**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 June 30, 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** | **38-0549190** |
| *(State of incorporation)* | *(I.R.S. Employer Identification No.)* |
| **One American Road** **Dearborn, Michigan** | **48126** |
| *(Address of principal executive offices)* | *(Zip code)* |

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

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

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|---|---|---|
| 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 July 24, 2020, Ford had outstanding 3,907,536,920 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit Index begins on page 74

**FORD MOTOR COMPANY**
**QUARTERLY REPORT ON FORM 10-Q**
**For the Quarter Ended June 30, 2020**

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## PART I. FINANCIAL INFORMATION

### ITEM 1. *Financial Statements.*

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

| | For the periods ended June 30, | |
|---|---|---|
| | 2019 | **2020** |
| | First Half | |
| | (unaudited) | |
| **Cash flows from operating activities** | | |
| Net income/(loss) | $ 1,333 | **$ (875)** |
| Depreciation and tooling amortization | 4,988 | **4,802** |
| Other amortization | (587) | **(590)** |
| Held-for-sale impairment charges | — | **18** |
| Provision for credit and insurance losses | 166 | **779** |
| Pension and other post-retirement employee benefits ("OPEB") expense/(income) | 123 | **(454)** |
| Equity investment dividends received in excess of (earnings)/losses | 21 | **169** |
| Foreign currency adjustments | (92) | **113** |
| Net (gain)/loss on changes in investments in affiliates | (2) | **(3,480)** |
| Stock compensation | 169 | **107** |
| Provision for deferred income taxes | 200 | **655** |
| Decrease/(Increase) in finance receivables (wholesale and other) | 715 | **9,772** |
| Decrease/(Increase) in accounts receivable and other assets | (962) | **220** |
| Decrease/(Increase) in inventory | (1,180) | **66** |
| Increase/(Decrease) in accounts payable and accrued and other liabilities | 4,929 | **(2,485)** |
| Other | 186 | **(175)** |
| Net cash provided by/(used in) operating activities | 10,007 | **8,642** |
| **Cash flows from investing activities** | | |
| Capital spending | (3,553) | **(2,955)** |
| Acquisitions of finance receivables and operating leases | (26,202) | **(27,113)** |
| Collections of finance receivables and operating leases | 24,974 | **22,923** |
| Proceeds from sale of business (Note 17) | — | **1,340** |
| Purchases of marketable securities and other investments | (7,670) | **(19,624)** |
| Sales and maturities of marketable securities and other investments | 8,540 | **10,804** |
| Settlements of derivatives | 83 | **73** |
| Other | 4 | **337** |
| Net cash provided by/(used in) investing activities | (3,824) | **(14,215)** |
| **Cash flows from financing activities** | | |
| Cash payments for dividends and dividend equivalents | (1,196) | **(596)** |
| Purchases of common stock | — | **—** |
| Net changes in short-term debt | 71 | **(789)** |
| Proceeds from issuance of long-term debt | 26,233 | **44,303** |
| Principal payments on long-term debt | (25,767) | **(23,345)** |
| Other | (149) | **(182)** |
| Net cash provided by/(used in) financing activities | (808) | **19,391** |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | 24 | **(378)** |
| **Net increase/(decrease) in cash, cash equivalents, and restricted cash** | $ 5,399 | **$ 13,440** |
| **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 | 5,399 | **13,440** |
| **Cash, cash equivalents, and restricted cash at end of period (Note 7)** | $ 22,306 | **$ 31,181** |

The accompanying notes are part of the consolidated financial statements.

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

| | For the periods ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | **2020** | 2019 | **2020** |
| | Second Quarter | | First Half | |
| | (unaudited) | | | |
| **Revenues** | | | | |
| Automotive | $ 35,758 | **$ 16,622** | $ 72,997 | **$ 47,962** |
| Ford Credit | 3,089 | **2,739** | 6,186 | **5,706** |
| Mobility | 6 | **10** | 12 | **23** |
| Total revenues (Note 3) | 38,853 | **19,371** | 79,195 | **53,691** |
| **Costs and expenses** | | | | |
| Cost of sales | 33,657 | **17,932** | 67,599 | **48,454** |
| Selling, administrative, and other expenses | 2,725 | **1,965** | 5,568 | **4,397** |
| Ford Credit interest, operating, and other expenses | 2,381 | **2,233** | 4,736 | **5,157** |
| Total costs and expenses | 38,763 | **22,130** | 77,903 | **58,008** |
| Operating income/(loss) | 90 | **(2,759)** | 1,292 | **(4,317)** |
| Interest expense on Automotive debt | 230 | **439** | 461 | **653** |
| Interest expense on Other debt | 14 | **11** | 28 | **24** |
| Other income/(loss), net (Note 4) | 272 | **4,318** | 900 | **4,998** |
| Equity in net income/(loss) of affiliated companies | 87 | **(25)** | 112 | **(66)** |
| **Income/(Loss) before income taxes** | 205 | **1,084** | 1,815 | **(62)** |
| Provision for/(Benefit from) income taxes | 55 | **(34)** | 482 | **813** |
| **Net income/(loss)** | 150 | **1,118** | 1,333 | **(875)** |
| Less: Income/(Loss) attributable to noncontrolling interests | 2 | **1** | 39 | **1** |
| **Net income/(loss) attributable to Ford Motor Company** | $ 148 | **$ 1,117** | $ 1,294 | **$ (876)** |
| **EARNINGS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 6)** | | | | |
| Basic income/(loss) | $ 0.04 | **$ 0.28** | $ 0.33 | **$ (0.22)** |
| Diluted income/(loss) | 0.04 | **0.28** | 0.32 | **(0.22)** |
| **Weighted-average shares used in computation of earnings per share** | | | | |
| Basic shares | 3,984 | **3,975** | 3,979 | **3,969** |
| Diluted shares | 4,013 | **3,992** | 4,005 | **3,969** |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## (in millions)

| | For the periods ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | **2020** | 2019 | **2020** |
| | Second Quarter | | First Half | |
| | (unaudited) | | | |
| **Net income/(loss)** | $ 150 | **$ 1,118** | $ 1,333 | **$ (875)** |
| Other comprehensive income/(loss), net of tax (Note 18) | | | | |
| Foreign currency translation | (127) | **(102)** | 116 | **(1,555)** |
| Marketable securities | 59 | **99** | 122 | **113** |
| Derivative instruments | 117 | **(24)** | (329) | **668** |
| Pension and other postretirement benefits | 16 | **17** | 21 | **31** |
| **Total other comprehensive income/(loss), net of tax** | 65 | **(10)** | (70) | **(743)** |
| **Comprehensive income/(loss)** | 215 | **1,108** | 1,263 | **(1,618)** |
| Less: Comprehensive income/(loss) attributable to noncontrolling interests | 2 | **1** | 39 | **1** |
| **Comprehensive income/(loss) attributable to Ford Motor Company** | $ 213 | **$ 1,107** | $ 1,224 | **$ (1,619)** |

The accompanying notes are part of the consolidated financial statements.

# FORD MOTOR COMPANY AND SUBSIDIARIES
# CONSOLIDATED BALANCE SHEETS
# (in millions)

| | December 31, 2019 | **June 30, 2020** |
|---|---|---|
| | | (unaudited) |
| **ASSETS** | | |
| Cash and cash equivalents (Note 7) | $ 17,504 | **$ 30,989** |
| Marketable securities (Note 7) | 17,147 | **26,141** |
| Ford Credit finance receivables, net of allowance for credit losses of $162 and $396 (Note 8) | 53,651 | **42,720** |
| Trade and other receivables, less allowances of $63 and $75 | 9,237 | **9,107** |
| Inventories (Note 9) | 10,786 | **10,220** |
| Assets held for sale (Note 17) | 2,383 | **720** |
| Other assets | 3,339 | **4,214** |
| **Total current assets** | 114,047 | **124,111** |
| | | |
| Ford Credit finance receivables, net of allowance for credit losses of $351 and $889 (Note 8) | 53,703 | **53,987** |
| Net investment in operating leases | 29,230 | **27,716** |
| Net property | 36,469 | **35,276** |
| Equity in net assets of affiliated companies | 2,519 | **4,651** |
| Deferred income taxes | 11,863 | **11,066** |
| Other assets | 10,706 | **12,559** |
| **Total assets** | $ 258,537 | **$ 269,366** |
| | | |
| **LIABILITIES** | | |
| Payables | $ 20,673 | **$ 16,360** |
| Other liabilities and deferred revenue (Note 12) | 22,987 | **20,792** |
| Automotive debt payable within one year (Note 14) | 1,445 | **2,084** |
| Ford Credit debt payable within one year (Note 14) | 52,371 | **53,260** |
| Other debt payable within one year (Note 14) | 130 | **—** |
| Liabilities held for sale (Note 17) | 526 | **284** |
| **Total current liabilities** | 98,132 | **92,780** |
| | | |
| Other liabilities and deferred revenue (Note 12) | 25,324 | **25,391** |
| Automotive long-term debt (Note 14) | 13,233 | **37,409** |
| Ford Credit long-term debt (Note 14) | 87,658 | **82,007** |
| Other long-term debt (Note 14) | 470 | **470** |
| Deferred income taxes | 490 | **454** |
| **Total liabilities** | 225,307 | **238,511** |
| | | |
| **EQUITY** | | |
| Common Stock, par value $.01 per share (4,025 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 | **22,210** |
| Retained earnings | 20,320 | **18,645** |
| Accumulated other comprehensive income/(loss) (Note 18) | (7,728) | **(8,471)** |
| Treasury stock | (1,613) | **(1,601)** |
| Total equity attributable to Ford Motor Company | 33,185 | **30,824** |
| Equity attributable to noncontrolling interests | 45 | **31** |
| **Total equity** | 33,230 | **30,855** |
| **Total liabilities and equity** | $ 258,537 | **$ 269,366** |

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 sheets above.

| | December 31, 2019 | **June 30, 2020** |
|---|---|---|
| | | (unaudited) |
| **ASSETS** | | |
| Cash and cash equivalents | $ 3,202 | **$ 3,204** |
| Ford Credit finance receivables, net | 58,478 | **49,806** |
| Net investment in operating leases | 14,883 | **14,462** |
| Other assets | 12 | **1** |
| **LIABILITIES** | | |
| Other liabilities and deferred revenue | $ 19 | **$ 94** |
| Debt | 50,865 | **45,908** |

The accompanying notes are part of the consolidated financial statements.

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

| | Equity Attributable to Ford Motor Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Cap. In Excess of Par Value of Stock | Retained Earnings | Accumulated Other Comprehensive Income/(Loss) (Note 18) | Treasury Stock | Total | Equity Attributable to Non-controlling Interests | Total Equity |
| **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 |
| Net income | — | — | 148 | — | — | 148 | 2 | 150 |
| Other comprehensive income/(loss), net | — | — | — | 65 | — | 65 | — | 65 |
| Common stock issued (a) | — | 85 | — | — | — | 85 | — | 85 |
| Treasury stock/other | — | — | — | — | 6 | 6 | 1 | 7 |
| Dividends and dividend equivalents declared ($0.15 per share) (b) | — | — | (605) | — | — | (605) | — | (605) |
| **Balance at June 30, 2019** | $ 41 | $ 22,111 | $ 22,769 | $ (7,436) | $ (1,388) | $ 36,097 | $ 39 | $ 36,136 |

| | Equity Attributable to Ford Motor Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Cap. In Excess of Par Value of Stock | Retained Earnings | Accumulated Other Comprehensive Income/(Loss) (Note 18) | Treasury Stock | Total | Equity Attributable to Non-controlling Interests | Total Equity |
| **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 |
| Net income/(loss) | **—** | **—** | **1,117** | **—** | **—** | **1,117** | **1** | **1,118** |
| Other comprehensive income/(loss), net | **—** | **—** | **—** | **(10)** | **—** | **(10)** | **—** | **(10)** |
| Common stock issued (a) | **—** | **60** | **—** | **—** | **—** | **60** | **—** | **60** |
| Treasury stock/other | **—** | **—** | **—** | **—** | **6** | **6** | **(18)** | **(12)** |
| Dividends and dividend equivalents declared | **—** | **—** | **1** | **—** | **—** | **1** | **—** | **1** |
| **Balance at June 30, 2020** | **$ 41** | **$ 22,210** | **$ 18,645** | **$ (8,471)** | **$ (1,601)** | **$ 30,824** | **$ 31** | **$ 30,855** |

(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. As a result, extraordinary actions were 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 included 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. Although restrictions have been eased in many locations, some areas that had previously eased restrictions have reverted to more stringent limitations on daily activities.

Consistent with the actions taken by governmental authorities, by late March 2020, we had idled all of our significant manufacturing operations in regions around the world. By May 2020, we restarted manufacturing operations in a phased manner at locations around the world. We have since returned to pre-COVID-19 production levels in several major markets.

Our results include adjustments to our assets and liabilities made due to the impact of COVID-19, the most significant of which were a valuation allowance on certain deferred tax assets of $228 million and $1.1 billion for the second quarter and first half of 2020, respectively (see Note 5), and a charge to the provision for credit losses on Ford Credit’s finance receivables of $46 million and $532 million during the second quarter and first half of 2020, respectively (see Note 8). 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.

The 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 operations, customers, dealers, and suppliers, and the rate at which economic conditions return to pre-COVID-19 levels.

**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):

| | Balance at December 31, 2019 | Adjustments due to ASU 2016-13 | Balance at January 1, 2020 |
|---|---|---|---|
| **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 |

*ASU 2020-04, Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. On April 1, 2020, we adopted the new standard, which provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform (e.g., discontinuation of LIBOR) if certain criteria are met. As of June 30, 2020, we have not yet elected any optional expedients provided in the standard. We will apply the accounting relief as relevant contract and hedge accounting relationship modifications are made during the reference rate reform transition period. We do not expect the standard to have a material impact on our consolidated financial statements.

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 June 30 (in millions):

| | Second Quarter 2019 | | | |
|---|---|---|---|---|
| | Automotive | Mobility | Ford Credit | Consolidated |
| Vehicles, parts, and accessories | $ 34,235 | $ — | $ — | $ 34,235 |
| Used vehicles | 842 | — | — | 842 |
| Extended service contracts | 348 | — | — | 348 |
| Other revenue | 219 | 6 | 55 | 280 |
| Revenues from sales and services | 35,644 | 6 | 55 | 35,705 |
| | | | | |
| Leasing income | 114 | — | 1,472 | 1,586 |
| Financing income | — | — | 1,521 | 1,521 |
| Insurance income | — | — | 41 | 41 |
| Total revenues | $ 35,758 | $ 6 | $ 3,089 | $ 38,853 |

| | Second Quarter 2020 | | | |
|---|---|---|---|---|
| | Automotive | Mobility | Ford Credit | Consolidated |
| Vehicles, parts, and accessories | $ 15,406 | $ — | $ — | $ 15,406 |
| Used vehicles | 533 | — | — | 533 |
| Extended service contracts | 346 | — | — | 346 |
| Other revenue | 252 | 10 | 44 | 306 |
| Revenues from sales and services | 16,537 | 10 | 44 | 16,591 |
| | | | | |
| Leasing income | 85 | — | 1,401 | 1,486 |
| Financing income | — | — | 1,261 | 1,261 |
| Insurance income | — | — | 33 | 33 |
| Total revenues | $ 16,622 | $ 10 | $ 2,739 | $ 19,371 |

| | First Half 2019 | | | |
|---|---|---|---|---|
| | Automotive | Mobility | Ford Credit | Consolidated |
| Vehicles, parts, and accessories | $ 69,811 | $ — | $ — | $ 69,811 |
| Used vehicles | 1,862 | — | — | 1,862 |
| Extended service contracts | 681 | — | — | 681 |
| Other revenue | 432 | 12 | 106 | 550 |
| Revenues from sales and services | 72,786 | 12 | 106 | 72,904 |
| | | | | |
| Leasing income | 211 | — | 2,949 | 3,160 |
| Financing income | — | — | 3,049 | 3,049 |
| Insurance income | — | — | 82 | 82 |
| Total revenues | $ 72,997 | $ 12 | $ 6,186 | $ 79,195 |

| | First Half 2020 | | | |
|---|---|---|---|---|
| | Automotive | Mobility | Ford Credit | Consolidated |
| Vehicles, parts, and accessories | $ 45,247 | $ — | $ — | $ 45,247 |
| Used vehicles | 1,464 | — | — | 1,464 |
| Extended service contracts | 710 | — | — | 710 |
| Other revenue | 398 | 23 | 85 | 506 |
| Revenues from sales and services | 47,819 | 23 | 85 | 47,927 |
| | | | | |
| Leasing income | 143 | — | 2,860 | 3,003 |
| Financing income | — | — | 2,686 | 2,686 |
| Insurance income | — | — | 75 | 75 |
| Total revenues | $ 47,962 | $ 23 | $ 5,706 | $ 53,691 |

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

## NOTE 3. REVENUE *(Continued)*

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 in revenue of $350 million in the second quarter of 2019 and an increase in revenue of $48 million in the second quarter of 2020 related to revenue recognized in prior periods.

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 billion of unearned revenue associated with outstanding contracts reported in *Other liabilities and deferred revenue* at December 31, 2019 and June 30, 2020, respectively. We expect to recognize approximately $600 million of the unearned amount in the remainder of 2020, $1.1 billion in 2021, and $2.3 billion thereafter. We recognized $285 million and $276 million of unearned amounts as revenue during the second quarter of 2019 and 2020, respectively, and $590 million and $606 million in the first half 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 $276 million in deferred costs as of December 31, 2019 and June 30, 2020, respectively. We recognized $20 million and $19 million of amortization during the second quarter of 2019 and 2020, respectively, and $39 million in the first half of both 2019 and 2020.

## NOTE 4. OTHER INCOME/(LOSS)

The amounts included in *Other income/(loss), net* for the periods ended June 30 were as follows (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| Net periodic pension and OPEB income/(cost), excluding service cost | $ 111 | $ 544 | $ 383 | $ 995 |
| Investment-related interest income | 207 | 122 | 410 | 284 |
| Interest income/(expense) on income taxes | (1) | 12 | (21) | (11) |
| Realized and unrealized gains/(losses) on cash equivalents, marketable securities, and other investments | (187) | 47 | (120) | 15 |
| Gains/(Losses) on changes in investments in affiliates (a) | (1) | 3,465 | 2 | 3,480 |
| Gains/(Losses) on extinguishment of debt | (53) | (1) | (53) | (1) |
| Royalty income | 108 | 94 | 192 | 183 |
| Other | 88 | 35 | 107 | 53 |
| Total | $ 272 | $ 4,318 | $ 900 | $ 4,998 |

(a) See Note 17 for additional information relating to our Argo AI, LLC ("Argo AI") and Volkswagen AG ("VW") transaction.

## 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.

Based on all available evidence, we established a valuation allowance against certain net operating losses and tax credits of $228 million and $1.1 billion during the second quarter and first half of 2020, respectively, 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 continue to balance preservation of cash against long-term tax planning actions that could have resulted in cash outlays to preserve some of our tax credits.

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

## 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):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| **Basic and Diluted Income/(Loss) Attributable to Ford Motor Company** | | | | |
| Basic income/(loss) | $ 148 | $ 1,117 | $ 1,294 | $ (876) |
| Diluted income/(loss) | 148 | 1,117 | 1,294 | (876) |
| **Basic and Diluted Shares** | | | | |
| Basic shares (average shares outstanding) | 3,984 | 3,975 | 3,979 | 3,969 |
| Net dilutive options, unvested restricted stock units, and unvested restricted stock shares (a) | 29 | 17 | 26 | — |
| Diluted shares | 4,013 | 3,992 | 4,005 | 3,969 |

(a) Not included in the calculation of diluted earnings per share, due to their antidilutive effect, are 25 million shares for the first half of 2020.

## 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 sheets.

### 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 debt 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 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):

| | | December 31, 2019 | | | |
|---|---|---|---|---|---|
| | Fair Value Level | 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 |

| | | June 30, 2020 | | | |
|---|---|---|---|---|---|
| | Fair Value Level | Automotive | Mobility | Ford Credit | Consolidated |
| **Cash and cash equivalents** | | | | | |
| U.S. government | 1 | $ 4,307 | $ — | $ 1,568 | $ 5,875 |
| U.S. government agencies | 2 | 1,950 | — | 825 | 2,775 |
| Non-U.S. government and agencies | 2 | 1,578 | — | 1,352 | 2,930 |
| Corporate debt | 2 | 719 | — | 992 | 1,711 |
| Total marketable securities classified as cash equivalents | | 8,554 | — | 4,737 | 13,291 |
| Cash, time deposits, and money market funds | | 9,540 | 57 | 8,101 | 17,698 |
| Total cash and cash equivalents | | $ 18,094 | $ 57 | $ 12,838 | $ 30,989 |
| **Marketable securities** | | | | | |
| U.S. government | 1 | $ 6,879 | $ — | $ 1,924 | $ 8,803 |
| U.S. government agencies | 2 | 5,118 | — | 410 | 5,528 |
| Non-U.S. government and agencies | 2 | 3,451 | — | 2,215 | 5,666 |
| Corporate debt | 2 | 5,358 | — | 223 | 5,581 |
| Equities (a) | 1 | 49 | — | — | 49 |
| Other marketable securities | 2 | 250 | — | 264 | 514 |
| Total marketable securities | | $ 21,105 | $ — | $ 5,036 | $ 26,141 |
| **Restricted cash** | | $ 21 | $ 6 | $ 165 | $ 192 |
| **Cash, cash equivalents, and restricted cash in held-for-sale assets** | | $ — | $ — | $ — | $ — |

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(a) Net unrealized gains/losses incurred during the reporting periods on equity securities still held at December 31, 2019 and June 30, 2020 were a $44 million loss and a $29 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 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Fair Value of Securities with Contractual Maturities | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Within 1 Year | After 1 Year through 5 Years | After 5 Years |
| **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 | $ 13,468 | $ 87 | $ (3) | $ 13,552 | $ 5,241 | $ 8,153 | $ 158 |

| | June 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Fair Value of Securities with Contractual Maturities | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Within 1 Year | After 1 Year through 5 Years | After 5 Years |
| **Automotive** | | | | | | | |
| U.S. government | $ 2,978 | $ 64 | $ — | $ 3,042 | $ 1,072 | $ 1,935 | $ 35 |
| U.S. government agencies | 1,938 | 15 | — | 1,953 | 704 | 1,126 | 123 |
| Non-U.S. government and agencies | 2,849 | 48 | — | 2,897 | 1,192 | 1,704 | 1 |
| Corporate debt | 5,751 | 106 | (5) | 5,852 | 2,157 | 3,668 | 27 |
| Other marketable securities | 212 | 3 | — | 215 | — | 144 | 71 |
| Total | $ 13,728 | $ 236 | $ (5) | $ 13,959 | $ 5,125 | $ 8,577 | $ 257 |

Sales proceeds and gross realized gains/losses from the sale of AFS securities for the periods ended June 30 were as follows (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| **Automotive** | | | | |
| Sales proceeds | $ 1,858 | $ 2,452 | $ 3,000 | $ 4,317 |
| Gross realized gains | 3 | 21 | 5 | 28 |
| Gross realized losses | 5 | 3 | 10 | 10 |

**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 | $ 1,104 | $ (2) | $ 854 | $ (1) | $ 1,958 | $ (3) |

| | June 30, 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 | $ 357 | $ — | $ — | $ — | $ 357 | $ — |
| U.S. government agencies | 25 | — | 42 | — | 67 | — |
| Non-U.S. government and agencies | 319 | — | 36 | — | 355 | — |
| Corporate debt | 783 | (4) | 11 | (1) | 794 | (5) |
| Other marketable securities | 7 | — | 16 | — | 23 | — |
| Total | $ 1,491 | $ (4) | $ 105 | $ (1) | $ 1,596 | $ (5) |

We determine credit losses on available-for-sale debt securities using the specific identification method. During the first half 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 statements of cash flows, were as follows (in millions):

| | December 31, 2019 | June 30, 2020 |
|---|---|---|
| Cash and cash equivalents (a) | $ 17,504 | $ 30,989 |
| Restricted cash (b) | 175 | 192 |
| Cash, cash equivalents, and restricted cash in held-for-sale assets | 62 | — |
| **Total cash, cash equivalents, and restricted cash** | $ 17,741 | $ 31,181 |

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(a) Includes a $290 million cash compensating balance at June 30, 2020 in an interest-bearing savings account related to a $498 million debt obligation.
(b) Included in *Other assets* in the non-current assets section of our consolidated balance sheets.

**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 | June 30, 2020 |
|---|---|---|
| **Consumer** | | |
| Retail installment contracts, gross | $ 68,905 | $ 70,773 |
| Finance leases, gross | 8,566 | 7,879 |
| Retail financing, gross | 77,471 | 78,652 |
| Unearned interest supplements | (3,589) | (3,844) |
| Consumer finance receivables | 73,882 | 74,808 |
| **Non-Consumer** | | |
| Dealer financing | 33,985 | 23,184 |
| Non-Consumer finance receivables | 33,985 | 23,184 |
| Total recorded investment | $ 107,867 | $ 97,992 |
| | | |
| Recorded investment in finance receivables | $ 107,867 | $ 97,992 |
| Allowance for credit losses | (513) | (1,285) |
| Total finance receivables, net | $ 107,354 | $ 96,707 |
| | | |
| Current portion | $ 53,651 | $ 42,720 |
| Non-current portion | 53,703 | 53,987 |
| Total finance receivables, net | $ 107,354 | $ 96,707 |
| | | |
| Net finance receivables subject to fair value (a) | $ 99,168 | $ 89,207 |
| Fair value (b) | 99,297 | 90,298 |

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(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 second quarter of 2019 and 2020 was $97 million and $77 million, respectively, and for the first half of 2019 and 2020 was $189 million and $172 million, respectively, and is included in *Ford Credit revenues* on our consolidated income statements.

At December 31, 2019 and June 30, 2020, accrued interest was $251 million and $215 million, respectively, which we report in *Other assets* in the current assets section of our consolidated balance sheets.

Included in the recorded investment in finance receivables at December 31, 2019 and June 30, 2020, were consumer receivables of $38.3 billion and $42.1 billion, respectively, and non-consumer receivables of $26.8 billion and $17.8 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.

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

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

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") related finance receivables. At June 30, 2020, there were $50 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 sheets. See Note 17 for additional information.

**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 June 30, 2020 was as follows (in millions):

| | Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | Prior to 2016 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
| **Consumer** | | | | | | | |
| 31 - 60 days past due | $ 45 | $ 60 | $ 98 | $ 135 | $ 124 | $ 31 | $ 493 |
| 61 - 120 days past due | 9 | 17 | 33 | 44 | 40 | 10 | 153 |
| Greater than 120 days past due | 14 | 7 | 8 | 9 | 6 | — | 44 |
| Total past due | 68 | 84 | 139 | 188 | 170 | 41 | 690 |
| Current | 1,631 | 4,199 | 9,581 | 17,452 | 24,396 | 16,859 | 74,118 |
| Total | $ 1,699 | $ 4,283 | $ 9,720 | $ 17,640 | $ 24,566 | $ 16,900 | $ 74,808 |

*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.

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

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

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.

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 June 30, 2020 was as follows (in millions):

| | Amortized Cost Basis by Origination Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Dealer Loans | | | | | | | | |
| | Prior to 2016 | 2016 | 2017 | 2018 | 2019 | 2020 | Total | Wholesale Loans | Total |
| Group I | $ 608 | $ 132 | $ 159 | $ 221 | $ 98 | $ 237 | $ 1,455 | $ 14,102 | $ 15,557 |
| Group II | 38 | 32 | 17 | 18 | 7 | 72 | 184 | 5,317 | 5,501 |
| Group III | 9 | — | 4 | 17 | 6 | 28 | 64 | 1,908 | 1,972 |
| Group IV | 2 | 3 | — | — | 2 | 4 | 11 | 143 | 154 |
| Total (a) | $ 657 | $ 167 | $ 180 | $ 256 | $ 113 | $ 341 | $ 1,714 | $ 21,470 | $ 23,184 |

(a) Total past due dealer financing receivables at June 30, 2020 were $143 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 various programs to provide relief to customers and dealers impacted by COVID-19. These programs, which were broadly available to customers and dealers, included payment extensions. Ford Credit concluded that these programs did not meet TDR criteria. As of June 30, 2020, in the United States, Ford Credit has received payments on 88% of the pandemic extensions offered to its customers, and no dealers are delinquent on their payments.

**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 statements. The uncollectible portion of a finance receivable is 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 sheets.

*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.

**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, the purchase of dealership real estate, and 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, the financial status of the dealer, and any 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 that 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 June 30 was as follows (in millions):

| | Second Quarter 2019 (a) | | | First Half 2019 (a) | | |
|---|---|---|---|---|---|---|
| | Consumer | Non-Consumer | Total | Consumer | Non-Consumer | Total |
| **Allowance for credit losses** | | | | | | |
| Beginning balance | $ 496 | $ 17 | $ 513 | $ 566 | $ 23 | $ 589 |
| Charge-offs | (117) | — | (117) | (254) | (17) | (271) |
| Recoveries | 45 | 6 | 51 | 88 | 8 | 96 |
| Provision for credit losses | 70 | (7) | 63 | 94 | 2 | 96 |
| Other (c) | 2 | 1 | 3 | 2 | 1 | 3 |
| Ending balance | $ 496 | $ 17 | $ 513 | $ 496 | $ 17 | $ 513 |

| | Second Quarter 2020 | | | First Half 2020 | | |
|---|---|---|---|---|---|---|
| | Consumer | Non-Consumer | Total | Consumer | Non-Consumer | Total |
| **Allowance for credit losses** | | | | | | |
| Beginning balance | $ 1,157 | $ 74 | $ 1,231 | $ 496 | $ 17 | $ 513 |
| Adoption of ASU 2016-13 (b) | — | — | — | 247 | 5 | 252 |
| Charge-offs (c) | (80) | — | (80) | (225) | (1) | (226) |
| Recoveries (c) | 33 | 1 | 34 | 76 | 3 | 79 |
| Provision for credit losses | 94 | (1) | 93 | 628 | 51 | 679 |
| Other (d) | 7 | — | 7 | (11) | (1) | (12) |
| Ending balance | $ 1,211 | $ 74 | $ 1,285 | $ 1,211 | $ 74 | $ 1,285 |

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(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) Charge-offs and recoveries were lower in the second quarter of 2020 reflecting program extensions and decision to temporarily suspend involuntary repossessions due to COVID-19.
(d) Primarily represents amounts related to translation adjustments.

During the second quarter and first half of 2020, the allowance for credit losses increased $54 million and $772 million, respectively. The change in the second quarter reflects an increase of $46 million, primarily attributable to COVID-19, and an increase for translation adjustments. The change in the first half reflects an increase to the reserve of $252 million related to the adoption of ASU 2016-13 and an increase of $532 million, primarily attributable to COVID-19, offset by a decrease for translation adjustments. The first half change to the reserve reflects economic uncertainty which, along with the expectation of continued higher unemployment, is expected to increase the probability of default and loss given default rates in our consumer portfolio, especially in the United States. These economic trends and conditions are also expected to negatively impact the dealers. The relatively moderate reserve increase in the second quarter reflects Ford Credit's view that future economic conditions are largely unchanged from its assumptions at March 31. Although net charge-offs during the second quarter and first half of 2020 remained low, reflecting government relief programs, customer payment deferral programs, and Ford Credit's decision to temporarily suspend involuntary repossessions, the future impact of COVID-19 on credit losses is expected to be adverse.

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**NOTES TO THE FINANCIAL STATEMENTS**

## NOTE 9. INVENTORIES

Inventories were as follows (in millions):

| | December 31, 2019 | June 30, 2020 |
|---|---|---|
| Raw materials, work-in-process, and supplies | $ 4,402 | $ 4,367 |
| Finished products | 6,384 | 5,853 |
| Total inventories | $ 10,786 | $ 10,220 |

## NOTE 10. OTHER INVESTMENTS

We have investments in entities not accounted for under the equity method for which 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 sheets. These investments were $1.2 billion and $1.6 billion at December 31, 2019 and June 30, 2020, respectively. The increase from December 31, 2019 primarily reflects our preferred security investment in Argo AI. See Note 17 for additional information relating to our Argo AI and VW transaction. In the second quarter of 2020, there were no material adjustments to the fair values of these investments held at June 30, 2020.

## NOTE 11. GOODWILL

The net carrying amount of goodwill was $278 million and $254 million at December 31, 2019 and June 30, 2020, respectively, and is reported in *Other assets* in the non-current assets section of our consolidated balance sheets.

## NOTE 12. OTHER LIABILITIES AND DEFERRED REVENUE

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

| | December 31, 2019 | June 30, 2020 |
|---|---|---|
| **Current** | | |
| Dealer and dealers' customer allowances and claims | $ 13,113 | $ 11,632 |
| Deferred revenue | 2,091 | 2,021 |
| Employee benefit plans | 1,857 | 1,483 |
| Accrued interest | 1,128 | 1,117 |
| OPEB (a) | 332 | 327 |
| Pension (a) | 185 | 184 |
| Operating lease liabilities | 367 | 339 |
| Other | 3,914 | 3,689 |
| Total current other liabilities and deferred revenue | $ 22,987 | $ 20,792 |
| **Non-current** | | |
| Pension (a) | $ 9,878 | $ 9,487 |
| OPEB (a) | 5,740 | 5,661 |
| Dealer and dealers' customer allowances and claims | 1,921 | 2,464 |
| Deferred revenue | 4,191 | 4,257 |
| Operating lease liabilities | 1,047 | 914 |
| Employee benefit plans | 1,104 | 1,105 |
| Other | 1,443 | 1,503 |
| Total non-current other liabilities and deferred revenue | $ 25,324 | $ 25,391 |

(a) Balances at June 30, 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 $3.8 billion at December 31, 2019 and June 30, 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 June 30 were as follows (in millions):

| | Second Quarter | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | | | | |
| | U.S. Plans | | Non-U.S. Plans | | Worldwide OPEB | |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Service cost | $ 114 | $ 130 | $ 127 | $ 127 | $ 11 | $ 11 |
| Interest cost | 409 | 323 | 173 | 130 | 52 | 41 |
| Expected return on assets | (649) | (699) | (281) | (254) | — | — |
| Amortization of prior service costs/(credits) | 21 | 1 | 9 | 8 | (17) | (4) |
| Net remeasurement (gain)/loss | (10) | 4 | — | (152) | — | — |
| Separation programs/other | — | 3 | 232 | 33 | — | 1 |
| Settlements and curtailments | (50) | 4 | — | 17 | — | — |
| Net periodic benefit cost/(income) | $ (165) | $ (234) | $ 260 | $ (91) | $ 46 | $ 49 |

| | First Half | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | | | | |
| | U.S. Plans | | Non-U.S. Plans | | Worldwide OPEB | |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Service cost | $ 228 | $ 260 | $ 256 | $ 258 | $ 22 | $ 23 |
| Interest cost | 818 | 646 | 349 | 263 | 105 | 84 |
| Expected return on assets | (1,298) | (1,398) | (567) | (521) | — | — |
| Amortization of prior service costs/(credits) | 43 | 2 | 17 | 17 | (35) | (8) |
| Net remeasurement (gain)/loss | (10) | 4 | — | (232) | — | 58 |
| Separation programs/other | 1 | 13 | 244 | 57 | — | — |
| Settlements and curtailments | (50) | 4 | — | 18 | — | (2) |
| Net periodic benefit cost/(income) | $ (268) | $ (469) | $ 299 | $ (140) | $ 92 | $ 155 |

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 statements.

As part of our ongoing global redesign activities, we recognized additional expense of $232 million and $51 million in the second quarter of 2019 and 2020, respectively, and $245 million and $75 million in the first half of 2019 and 2020, respectively, related to separation programs.

In addition, in the second quarter, we recognized settlements and curtailments, which required plan remeasurements at current discount rates, asset returns, and economic conditions. This resulted in remeasurement gains of $148 million and $170 million in the second quarter and first half of 2020, respectively. 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 half of 2020, we contributed $282 million to our worldwide funded pension plans and made $176 million of benefit payments to participants in unfunded plans.

**FORD MOTOR COMPANY AND SUBSIDIARIES**
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## NOTE 14. DEBT

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

| | December 31, 2019 | June 30, 2020 |
|---|---|---|
| **Automotive** | | |
| **Debt payable within one year** | | |
| Short-term | $ 315 | $ 1,172 |
| Long-term payable within one year | | |
| Credit facilities (a) | — | 292 |
| U.S. Department of Energy Advanced Technology Vehicles Manufacturing ("DOE ATVM") Incentive Program (b) | 591 | 148 |
| Other debt | 540 | 472 |
| Unamortized (discount)/premium | (1) | — |
| Total debt payable within one year | 1,445 | 2,084 |
| **Long-term debt payable after one year** | | |
| Public unsecured debt securities (c) | 10,583 | 18,583 |
| Credit facilities (a) | — | 15,068 |
| Delayed draw term loan | 1,500 | 1,500 |
| DOE ATVM Incentive Program (b) | 880 | 1,138 |
| Other debt (d) | 547 | 1,559 |
| Unamortized (discount)/premium | (161) | (242) |
| Unamortized issuance costs | (116) | (197) |
| Total long-term debt payable after one year | 13,233 | 37,409 |
| Total Automotive | $ 14,678 | $ 39,493 |
| Fair value of Automotive debt (e) | $ 15,606 | $ 38,280 |
| **Ford Credit** | | |
| **Debt payable within one year** | | |
| Short-term | $ 13,717 | $ 11,681 |
| Long-term payable within one year | | |
| Unsecured debt | 15,062 | 18,567 |
| Asset-backed debt | 23,609 | 22,997 |
| Unamortized (discount)/premium | 1 | 1 |
| Unamortized issuance costs | (17) | (19) |
| Fair value adjustments (f) | (1) | 33 |
| Total debt payable within one year | 52,371 | 53,260 |
| **Long-term debt payable after one year** | | |
| Unsecured debt | 55,148 | 49,711 |
| Asset-backed debt | 32,162 | 30,794 |
| Unamortized (discount)/premium | 6 | 4 |
| Unamortized issuance costs | (197) | (186) |
| Fair value adjustments (f) | 539 | 1,684 |
| Total long-term debt payable after one year | 87,658 | 82,007 |
| Total Ford Credit | $ 140,029 | $ 135,267 |
| Fair value of Ford Credit debt (e) | $ 141,678 | $ 132,836 |
| **Other** | | |
| Long-term debt payable within one year | $ 130 | $ — |
| **Long-term debt payable after one year** | | |
| Unsecured debt | 474 | 474 |
| Unamortized (discount)/premium and issuance costs | (4) | (4) |
| Total long-term debt payable after one year | 470 | 470 |
| Total Other | $ 600 | $ 470 |
| Fair value of Other debt | $ 720 | $ 534 |

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(a) We drew $15.4 billion under our corporate credit facility and supplemental revolving credit facility in the first quarter of 2020. On July 27, 2020, we repaid $5.7 billion of our corporate credit facility and the full $2 billion outstanding under our supplemental revolving credit facility.
(b) In June 2020, our DOE ATVM loan was modified, reducing quarterly principal payments from $148 million to $37 million. The deferred portion of the principal payments will be due upon original maturity in June 2022.
(c) Public unsecured debt securities increased by $8 billion reflecting our unsecured debt issuance in April 2020.
(d) Includes a £625 million five-year term loan entered into by Ford Motor Company Limited in June 2020 pursuant to U.K. Export Finance program.
(e) The fair value of debt includes $315 million and $1.2 billion of Automotive short-term debt and $12.8 billion and $10.9 billion of Ford Credit short-term debt at December 31, 2019 and June 30, 2020, respectively, carried at cost, which approximates fair value. All debt is categorized within Level 2 of the fair value hierarchy.
(f) These adjustments relate to fair value hedges. The carrying value of hedged debt was $39.4 billion and $42.5 billion at December 31, 2019 and June 30, 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 June 30 were as follows (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| **Cash flow hedges (a)** | **2019** | **2020** | **2019** | **2020** |
| **Reclassified from AOCI to Cost of sales** | | | | |
| Foreign currency exchange contracts | $ 44 | $ (4) | $ 98 | $ (74) |
| Commodity contracts | (6) | (14) | (11) | (28) |
| **Fair value hedges** | | | | |
| **Interest rate contracts** | | | | |
| Net interest settlements and accruals on hedging instruments | (12) | 68 | (32) | 96 |
| Fair value changes on hedging instruments | 474 | 112 | 724 | 1,222 |
| Fair value changes on hedged debt | (463) | (98) | (716) | (1,191) |
| **Derivatives not designated as hedging instruments** | | | | |
| Foreign currency exchange contracts (b) | 5 | (274) | (23) | 312 |
| Cross-currency interest rate swap contracts | 141 | 154 | (4) | 3 |
| Interest rate contracts | (3) | (12) | (30) | (86) |
| Commodity contracts | (12) | 12 | (1) | (31) |
| Total | $ 168 | $ (56) | $ 5 | $ 223 |

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(a) For the second quarter and first half of 2019, a $205 million gain and a $316 million loss, respectively, were reported in *Other comprehensive income/(loss), net of tax* related to foreign currency exchange contracts. For the second quarter and first half of 2020, an $81 million loss and an $816 million gain, respectively, were reported in *Other comprehensive income/(loss), net of tax* related to foreign currency exchange contracts. For the second quarter and first half of 2019, a $37 million loss and a $26 million loss, respectively, were reported in *Other comprehensive income/(loss), net of tax* related to commodity contracts. For the second quarter and first half of 2020, a $17 million gain and an $84 million loss, respectively, were reported in *Other comprehensive income/(loss), net of tax* related to commodity contracts.

(b) For the second quarter and first half of 2019, a $35 million loss and a $57 million loss were reported in *Cost of sales*, respectively, and a $40 million gain and a $34 million gain were reported in *Other income/(loss), net,* respectively. For the second quarter and first half of 2020, a $231 million loss and a $145 million gain were reported in *Cost of sales*, respectively, and a $43 million loss and a $167 million gain were reported in *Other income/(loss), net,* respectively.

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**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 sheets 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 | | | June 30, 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 | $ 12,966 | $ 371 | $ 55 |
| Commodity contracts | 673 | 5 | 29 | 617 | 2 | 69 |
| **Fair value hedges** | | | | | | |
| Interest rate contracts | 26,577 | 702 | 19 | 24,434 | 1,682 | — |
| **Derivatives not designated as hedging instruments** | | | | | | |
| Foreign currency exchange contracts | 19,350 | 58 | 270 | 20,075 | 225 | 238 |
| Cross-currency interest rate swap contracts | 5,849 | 134 | 67 | 5,611 | 163 | 53 |
| Interest rate contracts | 68,914 | 275 | 191 | 71,075 | 752 | 573 |
| Commodity contracts | 467 | 9 | 9 | 450 | 12 | 29 |
| Total derivative financial instruments, gross (a) (b) | $ 137,179 | $ 1,230 | $ 1,078 | $ 135,228 | $ 3,207 | $ 1,017 |
| | | | | | | |
| Current portion | | $ 390 | $ 772 | | $ 1,239 | $ 683 |
| Non-current portion | | 840 | 306 | | 1,968 | 334 |
| Total derivative financial instruments, gross | | $ 1,230 | $ 1,078 | | $ 3,207 | $ 1,017 |

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(a) At December 31, 2019 and June 30, 2020, we held collateral of $18 million and $20 million, and we posted collateral of $78 million and $91 million, respectively.
(b) At December 31, 2019 and June 30, 2020, the fair value of assets and liabilities available for counterparty netting was $269 million and $600 million, respectively. All derivatives are categorized within Level 2 of the fair value hierarchy.

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## 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 additional 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 June 30, which are recorded in *Other liabilities and deferred revenue* (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| Beginning balance | $ 414 | $ 601 | $ 291 | $ 734 |
| Changes in accruals (a) | 741 | 26 | 1,008 | 94 |
| Payments | (222) | (99) | (358) | (271) |
| Foreign currency translation | (4) | (4) | (12) | (33) |
| Ending balance | $ 929 | $ 524 | $ 929 | $ 524 |

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(a) Excludes pension costs of $182 million and $51 million in the second quarter of 2019 and 2020, respectively, and $195 million and $75 million in the first half of 2019 and 2020, respectively.

**FORD MOTOR COMPANY AND SUBSIDIARIES**
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## NOTE 16. EMPLOYEE SEPARATION ACTIONS AND EXIT AND DISPOSAL ACTIVITIES *(Continued)*

We also recorded $291 million and $36 million in the second quarter of 2019 and 2020, respectively, and $542 million and $50 million in the first half 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, and recorded associated costs of $201 million in *Cost of sales*. All separations are expected to occur before the end of the year.

## NOTE 17. HELD-FOR-SALE OPERATIONS AND CHANGES IN INVESTMENTS IN AFFILIATES

### 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 in 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 | June 30, 2020 |
|---|---|---|
| **Assets** | | |
| Trade and other receivables, net | $ 269 | $ 101 |
| Inventories | 208 | 244 |
| Other assets, current | 147 | 108 |
| Net property | 279 | 263 |
| Other assets, non-current | 10 | 8 |
| Total assets of held-for-sale operations | 913 | 724 |
| Less: Intercompany asset balances | (228) | (54) |
| Automotive segment total assets of held-for-sale operations (a) | $ 685 | $ 670 |
| **Liabilities** | | |
| Payables | $ 461 | $ 263 |
| Other liabilities and deferred revenue, current | 71 | 53 |
| Automotive debt payable within one year | 90 | 83 |
| Other liabilities and deferred revenue, non-current | 28 | 25 |
| Total liabilities of held-for-sale operations | 650 | 424 |
| Less: Intercompany liability balances | (169) | (140) |
| Automotive segment total liabilities of held-for-sale operations (a) | $ 481 | $ 284 |

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(a) As of December 31, 2019 and June 30, 2020, intercompany items and transactions have been eliminated on the consolidated balance sheets. Upon closing, the buyer will assume the intercompany assets and liabilities. Accordingly, we have presented those balances in the table for informational purposes.

## NOTE 17. HELD-FOR-SALE OPERATIONS AND CHANGES IN INVESTMENTS IN AFFILIATES *(Continued)*

We recognized pre-tax impairment charges of $804 million in 2019, and $15 million and $18 million in the second quarter and first half of 2020, respectively, 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.

**Mobility Segment**

On June 1, 2020, we completed a transaction with VW that reduced our ownership interest in the autonomous vehicle technology company Argo AI and resulted in Ford and VW holding equal interests in Argo AI, with the remaining interest consisting of incentive units and founders' equity. The transaction involved us selling a portion of our Argo AI equity to VW for $500 million and VW making additional investments in Argo AI, including contributing its Autonomous Intelligent Driving company. As a result of the transaction, we deconsolidated Argo AI, remeasured our retained investment in Argo AI at fair value, and recognized a $3.5 billion gain in *Other income/(loss),* of which $2.9 billion related to our retained investment in Argo AI. We measured the fair value of Argo AI using the income approach. The significant assumptions used in the valuation included Argo AI's projected long-term cash flows and related terminal value, discounted at a rate typically used for a company at Argo AI's stage of development.

Our retained investment in Argo AI consists of an equity method investment of $2.4 billion and a preferred equity security investment of $400 million, reflected on our consolidated balance sheets in *Equity in net assets of affiliated companies* and *Other assets*, respectively. The difference between the fair value of our equity method investment and the carrying value of Argo AI's net assets is primarily related to indefinite-lived assets. We also have agreed to future funding of Argo AI of $600 million, subject to capital calls, which will increase our preferred equity investment.

Argo AI is a variable interest entity of which we are not the primary beneficiary. As of June 30, 2020, our maximum exposure to any potential losses associated with Argo AI is limited to our $2.8 billion of investments.

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

## NOTE 17. HELD-FOR-SALE OPERATIONS AND CHANGES IN INVESTMENTS IN AFFILIATES *(Continued)*

### 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) | $ 1,416 |
| | |
| **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) | $ 45 |

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(a) As of December 31, 2019, intercompany items and transactions have been eliminated on the consolidated balance sheets. 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 June 30 were as follows (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| **Foreign currency translation** | | | | |
| Beginning balance | $ (4,557) | $ (6,079) | $ (4,800) | $ (4,626) |
| Gains/(Losses) on foreign currency translation | (139) | (141) | 132 | (1,547) |
| Less: Tax/(Tax benefit) | (12) | (50) | 16 | (23) |
| Net gains/(losses) on foreign currency translation | (127) | (91) | 116 | (1,524) |
| (Gains)/Losses reclassified from AOCI to net income (a) | — | (11) | — | (31) |
| Other comprehensive income/(loss), net of tax | (127) | (102) | 116 | (1,555) |
| Ending balance | $ (4,684) | $ (6,181) | $ (4,684) | $ (6,181) |
| | | | | |
| **Marketable securities** | | | | |
| Beginning balance | $ 4 | $ 85 | $ (59) | $ 71 |
| Gains/(Losses) on available for sale securities | 74 | 146 | 154 | 165 |
| Less: Tax/(Tax benefit) | 17 | 33 | 36 | 38 |
| Net gains/(losses) on available for sale securities | 57 | 113 | 118 | 127 |
| (Gains)/Losses reclassified from AOCI to net income | 2 | (18) | 5 | (18) |
| Less: Tax/(Tax benefit) | — | (4) | 1 | (4) |
| Net (gains)/losses reclassified from AOCI to net income | 2 | (14) | 4 | (14) |
| Other comprehensive income/(loss), net of tax | 59 | 99 | 122 | 113 |
| Ending balance | $ 63 | $ 184 | $ 63 | $ 184 |
| | | | | |
| **Derivative instruments** | | | | |
| Beginning balance | $ (245) | $ 204 | $ 201 | $ (488) |
| Gains/(Losses) on derivative instruments | 168 | (64) | (342) | 732 |
| Less: Tax/(Tax benefit) | 24 | (23) | (78) | 150 |
| Net gains/(losses) on derivative instruments | 144 | (41) | (264) | 582 |
| (Gains)/Losses reclassified from AOCI to net income | (38) | 18 | (87) | 102 |
| Less: Tax/(Tax benefit) | (11) | 1 | (22) | 16 |
| Net (gains)/losses reclassified from AOCI to net income (b) | (27) | 17 | (65) | 86 |
| Other comprehensive income/(loss), net of tax | 117 | (24) | (329) | 668 |
| Ending balance | $ (128) | $ 180 | $ (128) | $ 180 |
| | | | | |
| **Pension and other postretirement benefits** | | | | |
| Beginning balance | $ (2,703) | $ (2,671) | $ (2,708) | $ (2,685) |
| Amortization and recognition of prior service costs/(credits) | 13 | 22 | 25 | 26 |
| Less: Tax/(Tax benefit) | 3 | 3 | 5 | 4 |
| Net prior service costs/(credits) reclassified from AOCI to net income | 10 | 19 | 20 | 22 |
| Translation impact on non-U.S. plans | 6 | (2) | 1 | 9 |
| Other comprehensive income/(loss), net of tax | 16 | 17 | 21 | 31 |
| Ending balance | $ (2,687) | $ (2,654) | $ (2,687) | $ (2,654) |
| | | | | |
| Total AOCI ending balance at June 30 | $ (7,436) | $ (8,471) | $ (7,436) | $ (8,471) |

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(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 $165 million. See Note 15 for additional information.

## 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 $429 million at December 31, 2019 and June 30, 2020, respectively. The carrying value of recorded liabilities related to financial guarantees was $33 million and $43 million at December 31, 2019 and June 30, 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 $415 million at December 31, 2019 and June 30, 2020, respectively. The carrying value of recorded liabilities related to non-financial guarantees was $200 million and $110 million at December 31, 2019 and June 30, 2020, respectively.

We guarantee the resale value of vehicles sold in certain arrangements to daily rental companies. The maximum potential payment of $410 million as of June 30, 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 $109 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 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 June 30 was as follows (in millions):

| | First Half | |
|---|---|---|
| | 2019 | 2020 |
| Beginning balance | $ 5,137 | $ 5,702 |
| Payments made during the period | (2,192) | (1,945) |
| Changes in accrual related to warranties issued during the period | 1,424 | 1,253 |
| Changes in accrual related to pre-existing warranties | 715 | 1,183 |
| Foreign currency translation and other | 23 | (112) |
| Ending balance | $ 5,107 | $ 6,081 |

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 remeasurement 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 June 30 was as follows (in millions):

| | Automotive | Mobility | Ford Credit | Corporate Other | Interest on Debt | Special Items | Adjustments | Total |
|---|---|---|---|---|---|---|---|---|
| **Second Quarter 2019** | | | | | | | | |
| Revenues | $ 35,758 | $ 6 | $ 3,089 | $ — | $ — | $ — | $ — | $ 38,853 |
| Income/(loss) before income taxes | 1,373 | (264) | 831 | (286) | (244) | (1,205) | — | 205 |
| Equity in net income/(loss) of affiliated companies | 72 | 7 | 8 | — | — | — | — | 87 |
| Cash, cash equivalents, marketable securities, and restricted cash | 23,106 | 142 | 14,989 | — | — | — | — | 38,237 |
| Total assets | 102,641 | 1,153 | 163,141 | — | — | — | (4,751) (a) | 262,184 |
| **Second Quarter 2020** | | | | | | | | |
| Revenues | $ 16,622 | $ 10 | $ 2,739 | $ — | $ — | $ — | $ — | $ 19,371 |
| Income/(loss) before income taxes | (2,089) | (332) | 543 | (68) | (450) | 3,480 | — | 1,084 |
| Equity in net income/(loss) of affiliated companies | (9) | (12) | 2 | — | — | (6) | — | (25) |
| Cash, cash equivalents, marketable securities, and restricted cash | 39,220 | 63 | 18,039 | — | — | — | — | 57,322 |
| Total assets | 114,414 | 4,112 | 154,674 | — | — | — | (3,834) (a) | 269,366 |

| | Automotive | Mobility | Ford Credit | Corporate Other | Interest on Debt | Special Items | Adjustments | Total |
|---|---|---|---|---|---|---|---|---|
| **First Half 2019** | | | | | | | | |
| Revenues | $ 72,997 | $ 12 | $ 6,186 | $ — | $ — | $ — | $ — | $ 79,195 |
| Income/(loss) before income taxes | 3,382 | (552) | 1,632 | (361) | (489) | (1,797) | — | 1,815 |
| Equity in net income/(loss) of affiliated companies | 89 | 9 | 14 | — | — | — | — | 112 |
| **First Half 2020** | | | | | | | | |
| Revenues | $ 47,962 | $ 23 | $ 5,706 | $ — | $ — | $ — | $ — | $ 53,691 |
| Income/(loss) before income taxes | (2,266) | (666) | 573 | (219) | (677) | 3,193 | — | (62) |
| Equity in net income/(loss) of affiliated companies | (56) | (12) | 8 | — | — | (6) | — | (66) |

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

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

**RECENT DEVELOPMENTS**

The impact of COVID-19 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. Although restrictions have been eased in many locations, some areas that had previously eased restrictions have reverted to more stringent limitations on daily activities.

***Remote Work Arrangements and Resumption of Manufacturing Operations***

We released our first quarter 2020 results on April 28, 2020. At that time, our non-production personnel had been working remotely in almost all locations globally for over a month, and we had suspended our manufacturing operations in North America, Europe, and other regions.

The remote work arrangements that we implemented in the first quarter 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.

A phased restart of our manufacturing plants, supply network, and other dependent functions occurred in the second quarter of 2020. In significant regions, we have returned to pre-COVID-19 production levels. For example, by the end of the second quarter, North America was operating at 96 percent of pre-COVID-19 production levels.

***Liquidity***

We ended the second quarter of 2020 with $39.8 billion of liquidity, including $39.3 billion of cash. On July 27, 2020, we repaid $7.7 billion of our outstanding $15.4 billion corporate revolvers. We believe our liquidity of almost $40 billion is sufficient to maintain or exceed our target cash balance of $20 billion through the second half of this year even if global demand declines or there is another widespread suspension of manufacturing operations in the second half of the year due to COVID-19.

***Enhanced Safety Standards***

We established new protocols to help protect the health and safety of our workforce. The actions include a daily, online health self-certification, a no-touch temperature scan upon entering our premises, a policy requiring the use of face masks in our 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 have also scheduled more time between shifts to minimize potential interaction between employees and allow for additional cleaning between shifts.

***Medical Supplies***

During the second quarter, we worked with medical equipment makers, including GE Healthcare and 3M, to produce medical equipment and supplies. Among other things, we produced ventilators, powered air-purifying respirators, and face shields, as well as medical masks and reusable gowns for health care workers. We also worked with Thermo Fisher Scientific to produce COVID-19 test kits. We continue to produce ventilators, face shields, and medical masks.

***Forward Looking Information***

Due to the successful restart of our manufacturing operations, our strong liquidity, and the repayment of $7.7 billion of Automotive debt, we will consider paying, as early as October 2020, the accumulated deferred salary amounts that have been deferred since May 1, 2020.

The full impact of COVID-19 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, and the rate at which economic conditions return to pre-COVID-19 levels. Accordingly, the ultimate impact on us 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. For additional information on the impact and potential impact of COVID-19 on us, please see Item 1A. Risk Factors on page 73.

## RESULTS OF OPERATIONS

In the second quarter of 2020, the net income attributable to Ford Motor Company was $1,117 million, and Company adjusted EBIT was a loss of $1,946 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):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| **Global Redesign** | | | | |
| Europe excl. Russia | $ (707) | $ (94) | $ (822) | $ (199) |
| India | — | (15) | — | (18) |
| South America | (235) | (1) | (436) | (18) |
| Russia | (211) | (3) | (385) | 17 |
| China | (2) | (6) | (2) | (6) |
| Separations and Other (not included above) | (56) | — | (80) | (1) |
| Subtotal Global Redesign | $ (1,211) | $ (119) | $ (1,725) | $ (225) |
| **Other Items** | | | | |
| Gain on transaction with Argo AI and VW | $ — | $ 3,454 | $ — | $ 3,454 |
| Other incl. Focus Cancellation, Transit Connect Customs Ruling*, UAW Retirement Buyout, and Chariot | (5) | (3) | (83) | (206) |
| Subtotal Other Items | $ (5) | $ 3,451 | $ (83) | $ 3,248 |
| **Pension and OPEB Gain/(Loss)** | | | | |
| Pension and OPEB remeasurement | $ 10 | $ 148 | $ 10 | $ 170 |
| Pension curtailment | — | — | — | — |
| Subtotal Pension and OPEB Gain/(Loss) | $ 10 | $ 148 | $ 10 | $ 170 |
| Total EBIT Special Items | $ (1,205) | $ 3,480 | $ (1,797) | $ 3,193 |
| Cash effect of Global Redesign (incl. separations) | $ (222) | $ (99) | $ (358) | $ (271) |
| Tax special items** | $ 216 | $ (955) | $ 223 | $ (1,742) |

* Transit Connect impact of $187 million was accrued in the third quarter of 2019.
** Includes related tax effect on special items and tax special items.

We recorded $3.5 billion of pre-tax special items in the second quarter of 2020, primarily reflecting the gain on our investment in Argo AI as a result of the transaction with Argo AI and Volkswagen. Tax special item charges of $955 million in the quarter included the impact of Volkswagen's investment in Argo AI and an additional 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 second quarter 2020 key metrics for the Company, compared to a year ago.

| | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | H / (L) | 2019 | 2020 | H / (L) |
| **GAAP Financial Measures** | | | | | | |
| Cash Flows from Operating Activities ($B) | $ 6.5 | $ 9.1 | $ 2.7 | $ 10.0 | $ 8.6 | $ (1.4) |
| Revenue ($M) | 38,853 | 19,371 | (50)% | 79,195 | 53,691 | (32)% |
| Net Income/(Loss) ($M) | 148 | 1,117 | 969 | 1,294 | (876) | (2,170) |
| Net Income/(Loss) Margin (%) | 0.4% | 5.8% | 5.4 ppts | 1.6% | (1.6)% | (3.3) ppts |
| EPS (Diluted) | $ 0.04 | $ 0.28 | $ 0.24 | $ 0.32 | $ (0.22) | $ (0.54) |
| **Non-GAAP Financial Measures** * | | | | | | |
| Company Adj. Free Cash Flow ($B) | $ 0.2 | $ (5.3) | $ (5.5) | $ 2.1 | $ (7.6) | $ (9.6) |
| Company Adj. EBIT ($M) | 1,654 | (1,946) | (3,600) | 4,101 | (2,578) | (6,679) |
| Company Adj. EBIT Margin (%) | 4.3% | (10.0)% | (14.3) ppts | 5.2% | (4.8)% | (10.0) ppts |
| Adjusted EPS (Diluted) | $ 0.28 | $ (0.35) | $ (0.63) | $ 0.72 | $ (0.59) | $ (1.31) |
| Adjusted ROIC (Trailing Four Quarters) | 8.5% | (3.1)% | (11.6) ppts | | | |

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

In the second quarter of 2020, our diluted earnings per share of Common and Class B Stock was $0.28 and our diluted adjusted earnings per share was a loss of $0.35.

Net income/(loss) margin was 5.8% in the second quarter of 2020, up 5.4 percentage points from a year ago. Company adjusted EBIT margin was negative 10.0% in the second quarter of 2020, down 14.3 percentage points from a year ago.

The $969 million year-over-year increase in net income/(loss) in the second quarter of 2020 reflects the gain on our investment in Argo AI as a result of the Volkswagen transaction, partially offset by lower Automotive EBIT driven by the impact of COVID-19. The $3.6 billion decline in Company adjusted EBIT in the second quarter of 2020 was driven by lower Automotive EBIT.

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

| | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | H / (L) | 2019 | 2020 | H / (L) |
| Automotive | $ 1,373 | $ (2,089) | $ (3,462) | $ 3,382 | $ (2,266) | $ (5,648) |
| Mobility | (264) | (332) | (68) | (552) | (666) | (114) |
| Ford Credit | 831 | 543 | (288) | 1,632 | 573 | (1,059) |
| Corporate Other | (286) | (68) | 218 | (361) | (219) | 142 |
| Company Adjusted EBIT * | 1,654 | (1,946) | (3,600) | 4,101 | (2,578) | (6,679) |
| Interest on Debt | (244) | (450) | 206 | (489) | (677) | 188 |
| Special Items | (1,205) | 3,480 | (4,685) | (1,797) | 3,193 | (4,990) |
| Taxes / Noncontrolling Interests | (57) | 33 | (90) | (521) | (814) | 293 |
| Net Income/(Loss) | $ 148 | $ 1,117 | $ 969 | $ 1,294 | $ (876) | $ (2,170) |

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

## Automotive Segment

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

| | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|
| | **2019** | **2020** | **H / (L)** | **2019** | **2020** | **H / (L)** |
| North America | $ 1,696 | $ (974) | $ (2,670) | $ 3,900 | $ (628) | $ (4,528) |
| South America | (205) | (165) | 40 | (362) | (278) | 84 |
| Europe | 110 | (664) | (774) | 195 | (807) | (1,002) |
| China (including Taiwan) | (155) | (136) | 19 | (283) | (377) | (94) |
| International Markets Group | (73) | (150) | (77) | (68) | (176) | (108) |
| Automotive Segment | $ 1,373 | $ (2,089) | $ (3,462) | $ 3,382 | $ (2,266) | $ (5,648) |

The tables below and on the following pages provide second quarter 2020 key metrics and the change in second quarter 2020 EBIT compared with second 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.*

| | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|
| **Key Metrics** | **2019** | **2020** | **H / (L)** | **2019** | **2020** | **H / (L)** |
| Market Share (%) | 6.2% | 5.9% | (0.3) ppts | 6.1% | 5.9% | (0.2) ppts |
| Wholesale Units (000) | 1,364 | 645 | (719) | 2,789 | 1,771 | (1,018) |
| Revenue ($M) | $ 35,758 | $ 16,622 | $ (19,136) | $ 72,997 | $ 47,962 | $ (25,035) |
| EBIT ($M) | 1,373 | (2,089) | (3,462) | 3,382 | (2,266) | (5,648) |
| EBIT Margin (%) | 3.8% | (12.6)% | (16.4) ppts | 4.6% | (4.7)% | (9.4) ppts |

| **Change in EBIT by Causal Factor (in millions)** | |
|---|---|
| Second Quarter 2019 EBIT | $ 1,373 |
| Volume / Mix | (5,671) |
| Net Pricing | 1,330 |
| Cost | 1,096 |
| Exchange | (118) |
| Other | (99) |
| **Second Quarter 2020 EBIT** | **$ (2,089)** |

In the second quarter of 2020, both wholesales and revenue were down due to the suspension of our manufacturing operations.

Our second quarter 2020 Automotive segment EBIT was a loss of $2.1 billion, down $3.5 billion from a year ago, and our second quarter 2020 Automotive EBIT margin was negative 12.6 percent. The lower EBIT was driven by the decline in volume, but was partially offset by an over $1 billion improvement in both net pricing and cost. The cost improvement reflects lower structural costs due to suspended production and one-time cost actions (e.g., reduced marketing activity), partially offset by higher material costs for new products and regulatory compliance as well as higher warranty. For the full year, we expect warranty to be up year over year.

### North America

| | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|
| **Key Metrics** | **2019** | **2020** | **H / (L)** | **2019** | **2020** | **H / (L)** |
| Market Share (%) | 13.8% | 14.2% | 0.4 ppts | 13.7% | 13.8% | 0.1 ppts |
| Wholesale Units (000) | 693 | 272 | (421) | 1,446 | 890 | (556) |
| Revenue ($M) | $ 23,970 | $ 10,943 | $ (13,027) | $ 49,359 | $ 32,752 | $ (16,607) |
| EBIT ($M) | 1,696 | (974) | (2,670) | 3,900 | (628) | (4,528) |
| EBIT Margin (%) | 7.1% | (8.9)% | (16.0) ppts | 7.9% | (1.9)% | (9.8) ppts |

**Change in EBIT by Causal Factor (in millions)**

| | |
|---|---|
| Second Quarter 2019 EBIT | $ 1,696 |
| Volume / Mix | (4,330) |
| Net Pricing | 813 |
| Cost | 758 |
| Exchange | 30 |
| Other | 59 |
| **Second Quarter 2020 EBIT** | **$ (974)** |

In North America, second quarter 2020 wholesales declined 61 percent from a year ago, primarily reflecting lower industry volume and suspended production through May 17, 2020. Second quarter 2020 revenue decreased 54 percent year over year, driven by lower volume, partially offset by higher net pricing on new products.

North America's second quarter 2020 EBIT was down $2.7 billion from a year ago with an EBIT margin of negative 8.9 percent. The lower EBIT was driven by lower volume, higher new model material cost, and higher warranty, partially offset by higher net pricing, lower structural cost arising from suspended production, reduced marketing activity, and other one-time cost actions.

### South America

| | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|
| **Key Metrics** | **2019** | **2020** | **H / (L)** | **2019** | **2020** | **H / (L)** |
| Market Share (%) | 7.4% | 6.5% | (0.9) ppts | 7.5% | 6.8% | (0.7) ppts |
| Wholesale Units (000) | 75 | 14 | (61) | 143 | 73 | (70) |
| Revenue ($M) | $ 976 | $ 242 | $ (734) | $ 1,901 | $ 970 | $ (931) |
| EBIT ($M) | (205) | (165) | 40 | (362) | (278) | 84 |
| EBIT Margin (%) | (21.0)% | (68.3)% | (47.3) ppts | (19.1)% | (28.6)% | (9.6) ppts |

**Change in EBIT by Causal Factor (in millions)**

| | |
|---|---|
| Second Quarter 2019 EBIT | $ (205) |
| Volume / Mix | (93) |
| Net Pricing | 103 |
| Cost | 50 |
| Exchange | (6) |
| Other | (14) |
| **Second Quarter 2020 EBIT** | **$ (165)** |

In South America, second quarter 2020 wholesales declined 81 percent from a year ago, primarily reflecting lower industry volume and suspended production for most of the quarter. Second quarter 2020 revenue decreased 75 percent year over year, driven by lower volume and weaker currencies, partially offset by higher net pricing.

South America's second quarter 2020 EBIT loss improved $40 million from a year ago with an EBIT margin of negative 68.3 percent. EBIT improved despite a significant wholesale reduction. South America's higher net pricing, cost performance (including lower headcount), and favorable vehicle mix more than offset inflationary cost increases.

## Europe

| | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|
| **Key Metrics** | **2019** | **2020** | **H / (L)** | **2019** | **2020** | **H / (L)** |
| Market Share (%) | 7.0% | 7.1% | 0.1 ppts | 7.3% | 7.0% | (0.3) ppts |
| Wholesale Units * (000) | 368 | 154 | (214) | 750 | 442 | (308) |
| Revenue ($M) | $ 7,329 | $ 3,613 | $ (3,716) | $ 14,777 | $ 9,860 | $ (4,917) |
| EBIT ($M) | 110 | (664) | (774) | 195 | (807) | (1,002) |
| EBIT Margin (%) | 1.5% | (18.4)% | (19.9) ppts | 1.3% | (8.2)% | (9.5) ppts |

__________
* Includes Ford brand vehicles produced and sold by our unconsolidated affiliate in Turkey (about 7,000 units in Q2 2019 and 9,000 units in Q2 2020). Revenue does not include these sales.

**Change in EBIT by Causal Factor (in millions)**

| | |
|---|---|
| Second Quarter 2019 EBIT | $ 110 |
| Volume / Mix | (957) |
| Net Pricing | 392 |
| Cost | 38 |
| Exchange | (106) |
| Other | (141) |
| **Second Quarter 2020 EBIT** | **$ (664)** |

In Europe, second quarter 2020 wholesales declined 58 percent from a year ago, primarily reflecting lower industry volume and suspended production. Second quarter 2020 revenue decreased 51 percent year over year, driven by lower volume and weaker currencies, partially offset by higher net pricing and favorable series/option mix.

Europe's second quarter 2020 EBIT decreased $774 million year over year with an EBIT margin of negative 18.4 percent. The lower EBIT was more than explained by lower volume. Higher net pricing and cost improvement from personnel reduction actions were partially offset by regulatory ($CO_2$) product actions and warranty expense.

## China (Including Taiwan)

| | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|
| **Key Metrics** | **2019** | **2020** | **H / (L)** | **2019** | **2020** | **H / (L)** |
| Market Share (%) | 2.3% | 2.5% | 0.2 ppts | 2.2% | 2.4% | 0.2 ppts |
| Wholesale Units * (000) | 126 | 169 | 43 | 241 | 251 | 10 |
| Revenue ($M) | $ 915 | $ 803 | $ (112) | $ 1,774 | $ 1,396 | $ (378) |
| EBIT ($M) | (155) | (136) | 19 | (283) | (377) | (94) |
| EBIT Margin (%) | (17.0)% | (17.0)% | — ppts | (16.0)% | (27.0)% | (11.0) ppts |
| **China Unconsolidated Affiliates** | | | | | | |
| Wholesales (000) | 108 | 156 | 48 | 207 | 228 | 21 |
| Ford Equity Income/(Loss) ($M) | $ 7 | $ 3 | $ (4) | $ (34) | $ (88) | $ (54) |

* 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)**

| | |
|---|---|
| Second Quarter 2019 EBIT | $ (155) |
| Volume / Mix | (34) |
| Net Pricing | (12) |
| Cost | 59 |
| Exchange | (34) |
| Other (Including Joint Ventures) | 40 |
| **Second Quarter 2020 EBIT** | **$ (136)** |

In China, second quarter 2020 wholesales increased 34 percent from a year ago, reflecting the newly launched Corsair and Escape and strong commercial vehicle sales. Second quarter 2020 revenue at our consolidated operations was down 12 percent, reflecting the planned transition of Lincoln to local production at our Changan Ford joint venture.

China's second quarter 2020 EBIT loss improved $19 million from a year ago with an EBIT margin of negative 17 percent. The improvement in EBIT was driven by volume growth at our joint ventures and structural cost improvements.

## International Markets Group

| | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|
| **Key Metrics** | **2019** | **2020** | **H / (L)** | **2019** | **2020** | **H / (L)** |
| Market Share (%) | 2.1% | 1.7% | (0.4) ppts | 2.0% | 1.6% | (0.4) ppts |
| Wholesale Units * (000) | 103 | 36 | (66) | 210 | 114 | (96) |
| Revenue ($M) | $ 2,568 | $ 1,021 | $ (1,547) | $ 5,186 | $ 2,983 | $ (2,203) |
| EBIT ($M) | (73) | (150) | (77) | (68) | (176) | (108) |
| EBIT Margin (%) | (2.8)% | (14.7)% | (11.8) ppts | (1.3)% | (5.9)% | (4.6) ppts |

* Includes Ford brand vehicles produced and sold by our unconsolidated affiliate in Russia (about 11,000 units in Q2 2019 and 2,000 units in Q2 2020). Revenue after Q2 2019 does not include these sales.

**Change in EBIT by Causal Factor (in millions)**

| | |
|---|---|
| Second Quarter 2019 EBIT | $ (73) |
| Volume / Mix | (256) |
| Net Pricing | 33 |
| Cost | 191 |
| Exchange | (2) |
| Other | (43) |
| **Second Quarter 2020 EBIT** | **$ (150)** |

In our International Markets Group, second quarter 2020 wholesales declined 64 percent from a year ago, primarily reflecting lower industry volume, suspended production, and a revised commercial vehicle offering strategy with our Russian joint venture. Second quarter 2020 revenue decreased 60 percent year over year, driven by lower volume and weaker currencies.

Our International Market Group's second quarter 2020 EBIT was $77 million lower than a year ago with an EBIT margin of negative 14.7 percent. The higher EBIT loss was driven by lower volume, partially offset by lower structural costs.

*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 second quarter 2020 EBIT loss was $332 million, a $68 million higher loss than a year ago. Our strategic investments in vehicle and business model development for our autonomous vehicle platform and future growth opportunities in mobility services continue, in line with a disciplined approach.

On June 1, 2020, Ford, Volkswagen AG, and Argo AI completed the previously announced transaction for Volkswagen to join Ford in investing in Argo AI. This collaboration allows Volkswagen and Ford to better serve our future autonomous vehicle customers while improving cost and capital efficiencies. The companies will both work with Argo AI to form distinct, highly capable autonomous-vehicle businesses based on Argo AI's self-driving technology. This Volkswagen/Ford alliance does not include cross-ownership between the companies, which will remain competitors in the marketplace. As a result of this transaction, we have reported a gain on our investment in Argo AI of $3.5 billion, which has been treated as a special item in our results for the second quarter of 2020.

Effective June 1, 2020, Argo AI was deconsolidated from Ford. Despite the deconsolidation, we expect our investments in autonomous vehicles to continue at similar levels and will continue to be reflected in our Mobility segment results.

**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 second quarter and year-to-date 2020 key metrics and the change in second quarter 2020 EBT compared with second 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.*

| | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|
| **GAAP Financial Measures** | **2019** | **2020** | **H / (L)** | **2019** | **2020** | **H / (L)** |
| Net Receivables ($B) | $ 143 | $ 130 | (9)% | $ 143 | $ 130 | (9)% |
| Loss-to-Receivables * (bps) | 39 | 15 | (24) | 48 | 37 | (11) |
| Auction Values ** | $ 20,115 | $ 19,755 | (2)% | $ 19,525 | $ 19,435 | (1)% |
| EBT ($M) | $ 831 | $ 543 | $ (288) | $ 1,632 | $ 573 | $ (1,059) |
| ROE (%) | 16% | 12% | (4) ppts | 16% | 6% | (10) ppts |
| Other Balance Sheet Metrics | | | | | | |
| Debt ($B) | | | | $ 141 | $ 135 | (4)% |
| Net Liquidity ($B) | | | | 34 | 32 | (6)% |
| Financial Statement Leverage (to 1) | | | | 9.5 | 9.8 | 0.3 |

* U.S. retail financing only.

** U.S. 36-month off-lease second quarter auction values at Q2 2020 mix and YTD amounts at 2020 YTD mix.

| | First Half | | |
|---|---|---|---|
| **Non-GAAP Financial Measures** | **2019** | **2020** | **H / (L)** |
| Managed Receivables * ($B) | $ 152 | $ 139 | (9)% |
| Managed Leverage ** (to 1) | 8.6 | 8.5 | (0.1) |

* 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)**

| | |
|---|---|
| Second Quarter 2019 EBT | $ 831 |
| Volume / Mix | (46) |
| Financing Margin | (13) |
| Credit Loss | (33) |
| Lease Residual | (127) |
| Exchange | (6) |
| Other | (63) |
| **Second Quarter 2020 EBT** | **$ 543** |

Ford Credit's loss-to-receivables ratio remained at a low level in the second quarter of 2020, at 0.15 percent, which was 24 basis points lower than a year ago. U.S. auction values in the second quarter of 2020 were 2 percent lower than a year ago. Full year 2020 auction values are now forecasted to be down about 5 percent, consistent with third party estimates.

Ford Credit's second quarter 2020 EBT of $543 million was $288 million lower than a year ago, primarily reflecting higher supplemental depreciation on operating leases, lower derivative market valuation gains (reflected in Other), unfavorable volume and mix driven by lower average receivables, and an increase in the credit loss reserve during the quarter. Favorable year-over-year off-lease auction performance and credit losses were partial offsets.

*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

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 sheets. 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 sheets 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 second quarter of 2020, Corporate Other had a $68 million loss, compared with a $286 million loss a year ago. The improvement is more than explained by the nonrecurrence of the mark-to-market loss on our investment in Pivotal Software we had in the second quarter of 2019, as well as mark-to-market gains on other investments this quarter, partially offset by lower interest income.

**Interest on Debt**

Interest on Debt consists of interest expense on Automotive and Other debt. Second quarter 2020 interest expense on Automotive and Other debt was $450 million, which is $206 million higher than a year ago, more than explained by higher U.S. debt interest expense.

**Taxes**

In the second quarter of 2020, we recognized a tax benefit of $34 million. For the first half of 2020, we recognized a tax provision of $813 million. This resulted in negative effective tax rates of 3.1% and 1,311%, respectively.

Our second quarter and first half of 2020 adjusted effective tax rates, which exclude special items, were 41.3% and 28.5%, respectively.

## LIQUIDITY AND CAPITAL RESOURCES

COVID-19 has created significant volatility in the global economy, led to reduced economic activity, and adversely affected our operations. Moreover, our suspension of production earlier this year put pressure on our Automotive liquidity. Beginning in May 2020, taking a phased approach and after introducing new safety protocols at our plants, we resumed manufacturing operations around the world, and by July 2020, we returned to pre-COVID-19 production levels in North America, Europe, and China. Throughout, we demonstrated discipline in the management of our balance sheet and continued to maintain strong liquidity to ensure financial flexibility in these uncertain times. As discussed in more detail below, we ended the second quarter of 2020 with $39.8 billion of liquidity, including $39.3 billion of cash. During the quarter we issued almost $10 billion of new debt, including the $8 billion unsecured issuance we completed in April.

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

| | December 31, 2019 | June 30, 2020 |
|---|---|---|
| Balance Sheets ($B) | | |
| Company Cash * | $ 22.3 | $ 39.3 |
| Liquidity | 35.4 | 39.8 |
| Debt | (15.3) | (40.0) |
| Cash Net of Debt | 7.0 | (0.7) |
| | | |
| Pension Funded Status ($B) ** | | |
| Funded Plans | $ (0.4) | $ 0.4 |
| Unfunded Plans | (6.4) | (6.2) |
| Total Global Pension | $ (6.8) | $ (5.8) |
| | | |
| Total Funded Status OPEB | $ (6.1) | $ (6.0) |

* Includes a $290 million cash compensating balance at June 30, 2020 in an interest-bearing savings account related to a $498 million debt obligation.

** Balances at June 30, 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 June 30, 2020, we had Company cash of $39.3 billion, an increase of $17 billion compared with December 31, 2019. Company cash at June 30, 2020 includes $15.4 billion of the loan proceeds we received in March and April 2020 under our corporate and supplemental revolving credit facilities, a portion of which was repaid on July 27, 2020, as described in more detail below, and $8 billion from our unsecured debt issuance, which settled on April 22, 2020. At June 30, 2020, about 90% of Company cash was held by consolidated entities domiciled in the United States. With our restart of production in mid-May 2020, we believe we have sufficient liquidity to maintain or exceed our Company cash target of $20 billion through the second half of this year even if global demand declines or there is another widespread suspension of manufacturing operations.

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.

*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. The suspension of production at most of our assembly plants and lower industry volumes due to COVID-19 resulted 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):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| Company Excluding Ford Credit | | | | |
| Company Adjusted EBIT* excluding Ford Credit | $ 0.8 | $ (2.5) | $ 2.5 | $ (3.2) |
| Capital spending | $ (1.9) | $ (1.2) | $ (3.5) | $ (2.9) |
| Depreciation and tooling amortization | 1.4 | 1.3 | 2.7 | 2.7 |
| Net spending | $ (0.5) | $ 0.2 | $ (0.8) | $ (0.2) |
| Receivables | $ 0.2 | $ 0.1 | $ 0.1 | $ 0.6 |
| Inventory | (0.1) | 1.2 | (1.2) | 0.1 |
| Trade Payables | (0.2) | (2.2) | 1.5 | (2.7) |
| Changes in working capital | $ (0.1) | $ (0.9) | $ 0.3 | $ (2.1) |
| Ford Credit distributions | $ 0.7 | $ 0.3 | $ 1.3 | $ 0.6 |
| All other and timing differences | (0.6) | (2.4) | (1.3) | (2.6) |
| Company adjusted free cash flow * | $ 0.2 | $ (5.3) | $ 2.1 | $ (7.6) |
| Global Redesign (including separations) | $ (0.2) | $ (0.1) | $ (0.4) | $ (0.3) |
| Changes in debt | 0.3 | 9.6 | 0.3 | 24.7 |
| Funded pension contributions | (0.1) | (0.1) | (0.4) | (0.3) |
| Shareholder distributions | (0.6) | — | (1.2) | (0.6) |
| All other (including acquisitions and divestitures) | (0.5) | 0.9 | (0.3) | 1.0 |
| Change in cash | $ (1.0) | $ 5.0 | $ 0.2 | $ 17.0 |

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

Our second quarter 2020 *Net cash provided by/(used in) operating activities* was up $2.7 billion year over year. This improvement is more than explained by Ford Credit operating cash flow, which is up $8.1 billion year over year. Excluding Ford Credit operating cash flow, the *Net cash provided by/(used in) operating activities* is $5.5 billion lower than a year ago. Our Company adjusted free cash flow was negative $5.3 billion, which was $5.5 billion lower than a year ago driven by lower adjusted EBIT and more unfavorable timing differences and working capital.

Capital spending was $1.2 billion in the second quarter of 2020, $0.7 billion lower than a year ago. We expect full year 2020 capital spending to be between $6.1 billion and $6.6 billion, down from our prior expectation of $6.3 billion to $6.8 billion, and down between $1 billion and $1.5 billion from the $7.6 billion of capital spending in 2019.

Second quarter 2020 working capital was $0.9 billion negative, more than explained by lower trade payables driven by suspended production at most of our assembly plants and lower industry volumes. Lower inventory also reflects the impact from lower production and finished vehicle inventory, and provided a partial offset.

Second quarter 2020 all other and timing differences were about $2.4 billion negative, reflecting assorted timing differences including differences between accrual-based EBIT and the associated cash flows (e.g., marketing incentive and warranty payments to dealers), interest payments on Automotive and Other debt, and cash taxes.

In the second quarter of 2020, we contributed $107 million to our worldwide funded pension plans. We continue to expect to contribute between $0.5 billion and $0.7 billion to our funded plans (most of which are mandatory contributions).

There were no shareholder distributions in the second quarter of 2020.

*Available Credit Lines*. At June 30, 2020, the full amount under each of our $13.4 billion corporate credit facility, $2 billion supplemental revolving credit facility, and $1.5 billion delayed draw term loan remained drawn, and $0.5 billion of committed Company credit lines excluding Ford Credit was available under local credit facilities for our affiliates.

Our corporate and supplemental revolving credit facilities were amended as of July 27, 2020 to extend the maturity dates for a portion of the commitments under each facility. Following the corporate credit facility amendment, $0.4 billion of commitments mature on April 30, 2022, $3 billion of commitments mature on July 27, 2023, and $10.1 billion of commitments mature on April 30, 2024. Following the supplemental revolving credit facility amendment, $0.2 billion of commitments mature on April 30, 2022 and $1.8 billion of commitments mature on July 27, 2023. Additional information about the amendments is available in our Current Report on Form 8-K filed on July 30, 2020.

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. As part of the July 27, 2020 extension of the corporate and supplemental revolving credit facilities, we agreed not to engage in share repurchases (with limited exceptions) while any portion of either facility is outstanding and not to pay dividends on our common or Class B stock while more than 50% of the aggregate amount of commitments under the two facilities is utilized. The terms and conditions of the delayed draw term loan (other than the restrictions on share repurchases and dividends) and the supplemental revolving credit facility are consistent with our corporate credit facility.

Also on July 27, 2020, we repaid $5.7 billion of our corporate credit facility and the full $2 billion outstanding under our supplemental revolving credit facility. As of July 30, 2020, the utilized portion of the corporate credit facility is $7.7 billion, all of which matures on April 30, 2024, and the entire $2 billion supplemental revolving credit facility is available.

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. The following subsidiaries have 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.

On June 29, 2020, Ford Motor Company Limited, our operating subsidiary in the United Kingdom ("Ford Britain"), entered into a £625 million term loan credit facility with a syndicate of banks to support Ford Britain's general export activities. Accordingly, U.K. Export Finance ("UKEF") provided a £500 million guarantee of the credit facility under its new Export Development Guarantee scheme, which supports high value commercial lending to U.K. exporters. We have also guaranteed Ford Britain's obligations under the credit facility to the lenders. On June 30, 2020, Ford Britain drew the full £625 million available under the facility. This five-year, non-amortizing loan matures on June 30, 2025.

*Debt.* As shown in Note 14 of the Notes to the Financial Statements, at June 30, 2020, Company debt excluding Ford Credit was $40 billion, including Automotive debt of $39.5 billion. These June 30, 2020 balances were $24.7 billion and $24.8 billion higher, respectively, than at December 31, 2019, primarily reflecting the draws on our credit facilities and our $8 billion unsecured debt issuance in April 2020. As described above, $7.7 billion of the outstanding amount under our credit facilities was repaid on July 27, 2020.

In June 2020, our Loan Arrangement and Reimbursement Agreement with the DOE was modified to reduce quarterly principal payments from $148 million to $37 million. The deferred portion of the principal payments will be due upon the original maturity date in June 2022. In the event we pay a dividend, repurchase shares above a specified materiality threshold, or provide security to other lenders, any principal payments remaining at such time will revert to the original payment schedule.

*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. 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 second quarter with $32.4 billion in liquidity. During the second quarter of 2020, Ford Credit completed $5 billion of public term 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, prudently issue unsecured debt, and maintain strong liquidity throughout 2020.

Key elements of Ford Credit's funding strategy include:

- Maintain strong liquidity; continue to renew and expand committed ABS capacity
- Prudently access public markets
- Flexibility to increase ABS mix as needed; preserving assets and committed capacity
- Target managed leverage of 8:1 to 9:1
- 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):

| | June 30, 2019 | December 31, 2019 | June 30, 2020 |
|---|---|---|---|
| Term Debt (incl. Bank Borrowings) | $ 74 | $ 73 | $ 73 |
| Term Asset-Backed Securities | 57 | 57 | 55 |
| Commercial Paper | 4 | 4 | 2 |
| Ford Interest Advantage / Deposits | 6 | 7 | 6 |
| Other | 10 | 9 | 6 |
| Equity | 15 | 14 | 14 |
| Adjustments for Cash | (14) | (12) | (17) |
| **Total Managed Receivables *** | **$ 152** | **$ 152** | **$ 139** |
| | | | |
| Securitized Funding as Percent of Managed Receivables | 38% | 38% | 39% |

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

Managed receivables were $139 billion at June 30, 2020, and were funded primarily with term debt and term asset-backed securities. Securitized funding as a percent of managed receivables was 39% at the end of the second 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.

*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 July 29, 2020, excluding short-term funding programs (in billions):

| | 2018 Actual | 2019 Actual | 2020 Forecast | Through July 29 |
|---|---|---|---|---|
| Unsecured | $ 13 | $ 17 | $ 7 - 10 | $ 5 |
| Securitizations * | 14 | 14 | 11 - 14 | 7 |
| Total public | $ 27 | $ 31 | $ 18 - 24 | $ 12 |

* 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 $18 billion to $24 billion. Through July 29, 2020, Ford Credit has completed $12 billion of public term issuances.

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

| | June 30, 2019 | December 31, 2019 | June 30, 2020 |
|---|---|---|---|
| **Liquidity Sources** * | | | |
| Cash | $ 14.1 | $ 11.7 | $ 17.1 |
| Committed asset-backed facilities | 35.7 | 36.6 | 37.1 |
| Other unsecured credit facilities | 2.9 | 3.0 | 2.5 |
| Ford corporate credit facility allocation | 3.0 | 3.0 | — |
| Total liquidity sources | $ 55.7 | $ 54.3 | $ 56.7 |
| | | | |
| **Utilization of Liquidity** * | | | |
| Securitization cash | $ (4.0) | $ (3.5) | $ (3.6) |
| Committed asset-backed facilities | (17.5) | (17.3) | (17.7) |
| Other unsecured credit facilities | (0.9) | (0.8) | (0.6) |
| Ford corporate credit facility allocation | — | — | — |
| Total utilization of liquidity | $ (22.4) | $ (21.6) | $ (21.9) |
| | | | |
| Gross liquidity | $ 33.3 | $ 32.7 | $ 34.8 |
| Adjustments ** | 0.3 | 0.4 | (2.4) |
| Net liquidity available for use | $ 33.6 | $ 33.1 | $ 32.4 |

* 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.

At June 30, 2020, Ford Credit's net liquidity available for use was $32.4 billion, $0.7 billion lower than year-end 2019. Ford Credit's sources of liquidity include cash, committed asset-backed facilities, and unsecured credit facilities. At June 30, 2020, Ford Credit's liquidity sources including cash totaled $56.7 billion, up $2.4 billion from year-end 2019.

*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):

| | July - December 2020 | 2021 | 2022 | 2023 and Beyond |
|---|---|---|---|---|
| **Balance Sheet Liquidity Profile** | | | | |
| Assets (a) | $ 64 | $ 95 | $ 121 | $ 154 |
| Total debt (b) | 35 | 75 | 97 | 134 |
| Memo: Unsecured Long-Term Debt Maturities | 8 | 17 | 13 | 30 |

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(a) Includes gross finance receivables less the allowance for credit losses (including certain finance receivables that are reclassified in consolidation to *Trade and other receivables*), 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 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 second 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. As of June 30, 2020, out of $154 billion of assets, $76 billion are unencumbered. 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.

*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):

| | June 30, 2019 | December 31, 2019 | June 30, 2020 |
|---|---|---|---|
| **Leverage Calculation** | | | |
| Debt | $ 141.5 | $ 140.0 | $ 135.3 |
| Adjustments for cash | (14.1) | (11.7) | (17.1) |
| Adjustments for derivative accounting * | (0.6) | (0.5) | (1.8) |
| Total adjusted debt | $ 126.8 | $ 127.8 | $ 116.4 |
| Equity ** | $ 14.9 | $ 14.3 | $ 13.8 |
| Adjustments for derivative accounting * | (0.1) | — | — |
| Total adjusted equity | $ 14.8 | $ 14.3 | $ 13.8 |
| Financial statement leverage (to 1) (GAAP) | 9.5 | 9.8 | 9.8 |
| Managed leverage (to 1) (Non-GAAP) | 8.6 | 8.9 | 8.5 |

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* 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 sheets.

Ford Credit plans its managed leverage by considering market conditions and the risk characteristics of its business. At June 30, 2020, Ford Credit's financial statement leverage was 9.8:1, and its managed leverage was 8.5:1. Ford Credit targets managed leverage in the range of 8:1 to 9:1.

## Total Company

*Pension Plans - Underfunded Balances.* As of June 30, 2020, our total Company pension underfunded status reported on our consolidated balance sheets was $5.8 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 | |
|---|---|---|
| | June 30, 2019 | June 30, 2020 |
| **Adjusted Net Operating Profit After Cash Tax** | | |
| Net income/(loss) attributable to Ford | $ 2.2 | $ (2.1) |
| Add: Noncontrolling interest | — | — |
| Less: Income tax | (0.7) | 0.4 |
| Add: Cash tax | (0.8) | (0.4) |
| Less: Interest on debt | (1.1) | (1.2) |
| Less: Total pension/OPEB income/(cost) | (0.8) | (2.0) |
| Add: Pension/OPEB service costs | (1.1) | (1.1) |
| Net operating profit/(loss) after cash tax | $ 3.0 | $ (0.7) |
| Less: Special items (excl. pension/OPEB) pre-tax | (2.3) | 1.4 |
| Adjusted net operating profit after cash tax | $ 5.3 | $ (2.1) |
| | | |
| **Invested Capital** | | |
| Equity | $ 36.1 | $ 30.9 |
| Redeemable noncontrolling interest | — | — |
| Debt (excl. Ford Credit) | 14.6 | 40.0 |
| Net pension and OPEB liability | 11.2 | 11.8 |
| Invested capital (end of period) | $ 62.0 | $ 82.6 |
| Average invested capital | $ 62.7 | $ 67.9 |
| | | |
| ROIC * | 4.8% | (1.1)% |
| Adjusted ROIC (Non-GAAP) ** | 8.5% | (3.1)% |

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* 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2020:

- On May 7, 2020, Fitch downgraded the credit ratings for Ford and Ford Credit (to BB+ from BBB-) and maintained a negative outlook.
- On May 21, 2020, DBRS downgraded the credit ratings for Ford and Ford Credit (to BB (high) from BBB), and maintained a negative outlook.
- On May 27, 2020, Moody's concluded its review of Ford and Ford Credit for possible downgrade, confirmed their ratings at Ba2, and revised the outlook to negative from under review for downgrade.

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 | BB (high) | BB (high) | Negative | BB (high) | R-4 | Negative | BBB (low) |
| Fitch | BB+ | BB+ | Negative | BB+ | B | Negative | BBB- |
| Moody's | N/A | Ba2 | Negative | Ba2 | NP | Negative | 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 July 30, 2020. The guidance is based on our expectations as of July 30, 2020 and assumes no material change to the current economic environment, continued steady improvement in the stability of the global automotive supply base, and no further significant COVID-19-related disruptions to production or distribution. 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 and as updated by our subsequent filings with the SEC, including the updates in Item 1A of this 10-Q Report.

| | 2020 Guidance |
|---|---|
| **Total Company** | |
| Adjusted EBIT * | |
| Q3 | $0.5 - $1.5 billion |
| Q4 | Loss |
| Full Year | Loss |
| Capital spending | $6.1 - $6.6 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 about 5%** |
| Securitized funding as percent of managed receivables | Increase modestly by year-end |
| Total public funding issuances | $18 - $24 billion |

* 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.

For third quarter 2020, we expect Company adjusted EBIT of $0.5 billion to $1.5 billion, reflecting the economic impact of COVID-19, weaker global demand for new vehicles, parts, and services, and lower EBT from Ford Credit.

For fourth quarter 2020, we expect Company adjusted EBIT to be a loss, driven by the volume impact of the new F-150 launch and lower ongoing industry volumes. Our major launches in North America have shifted to the fourth quarter of 2020 following our COVID-19-related production disruption. We anticipate that downtime, changeover, and ramp-up will reduce F-150 wholesales significantly in the fourth quarter. This launch impact will more than offset the non-recurrence of UAW contract bonuses in the fourth quarter of 2019, which totaled approximately $600 million.

Although the all-new Bronco Sport and Mustang Mach-E are also launching in the fourth quarter, the limited number of wholesales will not have a material impact on our fourth quarter results. We also expect lower year-over-year Ford Credit EBT in the fourth quarter.

For full year 2020, we expect Company adjusted EBIT to be a loss. We also expect full year warranty costs to be higher than 2019.

**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 remeasurement 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 remeasurement 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 remeasurement gains and losses.

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

- *Company 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.

- *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)

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| Net income/(loss) attributable to Ford (GAAP) | $ 148 | $ 1,117 | $ 1,294 | $ (876) |
| Income/(Loss) attributable to noncontrolling interests | 2 | 1 | 39 | 1 |
| Net income/(loss) | $ 150 | $ 1,118 | $ 1,333 | $ (875) |
| Less: (Provision for)/Benefit from income taxes | (55) | 34 | (482) | (813) |
| Income/(Loss) before income taxes | $ 205 | $ 1,084 | $ 1,815 | $ (62) |
| Less: Special items pre-tax | (1,205) | 3,480 | (1,797) | 3,193 |
| Income/(Loss) before special items pre-tax | $ 1,410 | $ (2,396) | $ 3,612 | $ (3,255) |
| Less: Interest on debt | (244) | (450) | (489) | (677) |
| Adjusted EBIT (Non-GAAP) | $ 1,654 | $ (1,946) | $ 4,101 | $ (2,578) |
| | | | | |
| Memo: | | | | |
| Revenue ($B) | $ 38.9 | $ 19.4 | $ 79.2 | $ 53.7 |
| Net income/(loss) margin (%) | 0.4% | 5.8 % | 1.6% | (1.6)% |
| Adjusted EBIT margin (%) | 4.3% | (10.0)% | 5.2% | (4.8)% |

### Earnings per Share Reconciliation to Adjusted Earnings per Share

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| Diluted After-Tax Results ($M) | | | | |
| Diluted after-tax results (GAAP) | $ 148 | $ 1,117 | $ 1,294 | $ (876) |
| Less: Impact of pre-tax and tax special items | (989) | 2,525 | (1,574) | 1,451 |
| Less: Noncontrolling interests impact of Russia restructuring | — | — | (35) | — |
| Adjusted net income/(loss) – diluted (Non-GAAP) | $ 1,137 | $ (1,408) | $ 2,903 | $ (2,327) |
| | | | | |
| Basic and Diluted Shares (M) | | | | |
| Basic shares (average shares outstanding) | 3,984 | 3,975 | 3,979 | 3,969 |
| Net dilutive options, unvested restricted stock units and restricted stock | 29 | 17 | 26 | — |
| Diluted shares | 4,013 | 3,992 | 4,005 | 3,969 |
| | | | | |
| Earnings per share – diluted (GAAP) | $ 0.04 | $ 0.28 | $ 0.32 | $ (0.22) |
| Less: Net impact of adjustments | (0.24) | 0.63 | (0.40) | 0.37 |
| Adjusted earnings per share – diluted (Non-GAAP) | $ 0.28 | $ (0.35) | $ 0.72 | $ (0.59) |

## Effective Tax Rate Reconciliation to Adjusted Effective Tax Rate

| | Second Quarter | | First Half | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 | Memo: FY 2019 |
| Pre-Tax Results ($M) | | | | | |
| Income/(Loss) before income taxes (GAAP) | $ 205 | $ 1,084 | $ 1,815 | $ (62) | $ (640) |
| Less: Impact of special items | (1,205) | 3,480 | (1,797) | 3,193 | (5,999) |
| Adjusted earnings before taxes (Non-GAAP) | $ 1,410 | $ (2,396) | $ 3,612 | $ (3,255) | $ 5,359 |
| Taxes ($M) | | | | | |
| (Provision for)/Benefit from income taxes (GAAP) | $ (55) | $ 34 | $ (482) | $ (813) | $ 724 |
| Less: Impact of special items | 216 | (955) | 223 | (1,742) | 1,323 |
| Adjusted (provision for) / benefit from income taxes (Non-GAAP) | $ (271) | $ 989 | $ (705) | $ 929 | $ (599) |
| Tax Rate (%) | | | | | |
| Effective tax rate (GAAP) | 26.6% | (3.1)% | 26.5% | (1,311)% | 113.1% |
| Adjusted effective tax rate (Non-GAAP) | 19.2% | 41.3 % | 19.5% | 28.5 % | 11.2% |

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

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| Net cash provided by / (used in) operating activities (GAAP) | $ 6,463 | $ 9,115 | $ 10,007 | $ 8,642 |
| Less: Items not included in Company Adjusted Free Cash Flows | | | | |
| Ford Credit operating cash flows | $ 5,267 | $ 13,413 | $ 6,385 | $ 13,546 |
| Funded pension contributions | (106) | (107) | (400) | (282) |
| Global Redesign (including separations) | (222) | (99) | (358) | (271) |
| Ford Credit tax payments / (refunds) under tax sharing agreement | — | 569 | 98 | 1,044 |
| Other, net | 175 | (178) | 55 | (193) |
| Add: Items included in Company Adjusted Free Cash Flows | | | | |
| Automotive and Mobility capital spending | $ (1,911) | $ (1,165) | $ (3,531) | $ (2,935) |
| Ford Credit distributions | 650 | 275 | 1,325 | 550 |
| Settlement of derivatives | 86 | 64 | 60 | 36 |
| Company adjusted free cash flow (Non-GAAP) | $ 174 | $ (5,309) | $ 2,081 | $ (7,551) |

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

| | June 30, 2019 | December 31, 2019 | June 30, 2020 |
|---|---|---|---|
| Ford Credit finance receivables, net (GAAP) * | $ 107.6 | $ 107.4 | $ 96.7 |
| Net investment in operating leases (GAAP) * | 27.7 | 27.6 | 26.4 |
| Consolidating adjustments ** | 8.1 | 7.0 | 7.2 |
| Total net receivables | $ 143.4 | $ 142.0 | $ 130.3 |
| | | | |
| Held-for-sale receivables (GAAP) | $ — | $ 1.5 | $ — |
| Ford Credit unearned interest supplements and residual support | 6.9 | 6.7 | 6.5 |
| Allowance for credit losses | 0.5 | 0.5 | 1.3 |
| Other, primarily accumulated supplemental depreciation | 1.1 | 1.0 | 1.3 |
| Total managed receivables (Non-GAAP) | $ 151.9 | $ 151.7 | $ 139.4 |

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* 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 sheets 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 sheets. 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 June 30, 2020 | | | |
|---|---|---|---|---|
| | First Half | | | |
| **Cash flows from operating activities** | **Company excluding Ford Credit** | **Ford Credit** | **Eliminations** | **Consolidated** |
| Net income/(loss) | $ (1,303) | $ 428 | $ — | $ (875) |
| Depreciation and tooling amortization | 2,743 | 2,059 | — | 4,802 |
| Other amortization | 28 | (618) | — | (590) |
| Held-for-sale impairment charges | 18 | — | — | 18 |
| Provision for credit and insurance losses | 34 | 745 | — | 779 |
| Pension and OPEB expense/(income) | (454) | — | — | (454) |
| Equity investment dividends received in excess of (earnings)/losses | 177 | (8) | — | 169 |
| Foreign currency adjustments | 160 | (47) | — | 113 |
| Net (gain)/loss on changes in investments in affiliates | (3,472) | (8) | — | (3,480) |
| Stock compensation | 105 | 2 | — | 107 |
| Provision for deferred income taxes | 1,347 | (692) | — | 655 |
| Decrease/(Increase) in finance receivables (wholesale and other) | — | 9,772 | — | 9,772 |
| Decrease/(Increase) in intersegment receivables/payables | (35) | 35 | — | — |
| Decrease/(Increase) in accounts receivable and other assets | 242 | (22) | — | 220 |
| Decrease/(Increase) in inventory | 66 | — | — | 66 |
| Increase/(Decrease) in accounts payable and accrued and other liabilities | (2,365) | (120) | — | (2,485) |
| Other | (130) | (45) | — | (175) |
| Interest supplements and residual value support to Ford Credit | (2,065) | 2,065 | — | — |
| Net cash provided by/(used in) operating activities | $ (4,904) | $ 13,546 | $ — | $ 8,642 |

| **Cash flows from investing activities** | **Company excluding Ford Credit** | **Ford Credit** | **Eliminations** | **Consolidated** |
|---|---|---|---|---|
| Capital spending | $ (2,935) | $ (20) | $ — | $ (2,955) |
| Acquisitions of finance receivables and operating leases | — | (27,113) | — | (27,113) |
| Collections of finance receivables and operating leases | — | 22,923 | — | 22,923 |
| Proceeds from sale of business | — | 1,340 | | 1,340 |
| Purchases of marketable and other investments | (15,485) | (4,139) | — | (19,624) |
| Sales and maturities of marketable securities and other investments | 8,379 | 2,425 | — | 10,804 |
| Settlements of derivatives | 36 | 37 | — | 73 |
| Other | 338 | (1) | — | 337 |
| Investing activity (to)/from other segments | 550 | (11) | (539) | — |
| Net cash provided by/(used in) investing activities | $ (9,117) | $ (4,559) | $ (539) | $ (14,215) |

| **Cash flows from financing activities** | **Company excluding Ford Credit** | **Ford Credit** | **Eliminations** | **Consolidated** |
|---|---|---|---|---|
| Cash payments for dividends and dividend equivalents | $ (596) | $ — | $ — | $ (596) |
| Purchases of common stock | — | — | — | — |
| Net changes in short-term debt | 879 | (1,668) | — | (789) |
| Proceeds from issuance of long-term debt | 24,157 | 20,146 | — | 44,303 |
| Principal payments on long-term debt | (380) | (22,965) | — | (23,345) |
| Other | (141) | (41) | — | (182) |
| Financing activity to/(from) other segments | 11 | (550) | 539 | — |
| Net cash provided by/(used in) financing activities | $ 23,930 | $ (5,078) | $ 539 | $ 19,391 |
| | | | | |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | $ (204) | $ — | $ (174) | $ (378) |

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

| | For the period ended June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Second Quarter | | | | | |
| | Company excluding Ford Credit | | | | | |
| | Automotive | Mobility | Other (a) | Subtotal | Ford Credit | Consolidated |
| Revenues | $ 16,622 | $ 10 | $ — | $ 16,632 | $ 2,739 | $ 19,371 |
| Total costs and expenses | 19,303 | 361 | 233 | 19,897 | 2,233 | 22,130 |
| Operating income/(loss) | (2,681) | (351) | (233) | (3,265) | 506 | (2,759) |
| Interest expense on Automotive debt | — | — | 439 | 439 | — | 439 |
| Interest expense on Other debt | — | — | 11 | 11 | — | 11 |
| Other income/(loss), net | 601 | 31 | 3,651 | 4,283 | 35 | 4,318 |
| Equity in net income/(loss) of affiliated companies | (9) | (12) | (6) | (27) | 2 | (25) |
| Income/(Loss) before income taxes | (2,089) | (332) | 2,962 | 541 | 543 | 1,084 |
| Provision for/(Benefit from) income taxes | (922) | (79) | 831 | (170) | 136 | (34) |
| Net income/(loss) | (1,167) | (253) | 2,131 | 711 | 407 | 1,118 |
| Less: Income/(Loss) attributable to noncontrolling interests | 1 | — | — | 1 | — | 1 |
| Net income/(loss) attributable to Ford Motor Company | $ (1,168) | $ (253) | $ 2,131 | $ 710 | $ 407 | $ 1,117 |

| | For the period ended June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | First Half | | | | | |
| | Company excluding Ford Credit | | | | | |
| | Automotive | Mobility | Other (a) | Subtotal | Ford Credit | Consolidated |
| Revenues | $ 47,962 | $ 23 | $ — | $ 47,985 | $ 5,706 | $ 53,691 |
| Total costs and expenses | 51,409 | 742 | 700 | 52,851 | 5,157 | 58,008 |
| Operating income/(loss) | (3,447) | (719) | (700) | (4,866) | 549 | (4,317) |
| Interest expense on Automotive debt | — | — | 653 | 653 | — | 653 |
| Interest expense on Other debt | — | — | 24 | 24 | — | 24 |
| Other income/(loss), net | 1,237 | 65 | 3,680 | 4,982 | 16 | 4,998 |
| Equity in net income/(loss) of affiliated companies | (56) | (12) | (6) | (74) | 8 | (66) |
| Income/(Loss) before income taxes | (2,266) | (666) | 2,297 | (635) | 573 | (62) |
| Provision for/(Benefit from) income taxes | (701) | (159) | 1,528 | 668 | 145 | 813 |
| Net income/(loss) | (1,565) | (507) | 769 | (1,303) | 428 | (875) |
| Less: Income/(Loss) attributable to noncontrolling interests | 1 | — | — | 1 | — | 1 |
| Net income/(loss) attributable to Ford Motor Company | $ (1,566) | $ (507) | $ 769 | $ (1,304) | $ 428 | $ (876) |

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

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

| | June 30, 2020 | | | |
|---|---|---|---|---|
| **Assets** | **Company excluding Ford Credit** | **Ford Credit** | **Eliminations** | **Consolidated** |
| Cash and cash equivalents | $ 18,151 | $ 12,838 | $ — | $ 30,989 |
| Marketable securities | 21,105 | 5,036 | — | 26,141 |
| Ford Credit finance receivables, net | — | 42,720 | — | 42,720 |
| Trade and other receivables, net | 3,065 | 6,042 | — | 9,107 |
| Inventories | 10,220 | — | — | 10,220 |
| Assets held for sale | 670 | 50 | — | 720 |
| Other assets | 2,171 | 2,043 | — | 4,214 |
| Receivable from other segments | 253 | 2,157 | (2,410) | — |
| Total current assets | 55,635 | 70,886 | (2,410) | 124,111 |
| | | | | |
| Ford Credit finance receivables, net | — | 53,987 | — | 53,987 |
| Net investment in operating leases | 1,349 | 26,367 | — | 27,716 |
| Net property | 35,064 | 212 | — | 35,276 |
| Equity in net assets of affiliated companies | 4,539 | 112 | — | 4,651 |
| Deferred income taxes | 12,319 | 153 | (1,406) | 11,066 |
| Other assets | 9,613 | 2,946 | — | 12,559 |
| Receivable from other segments | 7 | 11 | (18) | — |
| Total assets | $ 118,526 | $ 154,674 | $ (3,834) | $ 269,366 |

| **Liabilities** | **Company excluding Ford Credit** | **Ford Credit** | **Eliminations** | **Consolidated** |
|---|---|---|---|---|
| Payables | $ 15,312 | $ 1,048 | $ — | $ 16,360 |
| Other liabilities and deferred revenue | 19,233 | 1,559 | — | 20,792 |
| Automotive debt payable within one year | 2,084 | — | — | 2,084 |
| Ford Credit debt payable within one year | — | 53,260 | — | 53,260 |
| Other debt payable within one year | — | — | — | — |
| Liabilities held for sale | 284 | — | — | 284 |
| Payable to other segments | 2,410 | — | (2,410) | — |
| Total current liabilities | 39,323 | 55,867 | (2,410) | 92,780 |
| | | | | |
| Other liabilities and deferred revenue | 24,156 | 1,235 | — | 25,391 |
| Automotive long-term debt | 37,409 | — | — | 37,409 |
| Ford Credit long-term debt | — | 82,007 | — | 82,007 |
| Other long-term debt | 470 | — | — | 470 |
| Deferred income taxes | 56 | 1,804 | (1,406) | 454 |
| Payable to other segments | 18 | — | (18) | — |
| Total liabilities | $ 101,432 | $ 140,913 | $ (3,834) | $ 238,511 |

*Selected Other Information.*

*Equity.* At June 30, 2020, total equity attributable to Ford was $30.8 billion, a decrease of $2.4 billion compared with December 31, 2019. The detail for this change is shown below (in billions):

| | Increase/ (Decrease) |
|---|---|
| Net income | $ (0.9) |
| Shareholder distributions | (0.6) |
| Adoption of accounting standards | (0.2) |
| Other comprehensive income | (0.7) |
| Total | $ (2.4) |

*U.S. Sales by Type.* The following table shows second 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 | 237,891 | 138,496 |
| SUVs | 151,328 | 74,633 |
| Cars | 44,650 | 26,001 |
| Total Vehicles | 433,869 | 239,130 |

## 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 updated our Critical Accounting Estimate disclosure. For additional information on our Allowance for Credit Losses Critical Accounting Estimate, see "Critical Accounting Estimates" in Item 2 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

## 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) |
|---|---|---|
| 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 June 30, 2020, was an asset of $302 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 both June 30, 2020 and December 31, 2019.

*Commodity Price Risk.* The net fair value of commodity forward contracts (including adjustments for credit risk) as of June 30, 2020, was a liability of $84 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 $98 million at June 30, 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 June 30, 2020, all else constant, such an increase in interest rates would decrease its pre-tax cash flow by $11 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 June 30, 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 June 30, 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.*

### OTHER MATTERS

*Brazilian Tax Matters.* One Brazilian state (São Paulo) 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. In the State of Minas Gerais, one case that had been pending at the administrative level was dismissed on April 1, 2020, and on July 13, 2020, the other two cases that were on appeal to the judicial court were dismissed. Our appeals with the State of São Paulo and the federal tax authority remain at the administrative level. 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.

*Transit Connect Customs Ruling.* On March 8, 2013, U.S. Customs and Border Protection ("CBP") ruled that Transit Connects imported as passenger wagons and later converted into cargo vans are subject to the 25% duty applicable to cargo vehicles, rather than the 2.5% duty applicable to passenger vehicles. As a result of the ruling, beginning in March 2013 CBP required Ford to pay the 25% duty upon importation of Transit Connects that were to be converted to cargo vehicles, and sought the difference in duty rates for certain prior imports. Our protest of the ruling within CBP was denied, and we filed a challenge in the U.S. Court of International Trade ("CIT"). On August 9, 2017, the CIT ruled in our favor. On October 6, 2017, CBP filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit (the "Federal Circuit"), and on June 7, 2019, a panel of three Federal Circuit judges ruled in favor of CBP. On July 22, 2019, we filed a petition for rehearing and rehearing en banc with the Federal Circuit. On October 16, 2019, the Federal Circuit denied our petition. On February 13, 2020, we filed a petition for a writ of certiorari with the U.S. Supreme Court, and on June 29, 2020, our petition was denied. Accordingly, Ford will have to pay the increased duties for certain prior imports, plus interest, and CBP might assert a claim for penalties.

**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, as updated by our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K:

***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. Although restrictions have been partially eased in many locations, some areas that had previously eased restrictions have reverted to more stringent limitations on daily activities.

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. Beginning in May 2020, taking a phased approach and after introducing new safety protocols at our plants, we resumed manufacturing operations around the world, and by July 2020, we returned to pre-COVID-19 production levels in North America, Europe, and China.

The economic slowdown attributable to COVID-19 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 dropped significantly and many dealers 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. To the extent dealer operations are impacted by restrictions on daily activities, it could have a substantial adverse effect on our financial condition, liquidity, and results of operations.

The predominant share of Ford Credit's business consists of financing Ford and Lincoln vehicles, and the duration or reemergence of COVID-19 or similar public health issues may negatively impact the level of originations at Ford Credit. For example, Ford's suspension of manufacturing operations, a significant decline in dealer showroom traffic, and / or a reduction of operations at dealers may lead to a significant decline in Ford Credit's consumer and non-consumer originations. Moreover, 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 from pre-COVID-19 levels. 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 disrupted auction activity in many locations, which adversely impacted and caused delays in realizing the resale value for off-lease and repossessed vehicles. Although auction performance has improved, future or additional restrictions could have a similar adverse impact on Ford Credit. 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 COVID-19 on our financial condition and results of operations will depend on future developments, such as the ultimate duration and scope of the outbreak (including any potential second wave or future waves), its impact on our customers, dealers, and suppliers, how quickly normal economic conditions, operations, and the demand for our products can resume, the duration and severity of the current recession, and any permanent behavioral changes that the pandemic may cause. For example, in the event manufacturing operations are again suspended, fully ramping up our production schedule to prior levels may take longer than the prior resumption and will depend, in part, on whether our suppliers and dealers have resumed normal operations. Our automotive operations generally do not realize revenue while our manufacturing operations are suspended, but we continue to incur operating and non-operating expenses, resulting in a deterioration of our cash flow. Accordingly, any significant future disruption to our production schedule, whether as a result of our own or a supplier's suspension of operations, could have a substantial adverse effect on our financial condition, liquidity, and results of operations. Further, government-sponsored liquidity or stimulus programs in response to COVID-19 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. While the ultimate impact on our financial condition and results of operations cannot be determined at this time, we continue to expect our full year 2020 results of operations to be adversely affected by COVID-19.

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.*

| Designation | Description | Method of Filing |
|---|---|---|
| Exhibit 10 | Defined Contribution Supplemental Executive Retirement Plan, as amended and restated. | 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: July 30, 2020

**Exhibit 10**

**FORD MOTOR COMPANY**
**DEFINED CONTRIBUTION SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**
Amended and Restated Effective as of July 9, 2020

**Section 1. Introduction**

On January 1, 2013, the Company established this Plan, which shall be known as the "Ford Motor Company Defined Contribution Supplemental Executive Retirement Plan" and is hereinafter referred to as the "Plan," for the purpose of providing employees on U.S. payroll, who are Eligible Executives, hired or rehired on or after January 1, 2004 and who are actively employed by the Company on or after January 1, 2013, with Supplemental Benefits in the event of such Eligible Executive's termination from employment with the Company under certain circumstances.

**Section 2. Definitions**

As used in the Plan, the following terms shall have the following meanings, respectively:

**2.01** "**Affiliate**" shall mean, as applied with respect to any person or legal entity specified, a person or legal entity that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, the person or legal entity specified.

**2.02** **"Base Monthly Salary"** shall mean for the purposes of the Plan, the monthly base salary rate of such Eligible Executive during each month, prior to giving effect to any salary reduction agreement pursuant to an employee benefit plan, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, (i) to which Code Section 125 or Code Section 402(e)(3), applies or (ii) which provides for the elective deferral of compensation. It shall not include supplemental compensation or any other kind of extra or additional compensation.

**2.03** **"Code"** shall mean the Internal Revenue Code of 1986, as amended.

**2.04** **"Committee"** shall mean the Chief Human Resources Officer and the Vice President and Chief Financial Officer (or, in the event of changes in titles, such officers' functional equivalents), and such person or persons to whom the Chief Human Resources Officer and the Vice President and Chief Financial Officer delegate authority to administer the Plan.

**2.05** **"Company"** shall mean Ford Motor Company and such of the subsidiaries of Ford Motor Company as, with the consent of Ford Motor Company, shall have adopted this Plan.

**2.06** **"Company Service"** shall mean the years and any fractional years that an individual is employed at Ford Motor Company.

**2.07** **"Compensation Committee"** shall mean the Compensation Committee of the Board of Directors of Ford Motor Company.

**2.08** **"Designated Third Party Administrator"** shall mean the service provider employed by the Company to act as record keeper to maintain the Notional Accounts and process notional investment elections.

**2.09** **"Eligible Executive(s)"** shall mean a Company employee in Leadership Level Four or above, or its equivalent, who satisfies the requirements of Section 3.01. "Eligible Executive" shall not include any supplemental employee.

**2.10** **"Eligibility Service"** shall mean Company Service while an Eligible Executive.

**2.11** **"ERISA"** shall mean the Employee Retirement Income Security Act of 1974, as amended.

**2.12** **"Named Executive Officer(s)"** shall mean any Chief Executive Officer that served during the last completed fiscal year, any Chief Financial Officer that served during the last completed fiscal year, the next three most highly compensation executive officers at the end of the last completed fiscal year, and up to two additional individuals who would have been among the most three highly compensated executive officers had they been executive officers at the end of the previous fiscal year end.

**2.13** **"Notional Account(s)"** shall mean the book entry account, which shall include Notional Credits, and any interest equivalents, dividend equivalents or other earnings credited to such book entry account, established by the Company for each Eligible Executive.

**2.14** **"Notional Credit(s)"** shall mean the amounts credited to the Eligible Executive's Notional Account each pay period as described under Section 3.02.

**2.15** **"Plan"** shall mean the Ford Motor Company Defined Contribution Supplemental Executive Retirement Plan, as amended.

**2.16** **"Plan Administrator"** shall mean such person or persons to whom the Committee shall delegate authority to administer the Plan, who does not already act as a Committee member.

**2.17** **"Separation From Service"** shall be determined to have occurred on the date on which an Eligible Executive incurs a "separation from service" within the meaning of Code Section 409A.

**2.18** **"Special Supplemental Benefit(s)"** shall mean benefits payable under this Plan as determined in accordance with Section 3.06.

**2.19** **"Specified Employee"** shall mean an employee of the Company who is a "Key Employee" as defined in Code Section 416(i)(1)(A)(i), (ii) or (iii), applied in accordance with the regulations thereunder and disregarding Subsection 416(i)(5). A Specified Employee shall be identified as of December 31st of each calendar year and such identification shall apply to any Specified Employee who shall incur a Separation From Service in the 12-month period commencing April 1st of the immediately succeeding calendar year. An employee who is determined to be a Specified Employee shall remain a Specified Employee throughout such 12-month period regardless of whether the employee meets the definition of "Specified Employee" on the date the employee incurs a Separation From Service. This provision is effective for Specified Employees who incur a Separation From Service on or after January 1, 2005. For purposes of determining Specified Employees, the definition of compensation under Treasury Regulation Section 1.415(c)-2(d)(3) shall be used, applied without the use of any of the special timing rules provided in Treasury Regulation Section 1.415(c)-2(e) or the special rule in Treasury Regulation Section 1.415(c)-2(g)(5)(i), but applied with the use of the special rule in Treasury Regulation Section 1.415(c)-2(g)(5)(ii).

**2.20** **"SSIP"** shall mean the Savings and Stock Investment Plan for Salaried Employees, as amended.

**2.21** **"Subsidiary"** shall mean, as applied with respect to any person or legal entity specified, (i) a person or legal entity, a majority of the voting stock of which is owned or controlled, directly or indirectly, by the person or legal entity specified, or (ii) any other type of business organization in which the person or legal entity specified owns or controls, directly or indirectly, a majority interest.

**2.22** **"Supplemental Benefit(s)"** shall mean benefits payable under this Plan as determined in accordance with Section 3.

**2.23** **"Valuation Date"** shall mean March 15$^{th}$ of each calendar year, or the next preceding business day for which valuation information is available, and shall be the date on which a Notional Account shall be valued for purposes of determining the amount to be distributed in a particular distribution year.

**Section 3. Supplemental Benefits**

**3.01** **Eligibility.** Each Eligible Executive who:

(i) was hired or rehired on or after January 1, 2004;

(ii) was actively employed on or after January 1, 2013;

(iii) who upon Separation From Service is at least age 55 with at least ten years of Company Service or is at least age 65 with at least five years of Company Service;

(iv) has at least five years of Eligibility Service; and

(v) incurs a Separation From Service upon the approval of the Company,

shall receive a Supplemental Benefit as provided herein.

Except in the case of an Eligible Executive who has not incurred a Separation From Service with the Company, the Company Service and Eligibility Service_conditions set forth in Subsections (iii) and (iv) of this Section 3.01 may be waived (i) in the case of a Leadership Level One employee, by the Compensation Committee, and (ii) in the case of any other employee, by the President and Chief Executive Officer.

**3.02 Notional Credits.** A Notional Account shall be established for each Eligible Executive. Each pay period, the Eligible Executive's Notional Account shall be credited with Notional Credits representing an amount equal to the product of such Eligible Executive's Base Monthly Salary received multiplied by the applicable percentage below which is based on the Eligible Executive's whole age at the end of the present calendar year and Leadership Level during that month:

| | Applicable Percentage | | |
|---|---|---|---|
| | Age < 40 | Age 40-49 | Age 50+ |
| Leadership Level One<br>- Executive Chairman, Chairman, Vice Chairman, Chief Executive Officer, President, Chief Operating Officer | 16.50% | 15.50% | 14.50% |
| - Executive Vice President | 10.50% | 9.50% | 8.50% |
| - Group Vice President & Vice President | 7.50% | 6.50% | 5.50% |
| Leadership Level Two | 4.50% | 3.50% | 2.50% |
| Leadership Level Three & Four | 3.00% | 2.00% | 1.00% |

An Eligible Executive shall not receive a Notional Credit in any month prior to the date the Eligible Executive became covered under the Plan or after a Separation From Service has occurred.

**3.03 Supplemental Benefit.** The Eligible Executive's Supplemental Benefit shall be equal to the value of such Eligible Executive's Notional Account at the time of distribution.

An Eligible Executive's Supplemental Benefit will be based on the value of the Eligible Executive's Notional Account as if the amounts in the Notional Account had been invested in actual investment options selected by the Eligible Executive. The investment options available for selection shall be identical to the investment options available under the SSIP with the exception of the Ford Stock Fund. In the absence of an investment selection by an Eligible Executive, the Eligible Executive's Notional Credits will be allocated to an appropriate target-date fund offered under the SSIP based on the Eligible Executive's age. The Designated Third Party Administrator will maintain a record of each Notional Account, process investment selections, and otherwise be the record keeper of the Notional Accounts. Investment options selected under this Section shall be used solely for purposes of valuing the Eligible Executive's Notional Account which is used to determine the Supplemental Benefit. Eligible Executives shall not have voting rights or any other ownership rights with respect to any investment options selected as the measuring mechanism for the Notional Accounts established under this Section.

Eligible Executives may not withdraw or borrow against amounts credited to any book entry account under this Plan. The Plan will not accept rollovers from other plans. Distributions may not be rolled over to other plans.

**3.04 Payments.**

(a) Except as otherwise provided below, distribution of the Supplemental Benefit shall be made in five annual installment payments, with such annual installments beginning on, or as soon as reasonably practicable after, the first Valuation Date following the one year anniversary of the Eligible Executive's Separation From Service. Thereafter, each installment shall be paid annually on, or as soon as reasonably practicable after, each successive Valuation Date.

(b) Prior to the March 15th immediately following an Eligible Executive's Separation From Service, an Eligible Executive may elect to defer payment of the Supplemental Benefit in accordance with this Subsection. Distribution of a deferred Supplemental Benefit shall be made in five annual installment payments, with such annual installments beginning on, or as soon as reasonably practicable after, the first Valuation Date following the fifth anniversary of the Valuation Date on which payment would have commenced had the Eligible Executive not elected to defer commencement of the Supplemental Benefit.

(c) Notwithstanding any other provision of the Plan to the contrary, but subject to the earning out provisions of Section 4, if a Specified Employee incurs a Separation From Service, other than as a result of such Specified Employee's death, payment of any Supplemental Benefit to such Specified Employee shall commence on, or as soon as reasonably practicable after, the first day of the seventh month following the Separation From Service. A Specified Employee who is subject to a six-month distribution delay pursuant to this Section 3.04 will be permitted to continue to manage the investment elections applicable to such Specified Employee's Notional Account during the six-month distribution delay. Any payment delayed under this Section shall not bear interest over and above the notional investment earnings credited to such Specified Employee's book entry account during the period of delay.

(d) Except as provided in Section 3.05, payments with respect to an Eligible Executive hereunder shall cease at the Eligible Executive's death.

**3.05 Death Benefits.**

(a) Upon death, but before Separation From Service, if the Eligible Executive has satisfied the eligibility requirements under Section 3.01(i), (ii) and (iii), the Eligible Executive's Notional Account shall be distributed in its entirety to the Eligible Executive's beneficiary or deemed beneficiary under the SSIP. All such distributions shall occur on, or as soon as reasonably practicable after, such Eligible Executive's date of death.

(b) If the Eligible Executive's death occurs after Separation From Service and before all five annual payments are made, the Eligible Executive's Notional Account balance shall be distributed in its entirety to the Eligible Executive's beneficiary or deemed beneficiary under the SSIP. All such distributions shall occur on, or as soon as reasonably practicable after, such Eligible Executive's date of death.

**3.06 Special Supplemental Benefits.** In addition to, or in place of, any other Supplemental Benefits otherwise provided under this Plan, the Company may, in its sole discretion, provide Special Supplemental Benefits to certain Eligible Executives, including providing that certain Eligible Executives shall not be eligible for a Supplemental Benefits or shall be excluded from participation in the Plan. Special Supplemental Benefits provided to Eligible Executives whose compensation is subject to the executive compensation disclosure rules under the Securities Exchange Act of 1934 shall be set forth in Appendix A. Special Supplemental Benefits provided to Eligible Executives who are not subject to such disclosure rules shall be set forth in a separate confidential schedule to the Plan that is administered by the HR Director-Compensation and Executive Personnel Office. Any Special Supplemental Benefit provided pursuant to this Section shall be subject to, and paid in accordance with, the terms and conditions of this Plan, including without limitation Section 3.04.

**3.07 Effect of Separation from Service Prior to Eligibility.** In the event an Eligible Executive incurs a Separation From Service prior to meeting the eligibility requirements of Section 3.01, no Supplemental Benefit or Special Supplemental Benefit shall be payable under the Plan and such Eligible Executive's Notional Account shall be closed.

**Section 4. Earning Out Conditions**

Notwithstanding anything in the Plan to the contrary, the right of an Eligible Executive to receive a distribution of Supplemental Benefits hereunder for any year, and the payment of such distributions (subject to Section 3.04), shall cease on and as of the date on which it has been determined that such Eligible Executive at any time (whether before or subsequent to termination of such Eligible Executive's employment) either acted in a manner inimical to the best interests of the Company or engaged in an activity that was directly or indirectly in competition with any activity of the Company or any Subsidiary or Affiliate thereof, unless, (i) with respect to any such Eligible Executive who, at any time, shall have been a member of the Board of Directors, a Leadership Level One employee or a Named Executive Officer, the Compensation Committee determines, in its sole discretion, that there shall not have been, and will not be, any substantial adverse effect upon the Company or any Subsidiary or Affiliate thereof by reason of the nonfulfillment of such condition, or (ii) with respect to any other Eligible Executive, the Committee determines, in its sole discretion, that there shall not have been, and will not be, any substantial adverse effect upon the Company or any Subsidiary or Affiliate thereof by reason of the nonfulfillment of such condition.

**Section 5. General Provisions**

**5.01 Plan Administration and Interpretation.**

(a) Notwithstanding any other provisions of the Plan to the contrary, the terms of the Plan shall determine the benefits payable to any person under the Plan and no person shall be eligible for any benefit under the Plan that would be inconsistent with such terms.

(b) Except as otherwise provided, full authority to administer and interpret this Plan shall be vested in the Committee. The Committee is authorized, in its sole discretion, from time to time, to establish such rules and regulations as it deems appropriate for the proper administration of the Plan, and to make such determinations under, and such interpretations of, and to take such actions in connection with, the Plan as it deems necessary or advisable. Each determination, interpretation, or other action hereunder by the Committee shall be final, binding and conclusive upon all persons for all purposes under the Plan. The Committee may act, in its sole discretion, to delegate administrative and interpretative authority under this Section to the Plan Administrator.

(c) In the event that an Article, Section or paragraph of the Code or Treasury Regulations is renumbered, such renumbered Article, Section or paragraph shall apply to applicable references in this Plan.

**5.02 Local Payment Authorities.** The Vice President and Treasurer and the Assistant Treasurer (or, in the event of a change in title, such officer's functional equivalent) may act individually to delegate authority to administrative personnel for purposes of paying benefits under the Plan to any person.

**5.03 Deductions.** The Company may deduct from any payment of Supplemental Benefits to an Eligible Executive, or from any payment of Supplemental Benefits to a beneficiary, any and all amounts owed to it by such Eligible Executive or beneficiary for any reason, and all taxes required by law or government regulation to be deducted or withheld.

**5.04 Tax Liabilities.** The Company has no duty to design its compensation policies in a manner that minimizes an individual's tax liabilities, including tax liabilities arising as a result of Supplemental Benefits provided under the Plan. No claim shall be made against the Plan relating to tax liabilities arising from employment with the Company and/or any compensation or benefit arrangements sponsored or maintained by the Company, including this Plan.

**5.05 No Contract of Employment.** The Plan is an expression of the Company's present policy with respect to Eligible Executives; it is not a part of any contract of employment. No Eligible Executive, beneficiary or any other person shall have any legal or other right to any benefit under this Plan.

**5.06 Supplemental Benefits Not Funded.** The Company's obligations under this Plan shall not be funded and Supplemental Benefits under this Plan shall be payable only out of the general funds of the Company.

**5.07 Governing Law.** Except as otherwise provided under Federal law, the Plan and all rights thereunder shall be governed, construed and administered in accordance with the laws of the State of Michigan.

**5.08 Amendment or Termination.** The Company shall have the right to amend, modify, discontinue or terminate this Plan, in whole or in part, at any time, without notice; provided, however, that no distribution of Supplemental Benefits shall occur upon termination of this Plan, unless applicable requirements of Code Section 409A have been met. Notwithstanding anything to the contrary herein, benefits payable under this Plan remain subject to the claims of the Company's general creditors at all times.

**5.09 Terms Not Otherwise Defined.** Capitalized terms not otherwise defined in this Plan shall have the same meanings ascribed to such terms under the applicable plan.

**5.10 No Alienation of Benefits.** An Eligible Executive may not assign or alienate any Supplemental Benefits, and the Plan will not recognize a domestic relations order that purports to assign the Supplemental Benefit to another person.

**5.11 Recovery of Overpayment**. Any individual shall repay promptly any and all Supplemental Benefits received by the individual to which the individual is not entitled. Written notice of any overpayment, the amount owed and actions that may be taken in connection with the overpayment will be sent to the individual. If an individual fails to make timely repayment, this Plan shall proceed to recover the overpaid amount. This Plan reserves the right to initiate formal recovery action through the use of a collection agency or through any applicable legal proceedings

**Section 6. Code Section 409A**

(a) The provisions of Code Section 409A are incorporated into the Plan by reference to the extent necessary for any benefit provided under the Plan that is subject to Code Section 409A to comply with such requirements and, except as otherwise expressly determined by the Company, the Plan shall be administered in accordance with Code Section 409A as if the requirements of Code Section 409A were set forth herein. The Company reserves the right to take such action, on a uniform and consistent basis, as the Company deems necessary or desirable to ensure compliance with Code Section 409A, and applicable additional regulatory guidance thereunder, or to achieve the goals of the Plan without having adverse tax consequences under this Plan for any employee or beneficiary. Unless determined otherwise by the Company, any such action shall be taken in a manner that will enable any benefit provided under the Plan that is intended to be exempt from Code Section 409A to continue to be so exempt, or to enable any benefit provided under the Plan that is intended to comply with Code Section 409A to continue to so comply.

(b) In no event shall any transfer of liabilities to or from this Plan result in an impermissible acceleration or deferral of Supplemental Benefits under Code Section 409A. In the event such a transfer would cause an impermissible acceleration or deferral under Code Section 409A, such transfer shall not occur.

(c) In no event will application of any eligibility requirements under this Plan cause an impermissible acceleration or deferral of any Plan benefits under Code Section 409A.

(d) In the event an Eligible Executive receiving, or entitled to receive, a Supplemental Benefit and/or a Special Supplemental Benefit is reemployed following a Separation From Service, distribution of any Supplemental Benefit or Special Supplemental Benefit shall not cease or be deferred upon such Eligible Executive's reemployment. Any additional Supplemental Benefits to which such Eligible Executive may become entitled following reemployment shall be determined and paid, independent of any other Supplemental Benefit or Special Supplemental Benefit, in accordance with the terms and conditions of this Plan, including Section 3 and Subsection 4.03.

(e) After receipt of any benefits under the Plan, the obligations of the Company with respect to such benefits shall be satisfied and no Eligible Executive, beneficiary, or other person shall have any further claims against the Plan or the Company with respect to Plan benefits.

(f) Notwithstanding any other provisions of the Plan to the contrary, any payment deferral election made pursuant to Section 3.04(ii) shall be made not less than 12 months prior to the Valuation Date on which payment of such Supplemental Benefit or Special

Supplemental Benefit otherwise would have commenced without such deferral election and such election shall not take effect until at least 12 months after the date on which such election is made. Further, commencement of payments with respect to which such a deferral election is made shall be deferred for a period of not less than five years from the date such payments otherwise would have commenced.

**Section 7. Claim for Benefits**

**7.01** **Denial of a Claim.** A claim for benefits under the Plan shall be submitted in writing to the Plan Administrator. If a claim for benefits or participation is denied in whole or in part by the Plan Administrator, the claimant will receive written notification within 90 days from the date the claim for benefits or participation is received. Such notice shall be deemed given upon mailing, full postage prepaid in the United States mail or on the date sent electronically to the claimant. If the Plan Administrator determines that an extension of time to consider a claim and render a decision is needed, written notice of the extension shall be furnished to the claimant as soon as practical.

**7.02** **Review of Denial of Claim**. In the event that the Plan Administrator denies a claim for benefits or participation, the claimant may request a review by filing a written appeal. If the appeal is from an active Leadership Level One employee, a Named Executive Officer or any individual who, at any time, shall have been a member of the Board of Directors, the appeal will be heard by the Compensation Committee. If the appeal is from any other appellant, the appeal will be heard by the Committee. All appeals must be filed within sixty (60) days of the date of the written notification of denial. The appeal will be considered and a decision shall be rendered within 90 days from the date the appeal is received. Under special circumstances, an extension of time to consider the appeal and render a decision may be needed, in which case a decision shall be rendered as soon as practical. In the event such an extension of time is needed to consider the appeal and render a decision, written notice of such time extension shall be provided to the appellant.

**7.03** **Decision on Appeal.** The decision on review of the appeal shall be in writing. Such notice shall be deemed given upon mailing, full postage prepaid in the United States mail or on the date sent electronically to the appellant. Decisions rendered on the appeal are final and conclusive and are only subject to the arbitrary and capricious standard of judicial review.

**7.04** **Limitations Period.** No legal action for benefits under the Plan may be brought against the Plan until after the claim and appeal procedures have been exhausted. Legal actions under the Plan for benefits must be brought no later than two (2) years after the date of the denial of the appeal. No other action may be brought against the Plan more than six (6) months after the date of the last action that gave rise to the claim.

**7.05** **Venue**. An individual shall only bring an action in connection with the Plan in the United States District Court for the Eastern District of Michigan.

## APPENDIX A

### Named Executive Officers

Pursuant to Plan Section 3.06, Special Supplemental Benefits shall be excluded, limited or provided to Eligible Executives listed below as follows:

| Eligible Executive | Special Supplemental Benefit |
| --- | --- |
| Alan Mulally | Shall be excluded from Plan participation entirely |
| Jim Farley | Shall be excluded from Plan participation until June 30, 2017; provided however, service earned prior to that date shall be used for purposes of determining Eligibility Service |

**Exhibit 31.1**

## CERTIFICATION

I, James P. Hackett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 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: July 30, 2020

/s/ James P. Hackett

James P. Hackett
President and Chief Executive Officer

**Exhibit 31.2**

## CERTIFICATION

I, Tim Stone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 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: July 30, 2020

/s/ Tim Stone

Tim Stone
Chief Financial Officer

**Exhibit 32.1**

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James P. Hackett, President and Chief Executive Officer of Ford Motor Company (the "Company"), hereby certify pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code that to my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended June 30, 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: July 30, 2020

/s/ James P. Hackett
James P. Hackett
President and Chief Executive Officer

**Exhibit 32.2**

## 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 June 30, 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: July 30, 2020

/s/ Tim Stone
Tim Stone
Chief Financial Officer