

**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 September 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

(State of incorporation)

38-0549190

(I.R.S. Employer Identification No.)

**One American Road
Dearborn, Michigan**

(Address of principal executive offices)

48126

(Zip code)

313-322-3000

(Registrant's telephone number, including area code)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large Accelerated Filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

As of October 23, 2020, Ford had outstanding 3,907,575,284 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit Index begins on page

FORD MOTOR COMPANY
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended September 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 September 30,	
	2019	2020
	First Nine Months (unaudited)	
Cash flows from operating activities		
Net income/(loss)	\$ 1,756	\$ 1,515
Depreciation and tooling amortization	7,310	6,670
Other amortization	(891)	(938)
Held-for-sale impairment charges (Note 17)	799	21
Provision for credit and insurance losses	292	866
Pension and other post-retirement employee benefits ("OPEB") expense/(income)	401	(454)
Equity investment dividends received in excess of (earnings)/losses	73	132
Foreign currency adjustments	49	(216)
Net (gain)/loss on changes in investments in affiliates	(46)	(3,483)
Stock compensation	238	170
Provision for deferred income taxes	(403)	978
Decrease/(Increase) in finance receivables (wholesale and other)	2,792	11,006
Decrease/(Increase) in accounts receivable and other assets	(1,023)	74
Decrease/(Increase) in inventory	(1,790)	(202)
Increase/(Decrease) in accounts payable and accrued and other liabilities	5,226	3,858
Other	(44)	(267)
Net cash provided by/(used in) operating activities	14,739	19,730
Cash flows from investing activities		
Capital spending	(5,358)	(4,211)
Acquisitions of finance receivables and operating leases	(41,142)	(43,473)
Collections of finance receivables and operating leases	37,854	36,536
Proceeds from sale of business (Note 17)	—	1,340
Purchases of marketable securities and other investments	(12,367)	(27,401)
Sales and maturities of marketable securities and other investments	12,532	24,402
Settlements of derivatives	163	(407)
Other	(53)	344
Net cash provided by/(used in) investing activities	(8,371)	(12,870)
Cash flows from financing activities		
Cash payments for dividends and dividend equivalents	(1,794)	(596)
Purchases of common stock	(237)	—
Net changes in short-term debt	(1,094)	(2,815)
Proceeds from issuance of long-term debt	35,705	54,325
Principal payments on long-term debt	(34,847)	(50,641)
Other	(173)	(242)
Net cash provided by/(used in) financing activities	(2,440)	31
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(154)	(160)
Net increase/(decrease) in cash, cash equivalents, and restricted cash	\$ 3,774	\$ 6,731
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	3,774	6,731
Cash, cash equivalents, and restricted cash at end of period (Note 7)	\$ 20,681	\$ 24,472

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 September 30,			
	2019	2020	2019	2020
	Third Quarter		First Nine Months	
	(unaudited)			
Revenues				
Automotive	\$ 33,931	\$ 34,707	\$ 106,928	\$ 82,669
Ford Credit	3,045	2,774	9,231	8,480
Mobility	14	20	26	43
Total revenues (Note 3)	36,990	37,501	116,185	91,192
Costs and expenses				
Cost of sales	32,282	31,223	99,881	79,677
Selling, administrative, and other expenses	2,601	2,266	8,169	6,663
Ford Credit interest, operating, and other expenses	2,368	1,661	7,104	6,818
Total costs and expenses	37,251	35,150	115,154	93,158
Operating income/(loss)	(261)	2,351	1,031	(1,966)
Interest expense on Automotive debt	262	487	723	1,140
Interest expense on Other debt	14	11	42	35
Other income/(loss), net (Note 4)	534	845	1,434	5,843
Equity in net income/(loss) of affiliated companies	(16)	58	96	(8)
Income/(Loss) before income taxes	(19)	2,756	1,796	2,694
Provision for/(Benefit from) income taxes	(442)	366	40	1,179
Net income/(loss)	423	2,390	1,756	1,515
Less: Income/(Loss) attributable to noncontrolling interests	(2)	5	37	6
Net income/(loss) attributable to Ford Motor Company	\$ 425	\$ 2,385	\$ 1,719	\$ 1,509
EARNINGS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 6)				
Basic income/(loss)	\$ 0.11	\$ 0.60	\$ 0.43	\$ 0.38
Diluted income/(loss)	0.11	0.60	0.43	0.38
Weighted-average shares used in computation of earnings per share				
Basic shares	3,970	3,976	3,976	3,971
Diluted shares	4,007	4,005	4,006	3,997

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	For the periods ended September 30,			
	2019	2020	2019	2020
	Third Quarter		First Nine Months	
	(unaudited)			
Net income/(loss)	\$ 423	\$ 2,390	\$ 1,756	\$ 1,515
Other comprehensive income/(loss), net of tax (Note 18)				
Foreign currency translation	(360)	(70)	(244)	(1,625)
Marketable securities	8	(17)	130	96
Derivative instruments	(69)	(71)	(398)	597
Pension and other postretirement benefits	15	15	36	46
Total other comprehensive income/(loss), net of tax	(406)	(143)	(476)	(886)
Comprehensive income/(loss)	17	2,247	1,280	629
Less: Comprehensive income/(loss) attributable to noncontrolling interests	(2)	4	37	5
Comprehensive income/(loss) attributable to Ford Motor Company	\$ 19	\$ 2,243	\$ 1,243	\$ 624

The accompanying notes are part of the consolidated financial statements.

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

	December 31, 2019	September 30, 2020
	(unaudited)	
ASSETS		
Cash and cash equivalents (Note 7)	\$ 17,504	\$ 24,263
Marketable securities (Note 7)	17,147	20,568
Ford Credit finance receivables, net of allowance for credit losses of \$162 and \$394 (Note 8)	53,651	41,847
Trade and other receivables, less allowances of \$63 and \$80	9,237	10,114
Inventories (Note 9)	10,786	10,583
Assets held for sale (Note 17)	2,383	676
Other assets	3,339	3,714
Total current assets	114,047	111,765
Ford Credit finance receivables, net of allowance for credit losses of \$351 and \$920 (Note 8)	53,703	55,659
Net investment in operating leases	29,230	27,895
Net property	36,469	36,118
Equity in net assets of affiliated companies	2,519	4,741
Deferred income taxes	11,863	10,907
Other assets	10,706	12,858
Total assets	\$ 258,537	\$ 259,943
LIABILITIES		
Payables	\$ 20,673	\$ 21,466
Other liabilities and deferred revenue (Note 12)	22,987	20,293
Automotive debt payable within one year (Note 14)	1,445	1,368
Ford Credit debt payable within one year (Note 14)	52,371	49,447
Other debt payable within one year (Note 14)	130	180
Liabilities held for sale (Note 17)	526	405
Total current liabilities	98,132	93,159
Other liabilities and deferred revenue (Note 12)	25,324	26,826
Automotive long-term debt (Note 14)	13,233	22,363
Ford Credit long-term debt (Note 14)	87,658	83,626
Other long-term debt (Note 14)	470	291
Deferred income taxes	490	517
Total liabilities	225,307	226,782
EQUITY		
Common Stock, par value \$0.01 per share (4,025 million shares issued of 6 billion authorized)	40	40
Class B Stock, par value \$0.01 per share (71 million shares issued of 530 million authorized)	1	1
Capital in excess of par value of stock	22,165	22,262
Retained earnings	20,320	21,031
Accumulated other comprehensive income/(loss) (Note 18)	(7,728)	(8,613)
Treasury stock	(1,613)	(1,596)
Total equity attributable to Ford Motor Company	33,185	33,125
Equity attributable to noncontrolling interests	45	36
Total equity	33,230	33,161
Total liabilities and equity	\$ 258,537	\$ 259,943

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	September 30, 2020
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 3,202	\$ 2,905
Ford Credit finance receivables, net	58,478	48,490
Net investment in operating leases	14,883	14,613
Other assets	12	—
LIABILITIES		
Other liabilities and deferred revenue	\$ 19	\$ 69
Debt	50,865	44,766

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						Equity Attributable to Non- controlling Interests	Total Equity
	Capital Stock	Cap. In Excess of Par Value of Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss) (Note 18)	Treasury Stock	Total		
Balance at December 31, 2018	\$ 41	\$ 22,006	\$ 22,668	\$ (7,366)	\$ (1,417)	\$ 35,932	\$ 34	\$ 35,966
Adoption of accounting standards	—	—	13	—	—	13	—	13
Net income/(loss)	—	—	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/(loss)	—	—	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
Net income/(loss)	—	—	425	—	—	425	(2)	423
Other comprehensive income/(loss), net	—	—	—	(406)	—	(406)	—	(406)
Common stock issued (a)	—	68	—	—	—	68	—	68
Treasury stock/other	—	—	—	—	(231)	(231)	1	(230)
Dividends and dividend equivalents declared (\$0.15 per share) (b)	—	—	(604)	—	—	(604)	—	(604)
Balance at September 30, 2019	\$ 41	\$ 22,179	\$ 22,590	\$ (7,842)	\$ (1,619)	\$ 35,349	\$ 38	\$ 35,387
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 (b)	—	—	1	—	—	1	—	1
Balance at June 30, 2020	\$ 41	\$ 22,210	\$ 18,645	\$ (8,471)	\$ (1,601)	\$ 30,824	\$ 31	\$ 30,855
Net income/(loss)	—	—	2,385	—	—	2,385	5	2,390
Other comprehensive income/(loss), net	—	—	—	(142)	—	(142)	(1)	(143)
Common stock issued (a)	—	52	—	—	—	52	—	52
Treasury stock/other	—	—	—	—	5	5	1	6
Dividends and dividend equivalents declared (b)	—	—	1	—	—	1	—	1
Balance at September 30, 2020	\$ 41	\$ 22,262	\$ 21,031	\$ (8,613)	\$ (1,596)	\$ 33,125	\$ 36	\$ 33,161

(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.

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.

Our results include adjustments to our assets and liabilities recorded during the first nine months of 2020 due to the impact of COVID-19, the most significant of which were a valuation allowance on certain deferred tax assets (see Note 5) and a charge to the provision for credit losses on Ford Credit’s finance receivables (see Note 8). The majority of these adjustments were recorded in the first quarter and there were no material adjustments to our assets and liabilities related to COVID-19 in the third quarter.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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

Accounting Standards Update (“ASU”) 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments. On January 1, 2020, we adopted the new credit loss standard and all of the related amendments, which replaced the incurred loss impairment method with a method that reflects lifetime expected credit losses. We adopted the changes in accounting for credit losses by recognizing the cumulative effect of initially applying the new credit loss standard as an adjustment to the opening balance of *Retained earnings*. The comparative information has not been restated and continues to be reported under the accounting standard in effect for those periods.

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

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

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 September 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 September 30 (in millions):

	Third Quarter 2019			
	Automotive	Mobility	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 32,609	\$ —	\$ —	\$ 32,609
Used vehicles	647	—	—	647
Extended service contracts	347	—	—	347
Other revenue	183	14	55	252
Revenues from sales and services	<u>33,786</u>	<u>14</u>	<u>55</u>	<u>33,855</u>
Leasing income	145	—	1,480	1,625
Financing income	—	—	1,472	1,472
Insurance income	—	—	38	38
Total revenues	<u>\$ 33,931</u>	<u>\$ 14</u>	<u>\$ 3,045</u>	<u>\$ 36,990</u>
	Third Quarter 2020			
	Automotive	Mobility	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 33,005	\$ —	\$ —	\$ 33,005
Used vehicles	818	—	—	818
Extended service contracts	356	—	—	356
Other revenue	438	20	37	495
Revenues from sales and services	<u>34,617</u>	<u>20</u>	<u>37</u>	<u>34,674</u>
Leasing income	90	—	1,407	1,497
Financing income	—	—	1,303	1,303
Insurance income	—	—	27	27
Total revenues	<u>\$ 34,707</u>	<u>\$ 20</u>	<u>\$ 2,774</u>	<u>\$ 37,501</u>
	First Nine Months 2019			
	Automotive	Mobility	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 102,420	\$ —	\$ —	\$ 102,420
Used vehicles	2,509	—	—	2,509
Extended service contracts	1,028	—	—	1,028
Other revenue	615	26	161	802
Revenues from sales and services	<u>106,572</u>	<u>26</u>	<u>161</u>	<u>106,759</u>
Leasing income	356	—	4,429	4,785
Financing income	—	—	4,521	4,521
Insurance income	—	—	120	120
Total revenues	<u>\$ 106,928</u>	<u>\$ 26</u>	<u>\$ 9,231</u>	<u>\$ 116,185</u>
	First Nine Months 2020			
	Automotive	Mobility	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 78,252	\$ —	\$ —	\$ 78,252
Used vehicles	2,282	—	—	2,282
Extended service contracts	1,066	—	—	1,066
Other revenue	836	43	122	1,001
Revenues from sales and services	<u>82,436</u>	<u>43</u>	<u>122</u>	<u>82,601</u>
Leasing income	233	—	4,267	4,500
Financing income	—	—	3,989	3,989
Insurance income	—	—	102	102
Total revenues	<u>\$ 82,669</u>	<u>\$ 43</u>	<u>\$ 8,480</u>	<u>\$ 91,192</u>

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 \$454 million in the third quarter of 2019 and an increase in revenue of \$168 million in the third 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 \$4.1 billion of unearned revenue associated with outstanding contracts reported in *Other liabilities and deferred revenue* at December 31, 2019 and September 30, 2020, respectively. We expect to recognize approximately \$300 million of the unearned amount in the remainder of 2020, \$1.2 billion in 2021, and \$2.6 billion thereafter. We recognized \$274 million and \$295 million of unearned amounts as revenue during the third quarter of 2019 and 2020, respectively, and \$864 million and \$901 million in the first nine months 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 \$278 million in deferred costs as of December 31, 2019 and September 30, 2020, respectively. We recognized \$17 million and \$20 million of amortization during the third quarter of 2019 and 2020, respectively, and \$56 million and \$59 million in the first nine months of 2019 and 2020, respectively.

NOTE 4. OTHER INCOME/(LOSS)

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

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
Net periodic pension and OPEB income/(cost), excluding service cost	\$ (21)	\$ 277	\$ 362	\$ 1,272
Investment-related interest income	202	90	612	374
Interest income/(expense) on income taxes	(5)	(4)	(26)	(15)
Realized and unrealized gains/(losses) on cash equivalents, marketable securities, and other investments	199	297	79	312
Gains/(Losses) on changes in investments in affiliates (a)	44	3	46	3,483
Gains/(Losses) on extinguishment of debt	(1)	—	(54)	(1)
Royalty income	91	139	283	322
Other	25	43	132	96
Total	<u>\$ 534</u>	<u>\$ 845</u>	<u>\$ 1,434</u>	<u>\$ 5,843</u>

(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 \$1 billion during the first nine months of 2020, 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 consider the trade-offs between cash preservation and cash outlays to preserve 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):

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
Basic and Diluted Income/(Loss) Attributable to Ford Motor Company				
Basic income/(loss)	\$ 425	\$ 2,385	\$ 1,719	\$ 1,509
Diluted income/(loss)	425	2,385	1,719	1,509
Basic and Diluted Shares				
Basic shares (average shares outstanding)	3,970	3,976	3,976	3,971
Net dilutive options, unvested restricted stock units, and unvested restricted stock shares	37	29	30	26
Diluted shares	<u>4,007</u>	<u>4,005</u>	<u>4,006</u>	<u>3,997</u>

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 purchase. 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):

	Fair Value Level	December 31, 2019			
		Automotive	Mobility	Ford Credit	Consolidated
Cash and cash equivalents					
U.S. government	1	\$ 520	\$ —	\$ —	\$ 520
U.S. government agencies	2	125	—	—	125
Non-U.S. government and agencies	2	601	—	350	951
Corporate debt	2	642	—	604	1,246
Total marketable securities classified as cash equivalents		1,888	—	954	2,842
Cash, time deposits, and money market funds		6,432	117	8,113	14,662
Total cash and cash equivalents		\$ 8,320	\$ 117	\$ 9,067	\$ 17,504
Marketable securities					
U.S. government	1	\$ 2,930	\$ —	\$ 195	\$ 3,125
U.S. government agencies	2	1,548	—	210	1,758
Non-U.S. government and agencies	2	4,217	—	2,408	6,625
Corporate debt	2	4,802	—	193	4,995
Equities (a)	1	81	—	—	81
Other marketable securities	2	273	—	290	563
Total marketable securities		\$ 13,851	\$ —	\$ 3,296	\$ 17,147
Restricted cash		\$ 15	\$ 21	\$ 139	\$ 175
Cash, cash equivalents, and restricted cash in held-for-sale assets		\$ —	\$ —	\$ 62	\$ 62
September 30, 2020					
	Fair Value Level	Automotive	Mobility	Ford Credit	Consolidated
Cash and cash equivalents					
U.S. government	1	\$ 3,277	\$ —	\$ 1,217	\$ 4,494
U.S. government agencies	2	706	—	850	1,556
Non-U.S. government and agencies	2	916	—	1,105	2,021
Corporate debt	2	545	—	900	1,445
Total marketable securities classified as cash equivalents		5,444	—	4,072	9,516
Cash, time deposits, and money market funds		7,679	62	7,006	14,747
Total cash and cash equivalents		\$ 13,123	\$ 62	\$ 11,078	\$ 24,263
Marketable securities					
U.S. government	1	\$ 3,724	\$ —	\$ 1,275	\$ 4,999
U.S. government agencies	2	3,124	—	235	3,359
Non-U.S. government and agencies	2	3,645	—	2,111	5,756
Corporate debt	2	5,292	—	313	5,605
Equities (a)	1	299	—	—	299
Other marketable securities	2	236	—	314	550
Total marketable securities		\$ 16,320	\$ —	\$ 4,248	\$ 20,568
Restricted cash		\$ 30	\$ 5	\$ 174	\$ 209
Cash, cash equivalents, and restricted cash in held-for-sale assets		\$ —	\$ —	\$ —	\$ —

(a) Net unrealized gains/losses incurred during the reporting periods on equity securities still held at December 31, 2019 and September 30, 2020 were a \$44 million loss and a \$111 million gain, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

	September 30, 2020						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Fair Value of Securities with Contractual Maturities		
					Within 1 Year	After 1 Year through 5 Years	After 5 Years
Automotive							
U.S. government	\$ 2,660	\$ 52	\$ —	\$ 2,712	\$ 987	\$ 1,722	\$ 3
U.S. government agencies	2,187	15	(1)	2,201	708	1,371	122
Non-U.S. government and agencies	2,907	39	—	2,946	1,085	1,851	10
Corporate debt	5,549	102	(2)	5,649	1,727	3,897	25
Other marketable securities	206	3	—	209	2	148	59
Total	<u>\$ 13,509</u>	<u>\$ 211</u>	<u>\$ (3)</u>	<u>\$ 13,717</u>	<u>\$ 4,509</u>	<u>\$ 8,989</u>	<u>\$ 219</u>

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

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
Automotive				
Sales proceeds	\$ 1,176	\$ 2,243	\$ 4,176	\$ 6,560
Gross realized gains	3	16	8	44
Gross realized losses	—	1	10	11

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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

The present fair values and gross unrealized losses for cash equivalents and marketable securities accounted for as AFS securities that were in an unrealized loss position, aggregated by investment category and the length of time that individual securities have been in a continuous loss position, were as follows (in millions):

	December 31, 2019					
	Less than 1 Year		1 Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Automotive						
U.S. government	\$ 183	\$ (1)	\$ 50	\$ —	\$ 233	\$ (1)
U.S. government agencies	370	(1)	344	—	714	(1)
Non-U.S. government and agencies	463	—	390	(1)	853	(1)
Corporate debt	29	—	53	—	82	—
Other marketable securities	59	—	17	—	76	—
Total	<u>\$ 1,104</u>	<u>\$ (2)</u>	<u>\$ 854</u>	<u>\$ (1)</u>	<u>\$ 1,958</u>	<u>\$ (3)</u>
	September 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	\$ 55	\$ —	\$ —	\$ —	\$ 55	\$ —
U.S. government agencies	170	—	42	(1)	212	(1)
Non-U.S. government and agencies	442	—	46	—	488	—
Corporate debt	739	(2)	9	—	748	(2)
Other marketable securities	4	—	13	—	17	—
Total	<u>\$ 1,410</u>	<u>\$ (2)</u>	<u>\$ 110</u>	<u>\$ (1)</u>	<u>\$ 1,520</u>	<u>\$ (3)</u>

We determine credit losses on available-for-sale debt securities using the specific identification method. During the first nine months 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	September 30, 2020
Cash and cash equivalents	\$ 17,504	\$ 24,263
Restricted cash (a)	175	209
Cash, cash equivalents, and restricted cash in held-for-sale assets	62	—
Total cash, cash equivalents, and restricted cash	<u>\$ 17,741</u>	<u>\$ 24,472</u>

(a) 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	September 30, 2020
Consumer		
Retail installment contracts, gross	\$ 68,905	\$ 73,246
Finance leases, gross	8,566	8,244
Retail financing, gross	77,471	81,490
Unearned interest supplements	(3,589)	(4,091)
Consumer finance receivables	73,882	77,399
Non-Consumer		
Dealer financing	33,985	21,421
Non-Consumer finance receivables	33,985	21,421
Total recorded investment	\$ 107,867	\$ 98,820
Recorded investment in finance receivables	\$ 107,867	\$ 98,820
Allowance for credit losses	(513)	(1,314)
Total finance receivables, net	\$ 107,354	\$ 97,506
Current portion	\$ 53,651	\$ 41,847
Non-current portion	53,703	55,659
Total finance receivables, net	\$ 107,354	\$ 97,506
Net finance receivables subject to fair value (a)	\$ 99,168	\$ 89,663
Fair value (b)	99,297	91,068

(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 third quarter of 2019 and 2020 was \$90 million and \$96 million, respectively, and for the first nine months of 2019 and 2020 was \$279 million and \$268 million, respectively, and is included in *Ford Credit revenues* on our consolidated income statements.

At December 31, 2019 and September 30, 2020, accrued interest was \$251 million and \$184 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 September 30, 2020, were consumer receivables of \$38.3 billion and \$41.1 billion, respectively, and non-consumer receivables of \$26.8 billion and \$17.4 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 September 30, 2020, there were \$38 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):

	<u>Total</u>
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	<u>\$ 73,882</u>

The credit quality analysis of consumer receivables at September 30, 2020 was as follows (in millions):

	<u>Amortized Cost Basis by Origination Year</u>						<u>Total</u>
	<u>Prior to 2016</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	
Consumer							
31 - 60 days past due	\$ 45	\$ 58	\$ 99	\$ 141	\$ 141	\$ 76	\$ 560
61 - 120 days past due	7	14	28	45	48	22	164
Greater than 120 days past due	13	7	7	8	7	1	43
Total past due	65	79	134	194	196	99	767
Current	1,141	3,290	8,001	15,444	22,492	26,264	76,632
Total	<u>\$ 1,206</u>	<u>\$ 3,369</u>	<u>\$ 8,135</u>	<u>\$ 15,638</u>	<u>\$ 22,688</u>	<u>\$ 26,363</u>	<u>\$ 77,399</u>

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):

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

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

The credit quality analysis of dealer financing receivables at September 30, 2020 was as follows (in millions):

	<u>Amortized Cost Basis by Origination Year</u>						<u>Total</u>	<u>Wholesale Loans</u>	<u>Total</u>
	<u>Dealer Loans</u>								
	<u>Prior to 2016</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>			
Group I	\$ 528	\$ 130	\$ 142	\$ 132	\$ 73	\$ 300	\$ 1,305	\$ 13,823	\$ 15,128
Group II	46	21	15	35	4	89	210	4,520	4,730
Group III	9	—	3	17	3	41	73	1,356	1,429
Group IV	2	3	—	—	2	5	12	122	134
Total (a)	<u>\$ 585</u>	<u>\$ 154</u>	<u>\$ 160</u>	<u>\$ 184</u>	<u>\$ 82</u>	<u>\$ 435</u>	<u>\$ 1,600</u>	<u>\$ 19,821</u>	<u>\$ 21,421</u>

(a) Total past due dealer financing receivables at September 30, 2020 were \$126 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 offered various programs to provide relief to customers and dealers impacted by COVID-19. These programs, which were broadly available to all customers and dealers during the first half of 2020, included payment extensions. Ford Credit concluded that these programs did not meet TDR criteria. As of September 30, 2020, in the United States, Ford Credit has received payments on nearly all the pandemic extensions offered to its customers, and no dealers were delinquent on their payments. The volume of payment extensions has returned to pre-COVID-19 levels and Ford Credit continues to grant payment extensions to customers and dealers under its normal business practices.

**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.

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

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

Non-Consumer Portfolio

Dealer financing includes wholesale loans to dealers to finance vehicle inventory, also known as floorplan financing, as well as loans to dealers to finance working capital, improvements to dealership facilities, 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 September 30 was as follows (in millions):

	Third Quarter 2019 (a)			First Nine Months 2019 (a)		
	Consumer	Non-Consumer	Total	Consumer	Non-Consumer	Total
Allowance for credit losses						
Beginning balance	\$ 496	\$ 17	\$ 513	\$ 566	\$ 23	\$ 589
Charge-offs	(129)	(1)	(130)	(383)	(18)	(401)
Recoveries	41	—	41	129	8	137
Provision for credit losses	93	—	93	187	2	189
Other (b)	(3)	(1)	(4)	(1)	—	(1)
Ending balance	<u>\$ 498</u>	<u>\$ 15</u>	<u>\$ 513</u>	<u>\$ 498</u>	<u>\$ 15</u>	<u>\$ 513</u>
	Third Quarter 2020			First Nine Months 2020		
	Consumer	Non-Consumer	Total	Consumer	Non-Consumer	Total
Allowance for credit losses						
Beginning balance	\$ 1,211	\$ 74	\$ 1,285	\$ 496	\$ 17	\$ 513
Adoption of ASU 2016-13 (c)	—	—	—	247	5	252
Charge-offs	(104)	(5)	(109)	(329)	(6)	(335)
Recoveries	41	2	43	117	5	122
Provision for credit losses	95	(9)	86	723	42	765
Other (b)	8	1	9	(3)	—	(3)
Ending balance	<u>\$ 1,251</u>	<u>\$ 63</u>	<u>\$ 1,314</u>	<u>\$ 1,251</u>	<u>\$ 63</u>	<u>\$ 1,314</u>

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

(b) Primarily represents amounts related to translation adjustments.

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

During the third quarter and first nine months of 2020, the allowance for credit losses increased \$29 million and \$801 million, respectively. The change in the third quarter of 2020 reflects an increase to the reserve of \$20 million associated with higher balances in Ford Credit's finance receivables portfolio, as well as an increase for translation adjustments. The relatively moderate reserve increase in the third quarter of 2020 also reflects Ford Credit's view that future economic conditions are largely unchanged from its assumptions at June 30, 2020. The change in the first nine months of 2020 reflects an increase to the reserve of \$252 million related to the adoption of ASU 2016-13, with the remainder primarily related to economic conditions attributable to the COVID-19 pandemic.

The change to the reserve due to the impact of COVID-19 reflects economic uncertainty which, along with the expectation of continued higher unemployment, has increased the probability of default and loss given default rates used in Ford Credit's estimate of the lifetime expected credit losses for its consumer portfolio, especially in the United States. These economic trends and conditions are also expected to negatively impact dealers. Although net charge-offs during the third quarter and first nine months of 2020 remained low, reflecting government relief programs and customer payment deferral programs, the future impact of COVID-19 on credit losses is expected to be adverse.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. INVENTORIES

Inventories were as follows (in millions):

	December 31, 2019	September 30, 2020
Raw materials, work-in-process, and supplies	\$ 4,402	\$ 4,401
Finished products	6,384	6,182
Total inventories	<u>\$ 10,786</u>	<u>\$ 10,583</u>

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 \$1.7 billion at December 31, 2019 and September 30, 2020, respectively. The increase from December 31, 2019 primarily reflects our preferred security investment in Argo AI in the second quarter of 2020. See Note 17 for additional information relating to our Argo AI and VW transaction. In the third quarter of 2020, there were no material adjustments to the fair values of these investments held at September 30, 2020.

NOTE 11. GOODWILL

The net carrying amount of goodwill was \$278 million and \$258 million at December 31, 2019 and September 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	September 30, 2020
Current		
Dealer and dealers' customer allowances and claims	\$ 13,113	\$ 10,958
Deferred revenue	2,091	2,137
Employee benefit plans	1,857	1,434
Accrued interest	1,128	1,186
OPEB (a)	332	329
Pension (a)	185	186
Operating lease liabilities	367	331
Other	3,914	3,732
Total current other liabilities and deferred revenue	<u>\$ 22,987</u>	<u>\$ 20,293</u>
Non-current		
Pension (a)	\$ 9,878	\$ 9,718
OPEB (a)	5,740	5,684
Dealer and dealers' customer allowances and claims	1,921	3,366
Deferred revenue	4,191	4,374
Operating lease liabilities	1,047	955
Employee benefit plans	1,104	1,125
Other	1,443	1,604
Total non-current other liabilities and deferred revenue	<u>\$ 25,324</u>	<u>\$ 26,826</u>

(a) Balances at September 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 \$4.1 billion at December 31, 2019 and September 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 September 30 were as follows (in millions):

	Third Quarter					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Worldwide OPEB	
	2019	2020	2019	2020	2019	2020
Service cost	\$ 121	\$ 130	\$ 125	\$ 135	\$ 11	\$ 12
Interest cost	381	322	170	130	53	43
Expected return on assets	(674)	(699)	(277)	(272)	—	—
Amortization of prior service costs/(credits)	22	1	8	8	(18)	(4)
Net remeasurement (gain)/loss	263	(1)	43	55	—	—
Separation programs/other	7	—	78	66	—	(1)
Settlements and curtailments	(16)	1	(19)	74	—	—
Net periodic benefit cost/(income)	<u>\$ 104</u>	<u>\$ (246)</u>	<u>\$ 128</u>	<u>\$ 196</u>	<u>\$ 46</u>	<u>\$ 50</u>

	First Nine Months					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Worldwide OPEB	
	2019	2020	2019	2020	2019	2020
Service cost	\$ 349	\$ 390	\$ 381	\$ 393	\$ 33	\$ 35
Interest cost	1,199	968	519	393	158	127
Expected return on assets	(1,972)	(2,097)	(844)	(793)	—	—
Amortization of prior service costs/(credits)	65	3	25	25	(53)	(12)
Net remeasurement (gain)/loss	253	3	43	(177)	—	58
Separation programs/other	8	13	322	123	—	(1)
Settlements and curtailments	(66)	5	(19)	92	—	(2)
Net periodic benefit cost/(income)	<u>\$ (164)</u>	<u>\$ (715)</u>	<u>\$ 427</u>	<u>\$ 56</u>	<u>\$ 138</u>	<u>\$ 205</u>

The service cost component is included in *Cost of sales* and *Selling, administrative, and other expenses*. Other components of net periodic benefit cost/(income) are included in *Other income/(loss), net* on our consolidated income statements.

As part of our ongoing global redesign activities, we recognized additional expense of \$50 million and \$92 million in the third quarter of 2019 and 2020, respectively, and \$245 million and \$167 million in the first nine months of 2019 and 2020, respectively, related to separation programs, settlements, and curtailments.

The settlements and curtailments required plan remeasurements at current discount rates, asset returns, and economic conditions. This resulted in remeasurement losses of \$54 million in the third quarter and gains of \$116 million in the first nine months of 2020. Until our global redesign actions are completed, we anticipate further adjustments to our plans in subsequent periods.

In the third quarter of 2020, we also recognized a settlement loss of \$48 million related to a non-US pension plan.

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 nine months of 2020, we contributed \$429 million to our worldwide funded pension plans and made \$267 million of benefit payments to participants in unfunded plans.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. DEBT

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

	December 31, 2019	September 30, 2020
Automotive		
Debt payable within one year		
Short-term	\$ 315	\$ 807
Long-term payable within one year		
U.S. Department of Energy Advanced Technology Vehicles Manufacturing ("DOE ATVM") Incentive Program (a)	591	148
Other debt	540	414
Unamortized (discount)/premium	(1)	(1)
Total debt payable within one year	1,445	1,368
Long-term debt payable after one year (b)		
Public unsecured debt securities (c)	10,583	18,583
Delayed draw term loan	1,500	1,500
DOE ATVM Incentive Program (a)	880	1,101
Other debt (d)	547	1,611
Unamortized (discount)/premium	(161)	(239)
Unamortized issuance costs	(116)	(193)
Total long-term debt payable after one year	13,233	22,363
Total Automotive	\$ 14,678	\$ 23,731
Fair value of Automotive debt (e)	\$ 15,606	\$ 25,793
Ford Credit		
Debt payable within one year		
Short-term	\$ 13,717	\$ 10,231
Long-term payable within one year		
Unsecured debt	15,062	18,568
Asset-backed debt	23,609	20,619
Unamortized (discount)/premium	1	3
Unamortized issuance costs	(17)	(18)
Fair value adjustments (f)	(1)	44
Total debt payable within one year	52,371	49,447
Long-term debt payable after one year		
Unsecured debt	55,148	49,946
Asset-backed debt	32,162	32,326
Unamortized (discount)/premium	6	(1)
Unamortized issuance costs	(197)	(202)
Fair value adjustments (f)	539	1,557
Total long-term debt payable after one year	87,658	83,626
Total Ford Credit	\$ 140,029	\$ 133,073
Fair value of Ford Credit debt (e)	\$ 141,678	\$ 132,647
Other		
Long-term debt payable within one year	\$ 130	\$ 180
Long-term debt payable after one year		
Unsecured debt	474	295
Unamortized (discount)/premium and issuance costs	(4)	(4)
Total long-term debt payable after one year	470	291
Total Other	\$ 600	\$ 471
Fair value of Other debt	\$ 720	\$ 549

(a) 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.

(b) In the first quarter of 2020, we drew \$15.4 billion under our corporate credit facilities and fully repaid these facilities in the third quarter of 2020.

(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 \$807 million of Automotive short-term debt and \$12.8 billion and \$9.9 billion of Ford Credit short-term debt at December 31, 2019 and September 30, 2020, respectively, carried at cost, which approximates fair value. All other 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 \$42.8 billion at December 31, 2019 and September 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 September 30 were as follows (in millions):

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
Cash flow hedges				
Reclassified from AOCI to Cost of sales				
Foreign currency exchange contracts (a)	\$ (8)	\$ 6	\$ 90	\$ (68)
Commodity contracts (b)	(10)	(22)	(21)	(50)
Fair value hedges				
Interest rate contracts				
Net interest settlements and accruals on hedging instruments	—	94	(32)	190
Fair value changes on hedging instruments	203	(103)	927	1,119
Fair value changes on hedged debt	(194)	96	(910)	(1,095)
Cross-currency interest rate swap contracts (c)				
Net interest settlements and accruals on hedging instruments	—	(1)	—	(1)
Fair value changes on hedging instruments	—	(10)	—	(10)
Fair value changes on hedged debt	—	6	—	6
Derivatives not designated as hedging instruments				
Foreign currency exchange contracts (d)	347	(349)	324	(37)
Cross-currency interest rate swap contracts	(257)	210	(261)	213
Interest rate contracts	18	(4)	(12)	(90)
Commodity contracts	(8)	19	(9)	(12)
Total	\$ 91	\$ (58)	\$ 96	\$ 165

- (a) For the third quarter and first nine months of 2019, a \$68 million loss and a \$384 million loss, respectively, were reported in *Other comprehensive income/(loss), net of tax*. For the third quarter and first nine months of 2020, a \$132 million loss and a \$684 million gain, respectively, were reported in *Other comprehensive income/(loss), net of tax*.
- (b) For the third quarter and first nine months of 2019, a \$32 million loss and a \$58 million loss, respectively, were reported in *Other comprehensive income/(loss), net of tax*. For the third quarter and first nine months of 2020, a \$36 million gain and a \$48 million loss, respectively, were reported in *Other comprehensive income/(loss), net of tax*.
- (c) During the third quarter of 2020, we began designating cross-currency interest rate swap contracts. We enter into cross-currency interest rate swaps to hedge our exposure to interest rate risk and foreign currency risk associated with the issuance of foreign denominated long-term debt. We report the change in fair value of the hedged debt and hedging instrument related to the change in the benchmark interest rate in *Ford Credit interest, operating, and other expenses*. We report the change in fair value of the hedged debt and hedging instrument related to foreign currency in *Other income/(loss), net*.
- (d) For the third quarter and first nine months of 2019, a \$193 million gain and a \$136 million gain were reported in *Cost of sales*, respectively, and a \$154 million gain and a \$188 million gain were reported in *Other income/(loss), net*, respectively. For the third quarter and first nine months of 2020, a \$242 million loss and a \$97 million loss were reported in *Cost of sales*, respectively, and a \$107 million loss and a \$60 million gain were reported in *Other income/(loss), net*, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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

Derivative assets and liabilities are reported on our consolidated balance 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			September 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	\$ 14,100	\$ 217	\$ 76
Commodity contracts	673	5	29	631	9	29
Fair value hedges						
Interest rate contracts	26,577	702	19	23,224	1,417	1
Cross-currency interest rate swap contracts	—	—	—	885	—	11
Derivatives not designated as hedging instruments						
Foreign currency exchange contracts	19,350	58	270	21,758	244	126
Cross-currency interest rate swap contracts	5,849	134	67	6,285	377	20
Interest rate contracts	68,914	275	191	71,071	675	510
Commodity contracts	467	9	9	506	31	8
Total derivative financial instruments, gross (a) (b)	\$ 137,179	\$ 1,230	\$ 1,078	\$ 138,460	\$ 2,970	\$ 781
Current portion		\$ 390	\$ 772		\$ 1,169	\$ 517
Non-current portion		840	306		1,801	264
Total derivative financial instruments, gross		\$ 1,230	\$ 1,078		\$ 2,970	\$ 781

(a) At December 31, 2019 and September 30, 2020, we held collateral of \$18 million and \$11 million, respectively, and we posted collateral of \$78 million and \$103 million, respectively.

(b) At December 31, 2019 and September 30, 2020, the fair value of assets and liabilities available for counterparty netting was \$269 million and \$469 million, respectively. All derivatives are categorized within Level 2 of the fair value hierarchy.

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

NOTE 16. EMPLOYEE SEPARATION ACTIONS AND EXIT AND DISPOSAL ACTIVITIES

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

Automotive Segment

Global Redesign

As previously announced, we are executing a global redesign of our business. Redesign-related activities, including employee separation costs, facility-related charges, payments to dealers and suppliers, and other expenses, are recorded in *Cost of sales* and *Selling, administrative, and other expenses*. See Note 17 for additional information related to assets held for sale. 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. In the third quarter of 2020, Ford Brazil completed a sale of the plant machinery and equipment, and also entered into a separate agreement to sell the land and buildings.

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.

In the third quarter of 2020, we committed to a plan to sell certain manufacturing assets, which are not part of the restructured Ford Sollers joint venture.

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. Ford of Britain ceased production at the Bridgend plant and the facility was closed in September 2020.

India. In the third quarter of 2019, Ford committed to a plan to sell specific net assets in our India Automotive operations.

Other Global Redesign Actions. In 2018, we announced our plan to end production at the Ford Aquitaine Industries plant in Bordeaux, France. We ceased production and the facility was closed in July 2019. 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. We ceased production of the C-Max in June 2019. In addition, we are continuing to reduce our global workforce and take other restructuring actions.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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

The following table summarizes the redesign-related activities for the periods ended September 30, which are recorded in *Other liabilities and deferred revenue* (in millions):

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
Beginning balance	\$ 929	\$ 524	\$ 291	\$ 734
Changes in accruals (a)	173	109	1,181	203
Payments	(334)	(105)	(692)	(376)
Foreign currency translation	(39)	11	(51)	(22)
Ending balance	<u>\$ 729</u>	<u>\$ 539</u>	<u>\$ 729</u>	<u>\$ 539</u>

(a) Excludes pension costs of \$49 million and \$92 million in the third quarter of 2019 and 2020, respectively, and \$244 million and \$167 million in the first nine months of 2019 and 2020, respectively.

We also recorded \$821 million and \$64 million in the third quarter of 2019 and 2020, respectively, and \$1.4 billion and \$114 million in the first nine months of 2019 and 2020, respectively, for the impairment of long-lived assets, 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.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. HELD-FOR-SALE OPERATIONS AND CHANGES IN INVESTMENTS IN AFFILIATES**Automotive Segment**

Brazil and Russia. In the third quarter of 2020, as part of our global redesign, we committed to plans to sell manufacturing assets in Brazil and Russia. As a result, we classified assets of \$39 million as held for sale at September 30, 2020.

India. 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, we will sell certain India Automotive operations to the joint venture. The sale was expected to close within twelve months of the definitive agreement, but has been deferred primarily due to COVID-19 related shutdowns, which have delayed the necessary regulatory approvals and other steps required to establish the joint venture. Although completion of the transaction has extended beyond our initial expectations, our assessment of the planned sale is that it is still probable. Accordingly, as we continue to meet the held-for-sale classification criteria, 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	September 30, 2020
Assets		
Trade and other receivables, net	\$ 269	\$ 141
Inventories	208	185
Other assets, current	147	99
Net property	279	270
Other assets, non-current	10	8
Total assets of held-for-sale operations	913	703
Less: Intercompany asset balances	(228)	(122)
Automotive segment total assets of held-for-sale operations (a)	<u>\$ 685</u>	<u>\$ 581</u>
Liabilities		
Payables	\$ 461	\$ 372
Other liabilities and deferred revenue, current	71	65
Automotive debt payable within one year	90	84
Other liabilities and deferred revenue, non-current	28	25
Total liabilities of held-for-sale operations	650	546
Less: Intercompany liability balances	(169)	(141)
Automotive segment total liabilities of held-for-sale operations (a)	<u>\$ 481</u>	<u>\$ 405</u>

(a) As of December 31, 2019 and September 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.

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

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

We recognized pre-tax impairment charges of \$804 million in 2019, of which \$799 million was recorded in the third quarter of 2019, and \$3 million and \$21 million in the third quarter and first nine months 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 immediately after the transaction consisted 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 our share of the carrying value of Argo AI's net assets primarily related to indefinite-lived assets. We also 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 September 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

(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 September 30 were as follows (in millions):

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
Foreign currency translation				
Beginning balance	\$ (4,684)	\$ (6,181)	\$ (4,800)	\$ (4,626)
Gains/(Losses) on foreign currency translation	(301)	(126)	(169)	(1,673)
Less: Tax/(Tax benefit)	58	(60)	74	(83)
Net gains/(losses) on foreign currency translation	(359)	(66)	(243)	(1,590)
(Gains)/Losses reclassified from AOCI to net income (a)	(1)	(3)	(1)	(34)
Other comprehensive income/(loss), net of tax	(360)	(69)	(244)	(1,624)
Ending balance	\$ (5,044)	\$ (6,250)	\$ (5,044)	\$ (6,250)
Marketable securities				
Beginning balance	\$ 63	\$ 184	\$ (59)	\$ 71
Gains/(Losses) on available for sale securities	15	(8)	169	157
Less: Tax/(Tax benefit)	4	(2)	40	36
Net gains/(losses) on available for sale securities	11	(6)	129	121
(Gains)/Losses reclassified from AOCI to net income	(3)	(15)	2	(33)
Less: Tax/(Tax benefit)	—	(4)	1	(8)
Net (gains)/losses reclassified from AOCI to net income	(3)	(11)	1	(25)
Other comprehensive income/(loss), net of tax	8	(17)	130	96
Ending balance	\$ 71	\$ 167	\$ 71	\$ 167
Derivative instruments				
Beginning balance	\$ (128)	\$ 180	\$ 201	\$ (488)
Gains/(Losses) on derivative instruments	(100)	(96)	(442)	636
Less: Tax/(Tax benefit)	(17)	(15)	(95)	135
Net gains/(losses) on derivative instruments	(83)	(81)	(347)	501
(Gains)/Losses reclassified from AOCI to net income	18	16	(69)	118
Less: Tax/(Tax benefit)	4	6	(18)	22
Net (gains)/losses reclassified from AOCI to net income (b)	14	10	(51)	96
Other comprehensive income/(loss), net of tax	(69)	(71)	(398)	597
Ending balance	\$ (197)	\$ 109	\$ (197)	\$ 109
Pension and other postretirement benefits				
Beginning balance	\$ (2,687)	\$ (2,654)	\$ (2,708)	\$ (2,685)
Amortization and recognition of prior service costs/(credits)	12	29	37	55
Less: Tax/(Tax benefit)	2	6	7	10
Net prior service costs/(credits) reclassified from AOCI to net income	10	23	30	45
Translation impact on non-U.S. plans	5	(8)	6	1
Other comprehensive income/(loss), net of tax	15	15	36	46
Ending balance	\$ (2,672)	\$ (2,639)	\$ (2,672)	\$ (2,639)
Total AOCI ending balance at September 30	\$ (7,842)	\$ (8,613)	\$ (7,842)	\$ (8,613)

(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 \$155 million. See Note 15 for additional information.

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

NOTE 19. COMMITMENTS AND CONTINGENCIES

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

Guarantees and Indemnifications

Financial Guarantees. Financial guarantees and indemnifications are recorded at fair value at their inception. Subsequent to initial recognition, the guarantee liability is adjusted at each reporting period to reflect the current estimate of expected payments resulting from possible default events over the remaining life of the guarantee. The probability of default is applied to the expected exposure at the time of default less recoveries to determine the expected payments. Factors to consider when estimating the probability of default include the obligor's financial position, forecasted economic environment, historical loss rates, and other communications. The liability recorded represents Ford's exposure to credit risk. The maximum potential payments for financial guarantees were \$162 million and \$437 million at December 31, 2019 and September 30, 2020, respectively. The carrying value of recorded liabilities related to financial guarantees was \$33 million and \$40 million at December 31, 2019 and September 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 \$266 million at December 31, 2019 and September 30, 2020, respectively. The carrying value of recorded liabilities related to non-financial guarantees was \$200 million and \$59 million at December 31, 2019 and September 30, 2020, respectively.

We guarantee the resale value of vehicles sold in certain arrangements to daily rental companies. The maximum potential payment of \$260 million as of September 30, 2020 represents the total proceeds we guarantee the rental company will receive on resale. Reflecting our present estimate of proceeds the rental companies will receive on resale from third parties, we have recorded \$58 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 \$900 million.

As noted, the litigation process is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Our assessments are based on our knowledge and experience, but the ultimate outcome of any matter could require payment substantially in excess of the amount that we have accrued and / or disclosed.

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 September 30 was as follows (in millions):

	First Nine Months	
	2019	2020
Beginning balance	\$ 5,137	\$ 5,702
Payments made during the period	(3,395)	(2,913)
Changes in accrual related to warranties issued during the period	2,180	2,419
Changes in accrual related to pre-existing warranties	1,355	1,451
Foreign currency translation and other	(57)	(75)
Ending balance	<u>\$ 5,220</u>	<u>\$ 6,584</u>

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

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

NOTE 20. SEGMENT INFORMATION

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

Automotive Segment

Our Automotive segment primarily includes the sale of Ford and Lincoln vehicles, service parts, and accessories worldwide, together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories. This segment includes revenues and costs related to our electrification vehicle programs. The segment includes the following regional business units: North America, South America, Europe, China (including Taiwan), and the International Markets Group.

Mobility Segment

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

Ford Credit Segment

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

Corporate Other

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

Interest on Debt

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

Special Items

Special Items are presented as a separate reconciling item. They consist of (i) pension and OPEB rereasurement gains and losses, (ii) significant personnel expenses, dealer-related costs, and facility-related charges stemming from our efforts to match production capacity and cost structure to market demand and changing model mix, and (iii) other items that we do not necessarily consider to be indicative of earnings from ongoing operating activities. Our management excludes these items from its review of the results of the operating segments for purposes of measuring segment profitability and allocating resources. We also report these special items separately to help investors track amounts related to these activities and to allow investors analyzing our results to identify certain infrequent significant items that they may wish to exclude when considering the trend of ongoing operating results.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. SEGMENT INFORMATION (Continued)

Key financial information for the periods ended or at September 30 was as follows (in millions):

	<u>Automotive</u>	<u>Mobility</u>	<u>Ford Credit</u>	<u>Corporate Other</u>	<u>Interest on Debt</u>	<u>Special Items</u>	<u>Adjustments</u>	<u>Total</u>
Third Quarter 2019								
Revenues	\$ 33,931	\$ 14	\$ 3,045	\$ —	\$ —	\$ —	\$ —	\$ 36,990
Income/(loss) before income taxes	1,329	(290)	736	18	(276)	(1,536)	—	(19)
Equity in net income/(loss) of affiliated companies	(27)	2	9	—	—	—	—	(16)
Cash, cash equivalents, marketable securities, and restricted cash	22,194	135	15,160	—	—	—	—	37,489
Total assets	101,865	1,193	160,322	—	—	—	(5,223) (a)	258,157
Third Quarter 2020								
Revenues	\$ 34,707	\$ 20	\$ 2,774	\$ —	\$ —	\$ —	\$ —	\$ 37,501
Income/(loss) before income taxes	2,644	(281)	1,123	158	(498)	(390)	—	2,756
Equity in net income/(loss) of affiliated companies	115	(58)	4	—	—	(3)	—	58
Cash, cash equivalents, marketable securities, and restricted cash	29,473	67	15,500	—	—	—	—	45,040
Total assets	107,097	4,082	153,799	—	—	—	(5,035) (a)	259,943
	<u>Automotive</u>	<u>Mobility</u>	<u>Ford Credit</u>	<u>Corporate Other</u>	<u>Interest on Debt</u>	<u>Special Items</u>	<u>Adjustments</u>	<u>Total</u>
First Nine Months 2019								
Revenues	\$ 106,928	\$ 26	\$ 9,231	\$ —	\$ —	\$ —	\$ —	\$ 116,185
Income/(loss) before income taxes	4,711	(842)	2,368	(343)	(765)	(3,333)	—	1,796
Equity in net income/(loss) of affiliated companies	62	11	23	—	—	—	—	96
First Nine Months 2020								
Revenues	\$ 82,669	\$ 43	\$ 8,480	\$ —	\$ —	\$ —	\$ —	\$ 91,192
Income/(loss) before income taxes	378	(947)	1,696	(61)	(1,175)	2,803	—	2,694
Equity in net income/(loss) of affiliated companies	59	(70)	12	—	—	(9)	—	(8)

(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, which presently includes areas within Mexico and Europe.

Remote Work Arrangements and Resumption of Manufacturing Operations

The remote work arrangements that we implemented earlier this year remain in place in most locations. 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 successful 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.

Liquidity

We ended the third quarter of 2020 with \$45 billion of liquidity, including nearly \$30 billion of cash. During the third quarter, we fully repaid the drawn amounts under our \$15.5 billion corporate revolvers.

Enhanced Safety Standards

When we returned to work, we established new protocols to help protect the health and safety of our workforce. Those measures remain in place today, including a daily, online health self-certification, a no-touch temperature scan upon entering our facilities, a policy requiring the use of face masks in our facilities, and measures to provide additional personal protective equipment, including face shields, when employees' jobs do not allow them to socially distance. We have also enhanced our cleaning protocols and adjusted our operating patterns and breaks to reduce potential employee interaction where possible.

Medical Supplies

We continue to produce medical masks for our employees and dealers. In addition, we have donated 25 million medical-grade face masks to communities in need across the United States, a quarter of the way to reaching our goal of donating 100 million masks through 2021.

Forward Looking Information

The full impact of COVID-19 on future results depends 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. Despite the successful restart of our manufacturing operations in the second quarter of 2020 and the strong results we delivered in the third quarter of 2020, we expect our full year 2020 results of operations to be adversely affected by COVID-19. Moreover, new restrictions, such as those that are presently in effect in Mexico and Europe, could have an adverse effect on production, supply chains, distribution, and demand for vehicles. For additional information on the impact and potential impact of COVID-19 on us, please see Item 1A. Risk Factors on page 74.

RESULTS OF OPERATIONS

In the third quarter of 2020, the net income attributable to Ford Motor Company was \$2,385 million, and Company adjusted EBIT was \$3,644 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):

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
Global Redesign				
Europe excl. Russia	\$ (215)	\$ (211)	\$ (1,039)	\$ (410)
India	(799)	(3)	(799)	(21)
South America	(43)	(52)	(479)	(70)
Russia	24	1	(358)	18
China	—	(3)	(2)	(9)
Separations and Other (not included above)	(10)	—	(91)	(1)
Subtotal Global Redesign	\$ (1,043)	\$ (268)	\$ (2,768)	\$ (493)
Other Items				
Gain on transaction with Argo AI and VW	\$ —	\$ —	\$ —	\$ 3,454
Other incl. Focus Cancellation, Transit Connect Customs Ruling, North America Hourly Buyouts, and Chariot (a)	(187)	(20)	(270)	(226)
Subtotal Other Items	\$ (187)	\$ (20)	\$ (270)	\$ 3,228
Pension and OPEB Gain/(Loss)				
Pension and OPEB remeasurement	\$ (306)	\$ (54)	\$ (295)	\$ 116
Pension settlements and curtailments	—	(48)	—	(48)
Subtotal Pension and OPEB Gain/(Loss)	\$ (306)	\$ (102)	\$ (295)	\$ 68
Total EBIT Special Items	\$ (1,536)	\$ (390)	\$ (3,333)	\$ 2,803
Cash effect of Global Redesign (incl. separations)	\$ (334)	\$ (105)	\$ (692)	\$ (376)
Tax special items (b)	\$ 605	\$ 159	\$ 828	\$ (1,583)

(a) Transit Connect impact of \$187 million was accrued in the third quarter of 2019 and paid in the second half of 2020.

(b) Includes related tax effect on special items and tax special items.

We recorded \$390 million of pre-tax special item charges in the third quarter of 2020, primarily reflecting global redesign actions in Europe.

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 third quarter 2020 key metrics for the Company, compared to a year ago.

	Third Quarter			First Nine Months		
	2019	2020	H / (L)	2019	2020	H / (L)
GAAP Financial Measures						
Cash Flows from Operating Activities (\$B)	\$ 4.7	\$ 11.1	\$ 6.4	\$ 14.7	\$ 19.7	\$ 5.0
Revenue (\$M)	36,990	37,501	1%	116,185	91,192	(22)%
Net Income/(Loss) (\$M)	425	2,385	1,960	1,719	1,509	(210)
Net Income/(Loss) Margin (%)	1.1%	6.4%	5.2 pts	1.5%	1.7%	0.2 pts
EPS (Diluted)	\$ 0.11	\$ 0.60	\$ 0.49	\$ 0.43	\$ 0.38	\$ (0.05)
Non-GAAP Financial Measures (a)						
Company Adj. Free Cash Flow (\$B)	\$ 0.2	\$ 6.3	\$ 6.1	\$ 2.3	\$ (1.2)	\$ (3.5)
Company Adj. EBIT (\$M)	1,793	3,644	1,851	5,894	1,066	(4,828)
Company Adj. EBIT Margin (%)	4.8%	9.7%	4.9 pts	5.1%	1.2%	(3.9) pts
Adjusted EPS (Diluted)	\$ 0.34	\$ 0.65	\$ 0.31	\$ 1.06	\$ 0.07	\$ (0.99)
Adjusted ROIC (Trailing Four Quarters)	9.0%	(0.4)%	(9.4) pts			

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

In the third quarter of 2020, our diluted earnings per share of Common and Class B Stock was \$0.60 and our diluted adjusted earnings per share was \$0.65.

Net income/(loss) margin was 6.4% in the third quarter of 2020, up 5.2 percentage points from a year ago. Company adjusted EBIT margin was 9.7% in the third quarter of 2020, up 4.9 percentage points from a year ago.

The year-over-year increases of \$1,960 million in net income/(loss) and \$1,851 million in Company adjusted EBIT in the third quarter of 2020 were driven by improvements in Automotive EBIT and Ford Credit EBT.

Our results in the third quarter of 2020, particularly in North America, were largely due to short-term offsets to the negative impact COVID-19 has had on our operations and the automotive industry in general. Specifically, demand for new vehicles was higher than expected, and with inventories limited due to the suspension of production in the first half of the year, pricing was healthy and incentives were lower.

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

	Third Quarter			First Nine Months		
	2019	2020	H / (L)	2019	2020	H / (L)
Automotive	\$ 1,329	\$ 2,644	\$ 1,315	\$ 4,711	\$ 378	\$ (4,333)
Mobility	(290)	(281)	9	(842)	(947)	(105)
Ford Credit	736	1,123	387	2,368	1,696	(672)
Corporate Other	18	158	140	(343)	(61)	282
Company Adjusted EBIT (a)	1,793	3,644	1,851	5,894	1,066	(4,828)
Interest on Debt	(276)	(498)	222	(765)	(1,175)	410
Special Items	(1,536)	(390)	(1,146)	(3,333)	2,803	(6,136)
Taxes / Noncontrolling Interests	444	(371)	815	(77)	(1,185)	1,108
Net Income/(Loss)	\$ 425	\$ 2,385	\$ 1,960	\$ 1,719	\$ 1,509	\$ (210)

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

Automotive Segment

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

	Third Quarter			First Nine Months		
	2019	2020	H / (L)	2019	2020	H / (L)
North America	\$ 2,012	\$ 3,178	\$ 1,166	\$ 5,912	\$ 2,550	\$ (3,362)
South America	(165)	(108)	57	(527)	(386)	141
Europe	(144)	(440)	(296)	51	(1,247)	(1,298)
China (including Taiwan)	(281)	(58)	223	(565)	(435)	130
International Markets Group	(93)	72	165	(160)	(104)	56
Automotive Segment	<u>\$ 1,329</u>	<u>\$ 2,644</u>	<u>\$ 1,315</u>	<u>\$ 4,711</u>	<u>\$ 378</u>	<u>\$ (4,333)</u>

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

Key Metrics	Third Quarter			First Nine Months		
	2019	2020	H / (L)	2019	2020	H / (L)
Market Share (%)	6.0 %	6.0 %	— pts	6.1 %	6.0 %	(0.1) pts
Wholesale Units (000)	1,244	1,178	(66)	4,034	2,949	(1,084)
Revenue (\$M)	\$ 33,931	\$ 34,707	\$ 776	\$ 106,928	\$ 82,669	\$ (24,259)
EBIT (\$M)	1,329	2,644	1,315	4,711	378	(4,333)
EBIT Margin (%)	3.9 %	7.6 %	3.7 pts	4.4 %	0.5 %	(3.9) pts

Change in EBIT by Causal Factor (in millions)

Third Quarter 2019 EBIT	\$ 1,329
Volume / Mix	(198)
Net Pricing	1,461
Cost	(61)
Exchange	(39)
Other	152
Third Quarter 2020 EBIT	<u>\$ 2,644</u>

In the third quarter of 2020, wholesales were down 5 percent driven by lower industry volume. Third quarter 2020 revenue was up 2 percent, driven by favorable mix and higher net pricing, partially offset by lower volume.

Our third quarter 2020 Automotive segment EBIT was \$2.6 billion, up \$1.3 billion from a year ago, and our third quarter 2020 Automotive EBIT margin was 7.6 percent. The higher EBIT was driven by higher net pricing and lower structural cost, partially offset by higher material cost related to product updates and lower volume and mix.

North America

Key Metrics	Third Quarter			First Nine Months		
	2019	2020	H / (L)	2019	2020	H / (L)
Market Share (%)	12.6 %	13.6 %	1.0 ppts	13.3 %	13.8 %	0.5 ppts
Wholesale Units (000)	639	651	11	2,085	1,541	(544)
Revenue (\$M)	\$ 23,379	\$ 25,333	\$ 1,954	\$ 72,738	\$ 58,084	\$ (14,654)
EBIT (\$M)	2,012	3,178	1,166	5,912	2,550	(3,362)
EBIT Margin (%)	8.6 %	12.5 %	3.9 ppts	8.1 %	4.4 %	(3.7) ppts
Change in EBIT by Causal Factor (in millions)						
Third Quarter 2019 EBIT						\$ 2,012
Volume / Mix						362
Net Pricing						931
Cost						(95)
Exchange						(28)
Other						(4)
Third Quarter 2020 EBIT						\$ 3,178

In North America, third quarter 2020 wholesales increased 2 percent from a year ago, reflecting higher production to replenish dealer inventories and meet customer demand. Third quarter 2020 revenue increased 8 percent, driven by favorable mix, higher net pricing on new products, and lower industry incentive spending.

North America's third quarter 2020 EBIT improved \$1.2 billion from a year ago with an EBIT margin of 12.5 percent. The EBIT improvement was primarily driven by higher net pricing, improved product mix, and lower cost as a result of COVID-19, partially offset by increased product cost.

South America

Key Metrics	Third Quarter			First Nine Months		
	2019	2020	H / (L)	2019	2020	H / (L)
Market Share (%)	7.1%	5.7%	(1.4) ppts	7.4%	6.3%	(1.1) ppts
Wholesale Units (000)	79	48	(30)	222	122	(100)
Revenue (\$M)	\$ 1,037	\$ 630	\$ (407)	\$ 2,938	\$ 1,601	\$ (1,337)
EBIT (\$M)	(165)	(108)	57	(527)	(386)	141
EBIT Margin (%)	(15.9)%	(17.1)%	(1.2) ppts	(17.9)%	(24.1)%	(6.2) ppts
Change in EBIT by Causal Factor (in millions)						
Third Quarter 2019 EBIT						\$ (165)
Volume / Mix						(43)
Net Pricing						170
Cost						21
Exchange						(105)
Other						14
Third Quarter 2020 EBIT						\$ (108)

In South America, third quarter 2020 wholesales declined 39 percent from a year ago, driven by COVID-related lower industry volume, coupled with our decision to exit unprofitable fleet sales in Brazil. Third quarter 2020 revenue decreased 39 percent, driven by lower volume and weaker currencies, partially offset by higher net pricing.

South America's third quarter 2020 EBIT loss improved \$57 million from a year ago with an EBIT margin of negative 17.1 percent. The EBIT improvement reflects aggressive pricing to mitigate high inflation and currency weakening as well as cost reduction efforts. This was South America's fourth consecutive quarter of year-over-year EBIT improvement.

Europe

Key Metrics	Third Quarter			First Nine Months		
	2019	2020	H / (L)	2019	2020	H / (L)
Market Share (%)	7.3%	7.8%	0.5 pts	7.3%	7.3%	— pts
Wholesale Units (000) (a)	298	239	(60)	1,048	681	(368)
Revenue (\$M)	\$ 6,340	\$ 5,694	\$ (646)	\$ 21,117	\$ 15,555	\$ (5,562)
EBIT (\$M)	(144)	(440)	(296)	51	(1,247)	(1,298)
EBIT Margin (%)	(2.3)%	(7.7)%	(5.5) pts	0.2%	(8.0)%	(8.3) pts

(a) Includes Ford brand vehicles produced and sold by our unconsolidated affiliate in Turkey (about 6,000 units in Q3 2019 and 26,000 units in Q3 2020). Revenue does not include these sales.

Change in EBIT by Causal Factor (in millions)

Third Quarter 2019 EBIT	\$ (144)
Volume / Mix	(501)
Net Pricing	341
Cost	(200)
Exchange	101
Other	(37)
Third Quarter 2020 EBIT	\$ (440)

In Europe, third quarter 2020 wholesales declined 20 percent from a year ago, driven by COVID-related lower industry volume and production. Third quarter 2020 revenue decreased 10 percent year over year, driven by lower volume, partially offset by higher net pricing, reflecting yield management actions and product pricing.

Europe's third quarter 2020 EBIT decreased \$296 million year over year with an EBIT margin of negative 7.7 percent. The lower EBIT was mainly driven by lower volume and about \$400 million of cost associated with Kuga PHEV (including warranty, CO₂ pooling, and other expenses), partially mitigated by higher net pricing and lower structural cost.

China (Including Taiwan)

Key Metrics	Third Quarter			First Nine Months		
	2019	2020	H / (L)	2019	2020	H / (L)
Market Share (%)	2.3%	2.4%	0.1 ppts	2.2%	2.4%	0.2 ppts
Wholesale Units (000) (a)	134	164	30	375	415	40
Revenue (\$M)	\$ 878	\$ 1,011	\$ 133	\$ 2,652	\$ 2,407	\$ (245)
EBIT (\$M)	(281)	(58)	223	(565)	(435)	130
EBIT Margin (%)	(32.0)%	(5.7)%	26.3 ppts	(21.3)%	(18.1)%	3.2 ppts

China Unconsolidated Affiliates

Wholesales (000)	116	146	30	323	374	51
Ford Equity Income/(Loss) (\$M)	\$ (112)	\$ 55	\$ 167	\$ (146)	\$ (26)	\$ 120

(a) 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)

Third Quarter 2019 EBIT	\$ (281)
Volume / Mix	7
Net Pricing	(1)
Cost	51
Exchange	(13)
Other (Including Joint Ventures)	179
Third Quarter 2020 EBIT	\$ (58)

In China, third quarter 2020 wholesales increased 22 percent from a year ago, driven by recent product launches, including localizations.

China's third quarter 2020 EBIT loss improved \$223 million from a year ago with an EBIT margin of negative 5.7 percent. This was our lowest EBIT loss in China since the fourth quarter of 2017. The improved EBIT primarily reflects favorable product mix, including the all-new Corsair, Aviator, Escape, and Explorer, and cost improvement.

International Markets Group

Key Metrics	Third Quarter			First Nine Months		
	2019	2020	H / (L)	2019	2020	H / (L)
Market Share (%)	1.8%	1.7%	(0.1) pts	2.0%	1.7%	(0.3) pts
Wholesale Units (000) (a)	93	76	(17)	303	191	(112)
Revenue (\$M)	\$ 2,297	\$ 2,039	\$ (258)	\$ 7,483	\$ 5,022	\$ (2,461)
EBIT (\$M)	(93)	72	165	(160)	(104)	56
EBIT Margin (%)	(4.0)%	3.5%	7.6 pts	(2.1)%	(2.1)%	0.1 pts

(a) Includes Ford brand vehicles produced and sold by our unconsolidated affiliate in Russia (about 4,000 units in Q3 2019 and 4,000 units in Q3 2020). Revenue after Q2 2019 does not include these sales.

Change in EBIT by Causal Factor (in millions)

Third Quarter 2019 EBIT	\$	(93)
Volume / Mix		(23)
Net Pricing		20
Cost		162
Exchange		6
Other		—
Third Quarter 2020 EBIT	\$	72

In our International Markets Group, third quarter 2020 wholesales declined 18 percent from a year ago, primarily reflecting COVID-related lower industry volume. Third quarter 2020 revenue decreased 11 percent, driven by lower industry volume, partially offset by favorable share performance and Ranger mix.

Our International Market Group's third quarter 2020 EBIT was \$165 million higher than a year ago with an EBIT margin of 3.5 percent. The higher EBIT was driven by lower cost, higher net pricing, and favorable mix, partially offset by lower industry volume.

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 third quarter 2020 EBIT loss was \$281 million, a \$9 million improvement from a year ago.

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 third quarter and year-to-date 2020 key metrics and the change in third quarter 2020 EBT compared with third quarter 2019 by causal factor for the Ford Credit segment. For a description of these causal factors, see *Definitions and Information Regarding Ford Credit Causal Factors*.

GAAP Financial Measures	Third Quarter			First Nine Months		
	2019	2020	H / (L)	2019	2020	H / (L)
Net Receivables (\$B)	\$ 140	\$ 131	(6)%	\$ 140	\$ 131	(6)%
Loss-to-Receivables (bps) (a)	51	30	(21)	48	35	(13)
Auction Values (b)	\$ 20,130	\$ 21,045	5%	\$ 19,525	\$ 19,890	2%
EBT (\$M)	\$ 736	\$ 1,123	\$ 387	\$ 2,368	\$ 1,696	\$ (672)
ROE (%)	15%	24%	9 pts	16%	12%	(4) pts

Other Balance Sheet Metrics

Debt (\$B)	\$ 139	\$ 133	(4)%
Net Liquidity (\$B)	35	31	(11)%
Financial Statement Leverage (to 1)	9.8	9.3	(0.5)

(a) U.S. retail financing only.

(b) U.S. 36-month off-lease third quarter auction values at Q3 2020 mix and YTD amounts at 2020 YTD mix.

Non-GAAP Financial Measures	First Nine Months		
	2019	2020	H / (L)
Managed Receivables (\$B) (a)	\$ 149	\$ 141	(5)%
Managed Leverage (to 1) (b)	8.8	8.2	(0.6)

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

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

Change in EBT by Causal Factor (in millions)

Third Quarter 2019 EBT	\$ 736
Volume / Mix	(49)
Financing Margin	3
Credit Loss	6
Lease Residual	344
Exchange	(2)
Other	85
Third Quarter 2020 EBT	\$ 1,123

Ford Credit's loss-to-receivables ratio remained at a low level in the third quarter of 2020, at 0.30 percent, which was 21 basis points lower than a year ago. U.S. auction values in the third quarter of 2020 were 5 percent higher than a year ago. Full year 2020 auction values are now forecasted to be up about 2 percent, consistent with third party estimates.

Ford Credit's third quarter 2020 EBT of \$1,123 million was \$387 million higher than a year ago, primarily reflecting favorable auction performance on off-lease vehicles, a higher gain in market valuation adjustments to derivatives, and lower operating costs, partially offset by unfavorable volume resulting from lower receivables.

Definitions and Information Regarding Ford Credit Causal Factors

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

- *Volume and Mix:*
 - Volume primarily measures changes in net financing margin driven by changes in average managed receivables at prior period financing margin yield (defined below in financing margin) at prior period exchange rates. Volume changes are primarily driven by the volume of new and used vehicles sold and leased, the extent to which Ford Credit purchases retail financing and operating lease contracts, the extent to which Ford Credit provides wholesale financing, the sales price of the vehicles financed, the level of dealer inventories, Ford-sponsored special financing programs available exclusively through Ford Credit, and the availability of cost-effective funding
 - Mix primarily measures changes in net financing margin driven by period-over-period changes in the composition of Ford Credit's average managed receivables by product within each region
- *Financing Margin:*
 - Financing margin variance is the period-to-period change in financing margin yield multiplied by the present period average managed receivables at prior period exchange rates. This calculation is performed at the product and country level and then aggregated. Financing margin yield equals revenue, less interest expense and scheduled depreciation for the period, divided by average managed receivables for the same period
 - Financing margin changes are driven by changes in revenue and interest expense. Changes in revenue are primarily driven by the level of market interest rates, cost assumptions in pricing, mix of business, and competitive environment. Changes in interest expense are primarily driven by the level of market interest rates, borrowing spreads, and asset-liability management
- *Credit Loss:*
 - Credit loss is the change in the provision for credit losses at prior period exchange rates. For analysis purposes, management splits the provision for credit losses into net charge-offs and the change in the allowance for credit losses
 - Net charge-off changes are primarily driven by the number of repossessions, severity per repossession, and recoveries. Changes in the allowance for credit losses are primarily driven by changes in historical trends in credit losses and recoveries, changes in the composition and size of Ford Credit's present portfolio, changes in trends in historical used vehicle values, and changes in forward looking macroeconomic conditions. For additional information, refer to the "Critical Accounting Estimates" section
- *Lease Residual:*
 - Lease residual measures changes to residual performance at prior period exchange rates. For analysis purposes, management splits residual performance primarily into residual gains and losses, and the change in accumulated supplemental depreciation
 - Residual gain and loss changes are primarily driven by the number of vehicles returned to Ford Credit and sold, and the difference between the auction value and the depreciated value (which includes both base and accumulated supplemental depreciation) of the vehicles sold. Changes in accumulated supplemental depreciation are primarily driven by changes in Ford Credit's estimate of the expected auction value at the end of the lease term and changes in Ford Credit's estimate of the number of vehicles that will be returned to it and sold. Accumulated depreciation reflects early termination losses on operating leases due to customer default events for all periods presented. For additional information, refer to the "Critical Accounting Estimates - Accumulated Depreciation on Vehicles Subject to Operating Leases" section of Item 7 of Part II of our 2019 Form 10-K Report
- *Exchange:*
 - Reflects changes in EBT driven by the effects of converting functional currency income to U.S. dollars
- *Other:*
 - Primarily includes operating expenses, other revenue, insurance expenses, and other income at prior period exchange rates
 - Changes in operating expenses are primarily driven by salaried personnel costs, facilities costs, and costs associated with the origination and servicing of customer contracts
 - In general, other income changes are primarily driven by changes in earnings related to market valuation adjustments to derivatives (primarily related to movements in interest rates) and other miscellaneous items

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

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

- *Cash* (as shown in the Funding Structure, Liquidity, and Leverage tables) – Cash, cash equivalents, and marketable securities, excluding amounts related to insurance activities
- *Debt* (as shown in the Key Metrics and Leverage tables) – Debt on Ford Credit's balance 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 third quarter of 2020, Corporate Other had a \$158 million profit, compared with an \$18 million profit a year ago. The improvement is primarily explained by mark-to-market gains on our investments, partially offset by lower interest income and the nonrecurrence of Pivotal Software mark-to-market gains in the third quarter of 2019.

Interest on Debt

Interest on Debt consists of interest expense on Automotive and Other debt. Third quarter 2020 interest expense on Automotive and Other debt was \$498 million, which is \$222 million higher than a year ago, more than explained by higher U.S. debt interest expense.

Taxes

In the third quarter and first nine months of 2020, we recognized tax provisions of \$366 million and \$1.2 billion, respectively. This resulted in effective tax rates of 13.3% and 43.8%, respectively. Our effective tax rate for the first nine months includes tax expense of \$1 billion for valuation allowances against certain tax credits recorded as deferred tax assets.

Our third quarter and first nine months of 2020 adjusted effective tax rates, which exclude special items, were 16.7% and 371%, 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 in the first half of 2020. Moreover, our suspension of production earlier this year put pressure on our Automotive liquidity. By May 2020, we restarted manufacturing operations in a phased manner at locations around the world, and in significant regions, we have returned to pre-COVID-19 production levels. 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 third quarter of 2020 with \$45.5 billion of liquidity, including \$29.5 billion of cash.

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

Company excluding Ford Credit

	<u>December 31, 2019</u>	<u>September 30, 2020</u>
<u>Balance Sheets (\$B)</u>		
Company Cash	\$ 22.3	\$ 29.5
Liquidity	35.4	45.5
Debt	(15.3)	(24.2)
Cash Net of Debt	7.0	5.3
<u>Pension Funded Status (\$B) (a)</u>		
Funded Plans	\$ (0.4)	\$ 0.8
Unfunded Plans	(6.4)	(6.6)
Total Global Pension	<u>\$ (6.8)</u>	<u>\$ (5.8)</u>
Total Funded Status OPEB	\$ (6.1)	\$ (6.0)

(a) Balances at September 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 September 30, 2020, we had Company cash of \$29.5 billion, an increase of \$7.2 billion compared with December 31, 2019, primarily due to our unsecured debt issuance in the second quarter of 2020. At September 30, 2020, about 91% of Company cash was held by consolidated entities domiciled in the United States. To be prepared for an economic downturn, we target an ongoing Company cash balance at or above \$20 billion. We expect to have periods when we will be above or below this amount due to: (i) future cash flow expectations, such as for investments in future opportunities, capital investments, debt maturities, pension contributions, or restructuring requirements, (ii) short-term timing differences, and (iii) changes in the global economic environment.

Our 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.

At September 30, 2020, we had Company liquidity of \$45.5 billion, an increase of \$10.1 billion from December 31, 2019, primarily explained by our higher cash balance and our improved cash flow as discussed below under "Changes in Company Cash."

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

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

With respect to "Changes in working capital," in general we carry relatively low Automotive segment trade receivables compared with our trade payables because the majority of our Automotive wholesales are financed (primarily by Ford Credit) immediately upon sale of vehicles to dealers, which generally occurs shortly after being produced. In contrast, our Automotive trade payables are based primarily on industry-standard production supplier payment terms of generally about 45 days. As a result, our cash flow tends to improve as wholesale volumes increase, but can deteriorate when wholesale volumes decrease. Our resumption of manufacturing operations and return to pre-COVID-19 production levels at most of our assembly plants resulted in an improvement of our cash flow as described below. 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.

A financial institution offers a supply chain finance ("SCF") program that enables our suppliers, at their sole discretion, to sell their Ford receivables (i.e., our payment obligations to the suppliers) to the financial institution on a non-recourse basis in order to be paid earlier than our payment terms provide. Our suppliers' voluntary inclusion of invoices in the SCF program has no bearing on our payment terms, the amounts we pay, or our liquidity. We have no economic interest in a supplier's decision to participate in the SCF program, and we have no direct financial relationship with the SCF financial institution. Moreover, we do not provide any guarantees in connection with the SCF program. As of September 30, 2020, the outstanding amount of Ford receivables that suppliers elected to sell to the SCF financial institution was \$153 million. The amount settled through the SCF program during the third quarter of 2020 was \$251 million.

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

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
<u>Company Excluding Ford Credit</u>				
Company Adjusted EBIT excluding Ford Credit (a)	\$ 1.1	\$ 2.5	\$ 3.5	\$ (0.6)
Capital spending	\$ (1.8)	\$ (1.2)	\$ (5.3)	\$ (4.2)
Depreciation and tooling amortization	1.4	1.3	4.1	4.0
Net spending	\$ (0.4)	\$ 0.1	\$ (1.2)	\$ (0.2)
Receivables	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ 0.3
Inventory	(0.6)	(0.1)	(1.8)	—
Trade Payables	(0.6)	4.3	1.0	1.6
Changes in working capital	\$ (1.4)	\$ 3.9	\$ (1.0)	\$ 1.9
Ford Credit distributions	\$ 1.1	\$ 0.6	\$ 2.4	\$ 1.1
All other and timing differences	(0.1)	(0.8)	(1.4)	(3.4)
Company adjusted free cash flow (a)	\$ 0.2	\$ 6.3	\$ 2.3	\$ (1.2)
Global Redesign (including separations)	\$ (0.3)	\$ (0.1)	\$ (0.7)	\$ (0.4)
Changes in debt	0.4	(15.8)	0.7	8.8
Funded pension contributions	(0.2)	(0.1)	(0.6)	(0.4)
Shareholder distributions	(0.8)	—	(2.0)	(0.6)
All other (including acquisitions and divestitures)	(0.1)	—	(0.4)	1.0
Change in cash	<u>\$ (0.9)</u>	<u>\$ (9.7)</u>	<u>\$ (0.8)</u>	<u>\$ 7.2</u>

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

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

Our third quarter 2020 *Net cash provided by/(used in) operating activities* was up \$6.4 billion year over year. This improvement is more than explained by the Company excluding Ford Credit operating cash flow, which is up \$6.7 billion year over year. Our Company adjusted free cash flow was positive \$6.3 billion, which was \$6.1 billion higher than a year ago, driven by rebuilding the payables depleted in the first half of 2020 due to the COVID-related suspension of production, which was worth about \$4 billion, and higher adjusted EBIT in the third quarter of 2020.

Capital spending was \$1.2 billion in the third quarter of 2020, \$0.6 billion lower than a year ago. We expect full year 2020 capital spending to be between \$5.9 billion and \$6.4 billion, down from our prior expectation of \$6.1 billion to \$6.6 billion, and down between \$1.2 billion and \$1.7 billion from the \$7.6 billion of capital spending in 2019.

Third quarter 2020 working capital was \$3.9 billion positive, more than explained by the rebuilding of payables, which were depleted in the first half 2020 due to the COVID-related suspension of production. Higher receivables and inventory balances provided a partial offset.

Third quarter 2020 all other and timing differences were \$0.8 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 third quarter and first nine months of 2020, we contributed \$147 million and \$429 million, respectively, to our worldwide funded pension plans. We continue to expect to contribute between \$500 million and \$700 million to our funded plans (most of which are mandatory contributions).

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

Available Credit Lines. Total Company committed credit lines excluding Ford Credit at September 30, 2020 were \$18.5 billion, consisting of \$13.5 billion of our corporate credit facility, \$2 billion of our supplemental revolving credit facility, \$1.5 billion of our delayed draw term loan facility, and \$1.5 billion of local credit facilities. In the first quarter of 2020, we submitted borrowing notices to our lenders for the full amounts of both our corporate credit facility and our supplemental revolving credit facility. On July 27, 2020, we repaid \$5.7 billion of our corporate credit facility and the full \$2 billion under our supplemental revolving credit facility, and on September 24, 2020, we repaid the remaining \$7.7 billion outstanding under our corporate credit facility. At September 30, 2020, the utilized portion of the corporate credit facility was \$27 million, representing amounts utilized for letters of credit, and no portion of the supplemental revolving credit facility was utilized. The \$1.5 billion delayed draw term loan facility was drawn in full in 2019 and remains outstanding. In addition, \$900 million of committed Company credit lines excluding Ford Credit was utilized under local credit facilities for our affiliates as of September 30, 2020.

Our corporate and supplemental revolving credit facilities were amended in the third quarter of 2020 to extend the maturity dates by one year 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.

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. Further, the terms of the corporate and supplemental revolving credit facilities prohibit share repurchases (with limited exceptions) while any portion of either facility is outstanding and the payment of 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.

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

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.

In the second quarter of 2020, Ford Motor Company Limited, our operating subsidiary in the United Kingdom ("Ford of Britain"), entered into, and drew in full, a £625 million term loan credit facility with a syndicate of banks to support Ford of 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 of Britain's obligations under the credit facility to the lenders. As of September 30, 2020, the full £625 million remained outstanding. 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 September 30, 2020, Company debt excluding Ford Credit was \$24.2 billion, including Automotive debt of \$23.7 billion. These September 30, 2020 balances were \$8.9 billion and \$9.1 billion, respectively, higher than at December 31, 2019, primarily reflecting our \$8 billion unsecured debt issuance in April 2020, and \$15.8 billion lower than at June 30, 2020, primarily reflecting the full repayment of our corporate and supplemental revolving credit facilities in the third quarter of 2020.

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 third quarter of 2020 with \$31.3 billion of liquidity. During the quarter, Ford Credit completed \$7 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 modestly increase ABS mix and prudently issue unsecured debt going forward.

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):

	September 30, 2019	December 31, 2019	September 30, 2020
Term Debt (incl. Bank Borrowings)	\$ 74	\$ 73	\$ 73
Term Asset-Backed Securities	55	57	53
Commercial Paper	4	4	1
Ford Interest Advantage / Deposits	7	7	6
Other	9	9	9
Equity	14	14	14
Adjustments for Cash	(14)	(12)	(15)
Total Managed Receivables (a)	<u>\$ 149</u>	<u>\$ 152</u>	<u>\$ 141</u>
Securitized Funding as Percent of Managed Receivables	37 %	38 %	38 %

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

Managed receivables were \$141 billion at September 30, 2020, and were funded primarily with term debt and term asset-backed securities. Securitized funding as a percent of managed receivables was 38% at the end of the third quarter of 2020. Ford Credit expects the ABS mix to increase modestly going forward. The calendarization of the funding plan will result in quarterly fluctuations of the securitized funding percentage.

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

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

	2018 Actual	2019 Actual	2020 Forecast	Through October 27
Unsecured	\$ 13	\$ 17	\$ 8 - 11	\$ 8
Securitized (a)	14	14	12 - 13	11
Total public	<u>\$ 27</u>	<u>\$ 31</u>	<u>\$ 21 - 24</u>	<u>\$ 20</u>

(a) 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 \$21 billion to \$24 billion. Through October 27, 2020, Ford Credit has completed \$20 billion of public term issuances.

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

	September 30, 2019	December 31, 2019	September 30, 2020
Liquidity Sources (a)			
Cash	\$ 14.3	\$ 11.7	\$ 14.6
Committed asset-backed facilities	35.2	36.6	37.4
Other unsecured credit facilities	2.6	3.0	2.4
Ford corporate credit facility allocation	3.0	3.0	—
Total liquidity sources	<u>\$ 55.1</u>	<u>\$ 54.3</u>	<u>\$ 54.4</u>
Utilization of Liquidity (a)			
Securitization cash	\$ (2.9)	\$ (3.5)	\$ (3.3)
Committed asset-backed facilities	(14.4)	(17.3)	(17.4)
Other unsecured credit facilities	(0.5)	(0.8)	(0.5)
Ford corporate credit facility allocation	—	—	—
Total utilization of liquidity	<u>\$ (17.8)</u>	<u>\$ (21.6)</u>	<u>\$ (21.2)</u>
Gross liquidity	\$ 37.3	\$ 32.7	\$ 33.2
Adjustments (b)	(1.9)	0.4	(1.9)
Net liquidity available for use	<u>\$ 35.4</u>	<u>\$ 33.1</u>	<u>\$ 31.3</u>

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

(b) 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 September 30, 2020, Ford Credit's net liquidity available for use was \$31.3 billion, \$1.8 billion lower than year-end 2019. Ford Credit's sources of liquidity include cash, committed asset-backed facilities, and unsecured credit facilities. At September 30, 2020, Ford Credit's liquidity sources including cash totaled \$54.4 billion, up \$0.1 billion from year-end 2019.

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

Balance Sheet Liquidity Profile. Ford Credit defines its balance sheet liquidity profile as the cumulative maturities, including the impact of expected prepayments and allowance for credit losses, of its finance receivables, investment in operating leases, and cash, less the cumulative debt maturities over upcoming annual periods. Ford Credit's balance sheet is inherently liquid because of the short-term nature of its finance receivables, investment in operating leases, and cash. Ford Credit ensures its cumulative debt maturities have a longer tenor than its cumulative asset maturities. This positive maturity profile is intended to provide additional liquidity after all of its assets have been funded and is in addition to its liquidity stress test.

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

	October - December 2020	2021	2022	2023 and Beyond
Balance Sheet Liquidity Profile				
Assets (a)	\$ 49	\$ 84	\$ 112	\$ 153
Total debt (b)	21	67	90	132
Memo: Unsecured Long-Term Debt Maturities	4	17	14	34

(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 third 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 September 30, 2020, Ford Credit had \$153 billion of assets, \$77 billion of which were unencumbered.

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

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

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

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

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

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

	September 30, 2019	December 31, 2019	September 30, 2020
Leverage Calculation			
Debt	\$ 139.3	\$ 140.0	\$ 133.1
Adjustments for cash	(14.3)	(11.7)	(14.6)
Adjustments for derivative accounting (a)	(0.8)	(0.5)	(1.6)
Total adjusted debt	<u>\$ 124.2</u>	<u>\$ 127.8</u>	<u>\$ 116.9</u>
Equity (b)	\$ 14.2	\$ 14.3	\$ 14.3
Adjustments for derivative accounting (a)	—	—	0.1
Total adjusted equity	<u>\$ 14.2</u>	<u>\$ 14.3</u>	<u>\$ 14.4</u>
Financial statement leverage (to 1) (GAAP)	9.8	9.8	9.3
Managed leverage (to 1) (Non-GAAP)	8.8	8.9	8.2

(a) 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.

(b) 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 September 30, 2020, Ford Credit's financial statement leverage was 9.3:1, and its managed leverage was 8.2:1. Ford Credit targets managed leverage in the range of 8:1 to 9:1.

Total Company

Pension Plans - Underfunded Balances. As of September 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 ("ROIC"). We analyze total Company performance using an adjusted 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	
	September 30, 2019	September 30, 2020
Adjusted Net Operating Profit After Cash Tax		
Net income/(loss) attributable to Ford	\$ 1.6	\$ (0.2)
Add: Noncontrolling interest	—	—
Less: Income tax	(0.1)	(0.4)
Add: Cash tax	(0.7)	(0.3)
Less: Interest on debt	(1.1)	(1.4)
Less: Total pension/OPEB income/(cost)	(1.2)	(1.8)
Add: Pension/OPEB service costs	(1.1)	(1.1)
Net operating profit/(loss) after cash tax	\$ 2.3	\$ 2.0
Less: Special items (excl. pension/OPEB) pre-tax	(3.3)	2.3
Adjusted net operating profit after cash tax	<u>\$ 5.6</u>	<u>\$ (0.3)</u>
Invested Capital		
Equity	\$ 35.4	\$ 33.2
Redeemable noncontrolling interest	—	—
Debt (excl. Ford Credit)	14.8	24.2
Net pension and OPEB liability	10.9	11.9
Invested capital (end of period)	<u>\$ 61.1</u>	<u>\$ 69.2</u>
Average invested capital	<u>\$ 62.1</u>	<u>\$ 69.4</u>
ROIC (a)	3.6 %	2.9 %
Adjusted ROIC (Non-GAAP) (b)	9.0 %	(0.4)%

(a) 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.

(b) 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 June 30, 2020:

- On August 11, 2020, S&P affirmed the credit ratings for Ford and Ford Credit at BB+, removed the ratings from CreditWatch with negative implications, and revised the outlook to negative.

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

	NRSRO RATINGS						
	Ford			Ford Credit			NRSROs
	Issuer Default / Corporate / Issuer Rating	Long-Term Senior Unsecured	Outlook / Trend	Long-Term Senior Unsecured	Short-Term Unsecured	Outlook / Trend	Minimum Long-Term Investment Grade Rating
DBRS	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+	Negative	BB+	B	Negative	BBB-

OUTLOOK

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

	<u>2020 Guidance</u>
Total Company	
Adjusted EBIT (a)	
Q4	\$(0.5) - \$0.0 billion
Full Year	\$0.6 - \$1.1 billion
Capital spending	\$5.9 - \$6.4 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	Up about 2% (b)
Total public funding issuances	\$21 - \$24 billion

(a) 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.

(b) On average compared with full year 2019 at constant mix.

For fourth quarter 2020, we expect Company adjusted EBIT to be between a loss of \$0.5 billion and breakeven. The key drivers behind the lower expected quarter-over-quarter Company adjusted EBIT are described below.

First, we expect a reduction in wholesales of about 100,000 units associated with the F-150 changeover. The approximate 100,000 unit impact in the fourth quarter of 2020 is expected to outweigh the effect of our UAW ratification bonus in the fourth quarter of 2019, which was about \$600 million.

Second, we expect higher structural and other costs due to manufacturing launch activities for the Mustang Mach-E and Bronco Sport, advertising launch activities for new products, including the all-new Bronco brand, and higher material and other costs.

Third, we expect Ford Credit's EBT to be lower, driven by strong but lower auction values and lower disposals at auction, but higher than a year ago.

For full year 2020, we expect Company adjusted EBIT to be in the range of \$0.6 billion to \$1.1 billion.

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.

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

- *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 (“Adjusted 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)

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
Net income/(loss) attributable to Ford (GAAP)	\$ 425	\$ 2,385	\$ 1,719	\$ 1,509
Income/(Loss) attributable to noncontrolling interests	(2)	5	37	6
Net income/(loss)	\$ 423	\$ 2,390	\$ 1,756	\$ 1,515
Less: (Provision for)/Benefit from income taxes	442	(366)	(40)	(1,179)
Income/(Loss) before income taxes	\$ (19)	\$ 2,756	\$ 1,796	\$ 2,694
Less: Special items pre-tax	(1,536)	(390)	(3,333)	2,803
Income/(Loss) before special items pre-tax	\$ 1,517	\$ 3,146	\$ 5,129	\$ (109)
Less: Interest on debt	(276)	(498)	(765)	(1,175)
Adjusted EBIT (Non-GAAP)	\$ 1,793	\$ 3,644	\$ 5,894	\$ 1,066

Memo:

Revenue (\$B)	\$ 37.0	\$ 37.5	\$ 116.2	\$ 91.2
Net income/(loss) margin (%)	1.1 %	6.4 %	1.5 %	1.7 %
Adjusted EBIT margin (%)	4.8 %	9.7 %	5.1 %	1.2 %

Earnings per Share Reconciliation to Adjusted Earnings per Share

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
<u>Diluted After-Tax Results (\$M)</u>				
Diluted after-tax results (GAAP)	\$ 425	\$ 2,385	\$ 1,719	\$ 1,509
Less: Impact of pre-tax and tax special items	(931)	(231)	(2,505)	1,220
Less: Noncontrolling interests impact of Russia restructuring	—	—	(35)	—
Adjusted net income/(loss) – diluted (Non-GAAP)	\$ 1,356	\$ 2,616	\$ 4,259	\$ 289
<u>Basic and Diluted Shares (M)</u>				
Basic shares (average shares outstanding)	3,970	3,976	3,976	3,971
Net dilutive options, unvested restricted stock units and restricted stock	37	29	30	26
Diluted shares	4,007	4,005	4,006	3,997
Earnings per share – diluted (GAAP)	\$ 0.11	\$ 0.60	\$ 0.43	\$ 0.38
Less: Net impact of adjustments	(0.23)	(0.05)	(0.63)	0.31
Adjusted earnings per share – diluted (Non-GAAP)	\$ 0.34	\$ 0.65	\$ 1.06	\$ 0.07

Effective Tax Rate Reconciliation to Adjusted Effective Tax Rate

	Third Quarter		First Nine Months		Memo: FY 2019
	2019	2020	2019	2020	
Pre-Tax Results (\$M)					
Income/(Loss) before income taxes (GAAP)	\$ (19)	\$ 2,756	\$ 1,796	\$ 2,694	\$ (640)
Less: Impact of special items	(1,536)	(390)	(3,333)	2,803	(5,999)
Adjusted earnings before taxes (Non-GAAP)	\$ 1,517	\$ 3,146	\$ 5,129	\$ (109)	\$ 5,359
Taxes (\$M)					
(Provision for)/Benefit from income taxes (GAAP)	\$ 442	\$ (366)	\$ (40)	\$ (1,179)	\$ 724
Less: Impact of special items (a)	605	159	828	(1,583)	1,323
Adjusted (provision for) / benefit from income taxes (Non-GAAP)	\$ (163)	\$ (525)	\$ (868)	\$ 404	\$ (599)
Tax Rate (%)					
Effective tax rate (GAAP)	2,326 %	13.3 %	2.2 %	43.8 %	113.1 %
Adjusted effective tax rate (Non-GAAP)	10.7 %	16.7 %	16.9 %	370.6 %	11.2 %

(a) Includes \$(1,028) million year to date for the establishment of a valuation allowance on U.S. tax credits.

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

	Third Quarter		First Nine Months	
	2019	2020	2019	2020
Net cash provided by / (used in) operating activities (GAAP)	\$ 4,732	\$ 11,088	\$ 14,739	\$ 19,730
Less: Items not included in Company Adjusted Free Cash Flows				
Ford Credit operating cash flows	\$ 4,523	\$ 4,161	\$ 10,908	\$ 17,707
Funded pension contributions	(211)	(147)	(611)	(429)
Global Redesign (including separations)	(334)	(105)	(692)	(376)
Ford Credit tax payments / (refunds) under tax sharing agreement	—	300	98	1,344
Other, net	(124)	(431)	(69)	(624)
Add: Items included in Company Adjusted Free Cash Flows				
Automotive and Mobility capital spending	\$ (1,787)	\$ (1,247)	\$ (5,318)	\$ (4,182)
Ford Credit distributions	1,100	575	2,425	1,125
Settlement of derivatives	16	(336)	76	(300)
Company adjusted free cash flow (Non-GAAP)	\$ 207	\$ 6,302	\$ 2,288	\$ (1,249)

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

	September 30, 2019	December 31, 2019	September 30, 2020
Ford Credit finance receivables, net (GAAP) (a)	\$ 104.7	\$ 107.4	\$ 97.5
Net investment in operating leases (GAAP) (a)	27.5	27.6	26.6
Consolidating adjustments (b)	8.1	7.0	7.4
Total net receivables	<u>\$ 140.3</u>	<u>\$ 142.0</u>	<u>\$ 131.5</u>
Held-for-sale receivables (GAAP)	\$ —	\$ 1.5	\$ —
Ford Credit unearned interest supplements and residual support	6.8	6.7	6.7
Allowance for credit losses	0.5	0.5	1.3
Other, primarily accumulated supplemental depreciation	1.1	1.0	1.1
Total managed receivables (Non-GAAP)	<u>\$ 148.7</u>	<u>\$ 151.7</u>	<u>\$ 140.6</u>

- (a) 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.
- (b) 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.

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 September 30, 2020			
	First Nine Months			
	Company excluding Ford Credit	Ford Credit	Eliminations	Consolidated
Cash flows from operating activities				
Net income/(loss)	\$ 228	\$ 1,287	\$ —	\$ 1,515
Depreciation and tooling amortization	4,065	2,605	—	6,670
Other amortization	58	(996)	—	(938)
Held-for-sale impairment charges	21	—	—	21
Provision for credit and insurance losses	19	847	—	866
Pension and OPEB expense/(income)	(454)	—	—	(454)
Equity investment dividends received in excess of (earnings)/losses	144	(12)	—	132
Foreign currency adjustments	(153)	(63)	—	(216)
Net (gain)/loss on changes in investments in affiliates	(3,479)	(4)	—	(3,483)
Stock compensation	165	5	—	170
Provision for deferred income taxes	744	234	—	978
Decrease/(Increase) in finance receivables (wholesale and other)	—	11,006	—	11,006
Decrease/(Increase) in intersegment receivables/payables	396	(396)	—	—
Decrease/(Increase) in accounts receivable and other assets	82	(8)	—	74
Decrease/(Increase) in inventory	(202)	—	—	(202)
Increase/(Decrease) in accounts payable and accrued and other liabilities	4,056	(198)	—	3,858
Other	(308)	41	—	(267)
Interest supplements and residual value support to Ford Credit	(3,359)	3,359	—	—
Net cash provided by/(used in) operating activities	\$ 2,023	\$ 17,707	\$ —	\$ 19,730
Cash flows from investing activities				
Capital spending	\$ (4,182)	\$ (29)	\$ —	\$ (4,211)
Acquisitions of finance receivables and operating leases	—	(43,473)	—	(43,473)
Collections of finance receivables and operating leases	—	36,536	—	36,536
Proceeds from sale of business	—	1,340	—	1,340
Purchases of marketable and other investments	(20,444)	(6,957)	—	(27,401)
Sales and maturities of marketable securities and other investments	18,373	6,029	—	24,402
Settlements of derivatives	(300)	(107)	—	(407)
Other	344	—	—	344
Investing activity (to)/from other segments	1,125	110	(1,235)	—
Net cash provided by/(used in) investing activities	\$ (5,084)	\$ (6,551)	\$ (1,235)	\$ (12,870)
Cash flows from financing activities				
Cash payments for dividends and dividend equivalents	\$ (596)	\$ —	\$ —	\$ (596)
Purchases of common stock	—	—	—	—
Net changes in short-term debt	516	(3,331)	—	(2,815)
Proceeds from issuance of long-term debt	24,157	30,168	—	54,325
Principal payments on long-term debt	(15,834)	(34,807)	—	(50,641)
Other	(163)	(79)	—	(242)
Financing activity to/(from) other segments	(110)	(1,125)	1,235	—
Net cash provided by/(used in) financing activities	\$ 7,970	\$ (9,174)	\$ 1,235	\$ 31
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	\$ (162)	\$ 2	\$ —	\$ (160)

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

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

	For the period ended September 30, 2020					
	Third Quarter					
	Company excluding Ford Credit				Ford Credit	Consolidated
Automotive	Mobility	Other (a)	Subtotal			
Revenues	\$ 34,707	\$ 20	\$ —	\$ 34,727	\$ 2,774	\$ 37,501
Total costs and expenses	32,839	277	373	33,489	1,661	35,150
Operating income/(loss)	1,868	(257)	(373)	1,238	1,113	2,351
Interest expense on Automotive debt	—	—	487	487	—	487
Interest expense on Other debt	—	—	11	11	—	11
Other income/(loss), net	661	34	144	839	6	845
Equity in net income/(loss) of affiliated companies	115	(58)	(3)	54	4	58
Income/(Loss) before income taxes	2,644	(281)	(730)	1,633	1,123	2,756
Provision for/(Benefit from) income taxes	412	(69)	(241)	102	264	366
Net income/(loss)	2,232	(212)	(489)	1,531	859	2,390
Less: Income/(Loss) attributable to noncontrolling interests	5	—	—	5	—	5
Net income/(loss) attributable to Ford Motor Company	\$ 2,227	\$ (212)	\$ (489)	\$ 1,526	\$ 859	\$ 2,385

	For the period ended September 30, 2020					
	First Nine Months					
	Company excluding Ford Credit				Ford Credit	Consolidated
Automotive	Mobility	Other (a)	Subtotal			
Revenues	\$ 82,669	\$ 43	\$ —	\$ 82,712	\$ 8,480	\$ 91,192
Total costs and expenses	84,248	1,019	1,073	86,340	6,818	93,158
Operating income/(loss)	(1,579)	(976)	(1,073)	(3,628)	1,662	(1,966)
Interest expense on Automotive debt	—	—	1,140	1,140	—	1,140
Interest expense on Other debt	—	—	35	35	—	35
Other income/(loss), net	1,898	99	3,824	5,821	22	5,843
Equity in net income/(loss) of affiliated companies	59	(70)	(9)	(20)	12	(8)
Income/(Loss) before income taxes	378	(947)	1,567	998	1,696	2,694
Provision for/(Benefit from) income taxes	(289)	(228)	1,287	770	409	1,179
Net income/(loss)	667	(719)	280	228	1,287	1,515
Less: Income/(Loss) attributable to noncontrolling interests	6	—	—	6	—	6
Net income/(loss) attributable to Ford Motor Company	\$ 661	\$ (719)	\$ 280	\$ 222	\$ 1,287	\$ 1,509

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

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

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

	September 30, 2020			
	Company excluding Ford Credit	Ford Credit	Eliminations	Consolidated
Assets				
Cash and cash equivalents	\$ 13,185	\$ 11,078	\$ —	\$ 24,263
Marketable securities	16,320	4,248	—	20,568
Ford Credit finance receivables, net	—	41,847	—	41,847
Trade and other receivables, net	3,338	6,776	—	10,114
Inventories	10,583	—	—	10,583
Assets held for sale	638	38	—	676
Other assets	2,045	1,669	—	3,714
Receivable from other segments	180	2,485	(2,665)	—
Total current assets	<u>46,289</u>	<u>68,141</u>	<u>(2,665)</u>	<u>111,765</u>
Ford Credit finance receivables, net	—	55,659	—	55,659
Net investment in operating leases	1,288	26,607	—	27,895
Net property	35,905	213	—	36,118
Equity in net assets of affiliated companies	4,619	122	—	4,741
Deferred income taxes	13,091	151	(2,335)	10,907
Other assets	9,979	2,879	—	12,858
Receivable from other segments	8	27	(35)	—
Total assets	<u>\$ 111,179</u>	<u>\$ 153,799</u>	<u>\$ (5,035)</u>	<u>\$ 259,943</u>
Liabilities				
Payables	\$ 20,412	\$ 1,054	\$ —	\$ 21,466
Other liabilities and deferred revenue	18,812	1,481	—	20,293
Automotive debt payable within one year	1,368	—	—	1,368
Ford Credit debt payable within one year	—	49,447	—	49,447
Other debt payable within one year	180	—	—	180
Liabilities held for sale	405	—	—	405
Payable to other segments	2,665	—	(2,665)	—
Total current liabilities	<u>43,842</u>	<u>51,982</u>	<u>(2,665)</u>	<u>93,159</u>
Other liabilities and deferred revenue	25,650	1,176	—	26,826
Automotive long-term debt	22,363	—	—	22,363
Ford Credit long-term debt	—	83,626	—	83,626
Other long-term debt	291	—	—	291
Deferred income taxes	121	2,731	(2,335)	517
Payable to other segments	35	—	(35)	—
Total liabilities	<u>\$ 92,302</u>	<u>\$ 139,515</u>	<u>\$ (5,035)</u>	<u>\$ 226,782</u>

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

Selected Other Information.

Equity. At September 30, 2020, total equity attributable to Ford was \$33.1 billion, a decrease of \$60 million compared with December 31, 2019. The detail for this change is shown below (in billions):

	Increase/ (Decrease)
Net income	\$ 1.5
Common stock issued	0.1
Shareholder distributions	(0.6)
Adoption of accounting standards	(0.2)
Other comprehensive income	(0.9)
Total	<u>\$ (0.1)</u>

U.S. Sales by Type. The following table shows third 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	311,751	310,149
SUVs	191,803	213,707
Cars	48,242	46,374
Total Vehicles	<u>551,796</u>	<u>570,230</u>

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
2020-06	Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	January 1, 2022
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 September 30, 2020, was an asset of \$244 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 September 30, 2020 and December 31, 2019.

Commodity Price Risk. The net fair value of commodity forward contracts (including adjustments for credit risk) as of September 30, 2020, was an asset of \$3 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 \$114 million at September 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 September 30, 2020, all else constant, such an increase in interest rates would increase its pre-tax cash flow by \$4 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 D. Farley, Jr., our Chief Executive Officer (“CEO”), and John T. Lawler, 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 September 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. Effective October 1, 2020, James D. Farley, Jr., formerly our Chief Operating Officer, succeeded James P. Hackett as our President and Chief Executive Officer. Mr. Hackett will serve as Advisor to the Company until his retirement on March 31, 2021. Also effective October 1, 2020, John T. Lawler, formerly our CEO of Ford Autonomous Vehicles and Vice President, Mobility Partnerships, succeeded Tim Stone as our Chief Financial Officer. Mr. Stone elected to resign from the Company to pursue a new opportunity.

PART II. OTHER INFORMATION

ITEM 1. *Legal Proceedings.*

OTHER MATTERS

Brazilian Tax Matters (as previously reported on page 23 of our 2019 Form 10-K Report, on page 72 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and on page 72 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020). 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.

Emissions Certification (as previously reported on page 23 of our 2019 Form 10-K Report). Beginning in 2018 and continuing into 2020, the Company investigated a potential concern involving its U.S. emissions certification process. The matter focused on issues related to road load estimations, including analytical modeling and coastdown testing. The potential concern did not involve the use of defeat devices (see page 8 of our 2019 Form 10-K Report for a definition of defeat devices). We voluntarily disclosed this matter to the U.S. Environmental Protection Agency (“EPA”) and the California Air Resources Board (“CARB”) on February 18, 2019 and February 21, 2019, respectively. Subsequently, the U.S. Department of Justice (“DOJ”) opened a criminal investigation into the matter. In addition, we notified a number of other state and federal agencies. We cooperated fully with these government agencies. We received notifications from CARB and DOJ that these agencies have closed their inquiries into the matter referenced above and do not intend to take any further action. Reviews opened by EPA and Environment and Climate Change Canada remain open.

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. To the extent cases surge in any locations, stringent limitations on daily activities that may have been eased previously could be reinstated in those areas.

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. By May 2020, taking a phased approach and after introducing new safety protocols at our plants, we resumed manufacturing operations around the world.

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.

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 adversely affected Ford Credit's access to the debt and securitization markets and its cost of funding, and any volatility in the capital markets as a result of a surge in cases of COVID-19 or for any other reason could have an adverse impact on Ford Credit's access to those markets and its cost of funding.

Item 1A. Risk Factors (Continued)

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. 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 10.1	Agreement between Ford Motor Company and James D. Farley, Jr. dated August 3, 2020.	Filed with this Report.
Exhibit 10.2	Annual Incentive Compensation Plan, as amended and restated effective as of September 9, 2020.	Filed with this Report.
Exhibit 10.3	Executive Separation Waiver and Release Agreement between Ford Motor Company and Tim Stone dated September 30, 2020.	Filed with this Report.
Exhibit 10.4	Form of Stock Option Terms and Conditions for Long-Term Incentive Plan.	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").	(a)
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document.	(a)
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	(a)
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	(a)
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	(a)
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	(a)
Exhibit 104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).	(a)

(a) 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: October 28, 2020



Kiersten Robinson
Chief Human Resources Officer

World Headquarters
One American Road
Dearborn, MI 48126-2701 USA

August 3, 2020

Mr. James D. Farley, Jr.
[Redacted]

Dear Jim,

Congratulations on your appointment as President and Chief Executive Officer, Ford Motor Company, effective October 1, 2020, reporting to Bill Ford.

This accession acknowledgement describes in detail the compensation package the Compensation Committee has approved for you.

Base Salary:

Your annualized base salary will be \$1,700,000, payable monthly.

Annual Incentive Compensation Plan Target:

Your 2020 bonus target will be adjusted to \$1,952,500 which is a pro-rated amount for months worked as EVP, COO and CEO. Beginning in 2021 and subject to Compensation Committee approval, your annual bonus target will be equivalent to 200% of your annual base salary.

Final AICP awards are dependent on Company performance and are subject to final approval by the Compensation Committee of the Board of Directors based on your individual performance. The award for the 2020 performance year will be paid in March 2021 and is subject to the terms and conditions of the Company's Annual Incentive Compensation Plan.

Long Term Incentives – Accession Grant:

In consideration of your appointment as President and CEO, you will receive an additional 2020 stock grant valued at \$4,000,000. The value of this grant will be delivered in the form of 100% stock options with a grant date of August 5, 2020.

The quantity of stock options will be determined by the Black-Scholes method based on the closing price Fair Market Value (FMV) of Ford Common Stock on the grant date. The stock options will be subject to three-year vesting – 33% vest one year from grant date, another 33% after two years from grant date, and the balance of 34% after three years from grant date. The stock options will have a ten-year term. You will have the right to exercise these stock options after both of the following conditions are met:

- The options have vested.
- The closing price of Ford stock meets or exceeds \$9.24 for at least 20 consecutive trading days at any time during the life of the options. \$9.24 is the average closing price of Ford stock during the month of December 2019.

You will be notified of the quantity of stock options as soon as practicable after the August 5, 2020 grant date.

Long Term Incentives – Annual Grant:

Your March 2021 stock grant will be an amount typical for the Company's CEO as determined by the Compensation Committee. For reference, the annual stock grants for previous CEOs have had a typical grant date value of \$11 million to \$13 million.

All stock awards are made at the discretion of the Compensation Committee and subject to all terms and conditions of the Company's 2018 Long Term Incentive Plan.

Benefits and Perquisites:

Information concerning perquisites afforded the President and CEO position, and changes to your other benefits will be communicated to you by the Compensation and Benefit Office at your convenience in the coming weeks. All items described in this letter, and communicated to you in the future, are subject to terms, conditions, and requirements of the Company's existing benefit plans and programs. The terms of these benefit plans or programs may be amended from time to time in the future.

Nature of Employment:

You will be an at-will employee of the Company, meaning that your employment may be terminated at any time, by the Company or by you, for any reason, except as prohibited by law. Notwithstanding the foregoing, in the event the Company terminates your employment for reasons, other than "for cause" (as defined in Attachment I), during the first five (5) years of your appointment to President and CEO, or if there is a change in control (as defined in Attachment I) of the Company during the first five (5) years of your appointment to President and CEO accompanied by a termination of your employment for good reason (as defined in Attachment I) the Company will pay you one (1) times your annual base salary plus annual bonus target and remove any outstanding vesting requirements (including the \$9.24 price requirement), for the \$4,000,000 accession stock option grant. Should you leave Ford and accept this separation payment, it is made on the condition that you do not join a competitor for two (2) years after the date of your termination and also sign and deliver an acceptable Waiver and Release. You will not be entitled to any separation payment if you are terminated or released at any time "for cause," as described in Attachment I, or if you retire.

Recoupment Policy:

The Compensation Committee of the Board of Directors adopted a recoupment policy that applies to: (i) awards paid in the current and future years pursuant to the Annual Incentive Compensation Plan; (ii) Final Awards for Performance-Based Restricted Stock Units in the current performance year and future performance years; and (iii) stock options granted in the current year and future years (the "Awards"). The Awards will be subject to recoupment by the Company from an officer under the following circumstances: (i) the Company issues a material restatement of its financial statements and such restatement was caused by such officer's intentional misconduct; (ii) such officer was found to be in violation of non-compete provisions of any plan or agreement; or (iii) such officer has committed ethical or criminal violations. The Compensation Committee will consider all relevant factors and exercise business judgment in determining any appropriate amounts to recoup up to 100% of any Awards.

Tax Consequences and Possible Delays in Payment to Avoid Penalties:

Except as otherwise provided, you are solely responsible and liable for all taxes that may arise in connection with the compensation and benefits that you receive from Ford. This includes any tax arising under Section 409A of the Internal Revenue Code of 1986, as amended ("Code"). In the event Ford determines that you are a "specified employee" under Code Section 409A, any nonqualified deferred compensation benefit payable upon termination of employment while a "specified employee" will be

delayed until the first day of the seventh month following such termination. Nothing in this agreement obligates the Company to minimize any of your individual tax obligations resulting from this agreement.

Please consult your personal financial or tax advisor about the tax consequences of your compensation and benefits. No one at Ford is authorized to provide this advice to you.

Sincerely,

/s/ Kiersten Robinson

Kiersten Robinson

I have read the foregoing information in connection with my appointment as President and CEO of Ford Motor Company. I acknowledge the terms of my appointment as described above and subject to the terms, conditions, and requirements of the Company's compensation and benefit plans and programs.

Signed: /s/ James D. Farley, Jr.
James D. Farley, Jr.

Date: August 9, 2020

FOR CAUSE TERMINATION

For purposes of this offer of employment, the term "for cause" shall mean:

- (a) any act of dishonesty or knowing or willful breach of fiduciary duty on your part that is intended to result in your personal enrichment or gain at the expense of Ford or any of its affiliates or subsidiaries; or
- (b) commission of a felony involving moral turpitude or unlawful, dishonest or unethical conduct that a reasonable person would consider damaging to the reputation or image of Ford; or
- (c) any material violation of the published standards of conduct applicable to officers or executives of Ford that warrants termination; or
- (d) insubordination or refusal to perform assigned duties or to comply with the lawful directions of your supervisors; or
- (e) any deliberate, willful or intentional act that causes substantial harm, loss or injury to Ford.

CHANGE IN CONTROL

For purposes of this offer of employment, the term "change in control" shall mean:

- (a) The direct or indirect acquisition by any person of beneficial ownership, through a purchase, merger or other acquisition transaction or series of transactions occurring within a 24-month period, of securities of the Company entitling such person to exercise 50% or more of the combined voting power of the Company's securities;
- (b) The transfer, whether by sale, merger or otherwise, in a single transaction or in a series of transactions occurring within a 12-month period, of all or substantially all of the business and assets of the Company in existence as of the date of this Agreement to any person; or
- (c) The adoption of a plan of liquidation or dissolution of the Company.

GOOD REASON

For purposes of this offer of employment, the term "good reason" shall mean:

The occurrence, without the Executive's express written consent, of any of the following events during the Protected Period (which shall be the two-year period beginning as of the date of a change in control):

- (a) Subject to the provision below on duplication of payments, a reduction of the Executive's base salary as in effect immediately prior to a change in control or of such higher base salary as may have been in effect at any time during the Protected Period, except in connection with the termination of the Executive's employment for cause or on account of Long-Term Disability or death, or except where executive pay is reduced across the Company or substantial portion of the Company as a cost-saving measure;
- (b) Subject to the provision below on duplication of payments, the failure to pay the Executive any portion of his aggregate compensation including, without limitation, annual bonus, long-term incentive and any portion of his compensation deferred under any plan, agreement or arrangement that is payable or has accrued prior to a change in control, within thirty days of the date payment of any such compensation is due;

(c) The failure to afford the Executive annual cash bonus and long-term equity incentive compensation target opportunities at a level which, in the aggregate, is at least equal to 80% of the aggregate level of annual cash bonus and long-term equity incentive compensation target opportunities made available to the Executive immediately prior to the Change in Control, except in connection with the termination of the Executive's employment for cause or on account of Long-Term Disability or death;

(d) A material diminution or change in the responsibilities of the Executive without the Executive's consent, as such responsibilities existed immediately prior to the change in control;

(e) Notwithstanding any other provision of this Agreement, the Executive shall have the right to terminate his employment, with such termination being deemed as if a termination for good reason during the Protected Period, if any successor to the Company does not assume these obligations upon a change in control.

Notwithstanding any provision in this Agreement to the contrary, if the Executive is entitled upon a termination of employment to any change of control related benefits or payments under an employment or other agreement, or a severance plan, the Executive shall not be entitled upon such termination to any duplicative payment or benefits under this Agreement but instead shall receive only the greater payment or benefit, determined on an item by item basis.

Offer FrameworkJames D. FarleyPresident and Chief Executive Officer

1.	<u>2021 Year Base Compensation*</u>	
	Base Salary	\$1,700,000
	Target Bonus (200% of base salary)	3,400,000
to	Annual Stock Award	11,000,000
	(60% PB-RSUs / 40% TB-RSUs)	13,000,000
2.	<u>Additional One Time Items</u>	
	Accession Stock Grant – August 5, 2020 (100% stock options)	\$4,000,000

* Subject to final approval by the Compensation Committee during the 2020-2021 annual compensation planning process.

FORD MOTOR COMPANY ANNUAL INCENTIVE COMPENSATION PLAN
(Amended and Restated as of September 9, 2020)

1. Purpose. This Plan, which shall be known as the "Ford Motor Company Annual Incentive Compensation Plan" and is hereinafter referred to as the "Plan," is intended to provide annual incentive compensation to Plan participants based on the achievement of established performance objectives.

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

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

(b) The term "Annual Incentive Compensation Committee" shall mean the committee comprised of two or more officers of the Company designated members of such Committee by the Compensation Committee.

(c) The term "Award" shall mean the cash compensation awarded under the Plan with respect to a Performance Period to a participant eligible under Section 5(b).

(d) The term "Committee" shall mean, unless the context otherwise requires:

(i) The Compensation Committee for all matters affecting any Section 16 Person.

(ii) The Annual Incentive Compensation Committee for all matters affecting employees other than Section 16 Persons.

(e) The term "Company" or "Ford" generally shall mean Ford Motor Company. When used in the Plan with respect to employment, the term "Company" shall include subsidiaries of the Company.

(f) The term "Compensation Committee" shall mean the Compensation Committee of the Board of Directors of the Company.

(g) The term "DC Plan" shall mean the Company's Deferred Compensation Plan, as amended.

(h) The term "Employee" shall mean any person who is regularly employed by the Company or one of its Subsidiaries at a salary (as distinguished from a pension, retirement allowance, severance pay, retainer, commission, fee under a contract or other arrangement, or hourly, piecework or other wage) and is enrolled on the active employment rolls of the Company or a Subsidiary, including, but without limitation, any employee who also is an officer or director of the Company or one of its Subsidiaries.

(i) The term "Exceptional Contribution Fund" shall mean, with respect to Awards for a Performance Period, the dollar amount designated by the Compensation Committee pursuant to Section 13 for purposes of increasing the amount of Awards based on exceptional individual, unit, group or Company performance.

(j) The term "Key Employee" shall mean an Employee of the Company determined by the Committee to be a Key Employee for purposes of the Plan.

(k) The term "Maximum Award Pool" shall mean the maximum aggregate amount of all Awards which may be made to participants for a Performance Period determined by the Compensation Committee pursuant to Section 12.

(l) The term "Maximum Individual Award" shall mean the maximum amount of an Award for a Performance Period, as set forth in Section 10.

(m) The term "participant" shall mean a Key Employee selected by the Committee to participate in the Plan for a Performance Period.

(n) The term "Performance Criteria" shall mean, with respect to any Award for a Performance Period, one or more of the following objective business criteria established by the Compensation Committee with respect to the Company and/or any Subsidiary, division, business unit or component thereof upon which the Performance Goals for a Performance Period are based: asset charge, asset turnover, automotive return on sales, capacity utilization, capital employed in the business, capital spending, cash flow, cost structure improvements, complexity reductions, customer loyalty, diversity, earnings growth, earnings per share, economic value added, environmental health and safety, facilities and tooling spending, hours per vehicle, increase in customer base, inventory turnover, market price appreciation, market share, net cash balance, net income, net income margin, net operating cash flow, operating profit margin, order to delivery time, plant capacity, process time, profits before tax, quality/customer satisfaction, return on assets, return on capital, return on equity, return on net operating assets, return on sales, revenue growth, sales margin, sales volume, total shareholder return, vehicles per employee, warranty performance to budget, variable margin, working capital, and any other criteria based on individual, business unit, group or Company performance selected by the Compensation Committee.

(o) The term "Performance Goals" shall mean the one or more goals established by the Compensation Committee based on one or more Performance Criteria pursuant to Section 7 for the purpose of measuring performance in determining the amount, if any, of an Award for a Performance Period.

(p) The term "Performance Formula" shall mean, with respect to a Performance Period, the one or more objective formulas established by the Compensation Committee pursuant to Section 7 and applied against the Performance Goals in determining whether and the extent to which Awards have been earned for the Performance Period.

(q) The term "Performance Period" or "Period" shall mean, with respect to which a particular Award may be made under the Plan, the Company's fiscal year or other twelve consecutive month period designated by the Compensation Committee for the purpose of measuring performance against Performance Goals.

(r) The term "Pro Forma Award Amount" shall mean, with respect to an Award to be made for a Performance Period, the amount determined by the Committee pursuant to Section 9.

(s) The term "SC Plan" shall mean the Company's Supplemental Compensation Plan, as amended.

(t) The term "Section 16 Person" shall mean any employee who is subject to the reporting requirements of Section 16(a) or the liability provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended.

(u) The term "Subsidiary" shall mean (i) any corporation a majority of the voting stock of which is owned or controlled, directly or indirectly, by the Company or (ii) any limited liability company a majority of the membership interest of which is owned or controlled, directly or indirectly, by the Company.

(v) The term "Target Award" shall mean, with respect to a Performance Period, the Target Award amount established for each applicable Leadership Level, band or other group of participants by the Committee pursuant to Section 6 hereof.

(w) The term "Total Pro Forma Award Pool" shall mean, with respect to Awards for a Performance Period, the amount described in Section 11.

3. Effective Date. The Plan shall be effective as of January 1, 1998.

4. Administration. Except as otherwise expressly provided, the Compensation Committee shall have full power and authority to construe, interpret and administer the Plan. The Compensation Committee shall make all decisions relating to matters affecting Section 16 Persons, but may otherwise delegate any of its authority under the Plan. The Compensation Committee and the Annual Incentive Compensation Committee each may at any time adopt or terminate, and may from time to time, amend, modify or suspend such rules, regulations, policies and practices as they in their sole discretion may determine in connection with the administration of, or the performance of their respective responsibilities under, the Plan.

5. Eligibility.

(a) Eligibility to Participate. All Key Employees are eligible to be selected to participate in the Plan. The Committee shall, in its sole discretion, designate which Key Employees will be participants for the applicable Performance Period.

(b) Eligibility for Awards. An Award with respect to a Performance Period may be made pursuant to Section 14 of the Plan to (i) participants for such Performance Period who shall have been an employee at any time during such Performance Period, or to (ii) the beneficiary or beneficiaries or legal representatives, as the Committee in its sole discretion shall determine, of any such person whose employment shall have been terminated by reason of his or her death during such Performance Period.

(c) Eligibility of Compensation Committee Members. No person while a member of the Compensation Committee shall be eligible to participate under the Plan or receive an Award.

6. Determination of Target Awards. Within 90 days of the commencement of a Performance Period, the Committee shall establish the Target Award for each applicable Leadership Level, band or other group of Key Employees selected to participate in the Plan with respect to a Performance Period, subject to any limitations established by the Compensation Committee. The fact that a Target Award is established for a participant's Leadership Level, band or other group for a Performance Period shall not entitle such participant to receive an Award.

7. Selection of Performance Criteria and Establishment of Performance Goals and Performance Formula: Minimum Threshold Objective. Within 90 days of the commencement of a Performance Period, the Compensation Committee shall select the Performance Criteria and establish the related Performance Goals to be used to measure performance for a Performance Period and the Performance Formula to be used to determine what portion, if any, of an Award has been earned for the Performance Period. The Performance Criteria may be expressed in absolute terms or relate to the performance of other companies or to an index. Within that same 90 day period, the Compensation Committee may establish a minimum threshold objective for any Performance Goal for any Performance Period, which if not met, would result in no Award being made to any participant with such Performance Goal for such Performance Period.

8. Adjustments to Performance Goals, Performance Formula or Performance Criteria. For purposes of determining Awards for participants who are not Covered Employees, the Compensation Committee may adjust or modify any of the Performance Goals, Performance Formula and/or the Performance Criteria for any Performance Period in order to prevent the dilution or enlargement of the rights of such participants under the Plan (i) in the event of, or in anticipation of, any unusual or extraordinary item, transaction, event or development, (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring event affecting the Company or the financial statements of the Company or Ford Motor Credit Company LLC, or in anticipation of, changes in applicable laws, regulations, accounting principles or business conditions, and (iii) for any other reason or circumstance deemed relevant to the

Compensation Committee in its sole discretion. For purposes of this Section 8, the term “Covered Employee” shall mean a Key Employee who is a “covered employee” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

9. Determination of Pro Forma Award Amount. As soon as practicable following, but not later than the December 31st immediately following, the end of a Performance Period, the Committee shall determine the Pro Forma Award Amount for any Award to be made to a participant for a Performance Period by applying the applicable Performance Formula for the participant for the Performance Period against the accomplishment of the related Performance Goals for such participant.

10. Maximum Individual Award. The Maximum Individual Award for a Performance Period is \$10,000,000.

11. Total Pro Forma Award Pool. The Total Pro Forma Award Pool for all Awards for a Performance Period shall equal the sum of the Pro Forma Award Amounts for all participants for the Performance Period.

12. Determination of Maximum Award Pool. The Compensation Committee shall determine the amount of the Maximum Award Pool for a Performance Period which shall not exceed the sum of the Total Pro Forma Award Pool plus the amount of the Exceptional Contribution Fund for such Period.

13. Determination of Exceptional Contribution Fund. The Compensation Committee shall determine the amount of the Exceptional Contribution Fund, if any, which may be used for increasing the size of Awards for a Performance Period above the applicable Pro Forma Award Amount. Unless otherwise determined by the Compensation Committee, the amount of the Exceptional Contribution Fund shall not exceed 15% of the Total Pro Forma Award Pool for the applicable Performance Period.

14. Determination of Individual Awards. Subject to achievement of any applicable minimum threshold objectives established under Section 7, fulfillment of the conditions set forth in Section 17, and compliance with the Maximum Individual Award limitation under Section 10 and the eligibility requirements set forth in Section 5(b), the Committee shall, as soon as practicable following, but not later than the December 31st immediately following, the end of a Performance Period, determine the amount of each Award to be made to a participant under the Plan for the Performance Period, which amount shall, except as otherwise provided below, be the Pro Forma Award Amount determined for such participant for such Period pursuant to Section 9. The Committee may, in its sole discretion, reduce the amount of any Award that otherwise would be awarded to any participant for any Performance Period. In addition, the Committee may, in its sole discretion, increase the amount of any Award that otherwise would be awarded to any participant for a Performance Period to an amount that is higher than the applicable Pro Forma Award Amount based on exceptional individual, unit, group or Company performance; provided, however, that the total amount of all Awards made for a Performance Period shall not exceed the related Maximum Award Pool. Individual Award amounts may be less than or greater than 100% of the related Target Award. The determinations by the Annual Incentive Compensation Committee of individual Award amounts for Employees who are not Section 16 Persons shall be subject to a maximum funding amount and any other limitations specified by the Compensation Committee. Notwithstanding anything contained in the Plan to the contrary, the Committee may determine in its sole discretion not to make an Award to a particular participant or to all participants selected to participate in the Plan for any Performance Period.

15. Distribution and Form of Awards.

(a) General. Except as otherwise provided in Section 15(b) or in Section 17, distribution of Awards for a Performance Period shall be made on, or as soon as practicable after, the distribution date for such Awards determined by the Compensation Committee, which date shall be on or before March 15 following the end of the applicable Performance Period, but in no event shall such date be later than the December 31 immediately following such March 15, and shall be payable in cash.

(b) Deferral of Awards. Subject to the terms, conditions and eligibility requirements of the DC Plan, Key Employees who receive an Award under the Plan are eligible to defer payment of all or part of such Award under the DC Plan under the same terms as if such Award had been an award of supplemental compensation made under the SC Plan. In no event may any deferral election made under the DC Plan pursuant to this paragraph be made later than the last day of the sixth month of the applicable Performance Period. Additionally, no deferral election may be made under the DC Plan pursuant to this paragraph if, at the time of such election, the amount of any Award subject to such deferral election is substantially certain.

(c) Mandatory Deferral of Awards. The Compensation Committee shall determine whether, and the extent to which, any Awards under the Plan will be mandatorily deferred and the terms of any such deferral. Unless otherwise determined by the Compensation Committee, Awards may be mandatorily deferred by such Committee in the same manner as if they had been awards of supplemental compensation made under the SC Plan. In no event may any mandatory deferral pursuant to this paragraph be made later than the last day of the sixth month of the applicable Performance Period. Additionally, no mandatory deferral may be made pursuant to this paragraph if, at the time of such mandatory deferral, the amount of any Award subject to such mandatory deferral is substantially certain.

16. Effect of Death.

(a) Distribution upon Death. Subject to Section 15, and any applicable deferral plan or arrangement (including the DC Plan), and except as otherwise provided in Section 16(b), if a participant dies prior to distribution of all or part of an Award, the undistributed amount of such participant's Award shall be distributed in a single lump sum cash payment in accordance with Section 15(a) and applicable law. Any such payment will be paid at, or as soon as reasonably practicable after, such time as the participant's Award would have been paid to the participant if the participant had survived and fulfilled all applicable earning out conditions under Section 17 and any applicable deferral plan or arrangement (including the DC Plan) until the date of death.

(b) Designation of Beneficiaries by U.S. Participants. Notwithstanding Section 16(a), a participant who is subject to U.S. laws may file a written beneficiary designation with the Company (in such form and manner, and subject to such limitations, as the Compensation Committee may determine) to designate a beneficiary or beneficiaries to receive any undistributed amount of an Award that was not deferred under a Company deferral arrangement or plan and that would have been payable to such participant had the participant survived and fulfilled all applicable earning out conditions under Section 17 and any applicable deferral plan or arrangement (including the DC Plan) until the time of death. Any such beneficiary designation shall be controlling; provided, however, that if applicable law requires the Company to pay all or any portion of such an amount to the legal representative(s) of the participant, such payment shall satisfy any and all liability and/or obligation under the Plan with respect to such participant. Participants may revoke or change such a beneficiary designation from time to time. Subject to the provisions of Section 15, and any applicable deferral plan or arrangement (including the DC Plan), upon the death of a participant who has designated a beneficiary in accordance with this Section 16(b), the undistributed amount of such participant's Award shall be distributed to any surviving designated beneficiary or beneficiaries in a single lump sum cash payment in accordance with Section 15(a) at, or as soon as reasonably practicable after, such time as the participant's Award would have been paid to the participant if such participant had survived. If a participant who is subject to U.S. law does not file a written beneficiary designation in accordance with this Section 16(b), or such designated beneficiary does not survive the participant, any undistributed amount of an Award that otherwise would have been payable to such participant shall be paid to such participant's legal estate.

17. Conditions to Payment of Awards.

(a) Effect of Competitive Activity. Anything in the Plan notwithstanding, and subject to paragraph (c) hereof and, if applicable, any conditions under the DC Plan or any other deferral plan or arrangement relating to payment of an Award, if the employment of any participant shall terminate, for any reason other than death, prior to the distribution date established pursuant to Section 15(a) for payment of an Award, such participant

shall receive payment of an Award only if, during the entire period from the making of an Award until such distribution date, such participant shall have earned out such Award

(i) by continuing in the employ of the Company or a Subsidiary thereof, or

(ii) if his or her employment shall have been terminated for any reason other than death, by (a) making himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any Subsidiary thereof with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or any Subsidiary thereof, and (b) refraining from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any Subsidiary thereof.

(b) Nonfulfillment of Competitive Activity Conditions; Waiver of Conditions Under the Plan. In the event of a participant's nonfulfillment of any condition set forth in paragraph (a) above, such participant's rights under the Plan to receive or defer payment of an Award under the Plan shall be forfeited and canceled; provided, however, that the nonfulfillment of such condition may at any time (whether before, at the time of or subsequent to termination of employment) be waived in the following manner:

(i) with respect to a participant who at any time shall have been a Section 16 Person, such waiver may be granted by the Compensation Committee upon its determination that in its sole judgment there shall not have been and will not be any substantial adverse effect upon the Company or any Subsidiary thereof; and

(ii) with respect to any other participant, such waiver may be granted by the Annual Incentive Compensation Committee (or any committee appointed by it) upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

(c) Effect of Inimical Conduct. Anything in the Plan to the contrary, the right of a participant, following termination of such participant's employment with the Company, to receive payment or to defer payment of an Award under Section 15 shall terminate on and as of the date on which it has been determined that such participant at any time (whether before or subsequent to termination of such participant's employment) acted in a manner inimical to the best interests of the Company. Any such determination shall be made by (i) the Compensation Committee with respect to any participant who at any time shall have been a Section 16 Person, and (ii) the Annual Incentive Compensation Committee (or any committee appointed by it for the purpose) with respect to any other participant. Such Committee (or any such other committee) may make such determination at any time prior to payment in full of an Award. Conduct which constitutes engaging in any activity that is directly or indirectly in competition with any activity of the Company or any Subsidiary thereof shall be governed by Section 17(a)(ii) and shall not be subject to any determination under this paragraph (c).

18. Limitations. A participant shall not have any interest in any Award until it is distributed in accordance with the Plan. The fact that a Key Employee has been selected to be a participant for a Performance Period shall not in any manner entitle such participant to receive an Award for such period. The determination as to whether or not such participant shall be paid an Award for such Performance Period shall be determined solely in accordance with the provisions of Sections 14 and 17 hereof. All payments and distributions to be made thereunder shall be paid from the general assets of the Company. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any employee, former employee or any other person. The Plan shall not constitute part of any participant's or employee's employment contract with the Company or any participating subsidiary. Participation in the Plan shall not create or imply a right to continued employment.

19. Withholding of Taxes, etc. The Company shall have the right to withhold an amount sufficient to satisfy any federal, state or local income taxes, FICA or Medicare taxes or other amounts that the Company may be required by law to pay with respect to any Award, including withholding payment from a participant's current compensation. The Company has no duty to design its compensation policies in a manner that minimizes an

individual's tax liabilities, including tax liabilities arising as a result of any distribution or Awards under the Plan. No claim shall be made against the Plan relating to tax liabilities arising from employment with the Company and/or any compensation or benefit arrangements sponsored or maintained by the Company, including this Plan.

20. No Assignment of Benefits. No rights or benefits under the Plan shall, except as otherwise specifically provided by law, be subject to assignment (except for the designation of beneficiaries pursuant to Section 16(a)), nor shall such rights or benefits be subject to attachment or legal process for or against a participant or his or her beneficiary or beneficiaries, as the case may be.

21. Administration Expense. The entire expense of offering and administering the Plan shall be borne by the Company and its participating Subsidiaries.

22. Access of Independent Certified Public Accountants and Committee to Information. The Company's independent certified public accountants shall have full access to the books and records of the Company and its Subsidiaries, and the Company shall furnish to such accountants such information as to the financial condition and operations of the Company and its Subsidiaries as such accountants may from time to time request, in order that such accountants may take any action required or requested to be taken by them under the Plan. The Chief Financial Officer or, in the event of his or her absence or disability to act, the principal accounting officer of the Company shall furnish to the Committee such information as the Committee may request to assist it in carrying out or interpreting this Plan. Neither such accountants, in reporting amounts required or requested under the Plan, nor the Chief Financial Officer, or any other director, officer or employee of the Company, in furnishing information to such accountants or to the Committee, shall be liable for any error therein, if such accountants or other person, as the case may be, shall have acted in good faith.

23. Amendment, Modification, Suspension and Termination of the Plan; Rescissions and Corrections. The Compensation Committee, at any time may terminate, and at any time and from time to time, and in any respect, may amend or modify the Plan or suspend any of its provisions; provided, however, that no such amendment, modification, suspension or termination shall, without the consent of a participant, adversely affect any right or obligation with respect to any Award theretofore made. The Committee at any time may rescind or correct any actions made in error or that jeopardize the intended tax status or legal compliance of the Plan.

24. Indemnification and Exculpation.

(a) Indemnification. Each person who is or shall have been a member of the Compensation Committee or a member of the Annual Incentive Compensation Committee shall be indemnified and held harmless by the Company against and from any and all loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be or become a party or in which such person may be or become involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof (with the Company's written approval) or paid by such person in satisfaction of a judgment in any such action, suit or proceeding, except a judgment in favor of the Company based upon a finding of such person's lack of good faith; subject, however, to the condition that upon the institution of any claim, action, suit or proceeding against such person, such person shall in writing give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's behalf. The right of indemnification shall not be exclusive of any other right to which such person may be entitled as a matter of law or otherwise, or any power that the Company may have to indemnify or hold such person harmless.

(b) Exculpation. Each member of the Compensation Committee and each member of the Annual Incentive Compensation Committee shall be fully justified in relying or acting in good faith upon any information furnished in connection with the administration of the Plan or any appropriate person or persons other than such person. In no event shall any person who is or shall have been a member of the Compensation Committee or a member of the Annual Incentive Compensation Committee be held liable for any determination made or other action

taken or any omission to act in reliance upon any such information, or for any action (including the furnishing of information) taken or any failure to act, if in good faith.

25. Finality of Determinations. Each determination, interpretation or other action made or taken pursuant to the provisions of the Plan by the Compensation Committee or the Annual Incentive Compensation Committee shall be final and shall be binding and conclusive for all purposes and upon all persons, including, but without limitation thereto, the Company, its stockholders, the Compensation Committee and each of the members thereof, the Annual Incentive Compensation Committee and each of the members thereof, and the directors, officers, and employees of the Company, the Plan participants, and their respective successors in interest.

26. Code Section 409A. All Awards are intended to be exempt from, or in compliance with, Section 409A of the Internal Revenue Code of 1986, as amended ("Code"), and the regulations issued thereunder, and the Plan is to be construed accordingly. The Company reserves the right to take such action as the Company deems necessary or desirable to ensure Awards are exempt from, or comply with, Code Section 409A, and the regulations issued thereunder. Notwithstanding the foregoing, any employee or beneficiary receiving a distribution of cash, Stock, or Other Stock-Based Award shall be responsible for any taxes related to such distribution, including any taxes under Code Section 409A.

27. Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of Michigan.

**Executive Separation
Waiver and Release Agreement**

Name: Tim Stone, Chief Financial Officer

Global I.D.: 2253421

GPID: LL73FI69

1. Separation of Employment

Ford Motor Company (“Ford” or the “Company”) and I have reached a mutual agreement that, pursuant to the below mutually satisfactory terms, my employment with Ford shall terminate as of October 15, 2020 (“Separation Date”). After September 30, 2020, I will perform my employment duties on an as needed basis and as directed by Ford until the Separation Date.

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

2. Separation Benefits

In exchange for the consideration set forth herein, the sufficiency of which I hereby acknowledge, and subject to my execution of, and continued compliance with, this Waiver and Release Agreement (the “Agreement”), as well as my execution and non-revocation of Exhibit B to this Agreement (the “Second Release of Claims”), I will be entitled to receive the compensation items, as set forth in Exhibit A hereto.

I understand that in order to receive the consideration described in this Paragraph 2, I am required to (i) sign this Agreement and return the document to Kiersten Robinson, Chief Human Resources Officer, no later than 12:00 pm Eastern Time September 30, 2020, and (ii) no earlier than my Separation Date, and no later than October 21, 2020, sign and return the

Second Release of Claims to Kiersten Robinson. I further understand that I will not be entitled to the consideration in this Paragraph 2 if I fail to timely execute or if I revoke the Second Release of Claims, and that I shall forfeit any unpaid consideration described in this Paragraph 2. I understand that my employment at Ford will end upon my Separation Date and this Agreement will remain in effect, whether or not I choose to sign and not revoke the Second Release of Claims.

I understand that I will not be entitled to any other separation payment, that all other unvested time-based restricted stock units, unexercised stock options, performance-based restricted stock units still in their performance periods, and any final award not yet granted related to any performance-based restricted stock units whose performance period has ended will be forfeited except as specified in Exhibit A.

3. Release of Claims

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

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

- Anti-discrimination statutes, such as Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, and Executive Order 11,246, which prohibit discrimination in employment based on race, color, national origin, religion or sex; the Federal Rehabilitation Act of 1973, which prohibits discrimination in employment on the basis of handicap; the Americans with Disabilities Act, which prohibits discrimination in employment on account of disability; the Equal Pay Act,

which prohibits paying men and women unequal pay for equal work; or any other federal, state or local laws or regulations prohibiting employment discrimination.

- Federal employment statutes, such as the WARN Act, which requires that advance notice be given of certain work force reductions; the Employee Retirement Income Security Act of 1974, as amended, which among other things, protects employee benefits; the Fair Labor Standards Act of 1938, which regulates wage and hour matters; the Family and Medical Leave Act of 1993, which requires employers to provide leaves of absence under certain circumstances; and any other federal laws relating to employment, such as veterans' reemployment rights laws.
- Any other laws, such as any federal, state or local laws or regulations, or any common law doctrines related in any way to employment, employment discrimination, or workers compensation benefits, any federal, state or local law enforcing employment contracts, either express or implied or requiring an employer to deal with employees fairly and in good faith, and any other federal, state, or local laws providing recourse for alleged defamation, slander, libel, fraud, wrongful discharge, constructive discharge or tort-based claims, including but not limited to, intentional infliction of emotional distress.

4. Rights or Claims That Survive

I do not waive or release any rights or claims I may have that arise solely from actions taken, or events or occurrences taking place, after this Agreement is signed or any rights or claims that are not permitted by law to be waived or released, such as workers' compensation claims. I also do not waive and release (i) any claims I may have against the Company for reimbursement of authorized expenses if the expense was incurred prior to my Separation Date, (ii) with respect to any amounts or benefits to which I may be entitled under and in accordance with Paragraph 2 of this Agreement or otherwise pursuant to this Agreement, (iii) any rights that I may have to indemnification under the terms of any applicable indemnification agreement with the Company, the organizational documents of the Company, the terms of any insurance policy, the terms of any Company indemnification policy, the terms of applicable law or otherwise, and (iv) vested rights, if any, under and in accordance with the terms of any applicable employee benefit plan in which I participate and amendments thereto. Rights or claims that the Company may have against me also survive. Nothing in this Agreement shall be construed to affect the independent right and responsibility of the Equal Employment Opportunity Commission ("EEOC") or a state or local fair employment practices agency acting as an EEOC referral agency. I also understand that nothing in this Agreement or any other agreement or document prohibits me from voluntarily communicating, without notice to or approval by the Company, with any federal, state, or local government agency (including law enforcement) about a potential violation of a federal, state, or local law or regulation. Nothing in this Agreement or any other agreement or document prohibits me from cooperating or participating in any investigation or proceeding conducted by a federal, state, or local government agency charged with enforcement of any law. However, to the extent an action or proceeding may be brought by

any government agency with respect to any alleged acts or omissions prior to my execution of this Agreement, I expressly acknowledge and agree that I have relinquished any entitlement to, and will not accept, any form of monetary damages or any other form of relief in connection with any such action or proceeding. Nothing in this Agreement shall prevent me from disclosing factual information regarding any discrimination, harassment, retaliation, or other unlawful employment practices I may claim to have experienced or witnessed at Ford.

5. Confidential Information

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

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

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

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

6. Representations and Warranties

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

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

Ford agrees that Ford Public Affairs and/or the Ford Media Center shall not publish any material that disparages me.

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

7. Non-Compete and Non-Solicitation Agreement

In consideration of the benefits described herein, I also agree that until my Separation Date, and for a period of two (2) years immediately following my Separation Date, I shall not, directly or indirectly, work for or associate with any business that competes in trade or commerce with Ford, its subsidiaries or its affiliates, whether individually or as an owner, partner, agent, employee, consultant, or otherwise; provided that, it will not be a breach of the foregoing covenant for me to provide services to or otherwise work or associate with any business in the technology sector the primary business of which does not consist of the design (including related software and artificial intelligence), manufacture and sale of automobiles or automobile parts, transportation, or self-driving vehicles. The Company agrees that neither my employment with ASAPP, Inc., nor my provision of services to

Wildlife Studios, or GoBrands, Inc., violate this paragraph. I further agree to refrain until my Separation Date, and for two (2) years following my Separation Date, from taking any action that will cause the termination or interference of existing business relationships between or among Ford, its subsidiaries or its affiliates, on the one hand, and any of their customers or suppliers with whom I had direct or indirect contact while working for Ford, on the other. I further agree that Ford and its subsidiaries and affiliates have invested substantial time and effort to identify, recruit, and train their personnel and that, until my Separation Date and for a period of two (2) years following my Separation Date (“Restricted Period”), I will not, either directly or indirectly, on my behalf or on behalf of any other person or entity, in any capacity, recruit, solicit for hire, or hire or assist others in recruiting, soliciting for hire or hiring any person who is or during the Restricted Period becomes an employee, agency employee, contract employee or consultant of Ford or any of its subsidiaries or affiliates; provided however that the foregoing will not prohibit me or any of my affiliates from hiring any person who responds to a general advertisement or solicitation not specifically directed at employees of Ford or its subsidiaries or affiliates. The recruitment of individuals who have retired from Ford or any of its subsidiaries or affiliates shall not violate this Paragraph; however, nothing herein shall excuse such individuals from any requirement to submit a predetermination request or avoid inimical conduct pursuant to any applicable retirement plan.

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

8. Return of Company Materials Upon Termination

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

9. Business Reputation

I acknowledge that the business reputation of the Company is a valuable asset. I agree that I shall take no action which can be deemed to be inimical to the best interests of the Company, including but not limited to: publishing material that disparages the Company, participating in interviews disparaging the Company or taking action in any other manner or way disparaging the Company. In the event that I engage in any of the foregoing, I agree to promptly pay liquidated damages to the Company in an amount equal to the value of the

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

10. Legal Proceedings and Cooperation

I agree that I will, to the extent reasonably requested in writing, cooperate with and serve in any capacity reasonably requested by the Company in any pending or future investigation (including internal investigation), litigation or proceedings in which the Company is a party, and regarding which I, by virtue of my employment with the Company, have knowledge or information which the Company deems relevant to said litigation, investigation, or proceedings including, but not limited to, acting as the Company's representative or on behalf of the Company in any said investigation, litigation, or proceedings. I further agree that I will, without the necessity for subpoena, provide in any jurisdiction in which the Company requests, truthful testimony relevant to said investigation, litigation, or proceedings. In connection with the foregoing, the Company will attempt to accommodate my schedule, provide me with reasonable advance notice of the time(s) at which my services are needed and reimburse me for reasonable expenses to the extent required under any operative duty to indemnify.

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

11. No Reapplication or Rehire

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

12. Enforceability and Interpretation

If any provision of this Agreement is found to be unenforceable, all other terms shall be considered separate and independent from the other provisions of this Agreement. The invalidity of any one provision shall not affect any other provision of this Agreement. This Agreement shall be governed by the laws of the State of Michigan, excluding its choice of law provisions. It is expressly understood and agreed that although I consider the restrictions contained in Paragraph 7 to be reasonable, if a final determination is made that the time or scope or any other restriction contained in Paragraph 7 is an unenforceable restriction against me, the provisions of such restriction shall not be rendered void but shall be deemed amended to apply as to such maximum time and scope and to such other extent as is determined or indicated to be reasonable and enforceable. Alternatively, if it is determined that any restriction contained in Paragraph 7 is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein. Furthermore, both parties agree that the provisions of this Agreement are the only provisions governing employee's termination of employment with the Company and waiver and release of any and all claims against the Company and that these provisions of this Agreement can only be modified by a written agreement.

13. Dispute Resolution and Class Action Waiver

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

unenforceable, unconscionable, void or voidable, the remainder of this Agreement shall remain in full force and effect.

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

- d) I agree to pay my attorney's fees and the expenses for any witnesses that support my position. I understand that the Company will pay all expenses of the arbitration, including required travel and other expenses of the arbitrator, AAA representatives, and any witness produced at the direction of the arbitrator, as well as the costs relating to any proof produced by the Company at the direction of the arbitrator, unless the arbitrator directs otherwise in the award as provided for in the Administrative Fee Schedule. Arbitration in this manner shall be the exclusive remedy for any arbitrable dispute. The arbitrator's decision or award shall be fully enforceable and subject to an entry of judgment by a court of competent jurisdiction.
- e) Notwithstanding the agreement to arbitrate as set forth in this Paragraph, the parties shall have the right, before, during or after any arbitration proceeding, to obtain equitable remedies available in a court of competent jurisdiction under applicable statutes and court rules. Any such claim or judicial proceeding shall be filed in a state or federal court located in Wayne County, Michigan. I expressly consent to the personal jurisdiction of the state and federal courts located in Wayne County, Michigan for any lawsuit filed there against me by the Company arising from or related to this Paragraph 13. Any such proceeding or claim shall be governed by Michigan law, without regard to Michigan choice-of-law principles. The institution of any suit permitted by this paragraph shall not constitute a waiver of the agreement to arbitrate as set forth in this paragraph.
- f) The agreement to arbitrate as set forth in this Paragraph does not apply to any claims regarding the provision of benefits under any employee benefit plan (the "Plan"). In order to make a claim for benefits under any Plan, I understand that I must first exhaust my administrative remedies under the procedures set forth in the Plan and as established by the Plan Administrator. Once I have exhausted my administrative remedies, if I wish to challenge any administrative denial further, I may only bring an action in connection with the Plan in the United States District Court for the Eastern District of Michigan to the extent permitted under the Plan. The institution of any suit permitted by this paragraph shall not constitute a waiver of the agreement to arbitrate as set forth in this Paragraph.

- g) This Agreement is governed by the Federal Arbitration Act (9 U.S.C. §§ 1-16) (“FAA”). Ford and I expressly agree that this Agreement shall be governed by the FAA, even in the event I am otherwise exempted from the FAA, and expressly agree that any disputes in this regard be resolved exclusively by an arbitrator.

14. Informed Consent I acknowledge that:

- I have carefully read this Agreement and have had a reasonable period of time in which to consider the Agreement;
- I fully understand what the Agreement means, and I am entering into it voluntarily, of my own free will, without coercion or duress, and with the full understanding of the significance and binding effect of this Agreement;
- I have been advised in writing to consult with an attorney of my own choice (and not related to the Company) prior to signing this Agreement and the Company strongly recommends I do so;
- I am receiving valuable consideration in exchange for my execution of this Agreement in the form of the consideration described herein that exceed the consideration I would be entitled to if I quit or was terminated and did not execute this Agreement;
- If, after being offered this Agreement but before this Agreement becomes effective, I separately quit or am terminated from my employment with Ford, the Company may in its sole discretion revoke this Agreement, rendering this Agreement null and void;
- I have not relied on any statements, promises or agreements of any kind made to me in connection with my decision to sign this Agreement except for those terms set forth in this Agreement; and
- I understand that, in deciding to enter into this Agreement, the Company has relied upon representations made by me herein, including without limitation those in paragraphs 6 and 9, each of which are hereby made material. I further understand that, should the Company discover that any such representation is false or inaccurate before the Effective Date, the Company may in its sole discretion revoke this Agreement, rendering this Agreement null and void.

PLEASE READ THIS AGREEMENT CAREFULLY. IT INCLUDES A GENERAL RELEASE AND WAIVER OF ALL KNOWN AND UNKNOWN CLAIMS.

By signing below, I voluntarily agree to the terms and conditions of this Agreement.

/s/ Tim Stone

Tim Stone

September 30, 2020

Date

Ford Motor Company:

By: /s/ Kiersten Robinson

Kiersten K. Robinson

Title: Chief Human Resources Officer

September 30, 2020

Date

EXHIBIT A
Tim Stone
Separation Benefits Summary

Effective Dates	Ford Service Date: 4/15/2019 Last Day Worked: 10/15/2020 Separation Effective Date: 10/15/2020
Termination Type	Voluntary Quit
Compensation	
AICP Bonus Payment	Notwithstanding anything to the contrary in the AICP: Pending approval of the Board of Directors Compensation Committee, you will be eligible for ten months proration for time worked if there is a payout in 2021 for the 2020 performance period; based on Company performance through the 2020 performance period (subject to individual performance through the Separation Date), payable at the same time as bonuses are paid to employees generally. Pending approval of the Board of Directors Compensation Committee and in the event of an approved discretionary Officer bonus for 2020 performance, you will be eligible for inclusion of that program payable at the same time as bonuses are paid to Officers generally.
Performance-Based Restricted Stock Units (PB-RSU)	Granted, unvested PB-RSU awards are forfeited. The award falling into this category is: 2020 PB-RSU Annual Grant (2020-2022 performance period): Forfeited
Time-Based Restricted Stock Units (TB-RSU)	Notwithstanding anything to the contrary in the applicable plan or award agreement, vested TB-RSUs are retained. The award falling into this category is: 2019 TB-RSU Hiring Grant (tranche 1) Pending approval of the Board of Directors Compensation Committee, notwithstanding anything to the contrary in the applicable plan or award agreement, you will be eligible to retain the following portions of certain unvested TB-RSU awards. These awards will vest and will be settled or paid on the normal schedule. Awards falling into this category are: 2020 TB-RSU Annual Grant (tranche 1): Vests in March, 2021 2019 TB-RSU Hiring Grant (tranche 2): Vests in April, 2021 For clarity, the following unvested TB-RSUs will be forfeited: 2020 TB-RSU Annual Grant (tranches 2 & 3): Forfeited 2019 TB-RSU Hiring Grant (tranche 3): Forfeited
Health Care	
Medical Plan and Prescription Drug Coverage	Coverage ends upon termination. Employee may elect coverage under COBRA for up to 18 months.

Health Savings Account	Portable; can be used for healthcare expenses.
Dental Plan	Coverage ends as of the date of termination; COBRA available
Vision Plan	Coverage ends as of the date the last premium is deducted; COBRA available

Insurances (Other Than Health Care)	
Basic Life Insurance	Basic Life Insurance ends as of the date of termination.
Accidental Death & Dismemberment	Company provided AD&D Insurance ends as of the date of termination.
Disability Plan	Company provided coverage ends on date of termination.
Optional Life Insurance	Not currently enrolled
Dependent Life Insurance	Not currently enrolled
Optional Accident Insurance	Not currently enrolled
Vehicle Programs	
Vehicles	No eligibility.
Miscellaneous Items	
Vacation	Forfeit any earned, unused 2020 vacation.
Financial Planning	No longer eligible for annual Lump Sum.

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

The parties intend that any amounts payable hereunder or under the Agreement of which this Exhibit A forms a part comply with or are exempt from Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"). This Exhibit A and the Agreement of which this Exhibit A forms a part shall be administered, interpreted and construed in a manner that is intended not to result in the imposition of additional taxes, penalties or interest under Section 409A, to the maximum extent possible. All payments hereunder, or under the Agreement of which this Exhibit A forms a part, shall be paid in accordance with the applicable provisions of the governing plan documents. For purposes of Section 409A, each payment hereunder, or under the Agreement of which this Exhibit A forms a part, shall be designated as a separate payment. If and to the extent, any portion of any payment, compensation or other benefit provided to you in connection with your resignation constitutes "nonqualified deferred compensation" within the meaning of Section 409A and you are a specified employee as defined in Section 409A(a)(2)(B)(i), such portion of the payment, compensation or other benefit shall not be paid before the earlier of: (i) the expiration of the six month period measured from the date of your "separation from service" (as determined under Section 409A) or (ii) the tenth day following the date of your death following such separation from service (the date of any such payment in accordance with either (i) or (ii) shall be referred to hereafter as the "New Payment Date"). The aggregate of any payments that otherwise would have been paid to you during the period between the date of separation from service and the New Payment Date shall be paid to you in a lump sum, without interest, in the first payroll period beginning after such New Payment Date, and any other remaining payments will be paid in accordance with their original schedule.

EXHIBIT B

SECOND RELEASE OF CLAIMS

I, Tim Stone, hereby agree as follows:

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

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

- Anti-discrimination statutes, such as the Age Discrimination in Employment Act (“ADEA”), which prohibits age discrimination in employment; Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, and Executive Order 11,246, which prohibit discrimination in employment based on race, color, national origin, religion or sex; the Federal Rehabilitation Act of 1973, which prohibits discrimination in employment on the basis of handicap; the Americans with Disabilities Act, which prohibits discrimination in employment on account of disability; the Equal Pay Act, which prohibits paying men and women unequal pay for equal work; or any other federal, state or local laws or regulations prohibiting employment discrimination.
- Federal employment statutes, such as the WARN Act, which requires that advance notice be given of certain work force reductions; the Employee Retirement Income Security Act of 1974, as amended, which among other things, protects employee benefits; the Fair Labor Standards Act of 1938, which regulates wage and hour

matters; the Family and Medical Leave Act of 1993, which requires employers to provide leaves of absence under certain circumstances; and any other federal laws relating to employment, such as veterans' reemployment rights laws.

- Any other laws, such as any federal, state or local laws or regulations, or any common law doctrines related in any way to employment, employment discrimination, or workers compensation benefits, any federal, state or local law enforcing employment contracts, either express or implied or requiring an employer to deal with employees fairly and in good faith, and any other federal, state, or local laws providing recourse for alleged defamation, slander, libel, fraud, wrongful discharge, constructive discharge or tort-based claims, including but not limited to, intentional infliction of emotional distress.

- (B) I do not waive or release any rights or claims I may have that arise solely from actions taken, or events or occurrences taking place, after this Second Release of Claims ("Release") is signed or any rights or claims that are not permitted by law to be waived or released, such as workers' compensation claims. I also do not waive and release (i) any claims I may have against the Company for reimbursement of authorized expenses if the expense was incurred prior to my separation date, (ii) with respect to any amounts or benefits to which I may be entitled under and in accordance with Paragraph 2 of the Agreement or otherwise pursuant to this Agreement, (iii) any rights that I may have to indemnification under the terms of any applicable indemnification agreement with the Company, the organizational documents of the Company, the terms of any insurance policy, the terms of any Company indemnification policy, the terms of applicable law or otherwise, and (iv) vested rights, if any, under and in accordance with the terms of any applicable employee benefit plan in which I participate and amendments thereto. Rights or claims that the Company or the Released Entities may have against me also survive. Nothing in this Release or the Agreement shall be construed to affect the independent right and responsibility of the Equal Employment Opportunity Commission ("EEOC") or a state or local fair employment practices agency acting as an EEOC referral agency. I also understand that nothing in this Release or the Agreement or any other agreement or document prohibits me from voluntarily communicating, without notice to or approval by the Company or Released Entities, with any federal government agency about a potential violation of a federal law or regulation. However, to the extent an action or proceeding may be brought by any federal government agency with respect to any alleged acts or omissions prior to my execution of this Release, I expressly acknowledge and agree that I have relinquished any entitlement to, and will not accept, any form of monetary damages or any other form of relief in connection with any such action or proceeding.
- (C) I specifically acknowledge and agree that this Release incorporates all terms and conditions provided under the Agreement, including, but not limited to, Paragraph 13 (Dispute Resolution and Class Action Waiver) of the Agreement. I specifically acknowledge and agree that all representations and warranties I made under the Agreement remain accurate and are in full force.

- (D) By execution of this Release, I specifically acknowledge and agree that I was allowed a period of at least twenty-one (21) calendar days to consider this Release. I further acknowledge that I have a period of seven (7) calendar days after the execution of this Release to revoke the same (the "Revocation Period"). I agree that, should I choose to revoke this Release, I must deliver a written notice of revocation to Kiersten Robinson, Chief Human Resources Officer.

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

- (E) I acknowledge that:

- I have carefully read this Release and have had a reasonable period of time in which to consider the Release;
- I fully understand what the Release means, and I am entering into it voluntarily, of my own free will, without coercion or duress, and with the full understanding of the significance and binding effect of this Release;
- I have been advised in writing to consult with an attorney of my own choice (and not related to the Company) prior to signing this Release and the Company strongly recommends I do so;
- I am receiving valuable consideration in exchange for my execution of this Release in the form of the consideration described herein that exceed the consideration I would be entitled to if I quit and did not execute this Release; and
- I have not relied on any statements, promises or agreements of any kind made to me in connection with my decision to sign this Release except for those terms set forth in this Release and the Agreement.

PLEASE READ THIS RELEASE CAREFULLY. IT INCLUDES A GENERAL RELEASE AND WAIVER OF ALL KNOWN AND UNKNOWN CLAIMS.

THIS RELEASE **MAY NOT BE EXECUTED PRIOR TO THE SEPARATION DATE**. I AGREE AND ACKNOWLEDGE THAT, SHOULD I SIGN THIS RELEASE PRIOR TO THE SEPARATION DATE, THAT RELEASE SHALL BE NULL AND VOID, AND I WILL BE REQUIRED TO SIGN THIS RELEASE AGAIN ON OR AFTER MY SEPARATION DATE TO BE ELIGIBLE FOR THE CONSIDERATION DESCRIBED IN PARAGRAPH 2 OF THE AGREEMENT.

By signing below, I voluntarily agree to the terms and conditions of this Second Release of Claims.

Tim Stone

Date

Ford Motor Company:

By: _____
Kiersten K. Robinson

Date

Title: Chief Human Resources Officer

**Terms and Conditions of Stock Option Agreement
Ford Motor Company Long-Term Incentive Plan**

Effective for Options and/or Stock Appreciation Rights granted under the Ford Motor Company Long-Term Incentive Plan.

Please refer to Appendix A for Additional Country-Specific Information

1. The Option may not be exercised prior to the date one year from the date of the Stock Option Agreement of which these terms and conditions are a part (the Agreement). Thereafter, the Option may be exercised in installments as follows:
 - (a) Beginning on the date one year from the date of the Agreement, the Option may be exercised to the extent of 33% of the shares originally covered thereby;
 - (b) Beginning on the date two years from the date of the Agreement, the Option may be exercised to the extent of an additional 33% of the shares originally covered thereby;
 - (c) Beginning on the date three years from the date of the Agreement, the Option may be exercised to the extent of an additional 34% of the shares originally covered thereby; and
 - (d) To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part;

all subject to the Agreement and these terms and conditions and any rules and regulations established by the Committee pursuant to the Plan.

Notwithstanding the foregoing, if your stock option grant included an incentive stock option (ISO), the ISO portion of the grant would be maximized within permissible regulatory limits. This could result in a different number of options vesting on the first three anniversary dates of the grant under the nonqualified option (NQO) and/or the ISO portion of the grant than the number indicated by the schedule above. In any event, the total number of NQOs and ISOs in the grant, will, as a whole, vest according to the schedule above. Your grant information (available online via Morgan Stanley's Benefit Access website - www.benefitaccess.com or through a Morgan Stanley phone representative) will reflect the specific number of ISOs and NQOs vesting on the specific dates.

2. The Stock Appreciation Right, if any, granted by the Company to the Optionee under the Agreement shall entitle the Optionee to receive, without payment to the Company and as the Optionee may elect, either (a) that number of shares of Stock determined by dividing (i) the total number of shares of Stock subject to the Option (or the portion or portions thereof which the Optionee from time to time elects to use for purposes of this clause (a)), multiplied by the amount by which the fair market value of a share of Stock on the day

this right is exercised exceeds the option price set forth in the Agreement (such amount being hereinafter referred to as the Spread), by (ii) the fair market value of a share of Stock on the exercise date; or (b) cash in an amount determined by multiplying (i) the total number of shares of Stock subject to the Option (or the portion or portions thereof which the Optionee from time to time elects to use for purposes of this clause (b)), by (ii) the amount of the Spread; or (c) a combination of shares of Stock and cash, in amounts determined as set forth in clauses (a) and (b) above; all subject to the terms and conditions set forth herein and any rules and regulations established by the Committee pursuant to the Plan.

The right of the Optionee to exercise any Stock Appreciation Right shall be cancelled if and to the extent that the Option is exercised. The right of the Optionee to exercise the Option shall be cancelled if and to the extent that shares covered by the Option are used to calculate shares or cash received upon exercise of any Stock Appreciation Right.

Fair market value shall mean the closing price at which Stock shall have been reported on the New York Stock Exchange on the date as of which such computation is to be made or, if no such closing price shall have been reported on such day, on the next preceding day on which such closing price of Stock shall have been reported on such Exchange.

If any fractional share of Stock would otherwise be deliverable to the Optionee upon exercise of any Stock Appreciation Right, the Optionee shall be paid a cash amount equal to the same fraction of the fair market value of the Stock on the date of exercise.

Any Stock Appreciation Right shall become and remain exercisable by the Optionee only to the extent that the Option becomes and remains exercisable.

3. Except as provided in the immediately following two paragraphs, if, prior to the date one year from the date of the Agreement, the Optionee's employment with the Company shall be terminated by the Company, with or without cause, or by the act, death, incapacity or retirement of the Optionee, the Optionee's right to exercise the Option and any Stock Appreciation Right shall terminate on the date of such termination of employment and all rights hereunder and under the Agreement shall cease.

Notwithstanding the provisions of the next preceding paragraph, if the Optionee's employment with the Company shall be terminated by reason of retirement, release because of disability or death, and the Optionee had remained in the employ of the Company for at least six months following the date of the Agreement, and subject to the provisions of Article 4 hereof, all the Optionee's rights hereunder and under the Agreement shall continue in effect or continue to accrue until the date ten years after the date of the Agreement, subject, in the event of the Optionee's death during such ten-year period, to the provisions of the sixth paragraph of this Article and subject to any other limitation contained herein or in the Agreement on the exercise of the Option or any Stock Appreciation Right in effect at the date of exercise.

Notwithstanding anything to the contrary set forth herein or in the Agreement, if the Optionee's employment with the Company shall be terminated at any time by reason of a sale or other disposition (including, without limitation, a transfer to a Joint Venture (as hereinafter defined)) of the division, operation or subsidiary in which the Optionee was employed or to which the Optionee was assigned, all the Optionee's rights under the Option and any Stock Appreciation Right granted to him or her shall become immediately exercisable and continue in effect until the date five years after the date of such termination (but not later than the date ten years from the date of grant of the Option), provided the Optionee shall satisfy both of the following conditions: (a) the Optionee, at the date of such termination, had remained in the employ of the Company for at least three months following the grant of the Option and any Stock Appreciation Right, and (b) the Optionee continues to be or becomes employed in such division, operation or subsidiary following such sale or other disposition and remains in such employ until the date of exercise of the Option or any Stock Appreciation Right (unless the Committee, or any committee appointed by it for the purpose, shall waive this condition (b)).

Upon termination of the Optionee's employment with such (former) division, operation or subsidiary following such sale or other disposition, any then existing right of the Optionee to exercise the Option or any Stock Appreciation Right shall be subject to the following limitations: (i) if the Optionee's employment is terminated by reason of disability, death or retirement with the approval of his or her employer, the Optionee's rights shall continue as provided in the preceding sentence with the same effect as if his or her employment had not terminated; (ii) if the Optionee's employment is terminated by reason of discharge or voluntary quit, the Optionee's rights shall terminate on the date of such termination of employment and all rights under the Option and any Stock Appreciation Right shall cease; and (iii) if the Optionee's employment is terminated for any reason other than a reason set forth in the preceding clauses (i) and (ii), the Optionee shall have the right, within three months after such termination, to exercise the Option or any Stock Appreciation Right to the extent that it or any installment thereof shall have accrued at the date of such termination and shall not have been exercised, subject in the case of any such termination to the provisions of Article 4 hereof and any other limitation on the exercise of the Option and any Stock Appreciation Right in effect at the date of exercise. For purposes of this paragraph, the term Joint Venture shall mean any joint venture corporation or partnership, or comparable entity, in which the Company has a substantial equity interest.

If, on or after the date one year from the date of the Agreement, the Optionee's employment with the Company shall be terminated for any reason except retirement, release because of disability, death, release because of a sale or other disposition of the division, operation or subsidiary in which the Optionee was employed or to which the Optionee was assigned, discharge, release in the best interest of the Company or voluntary quit, the Optionee shall have the right, within three months after such termination, to exercise the Option or any Stock Appreciation Right to the extent that it or

any installment thereof shall have accrued at the date of such termination of employment and shall not have been exercised, subject to the provisions of Article 4 hereof and any other limitation contained herein or in the Agreement on the exercise of the Option or any Stock Appreciation Right in effect at the date of exercise.

If the Optionee's employment with the Company shall be terminated at any time by reason of discharge, release in the best interest of the Company or voluntary quit, the Optionee's right to exercise the Option or any Stock Appreciation Right shall terminate on the date of such termination of employment and all rights hereunder and under the Agreement shall cease.

If the Optionee shall die within the applicable period specified in the second, third, or fourth paragraph of this Article, the beneficiary designated pursuant to Article 7 hereof or, if no such designation is in effect, the executor or administrator of the estate of the decedent or the person or persons to whom the Option or any Stock Appreciation Right shall have been validly transferred by the executor or the administrator pursuant to will or the laws of descent and distribution shall have the right, within the same period of time as the period during which the Optionee would have been entitled to exercise the Option or any Stock Appreciation Right if the Optionee had not died, to exercise the Option or any Stock Appreciation Right (except that, if the fourth paragraph of this Article shall apply to the Optionee, the Option or any Stock Appreciation Right may be exercised only to the extent that it or any installment thereof shall have accrued at the date of death and shall not have been exercised, and except that the period of time within which the Option or any Stock Appreciation Right shall be exercisable following the date of the Optionee's death shall not be less than one year (unless the Option by its terms expires earlier)), subject to the provision that neither the Option nor any Stock Appreciation Right shall be exercised under any circumstances beyond ten years from the date of the Agreement and to any other limitation on the exercise of the Option or any Stock Appreciation Right in effect at the date of exercise.

Notwithstanding anything to the contrary set forth in the Agreement or in these terms and conditions, neither the Option nor any Stock Appreciation Right shall be exercised on or after the date ten years from the date of the Agreement.

4. Anything contained herein or in the Agreement to the contrary notwithstanding, the right of the Optionee to exercise the Option or any Stock Appreciation Right following termination of the Optionee's employment with the Company shall remain effective only if, during the entire period from the date of the Optionee's termination to the date of such exercise, the Optionee shall have earned out such right by (i) making himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any subsidiary thereof with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or of any subsidiary thereof, and (ii) refraining from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof.

In the event of the Optionee's nonfulfillment of the condition set forth in the immediately preceding paragraph, the Optionee's right to exercise the Option or any Stock Appreciation Right shall cease; provided, however, that the nonfulfillment of such condition may at any time (whether before, at the time of or subsequent to termination of his or her employment) be waived in the following manner:

- (1) if the Optionee at any time shall have been subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act) or the liability provisions of Section 16(b) of the Exchange Act (any such Optionee being hereinafter called a Section 16 Person), such waiver may be granted by the Committee upon its determination that in its sole judgment there shall not have been and will not be any substantial adverse effect upon the Company or any subsidiary thereof by reason of the nonfulfillment of such condition; and
- (2) if the Optionee shall not at any time have been a Section 16 Person, such waiver may be granted by the Committee (or any committee appointed by it for the purpose) upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

Anything contained herein or in the Agreement to the contrary notwithstanding, the right of the Optionee to exercise the Option or any Stock Appreciation Right following termination of the Optionee's employment with the Company shall cease on and as of the date on which it has been determined by the Committee that the Optionee at any time (whether before or subsequent to termination of the Optionee's employment) acted in a manner inimical to the best interests of the Company. Conduct which constitutes engaging in an activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof shall be governed by the four immediately preceding paragraphs of this Article and shall not be subject to any determination under this paragraph.

5. Payment for any shares of Stock purchased upon exercise of the Option shall be made in full at the time of exercise. Such payment may be made in cash, by wire, by delivery of shares of Stock beneficially owned by the Optionee or by a combination of cash and Stock, at the election of the Optionee; provided, however, that any shares of Stock so delivered shall have been beneficially owned by the Optionee for a period of not less than six months (or 12 months if the stock being surrendered was acquired through the exercise of an ISO) prior to the date of such exercise. Any shares of Stock so delivered shall be valued at their fair market value (determined as provided in Article 2 hereof) on the date of such exercise.

The Optionee, from time to time during the period when the Option and any Stock Appreciation Right may by their terms be exercised (a) may exercise the Option in whole or in part by delivering to the Company or its designee (i) a written notice signed by the Optionee stating the number of shares that the Optionee has elected to purchase at that

time from the Company, and (ii) a check in an amount, or (in accordance with the preceding paragraph) shares of Stock having a value, equal to the purchase price of the shares then to be purchased, or a combination of shares of Stock and cash, or (b) may exercise any Stock Appreciation Right in whole or in part by delivering to the Company a written notice signed by the Optionee stating (i) the number of shares covered by the Option he or she has elected to use to compute the number of shares, and/or (ii) the number of shares covered by the Option he or she has elected to use to compute the amount of cash, to be received from the Company pursuant to exercise of any Stock Appreciation Right. The Committee, if it shall deem it necessary or desirable for any reason connected with any law or regulation of any governmental authority relating to the regulation of securities, may require the Optionee to execute and file with it such evidence as it may deem necessary that the Optionee is acquiring any shares of Stock for investment and not with a view to their distribution and, by way of the adoption of rules and regulations or otherwise, impose conditions as to the time and manner of exercise of any Stock Appreciation Right by any person or class of persons.

As soon as practicable after receipt by the Company or its designee of such notice, check and/or shares of Stock (if the Option is exercised in whole or in part) and such evidence of intent to acquire for investment as may be required by the Committee, the Company shall issue the appropriate number of shares in the name of the Optionee and deliver the certificate therefor to the Optionee and/or deliver a check payable to the order of the Optionee for the appropriate amount of cash. The number of shares shall be adjusted appropriately, or other appropriate arrangements shall be made, for any taxes required to be withheld by federal, state or local law.

6. As a condition of the granting of the Option and any Stock Appreciation Right, the Optionee and the Optionee's successors and assigns agree that any dispute or disagreement which shall arise under or as a result of the Agreement or these terms and conditions shall be determined by the Committee in its sole discretion and judgment and that any such determination and any interpretation by the Committee of the Agreement or of these terms and conditions shall be final and shall be binding and conclusive for all purposes.
7. Unless the Committee determines otherwise, neither the Option nor any Stock Appreciation Right is transferable by the Optionee otherwise than by will or the laws of descent and distribution, and, during the Optionee's lifetime, each is exercisable only by the Optionee or the Optionee's guardian or legal representative. Once transferred by will or by the laws of descent and distribution, neither the Option nor any Stock Appreciation Right shall be further transferable. Any transferee of the Option and any Stock Appreciation Right shall take the same subject to the terms and conditions set forth herein. No such transfer of the Option and any Stock Appreciation Right shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and/or such other evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions set forth herein. No assignment or

transfer of the Option and any Stock Appreciation Right, or of the rights represented thereby, other than as provided in this Article, shall vest in the purported assignee or transferee any interest or right therein whatsoever.

Notwithstanding anything to the contrary set forth herein, the Optionee may file with the Company or its designee a written designation of beneficiary or beneficiaries (subject to such limitations as to the classes and number of beneficiaries and contingent beneficiaries and such other limitations as the Committee from time to time may prescribe) to exercise, in the event of the Optionee's death, the Option or any Stock Appreciation Right subject to the terms and conditions set forth herein and to receipt by the Company of such evidence as the Committee may deem necessary to establish the acceptance by the beneficiary or beneficiaries of the terms and conditions set forth herein. The Optionee may from time to time revoke or change any such designation of beneficiary and any designation of beneficiary by the Optionee shall be controlling over any other disposition, testamentary or otherwise; provided, however, that if the Committee shall be in doubt as to the entitlement of any such beneficiary to exercise the Option or any Stock Appreciation Right, the Committee may determine to recognize only an exercise by the legal representative of the Optionee, in which case the Company, the Committee and the members thereof shall not be under any further liability to anyone. If the Optionee has not designated a beneficiary or beneficiaries, the executor or administrator of the estate of the decedent or the person or persons to whom the Option or any Stock Appreciation Right shall have been validly transferred by the executor or administrator pursuant to will or the laws of descent and distribution shall have the rights of a beneficiary with respect to the exercise of such Option or Stock Appreciation Right.

8. The Optionee, a beneficiary designated pursuant to Article 7 hereof or a transferee of the Option and any Stock Appreciation Right shall have no rights as a stockholder with respect to any share covered by the Option or any Stock Appreciation Right until such person shall have become the holder of record of such share, and, except as provided in Article 10 hereof, no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash or securities or other property) or distributions or other rights in respect of such share for which the record date is prior to the date upon which such person shall become the holder of record thereof.
9. The existence of the Option or any Stock Appreciation Right shall not affect in any way the right or power of the Company or its stockholders to make or authorize any adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceedings whether of a similar character or otherwise.
10. The shares covered by the Option and any Stock Appreciation Right are shares of Stock as presently constituted, but if, and whenever, prior to the delivery by the Company of all

of the shares of Stock and/or cash deliverable upon exercise of the Option or any Stock Appreciation Right, the Company shall effect the payment of a stock dividend on Stock payable in shares of Stock, a subdivision or combination of the shares of Stock, or a reclassification of Stock, the number and price of shares remaining under the Option and any Stock Appreciation Right shall be appropriately adjusted. Such adjustment shall be made by the Committee, whose determination as to what adjustment shall be made, and the extent thereof, shall be final and shall be binding and conclusive for all purposes. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the Option.

11. Except as hereinbefore expressly provided, (a) the issue by the Company of shares of Stock of any class, or securities convertible into shares of Stock of any class, for cash or property or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefore, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, or (b) the payment of a stock dividend on any other class of the Company's stock, or (c) any subdivision or combination of the shares of any other class of the Company's stock, or (d) any reclassification of any other class of the Company's stock, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Stock subject to the Option or any Stock Appreciation Right.
12. After any merger of one or more corporations into the Company, or after any consolidation of the Company and one or more corporations in which the Company shall be the surviving corporation, the Optionee shall, at no additional cost, be entitled upon any exercise of the Option or any exercise of any Stock Appreciation Right for Stock, to receive (subject to any required action by stockholders), in lieu of the number of shares as to which the Option or any Stock Appreciation Right shall then be so exercised, the number and class of shares of stock or other securities to which the Optionee would have been entitled pursuant to the terms of the agreement of merger or consolidation if at the time of such merger or consolidation the Optionee had been a holder of record of a number of shares of Stock equal to the number of shares as to which such Option or Stock Appreciation Right shall then be so exercised. Comparable rights shall accrue to the Optionee in the event of successive mergers or consolidations of the character described above or in the event of any exercise of any Stock Appreciation Right for cash following any such merger or consolidation. Anything contained herein or in the Agreement to the contrary notwithstanding, upon the dissolution or liquidation of the Company, or upon any merger or consolidation in which the Company is not the surviving corporation, the Option and any Stock Appreciation Right shall terminate; but if a period of one year from the date of the Agreement shall have expired, the Optionee shall have the right, immediately prior to such dissolution, liquidation, merger or consolidation, to exercise the Option or any Stock Appreciation Right in whole or in part to the extent it shall not have been exercised, without regard to the installment provisions of Article 1 hereof but subject to any other limitation contained herein or in the Agreement on the exercise of the Option and any Stock Appreciation Right in effect on the date of exercise. In the event of any other event affecting Stock, an appropriate

adjustment shall be made in the number and price of shares remaining under, and other terms and provisions of, the Option and any Stock Appreciation Right. The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion, and such determination shall be final and shall be binding and conclusive for all purposes. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to the Option.

13. ***Optionee acknowledges and agrees that, in order for the Company to perform its requirements under the Plan, the Company may process, for an indefinite period of time, personal data about Optionee. Such data includes, but is not limited to, the information provided in the Option grant materials and any changes thereto, and other appropriate personal data about Optionee, including information about Optionee's participation in the Plan and options exercised under the Plan from time to time. Optionee also hereby gives for an indefinite period of time Optionee's explicit consent to the Company to collect, use, store and transfer any such personal data for use in the United States of America or any other required location. The legal persons for whom the personal data is intended include Ford and any of its subsidiaries, the outside plan administrator as selected by the Company from time to time and any other person that the Company may deem appropriate in its administration of the Plan. Optionee has been informed of Optionee's right to access and correct Optionee's personal data by contacting Optionee's local Human Resources Representative. Optionee has been informed of Optionee's right to withdraw at any time Optionee's consent to the processing of personal data. Optionee has been informed that the provision of personal data is voluntary. Optionee understands that the transfer of the information outlined here is important to the administration of the Plan. Optionee's consent is given freely and is valid as long as it is needed for administration of the Plan or to comply with applicable legal requirements. Optionee's failure to consent to the Company's collection, use, storage and transfer of such personal data may limit Optionee's right to participate in the Plan. For purposes of this paragraph, the term "Company" shall be deemed to include Ford Motor Company, Optionee's employer, and any other affiliate of Ford Motor Company involved in the administration of the Plan.***
14. Optionee acknowledges that the Company is entitled to terminate the Plan unilaterally, and Optionee hereby waives any right to receive Plan benefits in the event that the Plan is terminated or Optionee's right to exercise the Option otherwise terminates under the terms of the Agreement. Optionee further acknowledges that the Company's grant of the option to Optionee is not an element of the Optionee's compensation and that the option is awarded in the Company's discretion. Optionee further acknowledges that receipt of the Option does not entitle Optionee to any further grants of an Option in the future, and that the Company does not guarantee that benefits under the Plan will have a particular value or be granted to Optionee in the future.
15. Notwithstanding any of the other provisions of the Agreement or these terms and conditions, the Optionee agrees not to exercise the Option or any Stock Appreciation

Right, and that the Company will not be obligated to issue any shares or deliver any cash pursuant to the Agreement, if the exercise of the Option or any Stock Appreciation Right or the issuance of such shares or delivery of such cash would constitute a violation by the Optionee or by the Company of any provisions of any law or regulation of any governmental authority. Any determination of the Committee in this connection shall be final and shall be binding and conclusive for all purposes. The Company shall in no event be obligated to take any affirmative action in order to cause the exercise of the Option or any Stock Appreciation Right or the issuance of shares or delivery of cash pursuant thereto to comply with any law or any regulation of any governmental authority.

16. Every notice relating to the Agreement shall be in writing and shall be given by registered mail with return receipt requested. All notices to the Company shall be addressed to:

- Morgan Stanley
- Ford Service Center
- 1001 Page Mill Road
- Bldg. 4, Suite 101
- Palo Alto, CA 94304, USA

- Phone No.:
- 877-664-FORD (3673) (U.S.)
- 212-615-7009 (Non-U.S.)
- Fax No.:650-494-2561

All notices by the Company to the Optionee shall be addressed to the current address of the Optionee as shown on the records of the Company. Either party by notice to the other may designate a different address to which notices shall be addressed. Any notice given by the Company to the Optionee at his or her last designated address shall be effective to bind any other person who shall acquire rights under the Agreement.

17. Whenever the term Optionee is used in any provision of the Agreement or these terms and conditions under circumstances such that the provision should logically apply to any other person or persons designated as a beneficiary pursuant to the provisions of Article 7 hereof, or to whom the Option and any Stock Appreciation Right, in accordance with the provisions of Article 7 hereof, may be transferred, the term Optionee shall be deemed to include such person or persons.

18. The Agreement has been made in and it and these terms and conditions shall be construed in accordance with the laws of the State of Michigan.

CERTIFICATION

I, James D. Farley, Jr., certify that:

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

/s/ James D. Farley, Jr.

James D. Farley, Jr.

President and Chief Executive Officer

CERTIFICATION

I, John T. Lawler, certify that:

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

/s/ John T. Lawler

John T. Lawler
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James D. Farley, Jr., 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 September 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: October 28, 2020

/s/ James D. Farley, Jr.

James D. Farley, Jr.

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John T. Lawler, 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 September 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: October 28, 2020

/s/ John T. Lawler

John T. Lawler

Chief Financial Officer