%
Net Income/(Loss) (\$M)	1,146	(1,993)	(3,139)
Net Income/(Loss) Margin (%)	2.8%	(5.8)%	(8.6) pts
EPS (Diluted)	\$ 0.29	\$ (0.50)	\$ (0.79)
Non-GAAP Financial Measures *			
Company Adj. Free Cash Flow (\$B)	\$ 1.9	\$ (2.2)	\$ (4.1)
Company Adj. EBIT (\$M)	2,447	(632)	(3,079)
Company Adj. EBIT Margin (%)	6.1%	(1.8)%	(7.9) pts
Adjusted EPS (Diluted)	\$ 0.44	\$ (0.23)	\$ (0.67)
Adjusted ROIC (Trailing Four Quarters)	8.0%	2.5 %	(5.5) pts

* See *Non-GAAP Financial Measure Reconciliations* section for reconciliation to GAAP.

In the first quarter of 2020, our diluted earnings per share of Common and Class B Stock was a loss of \$0.50 and our diluted adjusted earnings per share was a loss of \$0.23.

Net income/(loss) margin was negative 5.8% in the first quarter of 2020, down 8.6 percentage points from a year ago. Company adjusted EBIT margin was negative 1.8% in the first quarter of 2020, down 7.9 percentage points from a year ago.

The \$3.1 billion year-over-year decline in net income/(loss) and Company adjusted EBIT in the first quarter of 2020 was driven by the impact of COVID-19. We estimate the unfavorable impact to net income/(loss) and Company adjusted EBIT was at least \$2 billion. Both net income/(loss) and Company adjusted EBIT were further impacted by higher new model material cost, higher warranty, and adverse exchange, partially offset by lower structural cost and commodities. The impact on net income/(loss) of the valuation allowance against certain deferred tax assets was offset by lower tax expense and lower Global Redesign charges.

The table below shows our first quarter 2020 net income/(loss) attributable to Ford and Company adjusted EBIT by segment.

	First Quarter		
	2019	2020	H / (L)
Automotive	\$ 2,009	\$ (177)	\$ (2,186)
Mobility	(288)	(334)	(46)
Ford Credit	801	30	(771)
Corporate Other	(75)	(151)	(76)
Company Adjusted EBIT *	2,447	(632)	(3,079)
Interest on Debt	(245)	(227)	(18)
Special Items	(592)	(287)	(305)
Taxes / Noncontrolling Interests	(464)	(847)	383
Net Income/(Loss)	\$ 1,146	\$ (1,993)	\$ (3,139)

* See *Non-GAAP Financial Measure Reconciliations* section for reconciliation to GAAP.

Automotive Segment

The table below shows our first quarter 2020 Automotive segment EBIT by business unit (in millions).

	First Quarter		
	2019	2020	H / (L)
North America	\$ 2,205	\$ 346	\$ (1,859)
South America	(158)	(113)	45
Europe	85	(143)	(228)
China (including Taiwan)	(128)	(241)	(113)
International Markets Group	5	(26)	(31)
Automotive Segment	<u>\$ 2,009</u>	<u>\$ (177)</u>	<u>\$ (2,186)</u>

The tables below and on the following pages provide first quarter 2020 key metrics and the change in first quarter 2020 EBIT compared with first quarter 2019 by causal factor for our Automotive segment and its regional business units: North America, South America, Europe, China (including Taiwan), and the International Markets Group. For a description of these causal factors, see *Definitions and Information Regarding Automotive Causal Factors*.

Key Metrics	First Quarter		
	2019	2020	H / (L)
Market Share (%)	6.0%	6.0 %	— pts
Wholesale Units (000)	1,425	1,126	(299)
Revenue (\$M)	\$ 37,239	\$ 31,340	\$ (5,899)
EBIT (\$M)	2,009	(177)	(2,186)
EBIT Margin (%)	5.4%	(0.6)%	(6.0) pts

Change in EBIT by Causal Factor (in millions)

First Quarter 2019 EBIT	\$ 2,009
Volume / Mix	(1,482)
Net Pricing	13
Cost	(548)
Exchange	(190)
Other	21
First Quarter 2020 EBIT	<u>\$ (177)</u>

In the first quarter of 2020, wholesales in our Automotive segment declined 21 percent year over year, driven by lower industry volume in all regions, primarily in response to the early impacts of COVID-19. First quarter 2020 Automotive revenue was down 16 percent, more than explained by lower wholesales globally.

Our first quarter 2020 Automotive segment EBIT was a loss of \$177 million, down \$2.2 billion from a year ago, as \$346 million of positive EBIT from North America was more than offset by losses in other business units. Our first quarter 2020 Automotive EBIT margin was negative 0.6 percent. The lower EBIT was driven by lower volume, higher new model material cost, higher warranty, and adverse exchange, partially offset by lower structural cost and commodities.

North America

Key Metrics	First Quarter		
	2019	2020	H / (L)
Market Share (%)	13.6%	13.6%	— pts
Wholesale Units (000)	753	619	(134)
Revenue (\$M)	\$ 25,389	\$ 21,809	\$ (3,580)
EBIT (\$M)	2,205	346	(1,859)
EBIT Margin (%)	8.7%	1.6%	(7.1) pts

Change in EBIT by Causal Factor (in millions)

First Quarter 2019 EBIT	\$ 2,205
Volume / Mix	(1,031)
Net Pricing	(197)
Cost	(685)
Exchange	(53)
Other	107
First Quarter 2020 EBIT	\$ 346

In North America, first quarter 2020 wholesales declined 18 percent from a year ago, reflecting primarily COVID-19 related disruption. First quarter 2020 revenue decreased 14 percent year over year, driven by lower volume, partially offset by improved product and series/option mix.

North America's first quarter 2020 EBIT was down \$1.9 billion from a year ago with an EBIT margin of 1.6 percent. The lower EBIT was driven by lower volume and net pricing, higher warranty cost, and new model material cost, partially offset by improved mix.

South America

Key Metrics	First Quarter		
	2019	2020	H / (L)
Market Share (%)	7.7 %	6.9 %	(0.8) pts
Wholesale Units (000)	68	59	(9)
Revenue (\$M)	\$ 925	\$ 728	\$ (197)
EBIT (\$M)	(158)	(113)	45
EBIT Margin (%)	(17.0)%	(15.5)%	1.6 pts

Change in EBIT by Causal Factor (in millions)

First Quarter 2019 EBIT	\$ (158)
Volume / Mix	(2)
Net Pricing	74
Cost	48
Exchange	(76)
Other	1
First Quarter 2020 EBIT	\$ (113)

In South America, first quarter 2020 wholesales declined 13 percent from a year ago, primarily reflecting COVID-19 related disruption. First quarter 2020 revenue decreased 21 percent year over year, driven by lower volume and weaker currencies, partially offset by higher net pricing.

South America's first quarter 2020 EBIT loss improved 29 percent from a year ago with an EBIT margin of negative 15.5 percent. The EBIT improvement reflects progress on restructuring actions (including exiting heavy truck production, discontinuing certain passenger vehicles, and reducing headcount) and cost reductions. The adverse exchange reflects currency weakening of 12 percent in Brazil and 37 percent in Argentina.

Europe

Key Metrics	First Quarter		
	2019	2020	H / (L)
Market Share (%)	7.6%	6.9 %	(0.7) ppts
Wholesale Units * (000)	382	288	(94)
Revenue (\$M)	\$ 7,448	\$ 6,247	\$ (1,201)
EBIT (\$M)	85	(143)	(228)
EBIT Margin (%)	1.1%	(2.3)%	(3.4) ppts

* Includes Ford brand vehicles produced and sold by our unconsolidated affiliate in Turkey (about 6,000 units in Q1 2019 and 11,000 units in Q1 2020). Revenue does not include these sales.

Change in EBIT by Causal Factor (in millions)

First Quarter 2019 EBIT	\$	85
Volume / Mix		(304)
Net Pricing		164
Cost		(64)
Exchange		49
Other		(73)
First Quarter 2020 EBIT	\$	(143)

In Europe, first quarter 2020 wholesales declined 25 percent from a year ago, driven by COVID-19 related disruption, the Kuga launch, and the discontinuation of low margin products. First quarter 2020 revenue decreased 16 percent year over year, driven by lower volume and weaker currencies.

Europe's first quarter 2020 EBIT decreased \$228 million year over year with an EBIT margin of negative 2.3 percent. The lower EBIT was more than explained by lower volume and higher material cost to support regulatory (CO₂) requirements, partially offset by higher net pricing and lower structural costs as a result of ongoing restructuring actions.

China (Including Taiwan)

Key Metrics	First Quarter		
	2019	2020	H / (L)
Market Share (%)	2.1 %	2.2 %	0.1 pts
Wholesale Units * (000)	115	81	(34)
Revenue (\$M)	\$ 858	\$ 593	\$ (265)
EBIT (\$M)	(128)	(241)	(113)
EBIT Margin (%)	(14.9)%	(40.7)%	(25.7) pts

China Unconsolidated Affiliates

Wholesales (000)	99	72	(27)
Ford Equity Income/(Loss) (\$M)	\$ (41)	\$ (91)	\$ (50)

* Includes Ford brand and JMC brand vehicles produced and sold in China by our unconsolidated affiliates. Revenue does not include these sales.

Change in EBIT by Causal Factor (in millions)

First Quarter 2019 EBIT	\$ (128)
Volume / Mix	(54)
Net Pricing	(15)
Cost	79
Exchange	(73)
Other (Including Joint Ventures)	(50)
First Quarter 2020 EBIT	\$ (241)

In China, compared with a year ago, first quarter 2020 wholesales declined 29 percent and revenue was down 31 percent, driven by COVID-19 related disruption. Our 29 percent decline in wholesales was lower than the industry's, which was down 37 percent from a year ago. China's market share of 2.2 percent increased 0.1 percentage points, reflecting recent product launches and a sales recovery slightly ahead of the industry.

China's first quarter 2020 EBIT was \$113 million lower than a year ago with an EBIT margin of negative 40.7 percent. The higher EBIT loss was driven by lower wholesales and adverse exchange, partially offset by structural cost improvements of \$65 million.

International Markets Group

Key Metrics	First Quarter		
	2019	2020	H / (L)
Market Share (%)	1.9%	1.5 %	(0.4) pts
Wholesale Units * (000)	107	78	(29)
Revenue (\$M)	\$ 2,618	\$ 1,962	\$ (656)
EBIT (\$M)	5	(26)	(31)
EBIT Margin (%)	0.2%	(1.3)%	(1.5) pts

* Includes Ford brand vehicles produced and sold by our unconsolidated affiliate in Russia (about 9,000 units in Q1 2019 and 3,000 units in Q1 2020). Revenue after Q2 2019 does not include these sales.

Change in EBIT by Causal Factor (in millions)

First Quarter 2019 EBIT	\$	5
Volume / Mix		(92)
Net Pricing		(14)
Cost		73
Exchange		(37)
Other		39
First Quarter 2020 EBIT	\$	(26)

In our International Markets Group, first quarter 2020 wholesales declined 27 percent from a year ago, primarily reflecting COVID-19 related disruption and the expected lower volume at our Russian joint venture. First quarter 2020 revenue decreased 25 percent year over year, driven by lower volume.

Our International Market Group's first quarter 2020 EBIT was down \$31 million from a year ago with an EBIT margin of negative 1.3 percent. The lower EBIT was driven by lower volume and adverse exchange, partially offset by cost improvements.

Definitions and Information Regarding Automotive Causal Factors

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

- *Market Factors* (exclude the impact of unconsolidated affiliate wholesale units):
 - *Volume and Mix* – primarily measures EBIT variance from changes in wholesale unit volumes (at prior-year average contribution margin per unit) driven by changes in industry volume, market share, and dealer stocks, as well as the EBIT 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 EBIT variance driven by changes in wholesale unit prices to dealers and marketing incentive programs such as rebate programs, low-rate financing offers, special lease offers, and stock adjustments on dealer inventory
- *Cost*:
 - *Contribution Costs* – primarily measures EBIT 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 EBIT 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 EBIT 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 earnings, 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
- *Industry Volume and Market Share* – based, in part, on estimated vehicle registrations; includes medium and heavy duty trucks
- *SAAR* – seasonally adjusted annual rate

Mobility Segment

Our Mobility segment primarily includes development costs related to our autonomous vehicles and our investment in mobility through Ford Smart Mobility LLC ("FSM"). Autonomous vehicles includes self-driving systems development and vehicle integration, autonomous vehicle research and advanced engineering, autonomous vehicle transportation-as-a-service network development, user experience, and business strategy and business development teams. FSM designs and builds mobility products and subscription services on its own, and collaborates with service providers and technology companies.

In our Mobility segment, our first quarter 2020 EBIT loss was \$334 million, a \$46 million higher loss than a year ago. Our strategic investments in future growth opportunities in mobility services and vehicle and business model development for our autonomous vehicle platform continue, in line with a disciplined approach. We are assessing the impact of COVID-19 on consumer behavior and its impact on mobility services. We are shifting the launch of our autonomous vehicle commercial services, which was previously scheduled to commence in 2021, until 2022.

Volkswagen's investment in Argo AI remains on track to close by mid-2020.

Ford Credit Segment

Ford Credit files periodic reports with the SEC that contain additional information regarding Ford Credit. The reports are available through Ford Credit's website located at www.fordcredit.com/investor-center and can also be found on the SEC's website located at www.sec.gov.

The tables below provide first quarter 2020 key metrics and the change in first quarter 2020 EBT compared with first quarter 2019 by causal factor for the Ford Credit segment. For a description of these causal factors, see *Definitions and Information Regarding Ford Credit Causal Factors*.

GAAP Financial Measures	First Quarter		
	2019	2020	H / (L)
Net Receivables (\$B)	\$ 147	\$ 138	(6)%
Loss-to-Receivables * (bps)	55	62	7
Auction Values **	\$ 18,445	\$ 18,630	1 %
EBT (\$M)	\$ 801	\$ 30	\$ (771)
ROE (%)	16%	0.6%	(15.4) pts
Other Balance Sheet Metrics			
Debt (\$B)	\$ 143	\$ 137	(4)%
Net Liquidity (\$B)	31	28	(10)%
Financial Statement Leverage (to 1)	9.6	10.1	0.5

* U.S. retail financing only

** U.S. 36-month off-lease first quarter auction values at Q1 2020 mix

Non-GAAP Financial Measures	First Quarter		
	2019	2020	H / (L)
Managed Receivables * (\$B)	\$ 155	\$ 146	(6)%
Managed Leverage ** (to 1)	8.8	9.2	0.4

* See *Non-GAAP Financial Measure Reconciliations* section for reconciliation to GAAP.

** See *Liquidity and Capital Resources - Ford Credit Segment* section for reconciliation to GAAP.

Change in EBT by Causal Factor (in millions)

First Quarter 2019 EBT	\$ 801
Volume / Mix	(48)
Financing Margin	32
Credit Loss	(554)
Lease Residual	(146)
Exchange	(4)
Other	(51)
First Quarter 2020 EBT	\$ 30

Ford Credit's consumer credit metrics were healthy in the United States, with the loss-to-receivables ratio at 0.62 percent, 7 basis points higher than a year ago. U.S. auction values were 1 percent higher than a year ago. Ford Credit now expects full year 2020 auction values to be down more than the 5 percent forecasted in February. Ford Credit's receivables declined year over year, and Ford Credit expects its receivables to continue to decline in subsequent quarters due to the impact of COVID-19 on vehicle sales. In response to COVID-19, Ford Credit is broadly offering its existing customers payment deferrals, due date changes, and lease-end extensions.

Ford Credit's first quarter 2020 EBT of \$30 million was \$771 million lower than a year ago, driven by about \$600 million for credit loss reserve increases, lower values of off-lease vehicles awaiting sale, and anticipated lease defaults. In total, the impact of COVID-19 deteriorated first quarter 2020 EBT by about \$700 million. In addition to the \$600 million previously discussed, the remaining \$100 million of COVID-19 impact was primarily driven by unfavorable performance in market valuation adjustments to derivatives as a result of interest rate declines.

Definitions and Information Regarding Ford Credit Causal Factors

In general, we measure year-over-year changes in Ford Credit's EBT 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 vehicles sold and leased, the extent to which Ford Credit purchases retail financing and operating 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
 - 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 within each 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 forward looking macroeconomic conditions. For additional information, refer to the "Critical Accounting Estimates" 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 Ford Credit's estimate of the number of vehicles that will be returned to it and sold. Accumulated depreciation reflects early termination losses on operating leases due to customer default events for all periods presented. For additional information, refer to the "Critical Accounting Estimates - Accumulated Depreciation on Vehicles Subject to Operating Leases" section of Item 7 of Part II of our 2019 Form 10-K Report
- *Exchange:*
 - Reflects changes in EBT driven by the effects of converting functional currency income to U.S. dollars
- *Other:*
 - Primarily includes operating expenses, other revenue, insurance expenses, and other income 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 income 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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

- *Cash* (as shown in the Funding Structure, Liquidity, and Leverage tables) – Cash, cash equivalents, and marketable securities, excluding amounts related to insurance activities
- *Debt* (as shown in the Key Metrics and Leverage tables) – 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
- *Earnings Before Taxes (EBT)* – Reflects Ford Credit's income before income taxes
- *Return on Equity (ROE)* (as shown in the Key Metrics table) – Reflects return on equity calculated by annualizing net income for the period and dividing by monthly average equity for the period
- *Securitization Cash* (as shown in the Liquidity table) – Cash held for the benefit of the securitization investors (for example, a reserve fund)
- *Securitizations* (as shown in the Public Term Funding Plan table) – Public securitization transactions, Rule 144A offerings sponsored by Ford Credit, and widely distributed offerings by Ford Credit Canada
- *Term Asset-Backed Securities* (as shown in the Funding Structure table) – Obligations issued in securitization transactions that are payable only out of collections on the underlying securitized assets and related enhancements
- *Total Net Receivables* (as shown in the Key Metrics and Ford Credit Net Receivables Reconciliation To Managed Receivables tables) – Includes finance receivables (retail financing 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

Corporate Other

Corporate Other primarily includes corporate governance expenses, interest income (excluding interest earned on our extended service contract portfolio that is included in our Automotive segment) and gains and losses from our cash, cash equivalents, marketable securities, and other investments, and foreign exchange derivatives gains and losses associated with intercompany lending. Corporate governance expenses are primarily administrative, delivering benefit on behalf of the global enterprise, and are not allocated to specific Automotive business units or operating segments. These include expenses related to setting and directing global policy, providing oversight and stewardship, and promoting the Company's interests. In the first quarter of 2020, Corporate Other had a \$151 million loss, compared with a \$75 million loss a year ago. The higher loss is more than explained by the nonrecurrence of mark-to-market gains, partially offset by lower corporate governance expenses.

Interest on Debt

Interest on Debt consists of interest expense on Automotive and Other debt. First quarter 2020 interest expense on Automotive and Other debt was \$227 million, which is \$18 million lower than a year ago, more than explained by lower foreign debt interest expense, partially offset by higher U.S. debt interest expense.

Taxes

Our provision for income taxes for the first quarter 2020 was \$847 million, resulting in a negative effective tax rate of 73.9%. During the quarter, we recognized tax expense of \$855 million for valuation allowances against certain tax credits recorded as deferred tax assets.

Our first quarter 2020 adjusted effective tax rate, which excludes special items, the valuation allowance adjustment, and the tax impact on special items, was negative 7.0%.

LIQUIDITY AND CAPITAL RESOURCES

The COVID-19 pandemic has created significant volatility in the global economy, led to reduced economic activity, and adversely affected our operations. Consistent with actions taken by governmental authorities, in late March we suspended our manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February, but began resuming operations in March. This action has put pressure on our Automotive liquidity. In response, we have assessed, and will continue to assess, all options available to us to increase our liquidity.

We consider our key balance sheet metrics to be: (i) Company cash, which includes cash equivalents, marketable securities, and restricted cash, excluding Ford Credit's cash, cash equivalents, marketable securities, and restricted cash; and (ii) Company liquidity, which includes Company cash, less restricted cash, and total available committed credit lines, excluding Ford Credit's total available committed credit lines.

Company excluding Ford Credit

	<u>December 31, 2019</u>	<u>March 31, 2020</u>
<u>Balance Sheet (\$B)</u>		
Company Cash	\$ 22.3	\$ 34.3
Liquidity	35.4	35.1
Debt	(15.3)	(30.5)
Cash Net of Debt	7.0	3.8
<u>Pension Funded Status (\$B) *</u>		
Funded Plans	\$ (0.4)	\$ —
Unfunded Plans	(6.4)	(6.2)
Total Global Pension	<u>\$ (6.8)</u>	<u>\$ (6.2)</u>
Total Funded Status OPEB	\$ (6.1)	\$ (5.9)

* Balances at March 31, 2020 reflect net underfunded status at December 31, 2019, updated for service and interest cost, expected return on assets, curtailment and settlement gains and associated interim remeasurement (where applicable), separation expense, actual benefit payments, and cash contributions. For plans without interim remeasurement, the discount rate and rate of expected return assumptions are unchanged from year-end 2019.

Liquidity. At March 31, 2020, we had Company cash of \$34.3 billion, an increase of \$12 billion compared with December 31, 2019. Company cash at March 31, 2020 includes \$15.1 billion of the loan proceeds we received in March 2020 under our corporate and supplemental revolving credit facilities, as described in more detail below. At April 24, 2020, we had Company cash of \$34.6 billion, including \$8 billion from our unsecured debt issuance, which settled on April 22, 2020. At March 31, 2020, about 92% of Company cash was held by consolidated entities domiciled in the United States.

Our key liquidity objective during these unprecedented and uncertain times is to prioritize actions that preserve or improve our cash balance until we are able to resume and sustain normal production and generate revenue. In aggregate, drawing on our corporate credit facilities and issuing unsecured debt securities increased our Company cash balance by \$23.4 billion. We believe the phased restart of our manufacturing plants, supply network, and other dependent functions is probable of commencing in the second quarter of 2020. With our current balance of Company cash and the Company's operating plan to resume production, we believe we have sufficient liquidity to fund our operations for at least the next twelve months. If we experience a significant delay in the phased restart of our manufacturing operations, or we are unable to maintain expected levels of production, we may take additional actions such as reducing costs or seeking additional financing.

Our Company cash investments primarily include U.S. Department of Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions, investment-grade corporate securities, investment-grade commercial paper, 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 adjusted based on market conditions and liquidity needs. We monitor our Company cash levels and average maturity on a daily basis.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Changes in Company Cash. In managing our business, we classify changes in Company cash into operating and non-operating items. Operating items include: Company adjusted EBIT excluding Ford Credit EBT, capital spending, depreciation and tooling amortization, changes in working capital, Ford Credit distributions, and all other and timing differences. Non-operating items include: Global Redesign (including separation payments), changes in Automotive and Other debt, contributions to funded pension plans, shareholder distributions, and other items (including acquisitions and divestitures and other transactions with Ford Credit).

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 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 when wholesale volumes decrease. With a suspension of our manufacturing operations outside of China, our revenue essentially ceased in March, while our production supplier payables, which are on about 45-day terms, continue to come due through early May, resulting in a deterioration of our cash flow as described below. Moreover, even in normal economic conditions, 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.

Changes in Company cash excluding Ford Credit are summarized below (in billions):

	First Quarter	
	2019	2020
<u>Company Excluding Ford Credit</u>		
Company Adjusted EBIT* excluding Ford Credit	\$ 1.6	\$ (0.7)
Capital spending	\$ (1.6)	\$ (1.8)
Depreciation and tooling amortization	1.4	1.4
Net spending	\$ (0.3)	\$ (0.4)
Receivables	\$ (0.1)	\$ 0.5
Inventory	(1.1)	(1.1)
Trade Payables	1.7	(0.5)
Changes in working capital	\$ 0.5	\$ (1.2)
Ford Credit distributions	\$ 0.7	\$ 0.3
All other and timing differences	(0.6)	(0.2)
Company adjusted free cash flow *	\$ 1.9	\$ (2.2)
Global Redesign (including separations)	\$ (0.1)	\$ (0.2)
Changes in debt	—	15.1
Funded pension contributions	(0.3)	(0.2)
Shareholder distributions	(0.6)	(0.6)
All other (including acquisitions and divestitures)	0.2	0.1
Change in cash	<u>\$ 1.1</u>	<u>\$ 12.0</u>

* See *Non-GAAP Financial Measure Reconciliations* section for reconciliation to GAAP.
Note: Numbers may not sum due to rounding.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

As reported on our Consolidated Statement of Cash Flows, our first quarter 2020 *Net cash provided by/(used in) operating activities* was down \$4 billion year over year. Company adjusted free cash flow was \$4.1 billion lower than a year ago. The decline in both cash flows was more than explained by the earnings impact of COVID-19 and the decline in production supplier payables from a year ago due to the suspension of manufacturing operations in March.

Capital spending was \$1.8 billion in the first quarter of 2020, \$0.2 billion higher than a year ago. We expect full year 2020 capital spending to be between \$6.3 billion and \$6.8 billion, down from our prior expectation of \$6.8 billion to \$7.3 billion.

First quarter 2020 working capital was \$1.2 billion negative, more than explained by higher inventory and lower trade payables, reflecting our suspension of manufacturing operations in March.

First quarter 2020 all other and timing differences were about \$0.2 billion negative, reflecting assorted timing differences including differences between accrual-based EBIT and the associated cash flows, interest payments on Automotive and Other debt, and cash taxes.

In the first quarter of 2020, we contributed \$175 million to our worldwide funded pension plans. We now expect to contribute between \$0.5 billion and \$0.7 billion to our funded plans (most of which are mandatory contributions), down from our prior expectation of \$0.6 billion to \$0.8 billion.

Shareholder distributions were \$595 million in the first quarter of 2020, all of which was attributable to our regular quarterly dividend. On March 19, 2020, we announced the suspension of our regular quarterly dividend and share repurchase program.

Available Credit Lines. On March 19, 2020, Ford Credit reallocated \$3 billion of commitments under our corporate credit facility back to us, and we submitted borrowing notices to our lenders for \$13.4 billion under our corporate credit facility and \$2 billion under our supplemental revolving credit facility to offset the temporary working capital impacts of the COVID-19 related suspension of manufacturing operations and to preserve our financial flexibility. On March 24, 2020, we received \$15.1 billion, and on April 8, 2020, our subsidiary, Ford Motor Company Brasil Ltda., received the remaining \$300 million attributable to the Brazilian real sub-facility under the corporate credit facility. Accordingly, as of April 8, 2020, we had \$0.5 billion of available committed Company credit lines excluding Ford Credit available to us, all of which constitutes local credit facilities for our affiliates.

Under our corporate credit facility, \$3.35 billion of our loans mature on April 30, 2022 and \$10.05 billion of our loans mature on April 30, 2024. Under our supplemental revolving credit facility, all \$2 billion matures on April 30, 2022, and under our delayed draw term loan, which we drew in full in 2019, all \$1.5 billion matures on December 31, 2022.

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 or trigger early repayment. 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. The terms and conditions of the supplemental revolving credit facility and delayed draw term loan are consistent with our corporate credit facility.

Each of the corporate credit facility, supplemental revolving credit facility, delayed draw term loan, and our Loan Arrangement and Reimbursement Agreement with the U.S. Department of Energy (the "DOE") include a covenant that requires us to provide guarantees from certain of our subsidiaries in the event that our senior, unsecured, long-term debt does not maintain at least two investment grade ratings from Fitch, Moody's, and S&P. As a result of being downgraded by Moody's in September 2019 and S&P in March 2020, on April 23, 2020, the following subsidiaries provided unsecured guarantees to the lenders under the credit facilities and to the DOE: Ford Component Sales, LLC; Ford European Holdings LLC; Ford Global Technologies, LLC; Ford Holdings LLC (the parent company of Ford Credit); Ford International Capital LLC; Ford Mexico Holdings LLC; Ford Motor Service Company; Ford Smart Mobility LLC; and Ford Trading Company, LLC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Debt. As shown in Note 14 of the Notes to the Financial Statements, at March 31, 2020, Company debt excluding Ford Credit was \$30.5 billion, including Automotive debt of \$30 billion. These balances were \$15.2 billion and \$15.3 billion higher, respectively, than at December 31, 2019, primarily reflecting the draws on our credit facilities. Our \$8 billion unsecured debt issuance in April 2020, described above, is not included in these amounts.

Leverage. We manage Company debt (excluding Ford Credit) levels with a leverage framework that targets investment grade credit ratings through a normal business cycle; however, during these uncertain times, we have increased our debt balance and prioritized actions that preserve or improve our cash balance until we are able to resume and sustain normal production and generate revenue. The leverage framework includes a ratio of total company debt (excluding Ford Credit), underfunded pension liabilities, operating leases, and other adjustments, divided by Company adjusted EBIT (excluding Ford Credit EBT), and further adjusted to exclude depreciation and tooling amortization (excluding Ford Credit).

Ford Credit's leverage is calculated as a separate business as described in the Liquidity - Ford Credit Segment section of Item 2. Ford Credit is self-funding and its debt, which is used to fund its operations, is separate from our Automotive and Other debt.

Ford Credit Segment

Ford Credit ended the first quarter with \$28 billion in liquidity, which exceeded its target of about \$25 billion. Ford Credit's liquidity target was established to withstand a severe stress funding environment. During the first quarter of 2020, Ford Credit completed \$6 billion of public funding. Lower expected originations as a result of COVID-19 are projected to decrease the size of Ford Credit's balance sheet and reduce Ford Credit's funding requirements in 2020. Ford Credit expects to increase ABS mix and prudently issue unsecured debt; however, even without any incremental unsecured issuance in 2020, Ford Credit expects to maintain liquidity around its target level for the rest of the year.

Key elements of Ford Credit's funding strategy include:

- Maintain liquidity around \$25 billion; continue to renew and expand committed ABS capacity;
- Continue to leverage public market issuance;
- Assets and committed capacity available to increase ABS mix as needed;
- Continue to target managed leverage of 8:1 - 9:1; and
- Maintain self-liquidating balance sheet.

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 regularly stress tests its balance sheet and liquidity to ensure that it continues to meet its financial obligations through economic cycles.

The following table shows funding for Ford Credit's managed receivables (in billions):

	March 31, 2019	December 31, 2019	March 31, 2020
Term Debt (incl. Bank Borrowings)	\$ 73	\$ 73	\$ 72
Term Asset-Backed Securities	60	57	56
Commercial Paper	4	4	3
Ford Interest Advantage / Deposits	6	7	6
Other	10	9	6
Equity	15	14	14
Adjustments for Cash	(13)	(12)	(11)
Total Managed Receivables *	\$ 155	\$ 152	\$ 146
Securitized Funding as Percent of Managed Receivables	38%	38%	38%

* See *Non-GAAP Financial Measure Reconciliations* section for reconciliation to GAAP.

Managed receivables were \$146 billion at March 31, 2020, and were funded primarily with term debt and term asset-backed securities. Securitized funding as a percent of managed receivables was 38% at the end of the first quarter of 2020. Ford Credit expects this to increase modestly by the end of the year. The calendarization of the funding plan will result in quarterly fluctuations of the securitized funding percentage.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Public Term Funding Plan. The following table shows Ford Credit's issuances for full year 2018 and 2019, planned issuances for full year 2020, and its global public term funding issuances through April 27, 2020, excluding short-term funding programs (in billions):

	2018 Actual	2019 Actual	2020 Forecast	Through Apr 27
Unsecured	\$ 13	\$ 17	\$ 3 - 8	\$ 3
Securizations *	14	14	9 - 14	3
Total public	\$ 27	\$ 31	\$ 12 - 22	\$ 6

* See *Definitions and Information Regarding Ford Credit Causal Factors* section.
Note: Numbers may not sum due to rounding.

For 2020, Ford Credit now projects full year public term funding in the range of \$12 billion to \$22 billion. This is lower than previously estimated because the impact of COVID-19 has resulted in lower originations, which, in turn, leads to a smaller balance sheet and reduced funding requirements in 2020.

Through April 27, 2020, Ford Credit has completed \$6 billion of public term issuances.

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

	March 31, 2019	December 31, 2019	March 31, 2020
Liquidity Sources *			
Cash	\$ 12.8	\$ 11.7	\$ 11.3
Committed asset-backed facilities	35.2	36.6	35.9
Other unsecured credit facilities	3.3	3.0	2.8
Ford corporate credit facility allocation	3.0	3.0	—
Total liquidity sources	\$ 54.3	\$ 54.3	\$ 50.0
Utilization of Liquidity *			
Securitization cash	\$ (3.3)	\$ (3.5)	\$ (2.9)
Committed asset-backed facilities	(19.8)	(17.3)	(18.6)
Other unsecured credit facilities	(0.6)	(0.8)	(0.5)
Ford corporate credit facility allocation	—	—	—
Total utilization of liquidity	\$ (23.7)	\$ (21.6)	\$ (22.0)
Gross liquidity	\$ 30.6	\$ 32.7	\$ 28.0
Adjustments **	0.4	0.4	0.3
Net liquidity available for use	\$ 31.0	\$ 33.1	\$ 28.3

* See *Definitions and Information Regarding Ford Credit Causal Factors* section.

** Includes asset-backed capacity in excess of eligible receivables and cash related to the Ford Credit Revolving Extended Variable-utilization program ("FordREV"), which can be accessed through future sales of receivables.

Ford Credit's net liquidity available for use will fluctuate quarterly based on factors including near-term debt maturities, receivable growth, and timing of funding transactions. Ford Credit continues to target liquidity of about \$25 billion and expects to remain around its targeted liquidity through 2020 as its balance sheet shrinks as a result of an expected decline in retail and lease originations due to COVID-19.

At March 31, 2020, Ford Credit's net liquidity available for use was \$28.3 billion, \$4.8 billion lower than year-end 2019. Ford Credit's sources of liquidity include cash, committed asset-backed facilities, and unsecured credit facilities. At March 31, 2020, Ford Credit's liquidity sources including cash totaled \$50.0 billion, down \$4.3 billion from year-end 2019, primarily reflecting Ford Credit's reallocation of \$3 billion of commitments under the corporate credit facility to us.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Balance Sheet Liquidity Profile. Ford Credit defines its balance sheet liquidity profile as the cumulative maturities, including the impact of expected prepayments and allowance for credit losses, of its finance receivables, investment in operating leases, and cash, less the cumulative debt maturities over upcoming annual periods. 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 additional liquidity after all of its assets have been funded and is in addition to its liquidity stress test.

The following table shows Ford Credit's cumulative maturities for assets and total debt for the periods presented and unsecured long-term debt maturities in the individual periods presented (in billions):

	April - December 2020	2021	2022	2023 and Beyond
Balance Sheet Liquidity Profile				
Assets (a)	\$ 72	\$ 116	\$ 139	\$ 155
Total debt (b)	50	83	102	135
Memo: Unsecured Long-Term Debt Maturities	11	17	13	28

(a) Includes gross finance receivables less the allowance for credit losses, investment in operating leases net of accumulated depreciation, cash and cash equivalents, and marketable securities (excluding amounts related to insurance activities). Amounts shown include the impact of expected prepayments.

(b) Excludes unamortized debt (discount) / premium, unamortized issuance costs, and fair value adjustments.

Maturities of investment in operating leases consist primarily of the portion of rental payments attributable to depreciation over the remaining life of the lease and the expected residual value at lease termination. Maturities of finance receivables and investment in operating leases in the table above include expected prepayments for Ford Credit's retail installment sale contracts and investment in operating leases. The table above also reflects adjustments to debt maturities to match all the asset-backed debt maturities with the underlying asset maturities. All wholesale securitization transactions and wholesale receivables are shown maturing in the next 12 months, even if the maturities extend beyond first quarter 2021. The retail securitization transactions under certain committed asset-backed facilities are assumed to amortize immediately rather than amortizing after the expiration of the commitment period. See Notes 8 and 14 for additional information.

Funding and Liquidity Risks. Ford Credit's funding plan is subject to risks and uncertainties, many of which are beyond its control, including disruption in the capital markets (such as from the impact of COVID-19) and the effects of regulatory changes on the financial markets.

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

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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 table below shows the calculation of Ford Credit's financial statement leverage and managed leverage (in billions):

	March 31, 2019	December 31, 2019	March 31, 2020
Leverage Calculation			
Debt *	\$ 142.9	\$ 140.0	\$ 136.8
Adjustments for cash	(12.8)	(11.7)	(11.3)
Adjustments for derivative accounting *	(0.1)	(0.5)	(1.6)
Total adjusted debt	<u>\$ 130.0</u>	<u>\$ 127.8</u>	<u>\$ 123.9</u>
Equity **	\$ 14.9	\$ 14.3	\$ 13.5
Adjustments for derivative accounting *	(0.2)	—	—
Total adjusted equity	<u>\$ 14.7</u>	<u>\$ 14.3</u>	<u>\$ 13.5</u>
Financial statement leverage (to 1) (GAAP)	9.6	9.8	10.1
Managed leverage (to 1) (Non-GAAP)	8.8	8.9	9.2

* 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 plans its managed leverage by considering market conditions and the risk characteristics of its business. At March 31, 2020, Ford Credit's financial statement leverage was 10.1:1, and its managed leverage was 9.2:1. Ford Credit targets managed leverage in the range of 8:1 to 9:1, and expects its managed leverage to return to the targeted range later in 2020.

Total Company

Pension Plans - Underfunded Balances. As of March 31, 2020, our total Company pension underfunded status reported on our consolidated balance sheet was \$6.2 billion and reflects the net underfunded status at December 31, 2019, updated for service and interest cost, expected return on assets, curtailment and settlement gains, and associated interim remeasurement (where applicable), separation expense, actual benefit payments, and cash contributions. For plans without interim remeasurement, the discount rate and rate of expected return assumptions are unchanged from year-end 2019.

Return on Invested Capital. We analyze total Company performance using an adjusted Return on Invested Capital ("ROIC") financial metric based on an after-tax, rolling four quarter average. The following table contains the calculation of our ROIC for the periods shown (in billions):

	Four Quarters Ending	
	March 31, 2019	March 31, 2020
Adjusted Net Operating Profit After Cash Tax		
Net income/(loss) attributable to Ford	\$ 3.1	\$ (3.1)
Add: Noncontrolling interest	—	—
Less: Income tax	(0.9)	0.3
Add: Cash tax	(0.7)	(0.6)
Less: Interest on debt	(1.2)	(1.0)
Less: Total pension / OPEB income/(cost)	(0.6)	(2.5)
Add: Pension / OPEB service costs	(1.1)	(1.0)
Net operating profit/(loss) after cash tax	\$ 3.9	\$ (1.6)
Less: Special items (excl. pension / OPEB) pre-tax	(1.2)	(3.2)
Adjusted net operating profit after cash tax	<u>\$ 5.1</u>	<u>\$ 1.6</u>
Invested Capital		
Equity	\$ 36.4	\$ 29.7
Redeemable noncontrolling interest	0.1	—
Debt (excl. Ford Credit)	14.2	30.5
Net pension and OPEB liability	11.1	12.2
Invested capital (end of period)	<u>\$ 61.9</u>	<u>\$ 72.4</u>
Average invested capital	<u>\$ 63.4</u>	<u>\$ 63.7</u>
ROIC *	6.2%	(2.5)%
Adjusted ROIC (Non-GAAP) **	8.0%	2.5 %

* Calculated as the sum of net operating profit after cash tax from the last four quarters, divided by the average invested capital over the last four quarters.

** Calculated as the sum of adjusted net operating profit after cash tax from the last four quarters, divided by the average invested capital over the last four quarters.

Note: Numbers 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, Fitch, Moody's, and 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 2019 Form 10-K Report:

- On March 23, 2020, Fitch downgraded the credit ratings for Ford and Ford Credit (to BBB- from BBB) and maintained a negative outlook.
- On March 25, 2020, Moody's downgraded the credit ratings for Ford and Ford Credit (to Ba2 from Ba1) and placed the ratings under review for downgrade (prior outlook was stable).
- On March 25, 2020, S&P downgraded the credit ratings for Ford and Ford Credit (to BB+ from BBB-) and placed the ratings on CreditWatch with negative implications (prior outlook was stable).
- On March 27, 2020, DBRS placed all its rated automotive issuers under review with negative implications (prior outlook was negative).

The following table 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	Under review with negative implications	BBB	R-2M	Under review with negative implications	BBB (low)
Fitch	BBB-	BBB-	Negative	BBB-	F3	Negative	BBB-
Moody's	N/A	Ba2	Under review for downgrade	Ba2	NP	Under review for downgrade	Baa3
S&P	BB+	BB+	CreditWatch with negative implications	BB+	B	CreditWatch with negative implications	BBB-

OUTLOOK

We provided 2020 Company guidance in our earnings release furnished on Form 8-K dated April 28, 2020 based on our expectations as of April 28, 2020. Our actual results could differ materially from our guidance due to risks, uncertainties, and other factors, including those set forth in "Risk Factors" in Item 1A of our 2019 Form 10-K Report, in Item 1A of this 10-Q Report, and as updated by our subsequent filings with the SEC.

	<u>2020 Guidance</u>
Total Company	
Q2 Adjusted EBIT*	Loss > \$5 billion
Capital spending	\$6.3 - \$6.8 billion
Pension contributions	\$0.5 - \$0.7 billion
Global Redesign EBIT charges	\$(0.7) - \$(1.2) billion
Global Redesign cash effects	\$(0.7) - \$(1.2) billion

Ford Credit

Auction values	Down > 5%**
Receivables	Continue to decline
Securitized funding as percent of managed receivables	Increase modestly by year-end
Total public funding issuances	\$12 - \$22 billion
Liquidity	Around \$25 billion
Managed leverage	8:1 - 9:1

* When we provide guidance for Adjusted EBIT we do not provide guidance for net income/(loss), the most comparable GAAP measure, because, as described in more detail below in "Non-GAAP Measures That Supplement GAAP Measures," it includes items that are difficult to predict with reasonable certainty prior to year-end, including pension and OPEB remeasurement gains and losses.

** On average compared with full year 2019 at constant mix.

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, without limitation:

- Ford and Ford Credit's financial condition and results of operations have been and may continue to be adversely affected by public health issues, including epidemics or pandemics such as COVID-19;
- Ford's long-term competitiveness depends on the successful execution of global redesign and fitness actions;
- Ford's vehicles could be affected by defects that result in delays in new model launches, recall campaigns, or increased warranty costs;
- Ford may not realize the anticipated benefits of existing or pending strategic alliances, joint ventures, acquisitions, divestitures, or new business strategies;
- Operational systems, security systems, and vehicles could be affected by cyber incidents;
- Ford's production, as well as Ford's suppliers' production, could be disrupted by labor issues, 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;
- Ford's ability to attract and retain talented, diverse, and highly skilled employees is critical to its success and competitiveness;
- 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;
- With a global footprint, Ford's results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events, including tariffs and Brexit;
- Industry sales volume in any of our key markets can be volatile and could decline if there is a financial crisis, recession, or significant geopolitical event;
- Ford may face increased price competition or a reduction in demand for its products resulting from industry excess capacity, currency fluctuations, competitive actions, or other factors;
- Fluctuations in commodity prices, foreign currency exchange rates, interest rates, and market value of our investments can have a significant effect on results;
- Ford and 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's receipt of government incentives could be subject to reduction, termination, or clawback;
- Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- 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;
- Pension and other postretirement liabilities could adversely affect Ford's liquidity and financial condition;
- 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 may need to substantially modify its product plans to comply with safety, emissions, fuel economy, autonomous vehicle, and other regulations that may change in the future;
- Ford and Ford Credit could be affected by the continued development of more stringent privacy, data use, and data protection laws and regulations as well as consumer expectations for the safeguarding of personal information; and
- Ford Credit could be subject to new or increased credit regulations, consumer 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" in our 2019 Form 10-K Report, as updated by our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

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 EBIT (Most Comparable GAAP Measure: Net Income Attributable to Ford)* – Earnings before interest and taxes (EBIT) excludes interest on debt (excl. Ford Credit Debt), taxes and pre-tax special items. This non-GAAP measure is useful to management and investors because it allows users to evaluate our operating results aligned with industry reporting. Pre-tax special items consist of (i) pension and OPEB rereasurement gains and losses, (ii) significant personnel expenses, dealer-related costs, and facility-related charges stemming from 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 EBIT, 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 rereasurement gains and losses.
- *Company Adjusted EBIT Margin (Most Comparable GAAP Measure: Company Net Income Margin)* – Company Adjusted EBIT margin is Company adjusted EBIT divided by Company revenue. This non-GAAP measure is useful to management and investors because it allows users to evaluate our operating results aligned with industry reporting.
- *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), tax special items and restructuring impacts in noncontrolling interests. 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 rereasurement 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 rereasurement gains and losses.
- *Company Adjusted Free 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, Ford Credit distributions to its parent, and settlement of derivatives. The measure excludes cash outflows for funded pension contributions, global redesign (including separations), and other items that are considered operating cash flows 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. When we provide guidance for Company adjusted free cash flow, we do not provide guidance for net cash provided by/(used in) operating activities because the GAAP measure will include items that are difficult to quantify or predict with reasonable certainty, including cash flows related to the Company's exposures to foreign currency exchange rates and certain commodity prices (separate from any related hedges), Ford Credit's operating cash flows, and cash flows related to special items, including separation payments, each of which individually or in the aggregate could have a significant impact to our net cash provided by/(used in) our operating activities.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

- *Adjusted Free Cash Flow Conversion (Most Comparable GAAP Measure: Net Cash Provided By / (Used In) Operating Activities divided by Net Income Attributable to Ford)* – Adjusted Free Cash Flow Conversion is Company adjusted free cash flow divided by Company Adjusted EBIT. This non-GAAP measure is useful to management and investors because it allows users to evaluate how much of Ford's Adjusted EBIT is converted into cash flow.
- *Adjusted ROIC* – Calculated as the sum of adjusted net operating profit after cash tax from the last four quarters, divided by the average invested capital over the last four quarters. Adjusted Return on Invested Capital (“ROIC”) provides management and investors with useful information to evaluate the Company's after-cash tax operating return on its invested capital for the period presented. Adjusted net operating profit after cash tax measures operating results less special items, interest on debt (excl. Ford Credit Debt), and certain pension/OPEB costs. Average invested capital is the sum of average balance sheet equity, debt (excl. Ford Credit Debt), and net pension/OPEB liability.
- *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.

Non-GAAP Financial Measure Reconciliations

The following tables show our Non-GAAP financial measure reconciliations. The GAAP reconciliation for Ford Credit Managed Leverage can be found in the Ford Credit Segment section of "Liquidity and Capital Resources."

Net Income Reconciliation to Adjusted EBIT (\$M)

	First Quarter	
	2019	2020
Net income/(loss) attributable to Ford (GAAP)	\$ 1,146	\$ (1,993)
Income/(Loss) attributable to noncontrolling interests	37	—
Net income/(loss)	\$ 1,183	\$ (1,993)
Less: (Provision for)/Benefit from income taxes	(427)	(847)
Income/(Loss) before income taxes	\$ 1,610	\$ (1,146)
Less: Special items pre-tax	(592)	(287)
Income/(Loss) before special items pre-tax	\$ 2,202	\$ (859)
Less: Interest on debt	(245)	(227)
Adjusted EBIT (Non-GAAP)	\$ 2,447	\$ (632)
Memo:		
Revenue (\$B)	\$ 40.3	\$ 34.3
Net income/(loss) margin (%)	2.8%	(5.8)%
Adjusted EBIT margin (%)	6.1%	(1.8)%

Earnings per Share Reconciliation to Adjusted Earnings per Share

	First Quarter	
	2019	2020
<u>Diluted After-Tax Results (\$M)</u>		
Diluted after-tax results (GAAP)	\$ 1,146	\$ (1,993)
Less: Impact of pre-tax and tax special items	(585)	(1,074)
Less: Noncontrolling interests impact of Russia restructuring	(35)	—
Adjusted net income/(loss) – diluted (Non-GAAP)	\$ 1,766	\$ (919)
<u>Basic and Diluted Shares (M)</u>		
Basic shares (average shares outstanding)	3,973	3,963
Net dilutive options, unvested restricted stock units and restricted stock	24	—
Diluted shares	3,997	3,963
Earnings per share – diluted (GAAP)	\$ 0.29	\$ (0.50)
Less: Net impact of adjustments	(0.15)	(0.27)
Adjusted earnings per share – diluted (Non-GAAP)	\$ 0.44	\$ (0.23)

Effective Tax Rate Reconciliation to Adjusted Effective Tax Rate

	First Quarter		Memo: FY 2019
	2019	2020	
Pre-Tax Results (\$M)			
Income / (Loss) before income taxes (GAAP)	\$ 1,610	\$ (1,146)	\$ (640)
Less: Impact of special items	(592)	(287)	(5,999)
Adjusted earnings before taxes (Non-GAAP)	<u>\$ 2,202</u>	<u>\$ (859)</u>	<u>\$ 5,359</u>
Taxes (\$M)			
(Provision for) / Benefit from income taxes (GAAP)	\$ (427)	\$ (847)	\$ 724
Less: Impact of special items	7	(787)	1,323
Adjusted (provision for) / benefit from income taxes (Non-GAAP)	<u>\$ (434)</u>	<u>\$ (60)</u>	<u>\$ (599)</u>
Tax Rate (%)			
Effective tax rate (GAAP)	26.5%	(73.9)%	113.1%
Adjusted effective tax rate (Non-GAAP)	19.7%	(7.0)%	11.2%

Net Cash Provided by/(Used in) Operating Activities Reconciliation to Company Adjusted Free Cash Flow (\$M)

	First Quarter	
	2019	2020
Net cash provided by / (used in) operating activities (GAAP)	\$ 3,544	\$ (473)
Less: Items not included in Company Adjusted Free Cash Flows		
Ford Credit operating cash flows	\$ 1,118	\$ 133
Funded pension contributions	(294)	(175)
Global Redesign (including separations)	(136)	(172)
Ford Credit tax payments / (refunds) under tax sharing agreement	98	475
Other, net	(120)	(15)
Add: Items included in Company Adjusted Free Cash Flows		
Automotive and Mobility capital spending	\$ (1,620)	\$ (1,770)
Ford Credit distributions	675	275
Settlement of derivatives	(26)	(28)
Company adjusted free cash flow (Non-GAAP)	<u>\$ 1,907</u>	<u>\$ (2,242)</u>
Cash conversion (GAAP) (Trailing four quarters)	488%	(441)%
Adjusted free cash flow conversion (Non-GAAP) (Trailing four quarters)	24%	(41)%

Ford Credit Net Receivables Reconciliation to Managed Receivables (\$B)

	March 31, 2019	December 31, 2019	March 31, 2020
Ford Credit finance receivables, net (GAAP) *	\$ 109.8	\$ 107.4	\$ 106.0
Net investment in operating leases (GAAP) *	27.6	27.6	27.0
Consolidating adjustments **	9.5	7.0	4.8
Total net receivables	<u>\$ 146.9</u>	<u>\$ 142.0</u>	<u>\$ 137.8</u>
Held-for-sale receivables (GAAP)	\$ —	\$ 1.5	\$ —
Ford Credit unearned interest supplements and residual support	6.8	6.7	6.3
Allowance for credit losses	0.5	0.5	1.2
Other, primarily accumulated supplemental depreciation	1.1	1.0	1.1
Total managed receivables (Non-GAAP)	<u>\$ 155.3</u>	<u>\$ 151.7</u>	<u>\$ 146.4</u>

* 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.

Note: Numbers may not sum due to rounding.

SUPPLEMENTAL INFORMATION

The tables below provide supplemental consolidating financial information, other financial information, and U.S. sales by type. Company excluding Ford Credit includes our Automotive and Mobility reportable segments, Corporate Other, Interest on Debt, and Special Items. Eliminations, where presented, primarily represent eliminations of intersegment transactions and deferred tax netting.

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

	For the period ended March 31, 2020			
	First Quarter			
	Company excluding Ford Credit	Ford Credit	Eliminations	Consolidated
Cash flows from operating activities				
Net income/(loss)	\$ (2,014)	\$ 21	\$ —	\$ (1,993)
Depreciation and tooling amortization	1,384	1,060	—	2,444
Other amortization	8	(310)	—	(302)
Held-for-sale impairment charges	3	—	—	3
Provision for credit and insurance losses	6	592	—	598
Pension and OPEB expense/(income)	(178)	—	—	(178)
Equity investment dividends received in excess of (earnings)/losses	124	(6)	—	118
Foreign currency adjustments	362	(24)	—	338
Net (gain)/loss on changes in investments in affiliates	(20)	5	—	(15)
Stock compensation	37	1	—	38
Provision for deferred income taxes	974	(272)	—	702
Decrease/(Increase) in finance receivables (wholesale and other)	—	(1,080)	—	(1,080)
Decrease/(Increase) in intersegment receivables/payables	488	(488)	—	—
Decrease/(Increase) in accounts receivable and other assets	16	23	—	39
Decrease/(Increase) in inventory	(1,177)	—	—	(1,177)
Increase/(Decrease) in accounts payable and accrued and other liabilities	478	(284)	—	194
Other	(278)	76	—	(202)
Interest supplements and residual value support to Ford Credit	(819)	819	—	—
Net cash provided by/(used in) operating activities	\$ (606)	\$ 133	\$ —	\$ (473)
Cash flows from investing activities				
Capital spending	\$ (1,770)	\$ (10)	\$ —	\$ (1,780)
Acquisitions of finance receivables and operating leases	—	(12,184)	—	(12,184)
Collections of finance receivables and operating leases	—	12,709	—	12,709
Proceeds from sale of business	—	1,340	—	1,340
Purchases of marketable and other investments	(7,564)	(680)	—	(8,244)
Sales and maturities of marketable securities and other investments	3,463	1,535	—	4,998
Settlements of derivatives	(28)	159	—	131
Other	(83)	(1)	—	(84)
Investing activity (to)/from other segments	275	(10)	(265)	—
Net cash provided by/(used in) investing activities	\$ (5,707)	\$ 2,858	\$ (265)	\$ (3,114)
Cash flows from financing activities				
Cash payments for dividends and dividend equivalents	\$ (596)	\$ —	\$ —	\$ (596)
Purchases of common stock	—	—	—	—
Net changes in short-term debt	282	(904)	—	(622)
Proceeds from issuance of long-term debt	15,068	11,623	—	26,691
Principal payments on long-term debt	(296)	(12,652)	—	(12,948)
Other	(50)	(21)	—	(71)
Financing activity to/(from) other segments	10	(275)	265	—
Net cash provided by/(used in) financing activities	\$ 14,418	\$ (2,229)	\$ 265	\$ 12,454
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	\$ (196)	\$ (252)	\$ —	\$ (448)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

	For the period ended March 31, 2020					
	First Quarter					
	Company excluding Ford Credit				Ford Credit	Consolidated
	Automotive	Mobility	Other (a)	Subtotal		
Revenues	\$ 31,340	\$ 13	\$ —	\$ 31,353	\$ 2,967	\$ 34,320
Total costs and expenses	32,106	381	467	32,954	2,924	35,878
Operating income/(loss)	(766)	(368)	(467)	(1,601)	43	(1,558)
Interest expense on Automotive debt	—	—	214	214	—	214
Interest expense on Other debt	—	—	13	13	—	13
Other income/(loss), net	636	34	29	699	(19)	680
Equity in net income/(loss) of affiliated companies	(47)	—	—	(47)	6	(41)
Income/(Loss) before income taxes	(177)	(334)	(665)	(1,176)	30	(1,146)
Provision for/(Benefit from) income taxes	221	(80)	697	838	9	847
Net income/(loss)	(398)	(254)	(1,362)	(2,014)	21	(1,993)
Less: Income/(Loss) attributable to noncontrolling interests	—	—	—	—	—	—
Net income/(loss) attributable to Ford Motor Company	\$ (398)	\$ (254)	\$ (1,362)	\$ (2,014)	\$ 21	\$ (1,993)

(a) Other includes Corporate Other, Interest on Debt, and Special Items.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

	March 31, 2020			
	Company excluding Ford Credit	Ford Credit	Eliminations	Consolidated
Assets				
Cash and cash equivalents	\$ 16,343	\$ 9,628	\$ —	\$ 25,971
Marketable securities	17,946	2,453	—	20,399
Ford Credit finance receivables, net	—	54,889	—	54,889
Trade and other receivables, net	3,128	3,497	—	6,625
Inventories	11,312	—	—	11,312
Assets held for sale	664	36	—	700
Other assets	2,689	1,691	—	4,380
Receivable from other segments	21	2,673	(2,694)	—
Total current assets	52,103	74,867	(2,694)	124,276
Ford Credit finance receivables, net	—	51,141	—	51,141
Net investment in operating leases	1,509	27,005	—	28,514
Net property	35,082	212	—	35,294
Equity in net assets of affiliated companies	2,159	116	—	2,275
Deferred income taxes	12,607	168	(1,853)	10,922
Other assets	8,860	2,868	—	11,728
Receivable from other segments	9	16	(25)	—
Total assets	\$ 112,329	\$ 156,393	\$ (4,572)	\$ 264,150
Liabilities				
Payables	\$ 17,449	\$ 990	\$ —	\$ 18,439
Other liabilities and deferred revenue	21,225	1,449	—	22,674
Automotive debt payable within one year	1,609	—	—	1,609
Ford Credit debt payable within one year	—	51,303	—	51,303
Other debt payable within one year	—	—	—	—
Liabilities held for sale	469	—	—	469
Payable to other segments	2,694	—	(2,694)	—
Total current liabilities	43,446	53,742	(2,694)	94,494
Other liabilities and deferred revenue	23,757	1,348	—	25,105
Automotive long-term debt	28,411	—	—	28,411
Ford Credit long-term debt	—	85,533	—	85,533
Other long-term debt	470	—	—	470
Deferred income taxes	67	2,225	(1,853)	439
Payable to other segments	25	—	(25)	—
Total liabilities	\$ 96,176	\$ 142,848	\$ (4,572)	\$ 234,452

Selected Other Information.

Equity. At March 31, 2020, total equity attributable to Ford was \$29.7 billion, a decrease of \$3.5 billion compared with December 31, 2019. The detail for this change is shown below (in billions):

	Increase/ (Decrease)
Net income	\$ (2.0)
Shareholder distributions	(0.6)
Adoption of accounting standards	(0.2)
Other comprehensive income	(0.7)
Total	\$ (3.5)

U.S. Sales by Type. The following table shows first quarter 2020 U.S. sales volume and U.S. wholesales segregated by truck, SUV, and car sales. U.S. sales volume reflects transactions with (i) retail and fleet customers (as reported by dealers), (ii) governments, and (iii) Ford management. U.S. wholesales reflect sales to dealers.

	U.S. Sales	U.S. Wholesales
Trucks	263,757	265,966
SUVs	189,720	194,013
Cars	62,853	73,896
Total Vehicles	516,330	533,875

CRITICAL ACCOUNTING ESTIMATES

As a result of the January 1, 2020 adoption of the current expected credit loss ("CECL") standard (ASU 2016-13, *Credit Losses - Measurement of Credit Losses on Financial Instruments*), we are updating the Critical Accounting Estimate disclosure in our 2019 Form 10-K Report as follows:

Allowance for Credit Losses

The allowance for credit losses represents Ford Credit's estimate of the expected lifetime credit losses 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 can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain. Changes in assumptions affect *Ford Credit interest, operating, and other expenses* on our consolidated income statement and the allowance for credit losses contained within *Ford Credit finance receivables, net* on our consolidated balance sheet. For additional information regarding the allowance for credit losses, see Note 8 of our Notes to the Financial Statements.

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

- *Probability of default.* The expected probability of payment and time to default which include assumptions about macroeconomic factors and recent performance. Macroeconomic factors used in the models are country specific.
- *Loss given default.* The percentage of the expected balance due at default that is not recoverable. The loss given default takes into account the expected collateral value and future recoveries.

Sensitivity Analysis.

Changes in the assumptions used to derive probability of default and loss given default 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 brand retail financing is as follows (in millions):

Assumption	Basis Point Change	Increase / (Decrease)
Probability of default (lifetime)	+/- 100	\$200/\$(200)
Loss given default	+/- 100	\$20/\$(20)

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Financial Accounting Standards Board ("FASB") has issued the following Accounting Standards Updates ("ASU") which are not expected to have a material impact to our financial statements or financial statement disclosures. For additional information, see Note 2 of the Notes to the Financial Statements.

ASU	Effective Date (a)
2020-04 Facilitation of the Effects of Reference Rate Reform on Financial Reporting	April 1, 2020
2019-12 Simplifying the Accounting for Income Taxes	January 1, 2021
2018-12 Targeted Improvements to the Accounting for Long Duration Contracts	January 1, 2022

(a) Early adoption for each of the standards is permitted.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Automotive Segment

Foreign Currency Risk. The net fair value of foreign exchange forward contracts (including adjustments for credit risk) as of March 31, 2020, was an asset of \$689 million, compared with a liability of \$596 million as of December 31, 2019. The potential decrease in fair value from a 10% adverse change in the underlying exchange rates, in U.S. dollar terms, would have been \$2.3 billion at March 31, 2020, compared with \$2.3 billion at December 31, 2019.

Commodity Price Risk. The net fair value of commodity forward contracts (including adjustments for credit risk) as of March 31, 2020, was a liability of \$153 million, compared with a liability of \$24 million at December 31, 2019. The potential decrease in fair value from a 10% adverse change in the underlying commodity prices would have been \$99 million at March 31, 2020, compared with \$112 million at December 31, 2019.

Ford Credit Segment

Interest Rate Risk. 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. The differences in pre-tax cash flow between these scenarios and the base case over a 12-month period represent an estimate of the sensitivity of Ford Credit’s pre-tax cash flow. Under this model, Ford Credit estimates that at March 31, 2020, all else constant, such an increase in interest rates would increase its pre-tax cash flow by \$3 million over the next 12 months, compared with a decrease of \$26 million at December 31, 2019. 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 above.

ITEM 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. James P. Hackett, our Chief Executive Officer (“CEO”), and Tim Stone, 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 March 31, 2020, 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.

Changes in Internal Control Over Financial Reporting. There were no changes in internal control over financial reporting during the quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. *Legal Proceedings.*

CLASS ACTIONS

In re: Takata Airbag Product Liability Litigation; Economic Loss Track Cases Against Ford Motor Company. On July 16, 2018, Ford entered into a settlement agreement related to a consumer economic loss class action pending before the U.S. District Court for the Southern District of Florida. The first case was originally filed on October 27, 2014, against Ford, Takata, and several other automotive manufacturers, and was brought by consumers who own or owned vehicles equipped with Takata airbag inflators. Additional cases were subsequently filed in courts throughout the United States and consolidated into a multidistrict case before the Florida court, which also included personal injury claims and claims by automotive recyclers. Ford's July 16, 2018 settlement relates only to the consumer economic loss matters. In these cases, plaintiffs allege that Ford vehicles equipped with Takata airbags are defective and that Ford did not disclose this defect to consumers. Plaintiffs allege that they suffered several forms of economic damages as a result of purchasing vehicles with defective airbags. The settlement is for \$299 million, which is subject to certain discounts, and is subject to court approval. On December 20, 2018, the court overruled all objections and entered a final order approving the settlement. Several objectors then filed notices of appeal of the trial court's order. On December 10, 2019, plaintiffs filed a motion with the court indicating they reached an agreement with the objectors to resolve the dispute. The agreement does not increase the total cost to Ford of the settlement. On January 23, 2020, the court held a hearing on the motion to approve the agreement, and on January 27, 2020, the court entered an "Indicative Ruling" indicating it would approve the agreement. On March 3, 2020, the U.S. Court of Appeals for the Eleventh Circuit dismissed the appeal, and on March 9, 2020, the trial court entered a final approval order and the settlement became effective.

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, one case that had been pending at the administrative level was dismissed on April 1, 2020, while the other two cases remain pending on appeal to the judicial court. To proceed with an appeal within the judicial court system, an appellant may be required to post collateral, which would likely be significant. 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. Ford Brazil continues to pursue a resolution under the framework and expects 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.

ITEM 1A. Risk Factors.

The following risk factor supplements the risk factors described in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and should be read in conjunction with the risk factors described in our 2019 Form 10-K Report:

Ford and Ford Credit's financial condition and results of operations have been and may continue to be adversely affected by public health issues, including epidemics or pandemics such as COVID-19. We face various risks related to public health issues, including epidemics, pandemics, and other outbreaks, including the deadly global outbreak of COVID-19. The impact of COVID-19, including changes in consumer behavior, pandemic fears and market downturns, and restrictions on business and individual activities, has created significant volatility in the global economy and led to reduced economic activity. There have been extraordinary actions taken by international, federal, state, and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19 in regions throughout the world, including travel bans, quarantines, "stay-at-home" orders, and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations.

Consistent with the actions taken by governmental authorities, in late March 2020, we idled our manufacturing operations in regions around the world other than China, where manufacturing operations were suspended in January and February before beginning to resume operations in March. We believe the phased restart of our manufacturing plants, supply network, and other dependent functions is probable of commencing in the second quarter of 2020. Our automotive operations will generally not realize revenue while our manufacturing operations are suspended, but we will continue to incur operating and non-operating expenses. Any decisions on resumptions will be made in cooperation with local unions, suppliers, dealers, and other stakeholders. A continued significant disruption to our production schedule will have a substantial adverse effect on our financial condition, liquidity, and results of operations.

The economic slowdown attributable to COVID-19 has led to a global decrease in vehicle sales in markets around the world. As described in more detail under "*Industry sales volume in any of our key markets can be volatile and could decline if there is a financial crisis, recession, or significant geopolitical event*" in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019, a sustained decline in vehicle sales would have a substantial adverse effect on our financial condition, results of operations, and cash flow. Moreover, as a result of the restrictions described above and consumers' reaction to COVID-19 in general, showroom traffic at our dealers has dropped significantly and many dealers have temporarily ceased normal operations, thereby reducing the demand for our products and leading dealers to purchase fewer vehicles from us, as well as a reduction in parts and accessories sales. At the same time, despite the decrease in revenue, our production trade payables continue to come due through early May, resulting in a deterioration of our cash flow. The extent and duration of the deterioration is uncertain at this time.

The predominant share of Ford Credit's business consists of financing Ford and Lincoln vehicles. Ford's suspension of manufacturing operations, the significant decline in dealer showroom traffic, and the reduction of operations at many dealers has resulted in a significant decline in Ford Credit's retail financing and lease originations, and a sustained decline in sales could have a significant adverse effect on dealer profitability and creditworthiness. Further, COVID-19 has had a significant negative impact on many businesses and unemployment rates have increased sharply. Ford Credit expects the economic uncertainty and higher unemployment to result in higher defaults in its consumer portfolio, and prolonged unemployment is expected to have a negative impact on both new and used vehicle demand.

The global economic slowdown and stay-at-home orders enacted across the United States have disrupted auction activity in many locations, which may adversely impact, or cause delays in realizing, the resale value for off-lease and repossessed vehicles. For more information about the impact of higher credit losses and lower residual values on Ford Credit's business, see "*Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles*" in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019.

As described in more detail under "*Ford and 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*" in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019, the volatility created by COVID-19 has adversely affected Ford Credit's access to the debt and securitization markets and its cost of funding.

The full impact of the COVID-19 pandemic on our financial condition and results of operations will depend on future developments, such as the ultimate duration and scope of the outbreak, its impact on our customers, dealers, and suppliers, how quickly normal economic conditions, operations, and the demand for our products can resume, and whether the pandemic leads to recessionary conditions in any of our key markets. For example, fully ramping up our production schedule to prior levels may take several months and will depend, in part, on whether our suppliers and dealers have resumed normal operations. Further, government-sponsored liquidity or stimulus programs in response to the COVID-19 pandemic may not be available to our customers, suppliers, dealers, or us, and if available, may nevertheless be insufficient to address the impacts of COVID-19. Moreover, our supply and distribution chains may be disrupted by supplier or dealer bankruptcies or their permanent discontinuation of operations. Accordingly, the ultimate impact on our financial condition and results of operations cannot be determined at this time. Nevertheless, despite the uncertainty of the COVID-19 situation, we expect our full year 2020 results of operations to be adversely affected.

The COVID-19 pandemic may also exacerbate other risks disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019, including, but not limited to, our competitiveness, demand or market acceptance for our products, and shifting consumer preferences.

ITEM 6. *Exhibits.*

<u>Designation</u>	<u>Description</u>	<u>Method of Filing</u>
Exhibit 10.1	Annual Incentive Compensation Plan for 2020.	Filed with this Report.
Exhibit 10.2	Performance-Based Restricted Stock Unit Metrics for 2020.	Filed with this Report.
Exhibit 10.3	Executive Waiver and Release Agreement between Ford Motor Company and Joseph R. Hinrichs dated February 21, 2020.	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	Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language ("Inline XBRL").	*
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.	*
Exhibit 104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).	*

* Submitted electronically with this Report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FORD MOTOR COMPANY

By: /s/ Cathy O'Callaghan
Cathy O'Callaghan, Controller
(principal accounting officer)

Date: April 28, 2020

Annual Incentive Compensation Plan Metrics for 2020

On December 11, 2019, the Compensation Committee of the Board of Directors of the Company approved the specific performance goals and business criteria to be used for purposes of determining any future cash awards for 2020 participants, including executive officers, under the Company's Annual Incentive Compensation Plan (filed as Exhibit 10-O-2 to our Annual Report on Form 10-K for the year ended December 31, 2017). The Corporate performance criteria and weightings to be used for 2020 under the plan include attaining specified levels of:

- Company Adjusted Free Cash Flow (50%)
- Company Adjusted EBIT (20%)
- Company Revenue (10%)
- Quality (20%)

Based on business performance results for 2020 against the targeted levels established for each metric, the Compensation Committee will determine the percentage of the target award that is earned, which could range between 0% and 200% depending on actual performance achieved relative to the target levels.

Performance-Based Restricted Stock Unit Award Metrics for 2020

On December 11, 2019, the Compensation Committee of the Board of Directors of the Company approved the specific performance goals and business criteria to be used for purposes of determining any future performance-based restricted stock unit final awards for the 2020-2022 performance-period for participants, including executive officers, under the Company's shareholder-approved 2018 Long-Term Incentive Plan (filed as Appendix I to the Company's Schedule 14A Definitive Proxy Statement filed on March 29, 2018).

The performance based restricted stock unit grant is a target opportunity; however, participants will have the opportunity to earn a maximum of up to 200% of the target. The performance based restricted stock unit grant has a three-year performance period (2020-2022), after which the Compensation Committee will determine the final award based on corporate performance-to-objectives. The maximum performance level that can be achieved for any single metric for the 2020 Performance Unit grants is 200%. 100% of the final award will be based on financial metrics and can be modified by up to +/-25% based on relative Total Shareholder Return of Ford's common stock compared to a peer group of companies over the three-year performance period. The metrics and weightings are summarized below:

<u>Financial Metrics – 100%</u>	<u>Weighting</u>
Company Free Cash Flow	50%
Company Adjusted EBIT Margin	30%
External Annual ROIC	20%
<u>Total Shareholder Return</u>	<u>Modifier</u>
Total Shareholder Return (TSR)	+/- 25%

Executive Waiver and Release Agreement

Name: Joseph R. Hinrichs

1. Separation of Employment

Ford Motor Company (“Ford” or the “Company”) and I have reached a mutual agreement that, pursuant to the below mutually satisfactory terms, my employment with Ford shall terminate as of March 1, 2020 (“Separation Date”). After February 7, 2020, I will perform my employment duties on an as needed basis and as directed by Ford until the Separation Date.

I shall continue to be compensated at my current annual salary until the Separation Date, provided, however, if I commence full-time employment with another employer at any time prior to the Separation Date, I will from that time forward cease to receive compensation from Ford. I agree and acknowledge that I would not otherwise be entitled to continued employment through the Separation Date as described in this paragraph but for my execution of this Agreement. Notwithstanding any other provision of this Agreement to the contrary, if Ford terminates my employment for Cause prior to the Separation Date, Ford shall have no further obligations to me hereunder. For purposes hereof, “Cause” means (i) my conviction of or plea of nolo contendere to any felony or a misdemeanor involving moral turpitude, (ii) willful misconduct or gross negligence in providing services to Ford, (iii) my violation of any securities laws or regulations, (iv) my violation of any other laws that could negatively impact my ability to provide services to Ford, or (v) my violation of any of my obligations hereunder, or any conduct contrary to or in breach of my representations and warranties set forth in Paragraph 6.

2. Separation Benefits

In exchange for the consideration set forth herein, the sufficiency of which I hereby acknowledge, and subject to my execution of, and continued compliance with, this Waiver and Release Agreement (the “Agreement”):

- a) Upon my retirement from Ford and as of the Retirement Date, I will be eligible to participate in Ford’s 2017 Select Retirement Program (“SRP”). I acknowledge and agree that I would not otherwise be entitled to participate in the SRP but for my execution of this Agreement. This Agreement is not a retirement application. To start my SRP benefits, I understand that I must separately submit a completed retirement application. If I do not, my retirement benefits may be delayed.
- b) I will receive severance pay, subject to applicable taxation, in an amount equal to two years of my annual salary, as of February 1, 2020, payable as follows:

- (i) A lump sum payment in an amount equal to the first six months of pay to be paid on, or as soon as reasonably practicable after, the first day of the seventh month following the Separation Date, without interest; provided that, if I obtain other employment within the first six months after the Separation Date, the lump sum payment will be in an amount equal to the number of months of pay between the Separation Date and the date on which I obtain other employment and I will not be entitled to any other payments under this Section 2.b); and
 - (ii) The remaining eighteen months of pay to be paid in equal monthly installments commencing on, or as soon as reasonably practicable after, the first day of the seventh month following the Separation Date; provided the monthly payments will cease if I obtain other employment within two years of the Separation Date.
- c) If an award under the Annual Incentive Compensation Plan (“AICP”) is paid for 2019, I will be eligible to be considered for receipt of a full 2019 AICP discretionary award(s) commensurate with my Leadership Level, as adjusted for individual and corporate performance. If an award under the AICP is paid for 2020, I will be eligible to be considered for receipt of a 2020 AICP discretionary award(s) commensurate with my Leadership Level, as adjusted for individual and corporate performance, pro-rated to reflect the number of full months I worked during 2020, in accordance with the terms of the AICP.
 - d) The treatment of unvested stock awards, including those still in the performance period, and stock options are described in Exhibit A.
 - e) I will receive Company paid executive search services until I obtain other employment, for up to 12 months, beginning in February 2020.
 - f) I will receive other benefits in accordance with the terms set forth in Exhibit A hereto. Plan documents shall govern the terms of the benefits contained in Exhibit A.

I understand that in order to receive the consideration described in this Section 2, I am required to (i) sign this Agreement and return the document to Kiersten Robinson, Chief Human Resources Officer, no later than February 19, 2020 at 2:00pm Eastern Time, and (ii) no earlier than my Separation Date, and no later than March 11, 2020, sign and return Exhibit B to this Agreement (the “Second Release of Claims”) to Kiersten Robinson. I further understand that I will not be entitled to the consideration in this Section 2 if I fail to timely execute or revoke the Second Release of Claims, and that I shall forfeit any unpaid consideration described in this Section 2, and shall be obligated to repay any consideration paid pursuant to the terms of this Section 2 after I execute this Agreement. I understand that my employment at Ford will end upon my Separation Date and this Agreement will remain in effect, whether or not I choose to sign and not revoke the Second Release of Claims.

3. **Release of Claims**

In consideration of the benefits described herein, I unconditionally and irrevocably waive, abandon and release any and all rights or claims of any kind (including all claims that relate to my employment or termination of employment) that I may have, or my heirs, executors, agents or assigns may have, against Ford Motor Company, its affiliates or subsidiaries, respective officers, directors, board members, agents or

employees, and the employee benefit plans sponsored by the Company, and their fiduciaries (the “Released Entities”).

Furthermore, I represent that (a) I have not sustained any injuries during the time of my employment which are compensable as part of a workers’ compensation claim, and (b) as of the date of my execution of this Agreement, I am not aware of any non-compliance by the Released Entities with, or their potential violation of, any federal or state statute, regulation, other administrative guidance, or common law doctrine, including but not limited to non-compliance or potential violation of any statute, regulation, guidance, or common law doctrine regarding discrimination on the basis of age, sex, race, national origin, religion, or other protected status. I understand that the Company has relied on these material representations in determining the amount of the benefits described herein and deciding to enter into this Agreement. Except as provided in Paragraph 4 below, I agree not to start any proceedings of any kind against the Released Entities relating in any way to my employment or the termination of my employment and I agree to terminate any proceedings I may have begun or withdraw from any I may be participating in relating to my employment. This waiver and release includes, but is not limited to, any and all rights or claims, whether known or unknown, I may have under all laws (including statutes, regulations, other administrative guidance, and common law doctrines), such as the following:

- Anti-discrimination statutes, such as Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, and Executive Order 11,246, which prohibit discrimination in employment based on race, color, national origin, religion or sex; the Federal Rehabilitation Act of 1973, which prohibits discrimination in employment on the basis of handicap; the Americans with Disabilities Act, which prohibits discrimination in employment on account of disability; the Equal Pay Act, which prohibits paying men and women unequal pay for equal work; or any other federal, state or local laws or regulations prohibiting employment discrimination.
- Federal employment statutes, such as the WARN Act, which requires that advance notice be given of certain work force reductions; the Employee Retirement Income Security Act of 1974, as amended, which among other things, protects employee benefits; the Fair Labor Standards Act of 1938, which regulates wage and hour matters; the Family and Medical Leave Act of 1993, which requires employers to provide leaves of absence under certain circumstances; and any other federal laws relating to employment, such as veterans’ reemployment rights laws.
- Any other laws, such as any federal, state or local laws or regulations, or any common law doctrines related in any way to employment, employment discrimination, or workers compensation benefits, any federal, state or local law enforcing employment contracts, either express or implied or requiring an employer to deal with employees fairly and in good faith, and any other federal, state, or local laws providing recourse for alleged defamation, slander, libel, fraud, wrongful discharge, constructive discharge or tort-based claims, including but not limited to, intentional infliction of emotional distress.

4. **Rights or Claims That Survive**

I do not waive or release any rights or claims I may have that arise solely from actions taken after this Agreement is signed or any rights or claims that are not permitted by law to be waived or released, such as workers’ compensation claims. I also do not waive and release any claims I may have against the Company

for reimbursement of authorized expenses if the expense was incurred prior to my Separation Date. Rights or claims that the Company may have against me also survive. Nothing in this Agreement shall be construed to affect the independent right and responsibility of the Equal Employment Opportunity Commission (“EEOC”) or a state or local fair employment practices agency acting as an EEOC referral agency. I also understand that nothing in this Agreement or any other agreement or document prohibits me from voluntarily communicating, without notice to or approval by the Company, with any federal, state, or local government agency (including law enforcement) about a potential violation of a federal, state, or local law or regulation. Nothing in this Agreement or any other agreement or document prohibits me from cooperating or participating in any investigation or proceeding conducted by a federal, state, or local government agency charged with enforcement of any law. However, to the extent an action or proceeding may be brought by any government agency with respect to any alleged acts or omissions prior to my execution of this Agreement, I expressly acknowledge and agree that I have relinquished any entitlement to, and will not accept, any form of monetary damages or any other form of relief in connection with any such action or proceeding. Nothing in this Agreement shall prevent me from disclosing factual information regarding any discrimination, harassment, retaliation, or other unlawful employment practices I may claim to have experienced or witnessed at Ford.

5. **Confidential Information**

In consideration of the benefits described herein, I agree to keep secret and forever hold in strictest confidence, and shall not, furnish, make available or disclose to any third party or use for my benefit or the benefit of any third party, any Confidential Information. By way of example and not limitation, I agree and acknowledge that this duty includes the duty to not share or disclose Confidential Information with any director or member of any board on which I sit. As used in this Agreement, Confidential Information means any information relating to the business or affairs of the Company, including but not limited to information relating to financial statements, customer identities, potential customers, employees, suppliers, servicing methods, equipment, product or service programs, cycle plans, strategies and information, databases and information systems, analyses, profit margins, comparative or futuring studies, information relating to litigation and other disputes, public relations strategies, or other proprietary information used by the Company, whether or not generated by the Company or purchased by the Company through business consultants. Confidential Information shall not include any information in the public domain or becomes known in the industry through no wrongful act on my part. I acknowledge that the Confidential Information is vital, sensitive, confidential and proprietary to the Company.

I acknowledge and agree that my promise to keep confidential the Confidential Information is reasonable and necessary for the protection of the Company’s business interests, that irreparable injury will result to the Company if I break my promise and that the Company may not have an adequate remedy at law if I break or threaten to break my promise. Accordingly, I agree that in such event, the Company will be entitled to immediate temporary injunctive and other equitable relief, without the necessity of showing actual monetary damages, subject to a hearing as soon thereafter as possible in a court of competent jurisdiction. I agree to promptly pay the Company liquidated damages in an amount equal to the value of the consideration described herein if I break my promise and divulge Confidential Information, and any unpaid consideration shall be forfeited. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for failing to keep my promise, including the recovery of any damages which it is able to prove.

Furthermore, I agree to abide by any ongoing duties I owe to the Company which inure to the benefit of the Company, whether legal or contractual in nature, which by their terms extend beyond the duration of my employment (such as ongoing duties to reasonably assist the Company in securing its intellectual property), to the extent they are not inconsistent with the provisions of this Agreement.

With respect to my obligations to maintain in confidence any and all confidential and/or trade secret information of the Company, I understand that the Defend Trade Secrets Act of 2016 (“DTSA”), 18 U.S.C. § 1833(b), provides me with immunity from criminal or civil liability under any federal or state trade secret law for my disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, provided that it is disclosed solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document filed in a lawsuit or other proceeding and the document is filed under seal so that it is not disclosed to the public.

6. Representations and Warranties

I hereby represent and warrant that I have not breached my duties of confidentiality or loyalty to the Company, whether contractual or legal in nature (including the duty to not make any disparaging statements and the duty to comply with all securities laws and regulations), as of the date of execution of this Agreement.

In the event that it is discovered at any time that I have breached or threatened to breach any such obligation, either before or after the execution of this Agreement, I agree to promptly pay the Company liquidated damages in an amount equal to the value of the consideration described herein, and any unpaid consideration described herein shall be forfeited. In addition, in the event that I disparage or threaten to disparage, the Company (either before or after this Agreement is executed), or it is discovered that I disparaged the Company during my employment, I agree that such conduct shall be grounds for “for cause” termination of my employment pursuant to Paragraph 1, and I agree to promptly pay liquidated damages to the Company in an amount equal to the value of the consideration described in Paragraph 2 and any unpaid consideration described herein shall be forfeited.

However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for failing to keep my promise, including the recovery of any damages which it is able to prove. Nor shall anything contained herein be construed as prohibiting the Company from pursuing any other remedies available to it under other Company agreements and plans applicable to me.

7. Non-Compete and Non-Solicitation Agreement

In consideration of the benefits described herein, I also agree that until my Separation Date, and for a period of two (2) years immediately following my Separation Date, I shall not, directly or indirectly, work for or associate with any business that competes in trade or commerce with Ford, its subsidiaries or its affiliates, whether individually or as an owner, partner, agent, employee, consultant, or otherwise. I acknowledge and agree that such competitive business includes any dealership or other entity that sells or markets vehicles or other products and/or services that compete with Ford, its subsidiaries or its affiliates. I further agree to refrain until my Separation Date, and for two (2) years following my Separation Date, from taking any action that will cause the termination or interference of existing business relationships between or among

Ford, its subsidiaries or its affiliates, on the one hand, and any of their customers or suppliers with whom I had direct or indirect contact while working for Ford, on the other. I further agree that Ford and its subsidiaries and affiliates have invested substantial time and effort to identify, recruit, and train their personnel and that, until my Separation Date and for a period of two (2) years following my Separation Date (“Restricted Period”), I will not, either directly or indirectly, on my behalf or on behalf of any other person or entity, in any capacity, recruit, solicit for hire, or hire or assist others in recruiting, soliciting for hire or hiring any person who is or during the Restricted Period becomes an employee, agency employee, contract employee or consultant of Ford or any of its subsidiaries or affiliates.

In the event that I breach the provisions of this Paragraph 7, I will be required and agree to promptly repay the full amount of consideration provided to me under Paragraph 2. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for failing to keep my promise, including an injunction and/or the recovery of any damages which it is able to prove.

8. **Return of Company Materials Upon Termination; Resignation from Boards**

I acknowledge that all written and/or electronic materials or documents containing Confidential Information prepared by me or coming into my possession because of my employment with the Company is and shall remain the property of the Company. I agree to make reasonable efforts to identify and locate all such written materials or documents in my possession, custody or control and return to the Company all such items in my possession, together with all copies of such items, and any other Company property, equipment, or materials, upon execution of this Agreement. By my execution of this Agreement, I hereby certify that I have or will have complied with this paragraph by the date that I execute this Agreement.

Thereafter, and until the Separation Date, the Company will, in its discretion, make available to me such Confidential Information (or other Company information) that it considers necessary for my performance of my employment responsibilities. I will identify and return such information and any other Company property, equipment, or materials to the Company (in the manner described above) upon request, and in any event will do so upon the Separation Date.

I further agree that by signing this Agreement, I also hereby resign immediately from any other board of any related, subsidiary, or affiliate entity of Ford.

9. **Business Reputation**

I acknowledge that the business reputation of the Company is a valuable asset. I agree that I shall take no action which can be deemed to be inimical to the best interests of the Company, including but not limited to: publishing material that disparages the Company, participating in interviews disparaging the Company or taking action in any other manner or way disparaging the Company. I acknowledge and agree that such inimical conduct includes any statement or conduct on social media or in any other forum that may tend to disparage or demonstrate disapproval for the Company and/or its subsidiaries or affiliates, such as “liking” a social media post critical of the Company or posting a comment on my account, or on someone else’s post, disparaging the Company, as well as any negative, disparaging, disapproving or dismissive language in any email or other communication in response to or regarding any inquiry or discussion, public or private, regarding my employment with the Company or departure therefrom. In the event that I take an action that is deemed to be inimical to the best interests of the Company, I agree to promptly pay liquidated damages to

the Company in an amount equal to the value of the consideration described in Paragraph 2 and any unpaid consideration described herein shall be forfeited. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for failing to keep my promise, including the recovery of any damages which it is able to prove.

10. **Legal Proceedings and Cooperation**

I agree that I will, to the extent reasonably requested in writing, cooperate with and serve in any capacity requested by the Company in any pending or future investigation (including internal investigation), litigation or proceedings in which the Company is a party, and regarding which I, by virtue of my employment with the Company, have knowledge or information which the Company deems relevant to said litigation, investigation, or proceedings including, but not limited to, acting as the Company's representative or on behalf of the Company in any said investigation, litigation, or proceedings. I further agree that I will, without the necessity for subpoena, provide in any jurisdiction in which the Company requests, truthful testimony relevant to said investigation, litigation, or proceedings.

I further agree to notify the Company within a reasonable period of time should I learn of a subpoena or other court order requiring my participation in any legal proceeding relating to or stemming from my employment with the Company. "Reasonable period of time" means sufficiently in advance of the date on which I must respond to such subpoena or other court order so that the Company can intervene to challenge or quash such subpoena or other court order.

11. **No Reapplication or Rehire**

In consideration of the promises made by the Company in the Agreement, and to the fullest extent permitted by law, I recognize and promise that I will not seek or accept employment or direct independent contractor status with Ford Motor Company, or any Released Entities in any capacity; I will not work on any Ford Company related business through outside vendors; and I will not perform work on Ford Motor Company premises. The Company and I agree that this provision is not intended to prohibit me from accepting employment or independent contractor status with a vendor of Ford Motor Company, or having an ownership interest or leadership management role with such a vendor, so long as I do not personally work on, and am not involved in, any aspect of the vendor's business that is related to Ford Motor Company. Neither Ford Motor Company, nor any of the Released Entities, have any obligation to hire me or to do business with any vendor that I am associated with as an owner or employee. I further agree that this paragraph of the Agreement is sufficient legal grounds for denying employment and/or termination of employment, and will constitute a legitimate, non-discriminatory, non-retaliatory reason for Ford Motor Company and/or any other Released Entity to terminate my employment, and Ford Motor Company and/or any other Released Entity will have the absolute right to terminate such employment.

12. **Enforceability and Interpretation**

If any provision of this Agreement is found to be unenforceable, all other terms shall be considered separate and independent from the other provisions of this Agreement. The invalidity of any one provision shall not affect any other provision of this Agreement. This Agreement shall be governed by the laws of the State of Michigan, excluding its choice of law provisions. It is expressly understood and agreed that although I consider the restrictions contained in Paragraph 7 to be reasonable, if a final determination is made that the

time or scope or any other restriction contained in Paragraph 7 is an unenforceable restriction against me, the provisions of such restriction shall not be rendered void but shall be deemed amended to apply as to such maximum time and scope and to such other extent as is determined or indicated to be reasonable and enforceable. Alternatively, if it is determined that any restriction contained in Paragraph 7 is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein. Furthermore, both parties agree that the provisions of this Agreement are the only provisions governing employee's termination of employment with the Company and waiver and release of any and all claims against the Company, that this agreement supersedes all such prior agreements, and that these provisions of this Agreement can only be modified by a written agreement.

13. **Dispute Resolution and Class Action Waiver**

- a) In the event that any dispute arises about the validity, interpretation, effect or alleged violations of this Agreement, or about any matter that may arise between me and the Company in the future (other than claims for benefits under any Employee Benefit Plan), except as set forth in Paragraph 7, the parties agree to submit the dispute to final and binding arbitration in Michigan before an experienced employment arbitrator licensed to practice law in Michigan and selected in accordance with the American Arbitration Association rules applicable to employment disputes. The arbitrator may not modify or change this Agreement in any way.
- b) The arbitrator shall have the authority to resolve all arbitrable claims with finality, in accordance with the arbitration rules. The arbitrator shall have the exclusive authority to resolve any disputes about whether a claim is arbitrable, except that only a civil court of competent jurisdiction may resolve a dispute regarding the scope or enforceability of Section 13(c). The arbitrator will not have authority or jurisdiction to decide class certification or representative action issues.
- c) **Class Action Waiver.** I shall not institute or participate in, and the arbitrator shall not have the authority to hear an arbitrable dispute on a class, collective, consolidated, or representative basis, nor shall the arbitrator have the authority to grant class-wide relief, relief on a consolidated basis, or other relief extending beyond the individual claimant. **I understand that both Ford and I are waiving our rights to bring (or join, participate, or intervene in) any claim, controversy, or dispute covered by this arbitration provision as a class, collective, or other representative action.** If a court of competent jurisdiction determines that all or part of this Class Action Waiver is unenforceable, unconscionable, void or voidable, the remainder of this Agreement shall remain in full force and effect.

If both (1) the dispute is filed as a class, collective, or representative action and (2) a court finds the class action waiver, or a portion thereof, unenforceable, then the parties agree that any claims as to which this class action waiver are enforceable shall be resolved by arbitration prior to litigation of the claims to which the class action waiver was deemed unenforceable. The parties agree that the claims to which the class action waiver was deemed unenforceable shall be stayed pending resolution of the claims subject to arbitration.

- d) I agree to pay my attorney's fees and the expenses for any witnesses that support my position. I understand that the Company will pay all expenses of the arbitration, including required travel and

other expenses of the arbitrator, AAA representatives, and any witness produced at the direction of the arbitrator, as well as the costs relating to any proof produced by the Company at the direction of the arbitrator, unless the arbitrator directs otherwise in the award as provided for in the Administrative Fee Schedule. Arbitration in this manner shall be the exclusive remedy for any arbitrable dispute. The arbitrator's decision or award shall be fully enforceable and subject to an entry of judgment by a court of competent jurisdiction.

- e) Notwithstanding the agreement to arbitrate as set forth in this Section, the parties shall have the right, before, during or after any arbitration proceeding, to obtain equitable remedies available in a court of competent jurisdiction under applicable statutes and court rules. Any such claim or judicial proceeding shall be filed in a state or federal court located in Wayne County, Michigan. I expressly consent to the personal jurisdiction of the state and federal courts located in Wayne County, Michigan for any lawsuit filed there against me by the Company arising from or related to this Paragraph 13. Any such proceeding or claim shall be governed by Michigan law, without regard to Michigan choice-of-law principles. The institution of any suit permitted by this paragraph shall not constitute a waiver of the agreement to arbitrate as set forth in this paragraph.
- f) The agreement to arbitrate as set forth in this Paragraph does not apply to any claims regarding the provision of benefits under any Employee Benefit Plan (the "Plan"). In order to make a claim for benefits under any Plan, I understand that I must first exhaust my administrative remedies under the procedures set forth in the Plan and as established by the Plan Administrator. Once I have exhausted my administrative remedies, if I wish to challenge any administrative denial further, I may only bring an action in connection with the Plan in the United States District Court for the Eastern District of Michigan to the extent permitted under the Plan. The institution of any suit permitted by this paragraph shall not constitute a waiver of the agreement to arbitrate as set forth in this Paragraph.
- g) This Agreement is governed by the Federal Arbitration Act (9 U.S.C. §§ 1-16) ("FAA"). Ford and I expressly agree that this Agreement shall be governed by the FAA, even in the event I am otherwise exempted from the FAA, and expressly agree that any disputes in this regard be resolved exclusively by an arbitrator.

14. **Informed Consent** I acknowledge that:

- I have carefully read this Agreement and have had a reasonable period of time in which to consider the Agreement;
- I fully understand what the Agreement means, and I am entering into it voluntarily, of my own free will, without coercion or duress, and with the full understanding of the significance and binding effect of this Agreement;
- I have been advised in writing to consult with an attorney of my own choice (and not related to the Company) prior to signing this Agreement and the Company strongly recommends I do so;

EXHIBIT A

Joe Hinrichs – Retirement Benefits Summary

Effective Dates	Ford Service Date: 12/01/2000 Last Day Worked: 2/29/2020 Retirement Effective Date: 3/1/2020
Termination Type	Regular Early Retirement w/ SRP
Compensation	
AICP Bonus Payment	Pending Compensation Committee approval: <ul style="list-style-type: none"> • Eligible for full payment in 2020 for 2019 • If a bonus is paid for the 2020 performance year, eligible for a pro-ration (2/12 months); assuming a 3/1/2020 retirement date; paid March 2021.
Performance-Based Restricted Stock Units (PB-RSU)	Employee must be active at least 6 months subsequent to grant date in order to retain the grant. All vested grants are retained. <p>Pending Compensation Committee approval, granted, unvested PB-RSU awards still within their performance period will be retained and settled on the normal lapse/settlement date. The final award of the initial grant will be determined by the Compensation Committee at the end of the performance period and may be pro-rated for months worked. Awards falling into this category are as follows:</p> <p>2019 Annual PB-RSU Grants (2019-2021 performance period)</p> <ul style="list-style-type: none"> • The final award of your initial grant will be determined by the Compensation Committee at the end of the performance period. • The final PB-RSU awards will settle in 2022. <p>2018 Annual PB-RSU Grant (2018-2020 performance period)</p> <ul style="list-style-type: none"> • The final award of your initial grant will be determined by the Compensation Committee at the end of the performance period. • The final PB-RSU award will settle in March, 2021. <p>2017 Annual PB-RSU Grant (2017-2019 performance period)</p> <ul style="list-style-type: none"> • The final award of your initial grant will be determined by the Compensation Committee at the end of the performance period. • The final PB-RSU award will settle in March, 2020.
Time-Based Restricted Stock Units (TB-RSU)	Employee must be active at least 6 months subsequent to grant date in order to retain the grant. All vested grants are retained. <p>Pending Compensation Committee approval, granted, unvested TB-RSU awards will be retained and settled on the normal lapse/settlement date. Your awards falling into this category are as follows:</p> <ul style="list-style-type: none"> • 2019 LTIP - TB-RSU: final tranche un-restricts March 2022. • 2018 LTIP - TB-RSU: final tranche un-restricts March 2021. • 2017 LTIP - TB-RSU (annual): final tranche un-restricts March 2020. • 2017 LTIP - TB-RSU (incentive): final tranche un-restricts May 2020.
Stock Options	The following terms apply: <ul style="list-style-type: none"> • Options granted before retirement continue to vest and may be exercised (subject to waiting period requirements) during the remaining term of the options. • Incentive Stock Options (ISOs) must be exercised within three months of the retirement date to preserve their favorable tax treatment (capital gains taxation upon sale of shares held at least 12 months). ISOs exercised more than three months after retirement date (or those that are not exercisable within those three months) will lose their favorable tax treatment, and the value realized as a result of exercise will be taxed as ordinary income (like non-qualified option exercises).

Joe Hinrichs – Retirement Benefits Summary

Health Care	
Medical Plan and Prescription Drug Coverage	Eligible for retiree medical plan with premium deductions from the pension check until age 65 when Medicare eligible. Prescription coverage included with the medical plan until age 65.
Dental Plan	Eligible for retiree dental plan with premium deductions from the pension check until age 65 when Medicare eligible.
Health Savings Account	May continue to submit claims for qualified medical expenses until HSA is depleted. The Company will continue to pay account maintenance fee until such time as the Health Savings Account (both Bank Account Option and the Mutual Fund Option) balance is less than \$25.00.
Health Reimbursement Arrangement (HRA)	Retiree & spouse will be enrolled in Health Reimbursement Arrangement (HRA) at age 65; Company contributions of \$1,800 per person annually (pro-rated first year) will be made available for reimbursement of health-related costs.
Vision Plan	Eligible to sign up during annual open enrollment as a retiree.
Insurances (Other Than Health Care)	
Accidental Death & Dismemberment	Company-paid coverage of \$25,000; ceases at age 65.
Basic Life Insurance	Company-paid life insurance will continue at \$25,000.
Optional Life Insurance	Current level of coverage (5x) may be continued in retirement.
Disability Plan	Coverage ends.
Optional Accident Insurance	Not currently enrolled.
Spouse Life Insurance	Not currently enrolled.
Dependent Life Insurance	Not currently enrolled.
Pension / Savings Plans	
Benefit Equalization Plan (on SSIP match)	BEP accrued prior to 12/31/2004 is distributed as soon as practicable after the separation from employment. The BEP accrued after 12/31/2004 will be distributed no earlier than the first day of the seventh month following separation, due to IRC 409A. Non-qualified benefits will be distributed no earlier than the first day of the seventh month following separation, due to IRC 409A. Please note that non-qualified benefits are subject to FICA/Medicare tax liability. This is a one-time tax that is due in the year of retirement. The tax is paid by the Company and then recovered by withholding the full amount from your 7 th month pension check, which contains 6 months of retroactive non-qualified pension payments.
Executive Retirement Benefits (ESAP/SERP/SRP)	See retirement estimate. If electing annuity - first payment occurs approximately 6 weeks after commencement date, then first of month thereafter.
General Retirement Plan (GRP)	For distribution or management of SSIP assets: www.myfordbenefits.com ; or call Executive Personnel at (313) 322-9453.
Savings and Stock Investment Plan	
Vehicle Programs	
Vehicles	<ul style="list-style-type: none"> • Eligible for two executive vehicles but responsible for fuel. • Eligible for up to two lease vehicles.
Miscellaneous Items	
Vacation	2020 earned, unused vacation will be paid with last paycheck.
Outplacement Services	Company paid outplacement services for 12 months, beginning February 2020.

Waiver: The above terms are conditional upon receipt of signed Executive Separation Waiver and Release Agreement.

This statement is intended to be a convenient summary of your status under various plans of the Company, and is not intended to describe the terms and conditions of the plans, policies or awards. Any benefit calculations are subject to corrections for errors in the record or otherwise. Any discrepancy between this document and the terms and conditions of Company plans, policies or awards will be governed by the terms and conditions of the plans, policies or awards. This document is not a promise or guarantee as to the type or amount of benefit that may be payable in particular circumstances. The Company reserves the right to end, suspend, or amend the Plans at any time, in whole or in part, at its sole discretion. Amendments may also be made to comply with the applicable statutes and regulations. In addition, certain benefits are subject to "earning-out" or performance conditions, as provided in the related plans or award terms and conditions. Determination as to eligibility or benefit amount under the plans, policies or awards is made by the appropriate committee or personnel activity at the time benefits may be payable, and is governed by the detailed provisions of the plans, policies or awards.

EXHIBIT B
SECOND RELEASE OF CLAIMS

I, Joe Hinrichs, hereby agree as follows:

- (A) In consideration of the benefits described in Section 2 of the Executive Waiver and Release Agreement (the “Agreement”), I unconditionally and irrevocably waive, abandon and release any and all rights or claims of any kind (including all claims that relate to my employment or termination of employment) that I may have, or my heirs, executors, agents or assigns may have, against Ford Motor Company, its affiliates or subsidiaries, respective officers, directors, board members, agents or employees, and the employee benefit plans sponsored by the Company, and their fiduciaries (the “Released Entities”).

Furthermore, I represent that (a) I have not sustained any injuries during the time of my employment which are compensable as part of a workers’ compensation claim; and (b) as of the date of my execution of this Agreement, I am not aware of any non-compliance by the Released Entities with, or their potential violation of, any federal or state statute, regulation, other administrative guidance, or common law doctrine, including but not limited to non-compliance or potential violation of any statute, regulation, guidance, or common law doctrine regarding discrimination on the basis of age, sex, race, national origin, religion, or other protected status. I understand that the Company has relied on these material representations in determining the amount of the benefits described in the Agreement and in deciding to enter into the Agreement. Except as provided in Section B below, I agree not to start any proceedings of any kind against the Released Entities relating in any way to my employment or the termination of my employment and I agree to terminate any proceedings I may have begun or withdraw from any I may be participating in relating to my employment. This waiver and release includes, but is not limited to, any and all rights or claims, whether known or unknown, I may have under all laws (including statutes, regulations, other administrative guidance, and common law doctrines), such as the following:

- Anti-discrimination statutes, such as the Age Discrimination in Employment Act (“ADEA”), which prohibits age discrimination in employment; Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, and Executive Order 11,246, which prohibit discrimination in employment based on race, color, national origin, religion or sex; the Federal Rehabilitation Act of 1973, which prohibits discrimination in employment on the basis of handicap; the Americans with Disabilities Act, which prohibits discrimination in employment on account of disability; the Equal Pay Act, which prohibits paying men and women unequal pay for equal work; or any other federal, state or local laws or regulations prohibiting employment discrimination.
- Federal employment statutes, such as the WARN Act, which requires that advance notice be given of certain work force reductions; the Employee Retirement Income Security Act of 1974, as amended, which among other things, protects employee benefits; the Fair Labor Standards Act of 1938, which regulates wage and hour matters; the Family and Medical Leave Act of 1993, which requires employers to provide leaves of absence under certain circumstances; and any other federal laws relating to employment, such as veterans’ reemployment rights laws.
- Any other laws, such as any federal, state or local laws or regulations, or any common law doctrines related in any way to employment, employment discrimination, or workers compensation benefits, any federal, state or local law enforcing employment contracts, either express or implied or requiring

an employer to deal with employees fairly and in good faith, and any other federal, state, or local laws providing recourse for alleged defamation, slander, libel, fraud, wrongful discharge, constructive discharge or tort-based claims, including but not limited to, intentional infliction of emotional distress.

- (B) I do not waive or release any rights or claims I may have that arise solely from actions taken after this Second Release of Claims (“Release”) is signed or any rights or claims that are not permitted by law to be waived or released, such as workers’ compensation claims. I also do not waive and release any claims I may have against the Company for reimbursement of authorized expenses if the expense was incurred prior to my separation date. Rights or claims that the Company or the Released Entities may have against me also survive. Nothing in this Release or the Agreement shall be construed to affect the independent right and responsibility of the Equal Employment Opportunity Commission (“EEOC”) or a state or local fair employment practices agency acting as an EEOC referral agency. I also understand that nothing in this Release or the Agreement or any other agreement or document prohibits me from voluntarily communicating, without notice to or approval by the Company or Released Entities, with any federal government agency about a potential violation of a federal law or regulation. However, to the extent an action or proceeding may be brought by any federal government agency with respect to any alleged acts or omissions prior to my execution of this Release, I expressly acknowledge and agree that I have relinquished any entitlement to, and will not accept, any form of monetary damages or any other form of relief in connection with any such action or proceeding.
- (C) I specifically acknowledge and agree that this Release incorporates all terms and conditions provided under the Agreement, including, but not limited to, Section 13 (Dispute Resolution and Class Action Waiver) of the Agreement. I specifically acknowledge and agree that all representations and warranties I made under the Agreement remain accurate and are in full force.
- (D) By execution of this Release, I specifically acknowledge and agree that I was allowed a period of at least twenty-one (21) calendar days to consider this Release. I further acknowledge that I have a period of seven (7) calendar days after the execution of this Release to revoke the same. I agree that, should I choose to revoke this Release, I must deliver a written notice of revocation to Kiersten Robinson, Chief Human Resources Officer.

This Release will become effective once the Release is fully executed by both parties, the revocation period has expired, and provided I have not revoked the Release. If I do not execute the Release or if I revoke the Release, I shall forfeit any unpaid consideration described in Section 2 of the Agreement, and shall be obligated to repay any paid consideration described in Section 2 of the Agreement. I understand that my employment at Ford will end upon my Separation Date and the Agreement will remain in effect, whether or not I choose to sign and not revoke this Release.

- (E) I acknowledge that:
- I have carefully read this Release and have had a reasonable period of time in which to consider the Release;
 - I fully understand what the Release means, and I am entering into it voluntarily, of my own free will, without coercion or duress, and with the full understanding of the significance and binding effect of this Release;

CERTIFICATION

I, James P. Hackett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2020 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: April 28, 2020

/s/ James P. Hackett

James P. Hackett

President and Chief Executive Officer

CERTIFICATION

I, Tim Stone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2020 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: April 28, 2020

/s/ Tim Stone

Tim Stone
Chief Financial Officer

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 Quarterly Report on Form 10-Q for the period ended March 31, 2020, 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: April 28, 2020

/s/ James P. Hackett

James P. Hackett

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Tim Stone, 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 Quarterly Report on Form 10-Q for the period ended March 31, 2020, 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: April 28, 2020

/s/ Tim Stone

Tim Stone

Chief Financial Officer