

FORD MOTOR CO
Form 10-Q
April 26, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2019

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 1-3950

Ford Motor Company
(Exact name of Registrant as specified in its charter)

Delaware 38-0549190
(State of incorporation) (I.R.S. Employer Identification No.)

One American Road, Dearborn, Michigan 48126
(Address of principal executive offices) (Zip Code)
313-322-3000
(Registrant's telephone number, including area code)

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

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

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

As of April 19, 2019, Ford had outstanding 3,918,693,825 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit Index begins on page
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FORD MOTOR COMPANY
 QUARTERLY REPORT ON FORM 10-Q
 For the Quarter Ended March 31, 2019

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

FORD MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

(in millions, except per share amounts)

| | For the periods ended March 31, 2018 2019 First Quarter (unaudited) | |
|--|---|----------|
| Revenues | | |
| Automotive | \$39,012 | \$37,239 |
| Ford Credit | 2,943 | 3,097 |
| Mobility | 4 | 6 |
| Total revenues (Note 3) | 41,959 | 40,342 |
| Costs and expenses | | |
| Cost of sales | 35,753 | 33,942 |
| Selling, administrative, and other expenses | 2,747 | 2,843 |
| Ford Credit interest, operating, and other expenses | 2,338 | 2,355 |
| Total costs and expenses | 40,838 | 39,140 |
| Interest expense on Automotive debt | 275 | 231 |
| Interest expense on Other debt | 14 | 14 |
| Other income/(loss), net (Note 4) | 863 | 628 |
| Equity in net income of affiliated companies | 224 | 25 |
| Income before income taxes | 1,919 | 1,610 |
| Provision for/(Benefit from) income taxes | 174 | 427 |
| Net income | 1,745 | 1,183 |
| Less: Income/(Loss) attributable to noncontrolling interests | 9 | 37 |
| Net income attributable to Ford Motor Company | \$1,736 | \$1,146 |

EARNINGS PER SHARE ATTRIBUTABLE TO FORD MOTOR
COMPANY COMMON AND CLASS B STOCK (Note 6)

| | | |
|----------------|--------|--------|
| Basic income | \$0.44 | \$0.29 |
| Diluted income | 0.43 | 0.29 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions)

| | For the periods ended March 31, 2018 2019 First Quarter (unaudited) | |
|---|---|---------|
| Net income | \$1,745 | \$1,183 |
| Other comprehensive income/(loss), net of tax (Note 20) | | |
| Foreign currency translation | 295 | 243 |
| Marketable securities | (47) | 63 |

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| | | |
|--|---------|---------|
| Derivative instruments | 33 | (446) |
| Pension and other postretirement benefits | 8 | 5 |
| Total other comprehensive income/(loss), net of tax | 289 | (135) |
| Comprehensive income | 2,034 | 1,048 |
| Less: Comprehensive income/(loss) attributable to noncontrolling interests | 8 | 37 |
| Comprehensive income attributable to Ford Motor Company | \$2,026 | \$1,011 |

The accompanying notes are part of the consolidated financial statements.

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Item 1. Financial Statements (continued)

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

| | December 31, 2018 | March 31, 2019 (unaudited) |
|---|----------------------|----------------------------------|
| ASSETS | | |
| Cash and cash equivalents (Note 7) | \$ 16,718 | \$ 20,848 |
| Marketable securities (Note 7) | 17,233 | 16,882 |
| Ford Credit finance receivables, net (Note 8) | 54,353 | 55,444 |
| Trade and other receivables, less allowances of \$94 and \$98 | 11,195 | 12,016 |
| Inventories (Note 10) | 11,220 | 12,333 |
| Other assets | 3,930 | 3,672 |
| Total current assets | 114,649 | 121,195 |
| | | |
| Ford Credit finance receivables, net (Note 8) | 55,544 | 54,332 |
| Net investment in operating leases (Note 11) | 29,119 | 29,229 |
| Net property | 36,178 | 36,145 |
| Equity in net assets of affiliated companies | 2,709 | 2,605 |
| Deferred income taxes | 10,412 | 10,316 |
| Other assets | 7,929 | 9,459 |
| Total assets | \$ 256,540 | \$ 263,281 |
| LIABILITIES | | |
| Payables | \$ 21,520 | \$ 23,325 |
| Other liabilities and deferred revenue (Note 13) | 20,556 | 21,364 |
| Automotive debt payable within one year (Note 16) | 2,314 | 2,523 |
| Ford Credit debt payable within one year (Note 16) | 51,179 | 51,895 |
| Other debt payable within one year (Note 16) | — | 130 |
| Total current liabilities | 95,569 | 99,237 |
| Other liabilities and deferred revenue (Note 13) | 23,588 | 24,216 |
| Automotive long-term debt (Note 16) | 11,233 | 11,087 |
| Ford Credit long-term debt (Note 16) | 88,887 | 91,055 |
| Other long-term debt (Note 16) | 600 | 470 |
| Deferred income taxes | 597 | 647 |
| Total liabilities | 220,474 | 226,712 |
| | | |
| Redeemable noncontrolling interest (Note 19) | 100 | 135 |
| | | |
| EQUITY | | |
| Common Stock, par value \$.01 per share (4,011 million shares issued of 6 billion authorized) | 40 | 40 |
| Class B Stock, par value \$.01 per share (71 million shares issued of 530 million authorized) | 1 | 1 |
| Capital in excess of par value of stock | 22,006 | 22,026 |
| Retained earnings | 22,668 | 23,226 |
| Accumulated other comprehensive income/(loss) (Note 20) | (7,366) | (7,501) |
| Treasury stock | (1,417) | (1,394) |
| Total equity attributable to Ford Motor Company | 35,932 | 36,398 |
| Equity attributable to noncontrolling interests | 34 | 36 |
| Total equity | 35,966 | 36,434 |
| Total liabilities and equity | \$ 256,540 | \$ 263,281 |

The following table includes assets to be used to settle liabilities of the consolidated variable interest entities (“VIEs”). These assets and liabilities are included in the consolidated balance sheet above.

| | December 31, 2018 2019 (unaudited) | |
|--|--|----------|
| ASSETS | | |
| Cash and cash equivalents | \$2,728 | \$ 2,990 |
| Ford Credit finance receivables, net | 58,662 | 60,745 |
| Net investment in operating leases | 16,332 | 16,013 |
| Other assets | 27 | 14 |
| LIABILITIES | | |
| Other liabilities and deferred revenue | \$24 | \$ 45 |
| Debt | 53,269 | 52,248 |

The accompanying notes are part of the consolidated financial statements.

Item 1. Financial Statements (Continued)

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

| | For the periods ended March 31, 2018 2019 | |
|--|--|-----------|
| | First Quarter (unaudited) | |
| Cash flows from operating activities | | |
| Net cash provided by/(used in) operating activities | \$3,514 | \$3,544 |
| Cash flows from investing activities | | |
| Capital spending | (1,779) | (1,633) |
| Acquisitions of finance receivables and operating leases | (15,683) | (12,595) |
| Collections of finance receivables and operating leases | 12,956 | 12,336 |
| Purchases of marketable and other securities | (7,867) | (3,923) |
| Sales and maturities of marketable and other securities | 6,040 | 4,441 |
| Settlements of derivatives | (61) | (14) |
| Other | (150) | 54 |
| Net cash provided by/(used in) investing activities | (6,544) | (1,334) |
| Cash flows from financing activities | | |
| Cash payments for dividends and dividend equivalents | (1,113) | (597) |
| Purchases of common stock | (89) | — |
| Net changes in short-term debt | (909) | 420 |
| Proceeds from issuance of long-term debt | 16,953 | 15,411 |
| Principal payments on long-term debt | (12,360) | (13,277) |
| Other | (68) | (84) |
| Net cash provided by/(used in) financing activities | 2,414 | 1,873 |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | 115 | 29 |
| Net increase/(decrease) in cash, cash equivalents, and restricted cash | \$(501) | \$4,112 |
| Cash, cash equivalents, and restricted cash at January 1 (Note 7) | \$18,638 | \$16,907 |
| Net increase/(decrease) in cash, cash equivalents, and restricted cash | (501) | 4,112 |
| Cash, cash equivalents, and restricted cash at March 31 (Note 7) | \$18,137 | \$21,019 |

The accompanying notes are part of the consolidated financial statements.

Item 1. Financial Statements (Continued)

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

| | Equity Attributable to Ford Motor Company | | | | | | Equity Attributable to Non-controlling Interests | Total Equity |
|--|--|---|----------------------|---|-------------------|----------|--|-----------------|
| | Capital Stock Par Value of Stock | Cap. in Excess of Par Value of Stock | Retained Earnings | Accumulated Other Comprehensive Income/(Loss) (Note 20) | Treasury Stock | Total | | |
| Balance at December 31, 2017 | \$41 | \$21,843 | \$21,906 | \$ (6,959) | \$(1,253) | \$35,578 | \$ 28 | \$35,606 |
| Net income | — | — | 1,736 | — | — | 1,736 | 9 | 1,745 |
| Other comprehensive income/(loss), net of tax | — | — | — | 290 | — | 290 | (1) | 289 |
| Common stock issued (including share-based compensation impacts) | — | (2) | — | — | — | (2) | — | (2) |
| Treasury stock/other | — | — | — | — | (89) | (89) | — | (89) |
| Cash dividends declared (a) | — | — | (1,113) | — | — | (1,113) | — | (1,113) |
| Balance at March 31, 2018 | \$41 | \$21,841 | \$22,529 | \$ (6,669) | \$(1,342) | \$36,400 | \$ 36 | \$36,436 |
| Balance at December 31, 2018 | \$41 | \$22,006 | \$22,668 | \$ (7,366) | \$(1,417) | \$35,932 | \$ 34 | \$35,966 |
| Adoption of accounting standards | — | — | 13 | — | — | 13 | — | 13 |
| Net income | — | — | 1,146 | — | — | 1,146 | 37 | 1,183 |
| Other comprehensive income/(loss), net of tax | — | — | — | (135) | — | (135) | — | (135) |
| Common stock issued (including share-based compensation impacts) | — | 20 | — | — | — | 20 | — | 20 |
| Treasury stock/other | — | — | — | — | 23 | 23 | (35) | (12) |
| Dividends and dividend equivalents declared (a) | — | — | (601) | — | — | (601) | — | (601) |
| Balance at March 31, 2019 | \$41 | \$22,026 | \$23,226 | \$ (7,501) | \$(1,394) | \$36,398 | \$ 36 | \$36,434 |

(a) We declared dividends of Common and Class B Stock of \$0.28 and \$0.15 per share in the first quarter of 2018 and 2019, respectively.

The accompanying notes are part of the consolidated financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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Item 1. Financial Statements (Continued)

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 financial statements are presented in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information, instructions to 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, 2018 (“2018 Form 10-K Report”). We reclassified certain prior year amounts in our consolidated financial statements to conform to the current year presentation.

Change in Accounting

As of January 1, 2019, we changed our accounting method for reporting early termination losses related to customer defaults on Ford Credit’s vehicles subject to operating leases. Previously, we presented the early termination loss reserve on operating leases due to customer default events as part of the allowance for credit losses within Net investment in operating leases. We now consider the effects of operating lease early terminations when determining depreciation estimates, which are included as part of accumulated depreciation within Net investment in operating leases. We believe this change in accounting method is preferable as the characterization of these changes are better reflected as depreciation.

We have retrospectively applied this change in accounting method to all prior periods. At December 31, 2018, this reclassification increased accumulated depreciation and decreased allowance for credit losses by \$78 million within Net investment in operating leases. This change had no impact on our consolidated income statement, consolidated balance sheet or Net cash provided by/(used in) operating activities in the consolidated statement of cash flows for the interim periods presented.

NOTE 2. NEW ACCOUNTING STANDARDS

Adoption of New Accounting Standards

Accounting Standards Update (“ASU”) 2016-02, Leases. On January 1, 2019, we adopted Accounting Standards Codification 842 and all the related amendments (“new lease standard”) using the modified retrospective method. We recognized the cumulative effect of initially applying the new lease 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 lease accounting standard in effect for those periods. We do not expect the adoption of the new lease standard to have a material impact to our net income on an ongoing basis.

The new lease standard requires all leases to be reported on the balance sheet as right-of-use assets and lease obligations. We elected the practical expedients permitted under the transition guidance of the new standard that retained the lease classification and initial direct costs for any leases that existed prior to adoption of the standard. We did not reassess whether any contracts or land easements entered into prior to adoption are leases or contain leases.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. NEW ACCOUNTING STANDARDS (Continued)

The cumulative effect of the changes made to our consolidated balance sheet at January 1, 2019, for the adoption of ASU 2016-02, Leases, was as follows (in millions):

| | Balance at December 31, 2018 | Adjustments due to ASU 2016-02 | Balance at January 1, 2019 |
|---|------------------------------------|--------------------------------------|-------------------------------------|
| Balance sheet | | | |
| Assets | | | |
| Other assets, current | \$ 3,930 | \$ (8) | \$ 3,922 |
| Other assets, non-current | 7,929 | 1,324 | 9,253 |
| Deferred income taxes | 10,412 | (4) | 10,408 |
| Liabilities | | | |
| Other liabilities and deferred revenue, current | 20,556 | 316 | 20,872 |
| Other liabilities and deferred revenue, non-current | 23,588 | 983 | 24,571 |
| Equity | | | |
| Retained earnings | 22,668 | 13 | 22,681 |

We also adopted the following ASUs effective January 1, 2019, none of which had a material impact to our financial statements or financial statement disclosures:

| ASU | Effective Date |
|---|-------------------|
| 2018-17 Targeted Improvements to Related Party Guidance for Variable Interest Entities | January 1, 2019 |
| 2018-16 Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes | January 1, 2019 |
| 2018-13 Fair Value Measurement - Changes to the Disclosure Requirements for Fair Value Measurement | January 1, 2019 |
| 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made | January 1, 2019 |
| 2018-07 Stock Compensation - Improvements to Nonemployee Share-Based Payment Accounting | January 1, 2019 |
| 2018-02 Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (a) | January 1, 2019 |

(a) Ford did not elect to reclassify the income tax effects of the Tax Cuts and Jobs Act from Accumulated other comprehensive income/(loss) to Retained earnings.

Accounting Standards Issued But Not Yet Adopted

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

ASU 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments. In June 2016, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard which replaces the current incurred loss impairment method with a method that reflects expected credit losses. We plan to adopt the new standard and the related amendments on the effective date of January 1, 2020, by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance of Retained earnings. We anticipate adoption will increase the amount of expected credit losses reported in Ford Credit finance receivables, net on our consolidated balance sheet and do not expect a material impact to our consolidated income statement.

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. REVENUE

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

| | First Quarter 2018 | | | Consolidated |
|----------------------------------|--------------------|----------|-------------|--------------|
| | Automotive | Mobility | Ford Credit | |
| Vehicles, parts, and accessories | \$37,417 | \$ — | \$— | \$ 37,417 |
| Used vehicles | 928 | — | — | 928 |
| Extended service contracts | 329 | — | — | 329 |
| Other revenue | 219 | 4 | 55 | 278 |
| Revenues from sales and services | 38,893 | 4 | 55 | 38,952 |
| Leasing income | 119 | — | 1,415 | 1,534 |
| Financing income | — | — | 1,432 | 1,432 |
| Insurance income | — | — | 41 | 41 |
| Total revenues | \$39,012 | \$ 4 | \$2,943 | \$ 41,959 |
| | First Quarter 2019 | | | |
| | Automotive | Mobility | Ford Credit | Consolidated |
| Vehicles, parts, and accessories | \$35,576 | \$ — | \$— | \$ 35,576 |
| Used vehicles | 1,020 | — | — | 1,020 |
| Extended service contracts | 333 | — | — | 333 |
| Other revenue | 213 | 6 | 51 | 270 |
| Revenues from sales and services | 37,142 | 6 | 51 | 37,199 |
| Leasing income | 97 | — | 1,477 | 1,574 |
| Financing income | — | — | 1,528 | 1,528 |
| Insurance income | — | — | 41 | 41 |
| Total revenues | \$37,239 | \$ 6 | \$3,097 | \$ 40,342 |

The amount of consideration we receive and revenue we recognize on our vehicles, parts, and accessories varies with changes in marketing incentives and returns we offer to our customers and their customers. As a result of changes in our estimate of marketing incentives, we recorded a decrease related to revenue recognized in prior periods of \$718 million and \$481 million in the first quarter of 2018 and 2019, respectively.

We sell separately-priced service contracts that extend mechanical and maintenance coverages beyond our base warranty agreements to vehicle owners (“extended service contracts”). At December 31, 2017 and December 31, 2018, \$3.8 billion and \$4 billion, respectively, of unearned revenue associated with outstanding contracts was reported in Other liabilities and deferred revenue. We recognized \$298 million and \$305 million of the unearned amounts as revenue during the first quarter of 2018 and 2019, respectively. At March 31, 2019, the unearned amount was \$4 billion. We expect to recognize approximately \$900 million of the unearned amount in the remainder of 2019, \$1.1 billion in 2020, and \$2 billion thereafter.

Amounts paid to dealers to obtain these contracts are deferred and recorded as Other assets. We had a balance of \$247 million and \$256 million in deferred costs as of December 31, 2018 and March 31, 2019, respectively, and

recognized \$18 million and \$19 million of amortization during the first quarter of 2018 and 2019, respectively.

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. OTHER INCOME/(LOSS)

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

| | First Quarter | |
|--|---------------|-------|
| | 2018 | 2019 |
| Net periodic pension and other postretirement employee benefits (OPEB) income/(cost), excluding service cost | \$477 | \$272 |
| Investment-related interest income | 146 | 203 |
| Interest income/(expense) on income taxes | 1 | (20) |
| Realized and unrealized gains/(losses) on cash equivalents, marketable securities, and other securities | (5) | 67 |
| Gains/(Losses) on changes in investments in affiliates | 58 | 3 |
| Royalty income | 143 | 84 |
| Other | 43 | 19 |
| Total | \$863 | \$628 |

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.

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 per share were calculated using the following (in millions):

| | First Quarter | |
|---|---------------|---------|
| | 2018 | 2019 |
| Basic and Diluted Income Attributable to Ford Motor Company | | |
| Basic income | \$1,736 | \$1,146 |
| Diluted income | 1,736 | 1,146 |
| Basic and Diluted Shares | | |
| Basic shares (average shares outstanding) | 3,974 | 3,973 |
| Net dilutive options, unvested restricted stock units, and unvested restricted stock shares | 23 | 24 |
| Diluted shares | 3,997 | 3,997 |

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES

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, 2018 | | | Consolidated |
|--|------------------|-------------------|----------|-------------|--------------|
| | | Automotive | Mobility | Ford Credit | |
| Cash and cash equivalents | | | | | |
| U.S. government | 1 | \$220 | \$ — | \$139 | \$ 359 |
| U.S. government agencies | 2 | 496 | — | 25 | 521 |
| Non-U.S. government and agencies | 2 | 169 | — | 114 | 283 |
| Corporate debt | 2 | 174 | — | 884 | 1,058 |
| Total marketable securities classified as cash equivalents | | 1,059 | — | 1,162 | 2,221 |
| Cash, time deposits, and money market funds | | 5,999 | 53 | 8,445 | 14,497 |
| Total cash and cash equivalents | | \$7,058 | \$ 53 | \$9,607 | \$ 16,718 |
| Marketable securities | | | | | |
| U.S. government | 1 | \$3,014 | \$ — | \$289 | \$ 3,303 |
| U.S. government agencies | 2 | 1,953 | — | 65 | 2,018 |
| Non-U.S. government and agencies | 2 | 4,674 | — | 610 | 5,284 |
| Corporate debt | 2 | 5,614 | — | 198 | 5,812 |
| Equities (a) | 1 | 424 | — | — | 424 |
| Other marketable securities | 2 | 246 | — | 146 | 392 |
| Total marketable securities | | \$15,925 | \$ — | \$1,308 | \$ 17,233 |
| Restricted cash | | \$16 | \$ 33 | \$140 | \$ 189 |
| March 31, 2019 | | | | | |
| | Fair Value Level | Automotive | Mobility | Ford Credit | Consolidated |
| Cash and cash equivalents | | | | | |
| U.S. government | 1 | \$1,044 | \$ — | \$1,112 | \$ 2,156 |
| U.S. government agencies | 2 | 325 | — | 599 | 924 |
| Non-U.S. government and agencies | 2 | 658 | — | 394 | 1,052 |
| Corporate debt | 2 | 484 | — | 639 | 1,123 |
| Total marketable securities classified as cash equivalents | | 2,511 | — | 2,744 | 5,255 |
| Cash, time deposits, and money market funds | | 6,481 | 123 | 8,989 | 15,593 |
| Total cash and cash equivalents | | \$8,992 | \$ 123 | \$11,733 | \$ 20,848 |
| Marketable securities | | | | | |
| U.S. government | 1 | \$2,769 | \$ — | \$241 | \$ 3,010 |
| U.S. government agencies | 2 | 1,940 | — | 40 | 1,980 |
| Non-U.S. government and agencies | 2 | 4,219 | — | 803 | 5,022 |
| Corporate debt | 2 | 5,375 | — | 556 | 5,931 |

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| | | | | | |
|-----------------------------|---|----------|-------|---------|-----------|
| Equities (a) | 1 | 478 | — | — | 478 |
| Other marketable securities | 2 | 255 | — | 206 | 461 |
| Total marketable securities | | \$15,036 | \$ — | \$1,846 | \$ 16,882 |
| Restricted cash | | \$6 | \$ 44 | \$121 | \$ 171 |

(a) Net unrealized gains/losses on equities were a \$25 million gain and a \$54 million gain at December 31, 2018 and March 31, 2019, respectively.

Item 1. Financial Statements (Continued)

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”) debt securities were as follows (in millions):

| | December 31, 2018 | | | | Fair Value of Securities with Contractual Maturities | | |
|----------------------------------|-------------------|------------------------|-------------------------|------------|--|------------------------------|---------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Within 1 Year | After 1 Year through 5 Years | After 5 Years |
| | | | | | | | |
| Automotive | | | | | | | |
| U.S. government | \$2,933 | \$ 5 | \$ (10) | \$2,928 | \$1,714 | \$1,214 | \$ — |
| U.S. government agencies | 1,920 | — | (18) | 1,902 | 797 | 1,087 | 18 |
| Non-U.S. government and agencies | 3,841 | 4 | (37) | 3,808 | 194 | 3,614 | — |
| Corporate debt | 4,010 | 3 | (33) | 3,980 | 1,148 | 2,830 | 2 |
| Other marketable securities | 207 | — | — | 207 | 1 | 134 | 72 |
| Total | \$12,911 | \$ 12 | \$ (98) | \$12,825 | \$3,854 | \$8,879 | \$ 92 |

| | March 31, 2019 | | | | Fair Value of Securities with Contractual Maturities | | |
|----------------------------------|----------------|------------------------|-------------------------|------------|--|------------------------------|---------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Within 1 Year | After 1 Year through 5 Years | After 5 Years |
| | | | | | | | |
| Automotive | | | | | | | |
| U.S. government | \$2,914 | \$ 7 | \$ (5) | \$2,916 | \$1,884 | \$1,027 | \$ 5 |
| U.S. government agencies | 1,972 | 1 | (10) | 1,963 | 1,106 | 851 | 6 |
| Non-U.S. government and agencies | 3,639 | 8 | (17) | 3,630 | 362 | 3,263 | 5 |
| Corporate debt | 5,154 | 21 | (9) | 5,166 | 2,199 | 2,964 | 3 |
| Other marketable securities | 212 | 1 | — | 213 | 1 | 135 | 77 |
| Total | \$13,891 | \$ 38 | \$ (41) | \$13,888 | \$5,552 | \$8,240 | \$ 96 |

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

| | First Quarter | |
|-----------------------|---------------|---------|
| | 2018 | 2019 |
| Automotive | | |
| Sales proceeds | \$1,339 | \$1,142 |
| Gross realized gains | — | 2 |
| Gross realized losses | 6 | 5 |

We have investments in entities for which we do not have the ability to exercise significant influence and fair values are not readily available. We have elected to record these investments at cost (less impairment, if any), adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer. We report the carrying value of these investments in Other assets in the non-current assets section of our consolidated balance sheet. These investments were \$250 million and \$233 million at December 31, 2018 and March 31, 2019, respectively. In the first quarter of 2019, there were no material adjustments to the fair values of these investments held at March 31, 2019.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. FORD CREDIT FINANCE RECEIVABLES

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, net were as follows (in millions):

| | December 31, 2018 | March 31, 2019 |
|---|----------------------|-------------------|
| Consumer | | |
| Retail installment contracts, gross | \$ 70,874 | \$ 69,258 |
| Finance leases, gross | 8,748 | 9,011 |
| Retail financing, gross | 79,622 | 78,269 |
| Unearned interest supplements | (3,508 |) (3,478 |
| Consumer finance receivables | 76,114 | 74,791 |
| Non-Consumer | | |
| Dealer financing | 34,372 | 35,498 |
| Non-Consumer finance receivables | 34,372 | 35,498 |
| Total recorded investment | \$ 110,486 | \$ 110,289 |
| Recorded investment in finance receivables | \$ 110,486 | \$ 110,289 |
| Allowance for credit losses | (589 |) (513 |
| Finance receivables, net | \$ 109,897 | \$ 109,776 |
| Current portion | \$ 54,353 | \$ 55,444 |
| Non-current portion | 55,544 | 54,332 |
| Finance receivables, net | \$ 109,897 | \$ 109,776 |
| Net finance receivables subject to fair value (a) | \$ 101,471 | \$ 101,122 |
| Fair value (b) | 100,877 | 100,823 |

Net finance receivables subject to fair value exclude finance leases. Previously, certain consumer financing (a) products in Europe were classified as retail installment contracts. We now classify these products as finance leases.

Comparative information has been revised to reflect this change.

(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. Ford Credit offers finance leases to individuals, leasing companies, government entities, daily rental companies, and fleet customers. These financings include primarily lease plans for terms of 24 to 60 months. Financing revenue from finance leases was \$95 million and \$92 million for the periods ended March 31, 2018 and 2019, respectively, and is included in Ford Credit revenues on the consolidated income statement.

The amounts contractually due on Ford Credit’s finance lease receivables were as follows (in millions):

| | March 31, 2019 |
|-------------------------------------|----------------------|
| Within one year | \$2,064 |
| After one year and within two years | 1,955 |

| | |
|---|---------|
| After two years and within three years | 1,646 |
| After three years and within four years | 691 |
| After four years and within five years | 124 |
| After five years | 2 |
| Total future cash payments | 6,482 |
| Less: Present value discount | (315) |
| Finance lease receivables | \$6,167 |

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. FORD CREDIT FINANCE RECEIVABLES (Continued)

The reconciliation from finance lease receivables to finance leases, gross and finance leases, net is as follows (in millions):

| | |
|--|----------------------|
| | March 31, 2019 |
| Finance lease receivables | \$6,167 |
| Unguaranteed residual assets | 2,713 |
| Initial direct costs | 131 |
| Finance leases, gross | 9,011 |
| Unearned interest supplements from Ford and affiliated companies | (340) |
| Allowance for credit losses | (17) |
| Finance leases, net | \$8,654 |

At December 31, 2018 and March 31, 2019, accrued uncollected interest was \$264 million and \$274 million, respectively, which is reported in Other assets in the current assets section of our consolidated balance sheet.

Included in the recorded investment in finance receivables at December 31, 2018 and March 31, 2019, were consumer receivables of \$40.7 billion and \$43.2 billion, respectively, and non-consumer receivables of \$25.7 billion and \$26.3 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.

Aging

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. The recorded investment of consumer receivables greater than 90 days past due and still accruing interest was \$20 million at December 31, 2018. At March 31, 2019, there were no balances greater than 90 days past due that are still accruing interest.

The aging analysis of Ford Credit's finance receivables balances was as follows (in millions):

| | December 31, 2018 | March 31, 2019 |
|--------------------------------|----------------------|-------------------|
| Consumer | | |
| 31-60 days past due | \$ 859 | \$ 563 |
| 61-90 days past due | 123 | 82 |
| 91-120 days past due | 39 | 34 |
| Greater than 120 days past due | 39 | 40 |
| Total past due | 1,060 | 719 |
| Current | 75,054 | 74,072 |
| Consumer finance receivables | 76,114 | 74,791 |
| Non-Consumer | | |

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| | | |
|----------------------------------|------------|------------|
| Total past due | 76 | 81 |
| Current | 34,296 | 35,417 |
| Non-Consumer finance receivables | 34,372 | 35,498 |
| Total recorded investment | \$ 110,486 | \$ 110,289 |

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. FORD CREDIT FINANCE RECEIVABLES (Continued)

Credit Quality

Consumer Portfolio. Credit quality ratings for consumer receivables are based on aging. Consumer receivables credit quality ratings are as follows:

- Pass – current to 60 days past due;
- Special Mention – 61 to 120 days past due and in intensified collection status; and
- Substandard – greater than 120 days past due and for which the uncollectible portion of the receivables has already been charged off, as measured using the fair value of collateral less costs to sell.

Non-Consumer Portfolio. 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 was as follows (in millions):

| | December 31, 2018 | March 31, 2019 |
|---------------------------|----------------------|-------------------|
| Dealer Financing | | |
| Group I | \$ 27,032 | \$ 28,097 |
| Group II | 5,635 | 5,744 |
| Group III | 1,576 | 1,533 |
| Group IV | 129 | 124 |
| Total recorded investment | \$ 34,372 | \$ 35,498 |

Impaired Receivables. Impaired consumer receivables include accounts that have been rewritten or modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code that are considered to be Troubled Debt Restructurings (“TDRs”), as well as all accounts greater than 120 days past due. Impaired non-consumer receivables represent accounts with dealers that have weak or poor financial metrics or dealer financing that has been modified in TDRs. The recorded investment of consumer receivables that were impaired at December 31, 2018 and March 31, 2019 was \$370 million and \$359 million, or 0.5% and 0.5% of consumer receivables, respectively. The recorded investment of non-consumer receivables that were impaired at December 31, 2018 and March 31, 2019 was \$129 million and \$124 million, or 0.4% and 0.3% of non-consumer receivables, respectively. Impaired finance receivables are evaluated both collectively and specifically.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. FORD CREDIT ALLOWANCE FOR CREDIT LOSSES

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

| | First Quarter 2018 | | |
|---|--------------------|--------------|-----------|
| | Consumer | Non-Consumer | Total |
| Allowance for credit losses | | | |
| Beginning balance | \$582 | \$ 15 | \$597 |
| Charge-offs | (131) | (2) | (133) |
| Recoveries | 39 | 1 | 40 |
| Provision for credit losses | 92 | 2 | 94 |
| Other | 2 | — | 2 |
| Ending balance | \$584 | \$ 16 | \$600 |
| Analysis of ending balance of allowance for credit losses | | | |
| Collective impairment allowance | \$563 | \$ 15 | \$578 |
| Specific impairment allowance | 21 | 1 | 22 |
| Ending balance | 584 | 16 | 600 |
| Analysis of ending balance of finance receivables | | | |
| Collectively evaluated for impairment | \$75,846 | \$ 36,067 | \$111,913 |
| Specifically evaluated for impairment | 380 | 108 | 488 |
| Recorded investment | 76,226 | 36,175 | 112,401 |
| Ending balance, net of allowance for credit losses | \$75,642 | \$ 36,159 | \$111,801 |
| | | | |
| | First Quarter 2019 | | |
| | Consumer | Non-Consumer | Total |
| Allowance for credit losses | | | |
| Beginning balance | \$566 | \$ 23 | \$589 |
| Charge-offs | (137) | (17) | (154) |
| Recoveries | 43 | 2 | 45 |
| Provision for credit losses | 24 | 9 | 33 |
| Other | — | — | — |
| Ending balance | \$496 | \$ 17 | \$513 |
| Analysis of ending balance of allowance for credit losses | | | |
| Collective impairment allowance | \$477 | \$ 16 | \$493 |
| Specific impairment allowance | 19 | 1 | 20 |
| Ending balance | 496 | 17 | 513 |
| Analysis of ending balance of finance receivables | | | |
| Collectively evaluated for impairment | \$74,432 | \$ 35,374 | \$109,806 |
| Specifically evaluated for impairment | 359 | 124 | 483 |
| Recorded investment | 74,791 | 35,498 | 110,289 |
| Ending balance, net of allowance for credit losses | \$74,295 | \$ 35,481 | \$109,776 |

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. INVENTORIES

Inventories were as follows (in millions):

| | December 31, March 31, | |
|--|------------------------|-----------|
| | 2018 | 2019 |
| Raw materials, work-in-process, and supplies | \$ 4,536 | \$ 4,653 |
| Finished products | 6,684 | 7,680 |
| Total inventories | \$ 11,220 | \$ 12,333 |

NOTE 11. NET INVESTMENT IN OPERATING LEASES

Net investment in operating leases consist primarily of lease contracts for vehicles with individuals, daily rental companies, government entities, and fleet customers. Assets subject to operating leases are depreciated using the straight-line method over the term of the lease to reduce the asset to its estimated residual value. Estimated residual values are based on assumptions for used vehicle prices at lease termination and the number of vehicles that are expected to be returned.

The net investment in operating leases was as follows (in millions):

| | December 31, March 31, | |
|---|------------------------|-----------|
| | 2018 | 2019 |
| Automotive Segment | | |
| Vehicles, net of depreciation | \$ 1,705 | \$ 1,656 |
| Ford Credit Segment | | |
| Vehicles and other equipment, at cost (a) | 33,557 | 33,551 |
| Accumulated depreciation | (6,143) | (5,978) |
| Total Ford Credit Segment | 27,414 | 27,573 |
| Total | \$ 29,119 | \$ 29,229 |

(a) Includes Ford Credit's operating lease assets of \$16.3 billion and \$16 billion at December 31, 2018 and March 31, 2019, respectively, which have been included in certain lease securitization transactions. These net investments in operating leases are available only for payment of the debt or other obligations issued or arising in the securitization transactions; they are not available to pay other obligations or the claims of other creditors.

Ford Credit Segment

Included in Ford Credit revenues are rents on operating leases. The amounts contractually due for minimum rentals on operating leases at December 31, 2018 were as follows (in millions):

| | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|-------------------------------------|---------|---------|---------|-------|------|---------|
| Minimum rentals on operating leases | \$4,708 | \$2,929 | \$1,083 | \$ 83 | \$ 6 | \$8,809 |

The amounts contractually due on our operating leases at March 31, 2019 were as follows (in millions):

| Within one year | After one year and within | After two years and within | After three years and within | After four years and within | Total |
|-----------------|---------------------------|----------------------------|------------------------------|-----------------------------|-------|
| | | | | | |

| | two | three | four | five | |
|--------------------------|---------|---------|---------|-------|--------------|
| | years | years | years | years | |
| Operating lease payments | \$4,719 | \$2,924 | \$1,040 | \$ 80 | \$ 5 \$8,768 |

NOTE 12. GOODWILL

The net carrying amount of goodwill was \$264 million at both December 31, 2018 and March 31, 2019, and is reported in Other assets in the non-current section of our consolidated balance sheet.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. OTHER LIABILITIES AND DEFERRED REVENUE

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

| | December 31, 2018 | March 31, 2019 |
|--|----------------------|-------------------|
| Current | | |
| Dealer and dealers' customer allowances and claims | \$ 11,369 | \$ 12,113 |
| Deferred revenue | 2,095 | 2,019 |
| Employee benefit plans | 1,755 | 1,590 |
| Accrued interest | 988 | 838 |
| OPEB (a) | 339 | 340 |
| Pension (a) | 204 | 201 |
| Operating lease liabilities | — | 335 |
| Other | 3,806 | 3,928 |
| Total current other liabilities and deferred revenue | \$ 20,556 | \$ 21,364 |
| Non-current | | |
| Pension (a) | \$ 9,423 | \$ 9,073 |
| OPEB (a) | 5,220 | 5,207 |
| Dealer and dealers' customer allowances and claims | 2,497 | 2,251 |
| Deferred revenue | 3,985 | 4,104 |
| Operating lease liabilities | — | 1,025 |
| Employee benefit plans | 1,080 | 1,101 |
| Other | 1,383 | 1,455 |
| Total non-current other liabilities and deferred revenue | \$ 23,588 | \$ 24,216 |

Balances at March 31, 2019 reflect pension and OPEB liabilities at December 31, 2018, updated (where applicable) for service and interest cost, expected return on assets, separation expense, interim remeasurement expense, actual (a) benefit payments, and cash contributions. The discount rate and rate of expected return assumptions are unchanged from year-end 2018. Included in Other assets are pension assets of \$3.3 billion and \$3.6 billion at December 31, 2018 and March 31, 2019, respectively.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. RETIREMENT BENEFITS

Defined Benefit Plans - Expense

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

| | First Quarter | | | | | |
|---|------------------|---------|----------------|--------|----------------|-------|
| | Pension Benefits | | | | | |
| | U.S. Plans | | Non-U.S. Plans | | Worldwide OPEB | |
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Service cost | \$136 | \$114 | \$152 | \$129 | \$14 | \$11 |
| Interest cost | 367 | 409 | 176 | 176 | 49 | 53 |
| Expected return on assets | (722) | (649) | (334) | (286) | — | — |
| Amortization of prior service costs/(credits) | 36 | 22 | 6 | 8 | (27) | (18) |
| Net remeasurement (gain)/loss | (26) | — | — | — | — | — |
| Separation programs/other | 11 | 1 | 2 | 12 | — | — |
| Settlements and curtailments | (15) | — | — | — | — | — |
| Net periodic benefit cost/(income) | \$(213) | \$(103) | \$2 | \$39 | \$36 | \$46 |

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

Pension Plan Contributions

During 2019, we expect to contribute about \$650 million (most of which are mandatory contributions) from cash and cash equivalents to our worldwide funded pension plans and to make about \$350 million of benefit payments to participants in unfunded plans, for a total of about \$1 billion. In the first quarter of 2019, we contributed about \$300 million (including \$140 million in discretionary contributions in the United States) to our worldwide funded pension plans and made about \$100 million of benefit payments to participants in unfunded plans.

NOTE 15. LEASE COMMITMENTS

We lease land, dealership facilities, offices, distribution centers, warehouses, and equipment under agreements with contractual periods ranging from less than one year to 40 years. Many of our leases contain one or more options to extend. In certain dealership lease agreements, we are the tenant and we sublease the site to a dealer. In the event the sublease is terminated, we have the option to terminate the head lease. We include options that we are reasonably certain to exercise in our evaluation of the lease term after considering all relevant economic and financial factors.

Leases that are economically similar to the purchase of an asset are classified as finance leases. The leased (“right-of-use”) assets in finance lease arrangements are reported in Net property on our consolidated balance sheet. Otherwise, the leases are classified as operating leases and reported in Other assets in the non-current assets section of our consolidated balance sheet.

For the majority of our leases commencing after January 1, 2019, we do not separate the non-lease components (e.g., maintenance and operating services) from the lease components to which they relate. Instead, non-lease components are included in the measurement of the lease liabilities. However, we do separate lease and non-lease components for contracts containing a significant service component (e.g., energy performance contracts). We calculate the initial lease liability as the present value of fixed payments not yet paid and variable payments that are based on a market rate or an index (e.g., CPI), measured at commencement. The majority of our leases are discounted using our incremental borrowing rate because the rate implicit in the lease is not readily determinable. All other variable payments are expensed as incurred.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. LEASE COMMITMENTS (Continued)

Lease right-of-use assets and liabilities at March 31 were as follows (in millions):

| | |
|---|----------------------|
| | March 31, 2019 |
| Operating leases | |
| Other assets, non-current | \$1,321 |
| Other liabilities and deferred revenue, current | \$335 |
| Other liabilities and deferred revenue, non-current | 1,025 |
| Total operating lease liabilities | \$1,360 |
| Finance leases | |
| Property and equipment, gross | \$230 |
| Accumulated depreciation | (35) |
| Property and equipment, net | \$195 |
| Automotive debt payable within one year | \$90 |
| Automotive long-term debt | 75 |
| Total finance lease liabilities | \$165 |

Minimum non-cancellable operating lease commitments at December 31, 2018 were as follows (in millions):

| | Operating Leases |
|------------|---------------------|
| 2019 | \$ 363 |
| 2020 | 271 |
| 2021 | 193 |
| 2022 | 141 |
| 2023 | 106 |
| Thereafter | 437 |
| Total | \$ 1,511 |

The amounts contractually due on our lease liabilities as of March 31, 2019 were as follows (in millions):

| | Operating Leases | Finance Leases (a) |
|---|---------------------|--------------------------|
| Within one year | \$ 376 | \$ 95 |
| After one year and within two years | 282 | 29 |
| After two years and within three years | 199 | 20 |
| After three years and within four years | 146 | 15 |
| After four years and within five years | 113 | 10 |
| After five years | 428 | 7 |
| Total | 1,544 | 176 |
| Less: Present value discount | 184 | 11 |
| Total lease liabilities | \$ 1,360 | \$ 165 |

(a) Excludes approximately \$400 million in future lease payments for a 20-year finance lease commencing in a future period.

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. LEASE COMMITMENTS (Continued)

Supplemental cash flow information related to leases for the period ended March 31 was as follows (in millions):

| | First Quarter 2019 |
|--|--------------------------|
| Cash paid for amounts included in the measurement of lease liabilities | |
| Operating cash flows from operating leases | \$ 106 |
| Operating cash flows from finance leases | 1 |
| Financing cash flows from finance leases | 8 |
| Right-of-use assets obtained in exchange for lease liabilities | |
| Operating leases | \$ 80 |
| Finance leases | 16 |

The components of lease expense for the period ended March 31 were as follows (in millions):

| | First Quarter 2019 |
|-------------------------------------|--------------------------|
| Operating lease expense | \$ 110 |
| Variable lease expense | 19 |
| Sublease income | (4) |
| Finance lease expense | |
| Amortization of right-of-use assets | 3 |
| Interest on lease liabilities | 1 |
| Total lease expense | \$ 129 |

The weighted average remaining lease term and weighted average discount rate at March 31 were as follows:

| | March 31, 2019 | |
|---|-------------------|---|
| Weighted average remaining lease term (years) | | |
| Operating leases | 6.8 | |
| Finance leases | 12.7 | |
| Weighted average discount rate | | |
| Operating leases | 3.5 | % |
| Finance leases | 3.5 | % |

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. DEBT

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

| | December 31, 2018 | March 31, 2019 |
|---|----------------------|-------------------|
| Automotive | | |
| Debt payable within one year | | |
| Short-term | \$ 614 | \$ 1,212 |
| Long-term payable within one year | | |
| U.S. Department of Energy Advanced Technology Vehicles Manufacturing (“DOE ATVM”) Incentive Program | 591 | 591 |
| Other debt | 1,125 | 734 |
| Unamortized (discount)/premium | (16 |) (14 |
| Total debt payable within one year | 2,314 | 2,523 |
| Long-term debt payable after one year | | |
| Public unsecured debt securities | 9,033 | 9,033 |
| DOE ATVM Incentive Program | 1,470 | 1,323 |
| Other debt | 1,026 | 1,018 |
| Adjustments | | |
| Unamortized (discount)/premium | (224 |) (216 |
| Unamortized issuance costs | (72 |) (71 |
| Total long-term debt payable after one year | 11,233 | 11,087 |
| Total Automotive | \$ 13,547 | \$ 13,610 |
| Fair value of Automotive debt (a) | \$ 13,319 | \$ 13,486 |
| Ford Credit | | |
| Debt payable within one year | | |
| Short-term | \$ 14,705 | \$ 14,626 |
| Long-term payable within one year | | |
| Unsecured debt | 14,373 | 13,814 |
| Asset-backed debt | 22,130 | 23,502 |
| Adjustments | | |
| Unamortized (discount)/premium | 2 | 1 |
| Unamortized issuance costs | (16 |) (19 |
| Fair value adjustments (b) | (15 |) (29 |
| Total debt payable within one year | 51,179 | 51,895 |
| Long-term debt payable after one year | | |
| Unsecured debt | 52,409 | 55,849 |
| Asset-backed debt | 36,844 | 35,306 |
| Adjustments | | |
| Unamortized (discount)/premium | — | — |
| Unamortized issuance costs | (195 |) (202 |
| Fair value adjustments (b) | (171 |) 102 |
| Total long-term debt payable after one year | 88,887 | 91,055 |
| Total Ford Credit | \$ 140,066 | \$ 142,950 |
| Fair value of Ford Credit debt (a) | \$ 138,809 | \$ 142,595 |

| | | |
|---|--------|--------|
| Other | | |
| Long-term debt payable within one year | \$ — | \$ 130 |
| Long-term debt payable after one year | | |
| Unsecured debt | 604 | 474 |
| Adjustments | | |
| Unamortized (discount)/premium | (3 |) (3 |
| Unamortized issuance costs | (1 |) (1 |
| Total long-term debt payable after one year | 600 | 470 |
| Total Other | \$ 600 | \$ 600 |
| | | |
| Fair value of Other debt | \$ 697 | \$ 693 |

(a) The fair value of debt includes \$458 million and \$860 million of Automotive segment short-term debt and \$13.8 billion and \$13.6 billion of Ford Credit segment short-term debt at December 31, 2018 and March 31, 2019, respectively, carried at cost, which approximates fair value. All other debt is categorized within Level 2 of the fair value hierarchy.

(b) These adjustments relate to designated fair value hedges. The carrying value of hedged debt was \$38 billion and \$38.1 billion at December 31, 2018 and March 31, 2019, respectively.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, our operations are exposed to global market risks, including the effect of changes in foreign currency exchange rates, certain commodity prices, and interest rates. To manage these risks, we enter into highly effective derivative contracts. We have elected to apply hedge accounting to certain derivatives. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period. Some derivatives do not qualify for hedge accounting; for others, we elect not to apply hedge accounting.

Income Effect of Derivative Financial Instruments

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

| | First Quarter | |
|--|---------------|---------|
| | 2018 | 2019 |
| Cash flow hedges (a) | | |
| Reclassified from AOCI to Cost of sales | | |
| Foreign currency exchange contracts | \$17 | \$54 |
| Commodity contracts | — | (5) |
| Fair value hedges | | |
| Interest rate contracts | | |
| Net interest settlements and accruals on hedging instruments | 26 | (20) |
| Fair value changes on hedging instruments | (339) | 250 |
| Fair value changes on hedged debt | 329 | (253) |
| Derivatives not designated as hedging instruments | | |
| Foreign currency exchange contracts (b) | (116) | (28) |
| Cross-currency interest rate swap contracts | (58) | (145) |
| Interest rate contracts | (17) | (27) |
| Commodity contracts | (46) | 11 |
| Total | \$(204) | \$(163) |

For the first quarter of 2018 and 2019, a \$61 million gain and a \$521 million loss, respectively, were reported in (a) Other comprehensive income/(loss), net of tax related to foreign currency contracts; for first quarter 2019, an \$11 million gain was reported in Other comprehensive income/(loss), net of tax related to commodity contracts.

(b) For the first quarter of 2018 and 2019, a \$104 million loss and a \$22 million loss were reported in Cost of sales and a \$12 million loss and a \$6 million loss were reported in Other income/(loss), net, respectively.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Balance Sheet Effect of Derivative Financial Instruments

Derivative assets and liabilities are reported on our consolidated balance sheet at fair value and are presented on a gross basis. The notional amounts of the derivative instruments do not necessarily represent amounts exchanged by the parties and are not a direct measure of our financial exposure. We also enter into master agreements with counterparties that may allow for netting of exposures in the event of default or breach of the counterparty agreement. Collateral represents cash received or paid under reciprocal arrangements that we have entered into with our derivative counterparties which we do not use to offset our derivative assets and liabilities.

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

| | December 31, 2018 | | | March 31, 2019 | | |
|---|-------------------|----------------------|---------------------------|----------------|----------------------|---------------------------|
| | 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 | \$15,972 | \$391 | \$ 110 | \$15,310 | \$ 183 | \$ 429 |
| Commodity contracts | 327 | — | 20 | 597 | 4 | 9 |
| Fair value hedges | | | | | | |
| Interest rate contracts | 22,989 | 158 | 208 | 23,894 | 217 | 143 |
| Derivatives not designated as hedging instruments | | | | | | |
| Foreign currency exchange contracts | 20,695 | 202 | 99 | 22,171 | 221 | 129 |
| Cross-currency interest rate swap contracts | 5,235 | 232 | 157 | 6,331 | 146 | 216 |
| Interest rate contracts | 76,904 | 235 | 274 | 67,726 | 216 | 295 |
| Commodity contracts | 638 | 3 | 45 | 441 | 4 | 15 |
| Total derivative financial instruments, gross (a) (b) | \$142,760 | \$1,221 | \$ 913 | \$136,470 | \$ 991 | \$ 1,236 |
| Current portion | | \$681 | \$ 601 | | \$ 500 | \$ 868 |
| Non-current portion | | 540 | 312 | | 491 | 368 |
| Total derivative financial instruments, gross | | \$1,221 | \$ 913 | | \$ 991 | \$ 1,236 |

(a) At December 31, 2018 and March 31, 2019, we held collateral of \$19 million and \$26 million, and we posted collateral of \$59 million and \$63 million, respectively.

(b) At December 31, 2018 and March 31, 2019, the fair value of assets and liabilities available for counterparty netting was \$434 million and \$529 million, respectively. All derivatives are categorized within Level 2 of the fair value hierarchy.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. 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. When a plan of separation requires approval by or consultation with the relevant labor organization or government, the costs are recorded after the required approval or consultation process is complete. Costs associated with benefits that are contingent on the employee continuing to provide service are accrued over the required service period.

Automotive Segment

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

South America. On February 15, 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 will cease production at the São Bernardo do Campo plant in Brazil during 2019.

Russia. On March 27, 2019, Ford Sollers Netherlands B.V. (“Ford Sollers”), a joint venture between Ford and Sollers PJSC (“Sollers”) in which Ford has 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 Sollers will cease production in 2019 at the Naberezhnye Chelny and St. Petersburg vehicle assembly plants and the Elabuga engine plant. As part of these restructuring actions, Ford plans to acquire a 100% ownership of Ford Sollers during the second quarter of 2019, and later in the year sell a 51% controlling interest in the restructured entity to Sollers.

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

The following table summarizes the redesign-related activities, which are recorded in Other liabilities and deferred revenue (in millions):

| | March 31, 2019 |
|-----------------------------------|-------------------|
| Beginning balance | \$ 291 |
| Changes in accruals (a) | 267 |
| Payments | (136) |
| Foreign currency translation (8) | (8) |
| Ending balance | \$ 414 |

(a) Excludes pension costs of \$13 million.

We also recorded \$251 million in accelerated depreciation and other non-cash charges. We estimate that we will incur total charges in 2019 that range between \$3 billion and \$3.5 billion related to the actions above, primarily attributable

to employee separations, accelerated depreciation, and dealer and supplier settlements.

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. REDEEMABLE NONCONTROLLING INTEREST

We formed the Ford Sollers joint venture with Sollers in October 2011 to operate in Russia. The value of the redeemable noncontrolling interest, reflecting redemption features embedded in the 50% equity interest in the joint venture that is held by Sollers, reported in the mezzanine section of our consolidated balance sheet at December 31, 2018 and March 31, 2019 was \$100 million and \$135 million, respectively. The \$35 million increase is reported in Income/(Loss) attributable to noncontrolling interests on our consolidated income statement. The redeemable noncontrolling interest became exercisable beginning on January 1, 2019, and Sollers exercised its option in March 2019. Subject to satisfaction of certain conditions, we will purchase the noncontrolling interest from Sollers in the second quarter of 2019 for \$135 million. See Note 18 for information concerning our plan to restructure the business in Russia.

NOTE 20. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The changes in the balances for each component of accumulated other comprehensive income/(loss) attributable to Ford Motor Company for the periods ended March 31 were as follows (in millions):

| | First Quarter | |
|---|---------------|-----------|
| | 2018 | 2019 |
| Foreign currency translation | | |
| Beginning balance | \$(4,277) | \$(4,800) |
| Gains/(Losses) on foreign currency translation | 244 | 271 |
| Less: Tax/(Tax benefit) | (50) |) 28 |
| Net gains/(losses) on foreign currency translation | 294 | 243 |
| (Gains)/Losses reclassified from AOCI to net income (a) | 2 | — |
| Other comprehensive income/(loss), net of tax | 296 | 243 |
| Ending balance | \$(3,981) | \$(4,557) |
| Marketable securities | | |
| Beginning balance | \$(48) |) \$(59) |
| Gains/(Losses) on available for sale securities | (69) |) 80 |
| Less: Tax/(Tax benefit) | (17) |) 19 |
| Net gains/(losses) on available for sale securities | (52) |) 61 |
| (Gains)/Losses reclassified from AOCI to net income | 6 | 3 |
| Less: Tax/(Tax benefit) | 1 | 1 |
| Net (gains)/losses reclassified from AOCI to net income | 5 | 2 |
| Other comprehensive income/(loss), net of tax | (47) |) 63 |
| Ending balance | \$(95) |) \$4 |
| Derivative instruments | | |
| Beginning balance | \$18 | \$201 |
| Gains/(Losses) on derivative instruments | 61 | (510) |
| Less: Tax/(Tax benefit) | 15 | (102) |
| Net gains/(losses) on derivative instruments | 46 | (408) |
| (Gains)/Losses reclassified from AOCI to net income | (17) |) (49) |
| Less: Tax/(Tax benefit) | (4) |) (11) |
| Net (gains)/losses reclassified from AOCI to net income (b) | (13) |) (38) |

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| | | |
|---|------|----------|
| Other comprehensive income/(loss), net of tax | 33 | (446) |
| Ending balance | \$51 | \$(245) |

| | | |
|--|-----------|-----------|
| Pension and other postretirement benefits | | |
| Beginning balance | \$(2,652) | \$(2,708) |
| Amortization and recognition of prior service costs/(credits) | 15 | 12 |
| Less: Tax/(Tax benefit) | 3 | 2 |
| Net prior service costs/(credits) reclassified from AOCI to net income | 12 | 10 |
| Translation impact on non-U.S. plans | (4) | (5) |
| Other comprehensive income/(loss), net of tax | 8 | 5 |
| Ending balance | \$(2,644) | \$(2,703) |

| | | |
|---------------------------------------|-----------|-----------|
| Total AOCI ending balance at March 31 | \$(6,669) | \$(7,501) |
|---------------------------------------|-----------|-----------|

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

(b) Reclassified to Cost of sales. During the next twelve months we expect to reclassify existing net losses on cash flow hedges of \$145 million. See Note 17 for additional information.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21. COMMITMENTS AND CONTINGENCIES

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

Guarantees and Indemnifications

The maximum potential payments and the carrying value of recorded liabilities related to guarantees and limited indemnities were as follows (in millions):

| | December 31, 2018 | March 31, 2019 |
|--|----------------------|-------------------|
| Maximum potential payments | \$ 1,163 | \$ 1,115 |
| Carrying value of recorded liabilities related to guarantees and limited indemnities | 351 | 350 |

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.

We guarantee the resale value of vehicles sold in certain arrangements to daily rental companies. The maximum potential payment of \$974 million as of March 31, 2019, included in the table above, represents the total proceeds we guarantee the rental company will receive on re-sale. Reflecting our present estimate of proceeds the rental companies will receive on resale from third parties, we have recorded \$327 million as our best estimate of the amount we will have to pay under the guarantee.

We also guarantee 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.

In the ordinary course of business, we execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction, such as the sale of a business. These indemnifications might include and are not limited to claims relating to any of the following: environmental, tax, and shareholder matters; intellectual property rights; power generation contracts; governmental regulations and employment-related matters; dealer, supplier, and other commercial contractual relationships; and financial matters, such as securitizations. Performance under these indemnities generally would be triggered by a breach of terms of the contract or by a third-party claim. While some of these indemnifications are limited in nature, many of them do not limit potential payment. Therefore, we are unable to estimate a maximum amount of future payments that could result from claims made under these unlimited indemnities.

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.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21. COMMITMENTS AND CONTINGENCIES (Continued)

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 \$600 million. In addition, we have a reasonably possible risk of loss for an emission matter. Because the matter is preliminary, we cannot estimate the risk of loss or predict the outcome, and cannot provide reasonable assurance that it will not have a material adverse effect on us.

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

Warranty and Field Service Actions

We accrue obligations for warranty costs and field service actions (i.e., safety recalls, emission recalls, and other product campaigns) at the time of sale using a patterned estimation model that includes historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. 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 and Other assets.

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

| | First Quarter | |
|---|---------------|----------|
| | 2018 | 2019 |
| Beginning balance | \$5,296 | \$5,137 |
| Payments made during the period | (963) | (1,074) |
| Changes in accrual related to warranties issued during the period | 629 | 693 |
| Changes in accrual related to pre-existing warranties | 185 | 271 |
| Foreign currency translation and other | 9 | 7 |
| Ending balance | \$5,156 | \$5,034 |

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

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Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. SEGMENT INFORMATION

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, Middle East & Africa, China, and Asia Pacific Operations.

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 2019, we began recording in the Mobility segment subscription related income previously reported in the Automotive segment. This income is generated from services managed in our Mobility segment.

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 portfolio gains and losses from our cash, cash equivalents, and marketable securities, and foreign exchange derivatives gains and losses associated with intercompany lending. Corporate governance expenses are primarily administrative, delivering benefit on behalf of the global enterprise and are not allocated to specific Automotive business units or operating segments. These include expenses related to setting and directing global policy, providing oversight and stewardship, and promoting the Company’s interests. The underlying assets and liabilities associated with these activities remain with the respective Automotive and Mobility segments.

Interest on Debt

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

Special Items

Special Items are presented as a separate reconciling item. They consist of (i) pension and OPEB remeasurement gains and losses, (ii) significant personnel and dealer-related costs 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.

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. SEGMENT INFORMATION (Continued)

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

| | Automotive | Mobility | Ford Credit | Corporate Other | Interest on Debt | Special Items | Adjustments | Total |
|--|------------|----------|----------------|--------------------|------------------------|------------------|-------------|-------------|
| First Quarter 2018 | | | | | | | | |
| Revenues | \$ 39,012 | \$ 4 | \$ 2,943 | \$ — | \$ — | \$ — | \$ — | \$ 41,959 |
| Income/(loss) before income taxes | 1,732 | (102) | 641 | (86) | (289 | 23 | — | 1,919 |
| Equity in net income/(loss) of affiliated companies | 218 | — | 6 | — | — | — | — | 224 |
| Cash, cash equivalents, marketable securities, and restricted cash | 27,597 | 50 | 12,621 | — | — | — | — | 40,268 |
| Total assets | 107,091 | 452 | 164,582 | — | — | — | (4,895 | (a) 267,230 |
| First Quarter 2019 | | | | | | | | |
| Revenues | \$ 37,239 | \$ 6 | \$ 3,097 | \$ — | \$ — | \$ — | \$ — | \$ 40,342 |
| Income/(loss) before income taxes | 2,009 | (288) | 801 | (75) | (245 | (592 | — | 1,610 |
| Equity in net income/(loss) of affiliated companies | 17 | 2 | 6 | — | — | — | — | 25 |
| Cash, cash equivalents, marketable securities, and restricted cash | 24,034 | 167 | 13,700 | — | — | — | — | 37,901 |
| Total assets | 102,113 | 949 | 164,409 | — | — | — | (4,190 | (a) 263,281 |

(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.

OVERVIEW

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 and dealer-related costs 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 non-controlling 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 Operating 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, separation payments, and other items that are considered operating cash outflows 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 operating 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 Cash Conversion (Most Comparable GAAP Measure: Net Cash Provided By / (Used In) Operating Activities divided by Net Income Attributable to Ford ("cash conversion")) – Company Adjusted Cash Conversion is Company adjusted operating cash flow divided by Adjusted EBIT. This non-GAAP measure is useful to management and investors because it allows users to evaluate how much of Ford's Adjusted EBIT is converted into cash flow.

Adjusted Debt to EBITDA (Most Comparable GAAP Measure: Total Company Debt to Net income attributable to Ford) – This financial leverage ratio is commonly used to assess a company's ability to repay its debt. This measure is useful to management and investors because it helps to assess how long we would need to operate at our current level to repay our debt (excl. Ford Credit's debt). When we provide guidance for adjusted debt to EBITDA, we do not provide guidance for the most comparable GAAP measure 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. For more information, see the definitions of Adjusted Debt and Adjusted EBITDA.

Adjusted Debt (Most Comparable GAAP Measure: Total Company Debt) – Measure of total company debt (excl. Ford Credit), adjusted to include unamortized discount/premium and issuance costs (excl. Ford Credit), operating lease minimum commitments, and net pension liabilities excluding prepaid assets.

Adjusted EBITDA (Most Comparable GAAP Measure: Net income attributable to Ford) – Measure of Company Adjusted EBIT (see definition), excluding Ford Credit EBT and equity in net income/(loss) of affiliated companies, and further adjusted to include certain non-pension related special items, depreciation and tooling amortization (excl. Ford Credit), operating lease expense, and certain pension costs.

Adjusted ROIC – Adjusted Return on Invested Capital ("ROIC") provides management and investors with useful information to evaluate the Company's after-cash tax operating return on its invested capital for the period presented. Adjusted net operating profit after cash tax measures operating results less special items, interest on debt (excl. Ford Credit Debt), and certain pension/OPEB costs. Average invested capital is the sum of average balance sheet equity, debt (excl. Ford Credit Debt), and net pension/OPEB liability. When we provide guidance for adjusted ROIC, we do not provide guidance on an unadjusted ROIC basis because it will include potentially significant special items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end.

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.

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

RESULTS OF OPERATIONS

Company

The chart below shows our first quarter 2019 net income attributable to Ford and Company adjusted EBIT by segment.

Net income attributable to Ford and Company adjusted EBIT were driven by our Automotive and Ford Credit segments. In our Mobility segment, we incurred an increased EBIT loss as we invested more, as planned, to build out our capabilities with mobility services as we leverage the connectivity of our products while also progressing our developments in autonomy.

Ford Credit delivered a very strong EBT in the first quarter of 2019, and the highest in nearly nine years. All of Ford Credit's metrics were healthy, including a continued focus on a lean, best-in-class operating cost structure. In the quarter, Ford Credit benefited from lower depreciation on vehicles in its lease portfolio and improvement in its credit loss reserves reflecting continued strength in consumer credit metrics.

Special item charges in the first quarter of 2019 were \$592 million, with negative cash effects of about \$100 million. The vast majority of the charges in the quarter were associated with the redesigns of Europe and South America.

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

The chart below shows our first quarter 2019 key metrics for the Company, compared to a year ago.

Net income attributable to Ford in the first quarter of 2019 was \$1.1 billion or \$0.29 diluted earnings per share of Common and Class B stock, down \$600 million or \$0.14 per share from a year ago. Company adjusted EBIT for the first quarter of 2019 was \$2.4 billion or \$0.44 diluted adjusted earnings per share, up \$300 million or \$0.01 per share year over year.

Net income margin was 2.8% in the first quarter of 2019, down 1.3 percentage points from a year ago. Company adjusted EBIT margin was 6.1% in the first quarter of 2019, up 0.9 percentage points from a year ago.

Company adjusted EBIT improved year over year despite external headwinds of about \$500 million versus a year ago. This includes lower industry volume; continued, though smaller, increases in commodity costs, including tariff-related effects; and adverse exchange. This \$500 million impact is net of pricing actions that we took in South America to recover partially the region's adverse inflationary and exchange effects.

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

Automotive Segment

The chart below shows our first quarter 2019 Automotive segment EBIT by region.

In the first quarter of 2019, our Automotive segment EBIT improved from a year ago. Although the combined loss in the business units outside North America was unchanged from a year ago, it represents a strong \$632 million improvement from the fourth quarter of 2018. Within the Automotive segment, cost was flat year over year and Automotive EBIT margin was higher.

We saw progress in each of the three business units that drove the year-over-year decline in Company adjusted EBIT in 2018 – China, Europe, and North America.

In China, we incurred a loss of \$128 million on lower volume. This was an improvement from the \$150 million we lost a year ago, which was, by far, China's best quarterly result in 2018. In the second through fourth quarters of 2018, our average quarterly loss was \$465 million. The improvement from a year ago was driven by our consolidated operations, offset partially by lower JV equity net income. The main elements of the consolidated operations' improvement were strong cost performance and favorable exchange, although we also saw favorable mix and achieved flat year-over-year pricing in a negative industry-pricing environment. The favorable currency effect essentially was a reversal of an equivalent adverse impact we incurred in China over the past several years. The lower JV equity net income was entirely due to lower volume. Importantly, we ended the quarter with dealer stocks in good shape and improving dealer profitability.

In Europe, we were profitable, but at a lower level than a year ago, more than explained by about \$100 million of unfavorable exchange, most of which was a balance sheet effect. Within Europe's results, we delivered strong EBIT and healthy returns for our growing commercial vehicle and truck business. This was partially offset by losses on passenger cars, although the latter continue to generate positive current-period operating cash flow.

In North America, we achieved our best EBIT since second quarter 2018 and an EBIT margin of 8.7%, both improved from a year ago. We achieved this through strong mix and higher net pricing, aided by structural costs that were slightly lower than a year ago.

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

From a product standpoint, North America's EBIT improvement was driven by our F-Series despite new competitive challenges; Ranger, as it came to market; and Transit, America's best-selling van. North America's EBIT also benefited substantially from the decision to exit traditional passenger sedans. The strong financial performance of F-Series was matched by robust performance in the marketplace. In the first quarter of 2019 and in the face of new competitive entries, F-Series customer sales and average transaction prices held strong from a year ago, while share of segment increased. Our plan is to strengthen our position further with a new Super Duty launching later this year, a new F-150 coming in 2020, followed by a battery electric vehicle relatively soon thereafter.

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 wholesales):

Volume and Mix – primarily measures EBIT variance from changes in wholesale 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 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

Other – includes a variety of items, such as parts and services earnings, royalties, government incentives, and compensation-related changes. Other also includes:

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

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

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

References to Automotive records for EBIT margin and business units are since at least 2009.

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

The charts on the following pages provide first quarter 2019 key metrics and the change in first quarter 2019 EBIT compared with first quarter 2018 by causal factor for our Automotive segment and its regional business units: North America, South America, Europe, Middle East & Africa, China, and Asia Pacific Operations.

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

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

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

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

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

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

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

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 2019, we began recording in the Mobility segment subscription related income previously reported in the Automotive segment. This income is generated from services managed in our Mobility segment.

The chart below shows the Mobility segment's first quarter 2019 EBIT compared with first quarter 2018.

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

Ford Credit Segment

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 vehicle sales and leases, the extent to which Ford Credit purchases retail installment sale and 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 and by country or 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 economic conditions

As of January 1, 2019, we changed our accounting method for reporting early termination losses related to customer defaults on operating leases. Previously, we presented the early termination loss reserve on operating leases due to customer default events as part of the allowance for credit losses which reduces Net investment in operating leases on the balance sheet. We now consider the effects of operating lease early terminations when determining depreciation estimates, which are included as part of accumulated depreciation within Net investment in operating leases on the balance sheet. We believe this change in accounting method is preferable as the characterization of these changes are better reflected as depreciation. We have reclassified prior period amounts to reflect the above changes. For additional information, refer to the "Critical Accounting Estimates - Allowance for Credit Losses" section of Item 7 of Part II of our 2018 Form 10-K Report

•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. With the change in accounting method discussed above, accumulated depreciation now 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 2018 Form 10-K Report

Exchange:

Reflects changes in EBT driven by the effects of converting functional currency income to U.S. dollars

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

Other:

Primarily includes operating expenses, other revenue, insurance expenses, and other income at prior period exchange rates

Changes in operating expenses are primarily driven by salaried personnel costs, facilities costs, and costs associated with the origination and servicing of customer contracts

In general, other income changes are primarily driven by changes in earnings related to market valuation adjustments to derivatives (primarily related to movements in interest rates) and other miscellaneous items

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

Cash (as shown on the Funding Structure, Liquidity Sources, and Leverage charts) – Cash, cash equivalents, and marketable securities, excluding amounts related to insurance activities

Earnings Before Taxes (EBT) – Reflects Ford Credit's income before income taxes

Return on Equity (ROE) (as shown on the Key Metrics chart) – Reflects return on equity calculated by annualizing net income for the period and dividing by monthly average equity for the period

Securitizations (as shown on the Public Term Funding Plan chart) – Public securitization transactions, Rule 144A offerings sponsored by Ford Credit, and widely distributed offerings by Ford Credit Canada

Securitization Cash (as shown on the Liquidity Sources chart) – Cash held for the benefit of the securitization investors (for example, a reserve fund)

Term Asset-Backed Securities (as shown on the Funding Structure chart) – Obligations issued in securitization transactions that are payable only out of collections on the underlying securitized assets and related enhancements

Total Debt (as shown on the Leverage chart) – Debt on Ford Credit's balance sheet. Includes debt issued in securitizations and payable only out of collections on the underlying securitized assets and related enhancements. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions

Total Net Receivables (as shown on the Total Net Receivables Reconciliation To Managed Receivables chart) – Includes finance receivables (retail and wholesale) sold for legal purposes and net investment in operating leases included in securitization transactions that do not satisfy the requirements for accounting sale treatment. These receivables and operating leases are reported on Ford Credit's balance sheet and are available only for payment of the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay the other obligations of Ford Credit or the claims of Ford Credit's other creditors

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

The charts below provide first quarter 2019 key metrics and the change in first quarter 2019 EBT compared with first quarter 2018 by causal factor for the Ford Credit segment.

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

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 portfolio gains and losses from our cash, cash equivalents, and marketable securities, 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. Our first quarter 2019 Corporate Other results were a \$75 million loss, compared with an \$86 million loss a year ago. The lower loss compared with a year ago is more than explained by favorable mark-to-market adjustments to our marketable securities offset partially by higher corporate governance expenses.

Interest on Debt

Interest on Debt consists of interest expense on Automotive and Other debt. First quarter 2019 interest expense on Automotive and Other debt was \$245 million, \$44 million lower than a year ago, reflecting primarily lower foreign debt interest expense.

Special Items

In Note 22 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.

Our pre-tax and tax special items were as follows:

Taxes

Our provision for income taxes for first quarter 2019 was \$427 million, resulting in an effective tax rate of 26.5%. Our first quarter 2019 adjusted effective tax rate, which excludes special items, was 19.7%.

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

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2019, total balance sheet cash, cash equivalents, marketable securities, and restricted cash (including Ford Credit) was \$37.9 billion.

We analyze our balance sheet on a "Company" basis which excludes Ford Credit. 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.

Company excluding Ford Credit

Liquidity. One of our key priorities is to maintain a strong balance sheet, while at the same time having resources available to invest in and grow our business. Based on our planning assumptions, we believe we have sufficient liquidity and capital resources to continue to invest in new products and services, pay our debts and obligations as and when they come due, pay a regular dividend, and provide protection within an uncertain global economic environment.

At March 31, 2019, we had Company cash of \$24.2 billion, with 87% 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.

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

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.

In addition to our Company cash target, we also target to maintain a \$10 billion available balance under our corporate credit facility, discussed below, for our Automotive business to protect against exogenous shocks. We assess the appropriate long-term target for total Company liquidity, which includes Company cash and the Automotive portion of the corporate credit facility, to be at or above \$30 billion, which is an amount we believe is sufficient to support our business priorities and to protect our business. At March 31, 2019, we had \$35.2 billion of Company liquidity. We may reduce our Company cash and liquidity targets over time, based on improved operating performance and changes in our risk profile.

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, capital spending, depreciation and tooling amortization, changes in working capital, Ford Credit distributions, and all other and timing differences. Non-operating items include: restructuring (including separation payments), other transactions with Ford Credit, acquisitions and divestitures, changes in Automotive and Other debt, contributions to funded pension plans, and shareholder distributions.

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 addition, our inventories are lean because we build to order, not for inventory. In contrast, our Automotive trade payables are based primarily on industry-standard production supplier payment terms generally ranging between 30 days to 45 days. As a result, our cash flow tends to improve as wholesale volumes increase, but can deteriorate significantly when wholesale volumes drop sharply. 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.

In the first quarter of 2019, the majority of our operating cash flow was generated by the Automotive segment. For 2019, we continue to expect improved Company adjusted operating cash flow versus 2018.

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

Changes in Company cash excluding Ford Credit are summarized below:

Capital spending was \$1.6 billion in the first quarter of 2019. We continue to expect full year 2019 capital spending to be about the same as 2018. As we redesign our business, the ongoing amount of capital spending to support product development, growth, and infrastructure is expected to be about \$7 billion annually through 2022.

First quarter 2019 working capital was about \$500 million positive, more than explained by an increase in production payables.

First quarter 2019 all other and timing differences were about \$600 million negative, reflecting primarily assorted timing differences, interest payments on Automotive and Other debt, and cash taxes.

Shareholder distributions were about \$600 million in the first quarter of 2019. We expect full year distributions of \$2.6 billion.

Available Credit Lines. Total committed Company credit lines excluding Ford Credit at March 31, 2019 were \$11.9 billion, consisting of \$10.4 billion of our corporate credit facility and \$1.5 billion of local credit facilities. At March 31, 2019, the utilized portion of the corporate credit facility was \$27 million, representing amounts utilized for letters of credit. At March 31, 2019, the utilized portion of the local credit facilities was \$858 million.

Our corporate credit facility was amended as of April 23, 2019 to extend the maturity dates by one year. Lenders under our corporate credit facility have commitments to us totaling \$13.4 billion, with 75% of the commitments maturing on April 30, 2024 and 25% of the commitments maturing on April 30, 2022. We have allocated \$3 billion of commitments to Ford Credit on an irrevocable and exclusive basis to support its liquidity. We would guarantee any borrowings by Ford Credit under the corporate credit facility.

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

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. 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. If our senior, unsecured, long-term debt does not maintain at least two investment grade ratings from Fitch, Moody's, and S&P, the guarantees of certain subsidiaries will be required.

Also on April 23, 2019, we closed on a \$3.5 billion supplemental credit facility, further strengthening our liquidity and providing additional financial flexibility. Unlike our corporate credit facility, the supplemental facility is intended to be utilized and includes a \$2 billion revolving facility maturing on April 30, 2022 and a \$1.5 billion delayed draw term loan facility maturing on December 31, 2022. We expect to fully draw the term loan over the course of 2019; however, the impact of any draws will be leverage neutral after taking into consideration debt reduction actions we took late last year, including the repayment of about \$1 billion of higher cost affiliate debt. The terms and conditions of the supplemental credit facility are consistent with our corporate credit facility. As of April 25, 2019, all \$3.5 billion was available for use.

Debt. As shown in Note 16 of the Notes to the Financial Statements, at March 31, 2019, Company debt excluding Ford Credit was \$14.2 billion, including Automotive debt of \$13.6 billion. Both balances were about \$60 million higher than at December 31, 2018.

Leverage. We manage Company debt (excluding Ford Credit) levels with a leverage framework to maintain investment grade credit ratings through a normal business cycle. The leverage framework includes a ratio of total company debt (excluding Ford Credit) adjusted to include unamortized discount/premium and issuance costs (excluding Ford Credit), operating lease minimum commitments, and net pension liabilities excluding prepaid assets, divided by Company adjusted EBIT, excluding Ford Credit EBT, and further adjusted to include depreciation and tooling amortization (excluding Ford Credit), operating lease expense, and certain pension costs. At March 31, 2019, our ratio of Company debt to net income attributable to Ford was 50.9:1, and our ratio of adjusted debt to EBITDA was 3.2:1.

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.

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

Ford Credit Segment

Funding Overview. Ford Credit's primary funding objective is to be well capitalized with a strong balance sheet and ample liquidity to support its financing activities and growth under a variety of market conditions, including short-term and long-term market disruptions. Ford Credit's funding strategy remains focused on diversification, and it plans to continue accessing a variety of markets, channels, and investors.

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

Funding Portfolio. The chart below shows the trends in funding for Ford Credit's managed receivables:

Managed receivables of \$155 billion as of March 31, 2019 were funded primarily with term debt and term asset-backed securities. Securitized funding as a percent of managed receivables was 38%. Ford Credit targets a mix of securitized funding between 35% and 40%. 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 chart shows Ford Credit's issuances for full-year 2017 and 2018, planned issuances for full-year 2019, and its global public term funding issuances through April 24, 2019, excluding short-term funding programs:

Ford Credit's total unsecured public term funding plan is categorized by currency of issuance. Ford Credit plans to continue issuing its eurocurrency-denominated (e.g., euro and sterling) public unsecured debt from the United States. For 2019, Ford Credit now projects full-year public term funding in the range of \$27 billion to \$32 billion. Through April 24, 2019, Ford Credit has completed \$13 billion of public term issuances.

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

Liquidity. The following chart shows Ford Credit's liquidity sources and utilization:

Ford Credit's liquidity available for use will fluctuate quarterly based on factors including near-term debt maturities, receivable growth, and timing of funding transactions. Ford Credit targets liquidity of about \$25 billion.

At March 31, 2019, Ford Credit's net liquidity available for use was \$31 billion, \$3.7 billion higher than year-end 2018.

Ford Credit's sources of liquidity include cash, committed asset-backed facilities, unsecured credit facilities, and the corporate credit facility allocation. At March 31, 2019, Ford Credit's liquidity sources including cash totaled \$54.3 billion, up \$2.7 billion from year-end 2018.

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 chart below shows the calculation of Ford Credit's financial statement leverage and managed leverage:

Ford Credit plans its managed leverage by considering prevailing market conditions and the risk characteristics of its business. At March 31, 2019, Ford Credit's financial statement leverage was 9.6:1, and its managed leverage was 8.8:1. Ford Credit targets managed leverage in the range of 8:1 to 9:1.

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

Total Company

Pension Plans - Underfunded Balances. As of March 31, 2019, our total Company pension underfunded status reported on our balance sheet was \$5.6 billion and reflects the net underfunded status at December 31, 2018, updated for service and interest cost, expected return on assets, separation expense, actual benefit payments, and cash contributions. The discount rate and rate of expected return assumptions are unchanged from year-end 2018, and the reported number does not reflect the impact from any change in interest rates or asset returns since year-end 2018.

Based on our planning assumptions for asset returns, discount rates, and contributions, we expect our funded status to improve at year-end 2019 compared to the end of 2018.

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

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

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 2018 Form 10-K Report.

On March 8, 2019, DBRS revised the outlook to negative from stable for Ford and Ford Credit and affirmed their ratings.

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

| NRSRO RATINGS | | | | | | | |
|---------------|---|----------------------------------|--------------------|----------------------------------|-------------------------|--------------------|---|
| | Ford | | | Ford Credit | | NRSROs | |
| | Default / Corporate / Issuer Rating | Long-Term Senior Unsecured | Outlook / Trend | Long-Term Senior Unsecured | Short-Term Unsecured | Outlook / Trend | Minimum Long-Term Investment Grade Rating |
| DBRS | BBB | BBB | Negative | BBB | R-2M | Negative | BBB (low) |
| Fitch | BBB | BBB | Stable | BBB | F2 | Stable | BBB- |
| Moody’s | N/A | Baa3 | Negative | Baa3 | P-3 | Negative | Baa3 |
| S&P | BBB | BBB | Negative | BBB | A-2 | Negative | BBB- |

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

OUTLOOK

Based on our current assumptions, our Company guidance for 2019 includes the following:

For 2019, we now expect year-over-year improvement in the key metrics as shown above, including our revenue growth to be greater than 2%, adjusted EBIT margin to be greater than 4.4%, adjusted ROIC to be greater than 7.1%, and adjusted cash conversion to be greater than 40%. We now expect adjusted debt to EBITDA to be higher than 3.2:1 by the end of the year.

We expect first quarter 2019 Company adjusted EBIT to be the strongest of the year due to seasonal factors and major product launches ahead. For the full year, we now expect Company adjusted EBIT to be higher than in 2018.

We continue to expect full-year 2019 Company adjusted operating cash flow to be stronger and Automotive EBIT to improve, driven by gains in China, Europe, and North America. For the full year, we expect to build on the first quarter outcome and deliver a considerable improvement in China's profitability compared to 2018, although still a loss; to deliver a substantial improvement in Europe's profitability compared to 2018, driven by favorable mix, higher net pricing, and lower cost; and North America's EBIT and EBIT margin to improve from 2018.

For the full year, we expect a larger loss in Mobility as we increase our investment in mobility services and as our autonomous vehicle efforts move closer to commercialization with a bespoke product in late 2021.

We now expect EBT for the full year at Ford Credit to be about the same as 2018. This includes a continued expectation for auction values to decline on average over the year by about four percent, at constant mix.

We have identified a total of about \$11 billion in potential EBIT charges for our Global Redesign actions, with negative cash effects of about \$7 billion. In 2019, we expect to incur \$3 billion to \$3.5 billion of the EBIT charges, with negative cash effects of about \$2.5 billion. We expect almost all of the EBIT charges to be treated as special items.

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

NON-GAAP FINANCIAL MEASURE RECONCILIATIONS

The following charts show our Non-GAAP financial measure reconciliations for: Adjusted EBIT, Adjusted Earnings Per Share, Adjusted Effective Tax Rate, Adjusted Operating Cash Flow, Adjusted Debt to EBITDA, and Ford Credit Managed Receivables. The GAAP reconciliation for Ford Credit Managed Leverage can be found in the Ford Credit Segment section of "Liquidity and Capital Resources."

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

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

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

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

| | For the period ended March 31, 2019 | | | | | |
|--|-------------------------------------|----------|--------------|----------|----------------|--------------|
| | First Quarter | | | | | |
| | Company excluding Ford Credit | | | | | |
| | Automotive | Mobility | Other (a) | Subtotal | Ford Credit | Consolidated |
| Revenues | \$37,239 | \$ 6 | \$— | \$37,245 | \$3,097 | \$ 40,342 |
| Total costs and expenses | 35,673 | 333 | 779 | 36,785 | 2,355 | 39,140 |
| Interest expense on Automotive debt | — | — | 231 | 231 | — | 231 |
| Interest expense on Other debt | — | — | 14 | 14 | — | 14 |
| Other income/(loss) net | 426 | 37 | 112 | 575 | 53 | 628 |
| Equity in net income of affiliated companies | 17 | 2 | — | 19 | 6 | 25 |
| Income/(loss) before income taxes | 2,009 | (288) | (912) | 809 | 801 | 1,610 |
| Provision for/(Benefit from) income taxes | 382 | (69) | (84) | 229 | 198 | 427 |
| Net income/(Loss) | 1,627 | (219) | (828) | 580 | 603 | 1,183 |
| | 37 | — | — | 37 | — | 37 |

Less:
Income/(Loss)
attributable
to
noncontrolling
interests
Net
income/(Loss)
attributable
to Ford
Motor
Company

| | | | | | |
|---------|-----------|---------|-------|-------|----------|
| \$1,590 | \$ (219) | \$(828) | \$543 | \$603 | \$ 1,146 |
|---------|-----------|---------|-------|-------|----------|

(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):

| Assets | March 31, 2019 | | | |
|--|--|-----------|--------------|--------------|
| | Company excluding Ford Ford Credit | | Eliminations | Consolidated |
| Cash and cash equivalents | \$9,115 | \$11,733 | | |
| Marketable securities | 15,036 | 1,846 | — | 16,882 |
| Ford Credit finance receivables, net | — | 55,444 | — | 55,444 |
| Trade and other receivables, less allowances | 3,837 | 8,179 | — | 12,016 |
| Inventories | 12,333 | — | — | 12,333 |
| Other assets | 2,499 | 1,173 | — | 3,672 |
| Receivable from other segments | 94 | 1,944 | (2,038) |) — |
| Total current assets | 42,914 | 80,319 | (2,038) |) 121,195 |
| Ford Credit finance receivables, net | — | 54,332 | — | 54,332 |
| Net investment in operating leases | 1,656 | 27,573 | — | 29,229 |
| Net property | 35,945 | 200 | — | 36,145 |
| Equity in net assets of affiliated companies | 2,487 | 118 | — | 2,605 |
| Deferred income taxes | 12,233 | 200 | (2,117) |) 10,316 |
| Other assets | 7,822 | 1,637 | — | 9,459 |
| Receivable from other segments | 5 | 30 | (35) |) — |
| Total assets | \$103,062 | \$164,409 | \$ (4,190) |) \$ 263,281 |
| Liabilities | Company | | | |
| | excluding Ford Ford Credit | | Eliminations | Consolidated |
| Payables | \$ 22,197 | \$1,128 | | |
| Other liabilities and deferred revenue | 19,782 | 1,582 | — | 21,364 |
| Automotive debt payable within one year | 2,523 | — | — | 2,523 |
| Ford Credit debt payable within one year | — | 51,895 | — | 51,895 |
| Other debt payable within one year | 130 | — | — | 130 |
| Payable to other segments | 2,038 | — | (2,038) |) — |
| Total current liabilities | 46,670 | 54,605 | (2,038) |) 99,237 |
| Other liabilities and deferred revenue | 23,069 | 1,147 | — | 24,216 |
| Automotive long-term debt | 11,087 | — | — | 11,087 |
| Ford Credit long-term debt | — | 91,055 | — | 91,055 |
| Other long-term debt | 470 | — | — | 470 |
| Deferred income taxes | 84 | 2,680 | (2,117) |) 647 |
| Payable to other segments | 35 | — | (35) |) — |
| Total liabilities | \$ 81,415 | \$149,487 | \$ (4,190) |) \$ 226,712 |

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

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

For the period ended March 31, 2019

First Quarter

Company

excluding

Ford Credit

Credit

Eliminations Consolidated

Cash flows from operating activities

Net cash provided by/(used in) operating activities \$2,426 \$1,118 \$ — \$ 3,544

| | Company excluding Ford Credit | Ford Credit | Eliminations | Consolidated |
|--|--|----------------|--------------|--------------|
| Cash flows from investing activities | | | | |
| Capital spending | \$ (1,620) | \$ (13) | \$ — | \$ (1,633) |
| Acquisitions of finance receivables and operating leases | — | (12,595) | — | (12,595) |
| Collections of finance receivables and operating leases | — | 12,336 | — | 12,336 |
| Purchases of marketable and other securities | (3,120) | (803) | — | (3,923) |
| Sales and maturities of marketable and other securities | 4,167 | 274 | — | 4,441 |
| Settlements of derivatives | (26) | 12 | — | (14) |
| Other | 54 | — | — | 54 |
| Investing activity (to)/from other segments | 754 | — | (754) | — |
| Net cash provided by/(used in) investing activities | \$ 209 | \$ (789) | \$ (754) | \$ (1,334) |

| | Company excluding Ford Credit | Ford Credit | Eliminations | Consolidated |
|--|--|----------------|--------------|--------------|
| Cash flows from financing activities | | | | |
| Cash payments for dividends and dividend equivalents | \$ (597) | \$ — | \$ — | \$ (597) |
| Purchases of common stock | — | — | — | — |
| Net changes in short-term debt | 616 | (196) | — | 420 |
| Proceeds from issuance of long-term debt | — | 15,411 | — | 15,411 |
| Principal payments on long-term debt | (594) | (12,683) | — | (13,277) |
| Other | (46) | (38) | — | (84) |
| Financing activity to/(from) other segments | — | (754) | 754 | — |
| Net cash provided by/(used in) financing activities | \$ (621) | \$ 1,740 | \$ 754 | \$ 1,873 |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | \$ (9) | \$ 38 | \$ — | \$ 29 |

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

Selected Other Information.

Cost of sales and Selling, administrative, and other expenses for the first quarter of 2019 were \$36.8 billion, a decrease of about \$1.7 billion compared with the first quarter of 2018. The detail for the change is shown below (in billions):

| | 2019 | Lower/(Higher) |
|-------------------------------------|---------------|----------------|
| | 2018 | |
| | First Quarter | |
| Volume and mix, exchange, and other | \$ 2.4 | |
| Contribution costs | | |
| Material excluding commodities | 0.1 | |
| Commodities | (0.1 |) |
| Warranty | (0.2 |) |
| Freight | (0.1 |) |
| Structural costs | 0.2 | |
| Special items | (0.6 |) |
| Total | \$ 1.7 | |

Equity. At March 31, 2019, total equity attributable to Ford was \$36.4 billion, an increase of about \$500 million compared with December 31, 2018. The detail for this change is shown below (in billions):

| | Increase/ (Decrease) |
|----------------------------|-------------------------|
| Net income | \$ 1.1 |
| Shareholder distributions | (0.6) |
| Other comprehensive income | (0.1) |
| Other | 0.1 |
| Total | \$ 0.5 |

U.S. Sales by Type. The following table shows first quarter 2019 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 | 278,898 | 323,553 |
| SUVs | 213,086 | 230,247 |
| Cars | 98,265 | 106,049 |
| Total Vehicles | 590,249 | 659,849 |

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

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's long-term competitiveness depends on the successful execution of fitness actions;
- Industry sales volume, particularly in the United States, Europe, or China, could decline if there is a financial crisis, recession, or significant geopolitical event;
- 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;
- Ford may face increased price competition resulting from industry excess capacity, currency fluctuations, or other factors;
- Fluctuations in commodity prices, foreign currency exchange rates, and interest rates can have a significant effect on results;
- With a global footprint, Ford's results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events, including Brexit;
- Ford's production, as well as Ford's suppliers' production, could be disrupted by labor disputes, 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;
- Pension and other postretirement liabilities could adversely affect Ford's liquidity and financial condition;
- 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;
- Ford's vehicles could be affected by defects that result in delays in new model launches, recall campaigns, or increased warranty costs;
- Ford may need to substantially modify its product plans to comply with safety, emissions, fuel economy, and other regulations that may change in the future;
- 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's receipt of government incentives could be subject to reduction, termination, or clawback;
- Operational systems, security systems, and vehicles could be affected by cyber incidents;
- 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 Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Ford Credit could face increased competition from banks, financial institutions, or other third parties seeking to increase their share of financing Ford vehicles; and
- Ford Credit could be subject to new or increased credit regulations, consumer or data 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 2018 Form 10-K Report, as updated by our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

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

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) |
|---|-----------------------|
| 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 |
| 2016-13 Credit Losses - Measurement of Credit Losses on Financial Instruments | January 1, 2020 |
| 2018-14 Changes to the Disclosure Requirements for Defined Benefits Plans | January 1, 2021 |
| 2018-12 Targeted Improvements to the Accounting for Long Duration Contracts | January 1, 2021 |

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

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Automotive Segment

Foreign Currency Risk. The net fair value of foreign exchange forward contracts (including adjustments for credit risk) as of March 31, 2019, was a liability of \$176 million, compared with an asset of \$363 million as of December 31, 2018. The potential decrease in fair value from a 10% adverse change in the underlying exchange rates, in U.S. dollar terms, was \$2.4 billion at March 31, 2019, compared with \$2.5 billion at December 31, 2018.

Commodity Price Risk. The net fair value of commodity forward contracts (including adjustments for credit risk) as of March 31, 2019, was a liability of \$16 million, compared with a liability of \$62 million at December 31, 2018. The potential decrease in fair value from a 10% adverse change in the underlying commodity prices, in U.S. dollar terms, was \$102 million at March 31, 2019, compared with \$90 million at December 31, 2018.

Ford Credit Segment

Interest Rate Risk. To provide a quantitative measure of the sensitivity of its pre-tax cash flow to changes in interest rates, Ford Credit uses interest rate scenarios that assume a hypothetical, instantaneous increase or decrease of one percentage point in all interest rates across all maturities (a "parallel shift"), as well as a base case that assumes that all interest rates remain constant at existing levels. The differences in pre-tax cash flow between these scenarios and the base case over a 12-month period represent an estimate of the sensitivity of Ford Credit's pre-tax cash flow. Under this model, Ford Credit estimates that at March 31, 2019, all else constant, such an increase in interest rates would increase its pre-tax cash flow by \$7 million over the next 12 months, compared with an increase of \$51 million at December 31, 2018. In reality, interest rate changes are rarely instantaneous or parallel and rates could move more or less than the one percentage point assumed in Ford Credit's analysis. As a result, the actual impact to pre-tax cash flow could be higher or lower than the results detailed above.

ITEM 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. James P. Hackett, our Chief Executive Officer (“CEO”), and Bob Shanks, our Chief Financial Officer (“CFO”), have performed an evaluation of the Company’s disclosure controls and procedures, as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of March 31, 2019, 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. During the first quarter of 2019, we launched a new lease administration and accounting system to support our implementation of ASU 2016-02, Leases. We also began utilizing a new global profit reporting system for segment reporting and impairment testing.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

OTHER MATTERS

European Competition Law Matter (as previously reported on page 23 of our 2018 Form 10-K Report). As previously reported, on October 5, 2018, FCE Bank plc (“FCE”) received a notice from the Italian Competition Authority (the “ICA”) concerning an alleged violation of Article 101 of the Treaty on the Functioning of the European Union. The ICA alleges that FCE and other parties engaged in anti-competitive practices in relation to the automotive finance market in Italy. On January 9, 2019, FCE received a decision from the ICA, which included an assessment of a fine against FCE in the amount of about \$50 million. On March 8, 2019, FCE appealed the decision and the fine with the ultimate resolution of the matter potentially taking several years.

Emissions Certification (as previously reported on page 23 of our 2018 Form 10-K Report). As previously reported, the Company has become aware of a potential concern involving its U.S. emissions certification process. This matter currently focuses on issues relating to road load estimations, including analytical modeling and coastdown testing. The potential concern does not involve the use of defeat devices (see page 10 of our 2018 Form 10-K Report for a definition of defeat devices). We voluntarily disclosed this matter to the U.S. Environmental Protection Agency and the California Air Resources Board on February 18, 2019 and February 21, 2019, respectively. Subsequently, the U.S. Department of Justice opened a criminal investigation into the matter. In addition, we have notified a number of other state and federal agencies. We are fully cooperating with all government agencies. Because this matter is still in the preliminary stages, we cannot predict the outcome, and we cannot provide assurance that it will not have a material adverse effect on us.

CONSUMER MATTERS

We provide warranties on the vehicles we sell. Warranties are offered for specific periods of time and/or mileage, and vary depending upon the type of product and the geographic location of its sale. Pursuant to these warranties, we will repair, replace, or adjust all parts on a vehicle that are defective in factory-supplied materials or workmanship during the specified warranty period. We are a defendant in numerous actions in state and federal courts alleging damages based on state and federal consumer protection laws and breach of warranty obligations. Remedies under these statutes may include repurchase, civil penalties, and plaintiff’s attorney fees. In some cases, plaintiffs also include an allegation of fraud.

The cost of these matters is included in our warranty costs. We accrue obligations for warranty costs at the time of sale using a patterned estimation model that includes historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. We reevaluate the adequacy of our accruals on a regular basis.

We are currently a defendant in a significant number of litigation matters relating to the performance of vehicles equipped with DPS6 transmissions.

ITEM 6. Exhibits.

| Designation | Description | Method of Filing |
|---------------------|--|-------------------------|
| <u>Exhibit 10.1</u> | Annual Incentive Compensation Plan for 2019. | Filed with this Report. |
| <u>Exhibit 10.2</u> | Performance-Based Restricted Stock Unit Metrics for 2019. | Filed with this Report. |
| <u>Exhibit 18</u> | Letter of PricewaterhouseCoopers LLP, dated April 25, 2019, related to financial information | Filed with this Report. |
| <u>Exhibit 31.1</u> | Rule 15d-14(a) Certification of CEO. | Filed with this Report. |

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| | | |
|---------------------|---|-----------------------------|
| <u>Exhibit 31.2</u> | Rule 15d-14(a) Certification of CFO. | Filed with this Report. |
| <u>Exhibit 32.1</u> | Section 1350 Certification of CEO. | Furnished with this Report. |
| <u>Exhibit 32.2</u> | Section 1350 Certification of CFO. | Furnished with this Report. |
| Exhibit 101.INS | XBRL Instance Document. | * |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema Document. | * |
| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | * |
| Exhibit 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | * |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | * |
| Exhibit 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | * |

* Submitted electronically with this Report in accordance with the provisions of Regulation S-T.

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, Vice President and
Controller
(principal accounting officer)

Date: April 25, 2019