

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 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

(State of incorporation)

38-0549190

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

One American Road

Dearborn, Michigan

(Address of principal executive offices)

48126

(Zip code)

313 - 322-3000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

As of July 19, 2019, Ford had outstanding 3,918,991,225 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit Index begins on page

[75](#)

FORD MOTOR COMPANY
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended June 30, 2019

Table of Contents		Page
Part I - Financial Information		
Item 1	Financial Statements	1
	Consolidated Income Statement	1
	Consolidated Statement of Comprehensive Income	1
	Consolidated Balance Sheet	2
	Condensed Consolidated Statement of Cash Flows	3
	Consolidated Statement of Equity	4
	Notes to the Financial Statements	5
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	34
	Overview	34
	Results of Operations	36
	Automotive Segment	39
	Mobility Segment	48
	Ford Credit Segment	49
	Corporate Other	53
	Interest on Debt	53
	Special Items	53
	Taxes	53
	Liquidity and Capital Resources	54
	Credit Ratings	63
	Outlook	64
	Non-GAAP Financial Measure Reconciliations	65
	Supplemental Information	68
	Cautionary Note on Forward-Looking Statements	72
	Accounting Standards Issued But Not Yet Adopted	73
Item 3	Quantitative and Qualitative Disclosures About Market Risk	73
Item 4	Controls and Procedures	73
 Part II - Other Information		
Item 1	Legal Proceedings	74
Item 6	Exhibits	75
	Signature	76

ITEM 1. *Financial Statements.*

PART I. FINANCIAL INFORMATION

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

	For the periods ended June 30,			
	2018	2019	2018	2019
	Second Quarter		First Half	
	(unaudited)			
Revenues				
Automotive	\$ 35,905	\$ 35,758	\$ 74,917	\$ 72,997
Ford Credit	3,009	3,089	5,952	6,186
Mobility	6	6	10	12
Total revenues (Note 3)	38,920	38,853	80,879	79,195
Costs and expenses				
Cost of sales	33,194	33,657	68,947	67,599
Selling, administrative, and other expenses	2,778	2,725	5,525	5,568
Ford Credit interest, operating, and other expenses	2,362	2,381	4,700	4,736
Total costs and expenses	38,334	38,763	79,172	77,903
Interest expense on Automotive debt	287	230	562	461
Interest expense on Other debt	14	14	28	28
Other income/(loss), net (Note 4)	1,004	272	1,867	900
Equity in net income of affiliated companies	60	87	284	112
Income before income taxes	1,349	205	3,268	1,815
Provision for/(Benefit from) income taxes	280	55	454	482
Net income	1,069	150	2,814	1,333
Less: Income/(Loss) attributable to noncontrolling interests	3	2	12	39
Net income attributable to Ford Motor Company	\$ 1,066	\$ 148	\$ 2,802	\$ 1,294
EARNINGS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 6)				
Basic income	\$ 0.27	\$ 0.04	\$ 0.70	\$ 0.33
Diluted income	0.27	0.04	0.70	0.32
Weighted-average shares used in computation of earnings per share				
Basic	3,977	3,984	3,976	3,979
Diluted	3,999	4,013	3,998	4,005

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the periods ended June 30,			
	2018	2019	2018	2019
	Second Quarter		First Half	
	(unaudited)			
Net income	\$ 1,069	\$ 150	\$ 2,814	\$ 1,333
Other comprehensive income/(loss), net of tax (Note 21)				
Foreign currency translation	(595)	(127)	(300)	116
Marketable securities	(8)	59	(55)	122
Derivative instruments	52	117	85	(329)
Pension and other postretirement benefits	17	16	25	21
Total other comprehensive income/(loss), net of tax	(534)	65	(245)	(70)
Comprehensive income	535	215	2,569	1,263
Less: Comprehensive income/(loss) attributable to noncontrolling interests	4	2	12	39
Comprehensive income attributable to Ford Motor Company	\$ 531	\$ 213	\$ 2,557	\$ 1,224

The accompanying notes are part of the consolidated financial statements.

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

	December 31, 2018	June 30, 2019
	(unaudited)	
ASSETS		
Cash and cash equivalents (Note 7)	\$ 16,718	\$ 22,117
Marketable securities (Note 7)	17,233	15,931
Ford Credit finance receivables, net (Note 8)	54,353	53,756
Trade and other receivables, less allowances of \$94 and \$60	11,195	10,941
Inventories (Note 10)	11,220	12,437
Other assets	3,930	3,169
Total current assets	114,649	118,351
Ford Credit finance receivables, net (Note 8)	55,544	53,875
Net investment in operating leases (Note 11)	29,119	29,798
Net property	36,178	36,581
Equity in net assets of affiliated companies	2,709	2,637
Deferred income taxes	10,412	10,153
Other assets (Note 12 and Note 13)	7,929	10,789
Total assets	\$ 256,540	\$ 262,184
LIABILITIES		
Payables	\$ 21,520	\$ 22,980
Other liabilities and deferred revenue (Note 14)	20,556	22,503
Automotive debt payable within one year (Note 17)	2,314	2,229
Ford Credit debt payable within one year (Note 17)	51,179	50,492
Other debt payable within one year (Note 17)	—	130
Total current liabilities	95,569	98,334
Other liabilities and deferred revenue (Note 14)	23,588	24,032
Automotive long-term debt (Note 17)	11,233	11,765
Ford Credit long-term debt (Note 17)	88,887	90,978
Other long-term debt (Note 17)	600	470
Deferred income taxes	597	469
Total liabilities	220,474	226,048
Redeemable noncontrolling interest (Note 20)	100	—
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	22,111
Retained earnings	22,668	22,769
Accumulated other comprehensive income/(loss) (Note 21)	(7,366)	(7,436)
Treasury stock	(1,417)	(1,388)
Total equity attributable to Ford Motor Company	35,932	36,097
Equity attributable to noncontrolling interests	34	39
Total equity	35,966	36,136
Total liabilities and equity	\$ 256,540	\$ 262,184

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	June 30, 2019
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 2,728	\$ 3,719

Ford Credit finance receivables, net	58,662	58,118
Net investment in operating leases	16,332	13,986
Other assets	27	8
LIABILITIES		
Other liabilities and deferred revenue	\$ 24	\$ 62
Debt	53,269	51,791

The accompanying notes are part of the consolidated financial statements.

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

	For the periods ended June 30,	
	2018	2019
	First Half (unaudited)	
Cash flows from operating activities		
Net cash provided by/(used in) operating activities	\$ 8,486	\$ 10,007
Cash flows from investing activities		
Capital spending	(3,688)	(3,553)
Acquisitions of finance receivables and operating leases	(32,273)	(26,202)
Collections of finance receivables and operating leases	25,980	24,974
Purchases of marketable securities and other investments	(11,725)	(7,670)
Sales and maturities of marketable securities and other investments	12,756	8,540
Settlements of derivatives	109	83
Other	(181)	4
Net cash provided by/(used in) investing activities	(9,022)	(3,824)
Cash flows from financing activities		
Cash payments for dividends and dividend equivalents	(1,711)	(1,196)
Purchases of common stock	(89)	—
Net changes in short-term debt	(1,735)	71
Proceeds from issuance of long-term debt	28,135	26,233
Principal payments on long-term debt	(25,299)	(25,767)
Other	(93)	(149)
Net cash provided by/(used in) financing activities	(792)	(808)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(289)	24
Net increase/(decrease) in cash, cash equivalents, and restricted cash	\$ (1,617)	\$ 5,399
Cash, cash equivalents, and restricted cash at beginning of period (Note 7)	\$ 18,638	\$ 16,907
Net increase/(decrease) in cash, cash equivalents, and restricted cash	(1,617)	5,399
Cash, cash equivalents, and restricted cash at end of period (Note 7)	\$ 17,021	\$ 22,306

The accompanying notes are part of the consolidated financial statements.

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

	Equity Attributable to Ford Motor Company						Equity Attributable to Non-controlling Interests	Total Equity
	Capital Stock	Cap. in Excess of Par Value of Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss) (Note 21)	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 (\$0.28 per share of Common and Class B Stock)	—	—	(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
Net income	—	—	1,066	—	—	1,066	3	1,069
Other comprehensive income/(loss), net of tax	—	—	—	(535)	—	(535)	1	(534)
Common stock issued (including share-based compensation impacts)	—	112	—	—	—	112	—	112
Treasury stock/other	—	—	—	—	—	—	—	—
Dividends and dividend equivalents declared (\$0.15 per share of Common and Class B Stock)	—	—	(602)	—	—	(602)	(12)	(614)
Balance at June 30, 2018	\$ 41	\$ 21,953	\$ 22,993	\$ (7,204)	\$ (1,342)	\$ 36,441	\$ 28	\$ 36,469

	Equity Attributable to Ford Motor Company						Equity Attributable to Non-controlling Interests	Total Equity
	Capital Stock	Cap. in Excess of Par Value of Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss) (Note 21)	Treasury Stock	Total		
Balance at December 31, 2018	\$ 41	\$ 22,006	\$ 22,668	\$ (7,366)	\$ (1,417)	\$ 35,932	\$ 34	\$ 35,966
Adoption of accounting standards	—	—	13	—	—	13	—	13
Net income	—	—	1,146	—	—	1,146	37	1,183
Other comprehensive income/(loss), net 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 (\$0.15 per share of Common and Class B Stock)	—	—	(601)	—	—	(601)	—	(601)
Balance at March 31, 2019	\$ 41	\$ 22,026	\$ 23,226	\$ (7,501)	\$ (1,394)	\$ 36,398	\$ 36	\$ 36,434
Adoption of accounting standards	—	—	—	—	—	—	—	—
Net income	—	—	148	—	—	148	2	150
Other comprehensive income/(loss), net of tax	—	—	—	65	—	65	—	65
Common stock issued (including share-based compensation impacts)	—	85	—	—	—	85	—	85
Treasury stock/other	—	—	—	—	6	6	1	7
Dividends and dividend equivalents declared (\$0.15 per share of Common and Class B Stock)	—	—	(605)	—	—	(605)	—	(605)
Balance at June 30, 2019	\$ 41	\$ 22,111	\$ 22,769	\$ (7,436)	\$ (1,388)	\$ 36,097	\$ 39	\$ 36,136

The accompanying notes are part of the consolidated financial statements.

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

Table of Contents

<u>Footnote</u>		<u>Page</u>
Note 1	Presentation	6
Note 2	New Accounting Standards	7
Note 3	Revenue	9
Note 4	Other Income/(Loss)	10
Note 5	Income Taxes	10
Note 6	Capital Stock and Earnings Per Share	11
Note 7	Cash, Cash Equivalents, and Marketable Securities	12
Note 8	Ford Credit Finance Receivables	15
Note 9	Ford Credit Allowance for Credit Losses	18
Note 10	Inventories	19
Note 11	Net Investment in Operating Leases	19
Note 12	Other Investments	20
Note 13	Goodwill	20
Note 14	Other Liabilities and Deferred Revenue	20
Note 15	Retirement Benefits	21
Note 16	Lease Commitments	22
Note 17	Debt	24
Note 18	Derivative Financial Instruments and Hedging Activities	25
Note 19	Employee Separation Actions and Exit and Disposal Activities	27
Note 20	Redeemable Noncontrolling Interest	28
Note 21	Accumulated Other Comprehensive Income/(Loss)	29
Note 22	Commitments and Contingencies	30
Note 23	Segment Information	32

**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 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 is 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.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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

Accounting Standards Update ("ASU") 2016-02, 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.

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* .

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

NOTE 2. NEW ACCOUNTING STANDARDS (Continued)

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.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. REVENUE

The following table disaggregates our revenue by major source for the periods ended June 30 (in millions):

	Second Quarter 2018			
	Automotive	Mobility	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 34,569	\$ —	\$ —	\$ 34,569
Used vehicles	655	—	—	655
Extended service contracts	328	—	—	328
Other revenue	210	6	58	274
Revenues from sales and services	<u>35,762</u>	<u>6</u>	<u>58</u>	<u>35,826</u>
Leasing income	143	—	1,443	1,586
Financing income	—	—	1,465	1,465
Insurance income	—	—	43	43
Total revenues	<u>\$ 35,905</u>	<u>\$ 6</u>	<u>\$ 3,009</u>	<u>\$ 38,920</u>
	Second Quarter 2019			
	Automotive	Mobility	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 34,235	\$ —	\$ —	\$ 34,235
Used vehicles	842	—	—	842
Extended service contracts	348	—	—	348
Other revenue	219	6	55	280
Revenues from sales and services	<u>35,644</u>	<u>6</u>	<u>55</u>	<u>35,705</u>
Leasing income	114	—	1,472	1,586
Financing income	—	—	1,521	1,521
Insurance income	—	—	41	41
Total revenues	<u>\$ 35,758</u>	<u>\$ 6</u>	<u>\$ 3,089</u>	<u>\$ 38,853</u>
	First Half 2018			
	Automotive	Mobility	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 71,986	\$ —	\$ —	\$ 71,986
Used vehicles	1,583	—	—	1,583
Extended service contracts	657	—	—	657
Other revenue	429	10	113	552
Revenues from sales and services	<u>74,655</u>	<u>10</u>	<u>113</u>	<u>74,778</u>
Leasing income	262	—	2,858	3,120
Financing income	—	—	2,897	2,897
Insurance income	—	—	84	84
Total revenues	<u>\$ 74,917</u>	<u>\$ 10</u>	<u>\$ 5,952</u>	<u>\$ 80,879</u>
	First Half 2019			
	Automotive	Mobility	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 69,811	\$ —	\$ —	\$ 69,811
Used vehicles	1,862	—	—	1,862
Extended service contracts	681	—	—	681
Other revenue	432	12	106	550
Revenues from sales and services	<u>72,786</u>	<u>12</u>	<u>106</u>	<u>72,904</u>
Leasing income	211	—	2,949	3,160

Financing income	—	—	3,049	3,049
Insurance income	—	—	82	82
Total revenues	<u>\$ 72,997</u>	<u>\$ 12</u>	<u>\$ 6,186</u>	<u>\$ 79,195</u>

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. REVENUE (Continued)

The amount of consideration we receive and revenue we recognize on our vehicles, parts, and accessories varies with changes in 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 \$220 million and \$350 million in the second 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 \$269 million and \$285 million of the unearned amounts as revenue during the second quarter of 2018 and 2019, respectively, and \$567 million and \$590 million in the first half of 2018 and 2019, respectively. At June 30, 2019, the unearned amount was \$4 billion. We expect to recognize approximately \$600 million of the unearned amount in the remainder of 2019, \$1.1 billion in 2020, and \$2.3 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 \$258 million in deferred costs as of December 31, 2018 and June 30, 2019, respectively, and recognized \$19 million and \$20 million of amortization during the second quarter of 2018 and 2019, respectively, and \$37 million and \$39 million in the first half of 2018 and 2019, respectively.

NOTE 4. OTHER INCOME/(LOSS)

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

	Second Quarter		First Half	
	2018	2019	2018	2019
Net periodic pension and other postretirement employee benefits (OPEB) income/(cost), excluding service cost	\$ 429	\$ 111	\$ 906	\$ 383
Investment-related interest income	167	207	313	410
Interest income/(expense) on income taxes	32	(1)	33	(21)
Realized and unrealized gains/(losses) on cash equivalents, marketable securities, and other investments	217	(187)	212	(120)
Gains/(Losses) on changes in investments in affiliates	—	(1)	58	2
Gains/(Losses) on extinguishment of debt	—	(53)	—	(53)
Royalty income	129	108	272	192
Other	30	88	73	107
Total	\$ 1,004	\$ 272	\$ 1,867	\$ 900

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.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL STOCK AND EARNINGS PER SHARE

Earnings Per Share Attributable to Ford Motor Company Common and Class B Stock

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

	Second Quarter		First Half	
	2018	2019	2018	2019
Basic and Diluted Income Attributable to Ford Motor Company				
Basic income	\$ 1,066	\$ 148	\$ 2,802	\$ 1,294
Diluted income	1,066	148	2,802	1,294
Basic and Diluted Shares				
Basic shares (average shares outstanding)	3,977	3,984	3,976	3,979
Net dilutive options, unvested restricted stock units, and unvested restricted stock shares	22	29	22	26
Diluted shares	3,999	4,013	3,998	4,005

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			
		Automotive	Mobility	Ford Credit	Consolidated
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
June 30, 2019					
	Fair Value Level	Automotive	Mobility	Ford Credit	Consolidated
Cash and cash equivalents					
U.S. government	1	\$ 1,245	\$ —	\$ 575	\$ 1,820
U.S. government agencies	2	881	—	849	1,730
Non-U.S. government and agencies	2	1,199	—	875	2,074
Corporate debt	2	497	—	907	1,404
Total marketable securities classified as cash equivalents		3,822	—	3,206	7,028
Cash, time deposits, and money market funds		5,559	118	9,412	15,089
Total cash and cash equivalents		\$ 9,381	\$ 118	\$ 12,618	\$ 22,117
Marketable securities					
U.S. government	1	\$ 2,420	\$ —	\$ 338	\$ 2,758
U.S. government agencies	2	1,654	—	135	1,789
Non-U.S. government and agencies	2	4,145	—	1,349	5,494
Corporate debt	2	4,962	—	200	5,162
Equities (a)	1	277	—	—	277
Other marketable securities	2	226	—	225	451
Total marketable securities		\$ 13,684	\$ —	\$ 2,247	\$ 15,931
Restricted cash		\$ 41	\$ 24	\$ 124	\$ 189

(a) Net unrealized gains/losses on equities were a \$25 million gain and a \$147 million loss at December 31, 2018 and June 30, 2019, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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

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

	December 31, 2018						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Fair Value of Securities with Contractual Maturities		
					Within 1 Year	After 1 Year through 5 Years	After 5 Years
Automotive							
U.S. government	\$ 2,933	\$ 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	<u>\$ 12,911</u>	<u>\$ 12</u>	<u>\$ (98)</u>	<u>\$ 12,825</u>	<u>\$ 3,854</u>	<u>\$ 8,879</u>	<u>\$ 92</u>

	June 30, 2019						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Fair Value of Securities with Contractual Maturities		
					Within 1 Year	After 1 Year through 5 Years	After 5 Years
Automotive							
U.S. government	\$ 2,360	\$ 13	\$ —	\$ 2,373	\$ 1,423	\$ 945	\$ 5
U.S. government agencies	1,660	2	(3)	1,659	963	687	9
Non-U.S. government and agencies	3,736	19	(3)	3,752	882	2,865	5
Corporate debt	4,850	45	(1)	4,894	1,699	3,177	18
Other marketable securities	186	2	(1)	187	—	105	82
Total	<u>\$ 12,792</u>	<u>\$ 81</u>	<u>\$ (8)</u>	<u>\$ 12,865</u>	<u>\$ 4,967</u>	<u>\$ 7,779</u>	<u>\$ 119</u>

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

	Second Quarter		First Half	
	2018	2019	2018	2019
Automotive				
Sales proceeds	\$ 1,507	\$ 1,858	\$ 2,846	\$ 3,000
Gross realized gains	1	3	1	5
Gross realized losses	5	5	11	10

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

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

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

	December 31, 2018					
	Less than 1 Year		1 Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Automotive						
U.S. government	\$ 199	\$ (1)	\$ 1,637	\$ (9)	\$ 1,836	\$ (10)
U.S. government agencies	193	(1)	1,596	(17)	1,789	(18)
Non-U.S. government and agencies	341	(1)	2,445	(36)	2,786	(37)
Corporate debt	1,816	(16)	856	(17)	2,672	(33)
Other marketable securities	125	—	—	—	125	—
Total	<u>\$ 2,674</u>	<u>\$ (19)</u>	<u>\$ 6,534</u>	<u>\$ (79)</u>	<u>\$ 9,208</u>	<u>\$ (98)</u>

	June 30, 2019					
	Less than 1 Year		1 Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Automotive						
U.S. government	\$ 183	\$ —	\$ 249	\$ —	\$ 432	\$ —
U.S. government agencies	85	—	959	(3)	1,044	(3)
Non-U.S. government and agencies	27	—	1,076	(3)	1,103	(3)
Corporate debt	82	—	379	(1)	461	(1)
Other marketable securities	10	—	20	(1)	30	(1)
Total	<u>\$ 387</u>	<u>\$ —</u>	<u>\$ 2,683</u>	<u>\$ (8)</u>	<u>\$ 3,070</u>	<u>\$ (8)</u>

During the first half of 2018 and 2019, we did not recognize any other-than-temporary impairment loss.

Cash, Cash Equivalents, and Restricted Cash

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

	December 31, 2018	June 30, 2019
Cash and cash equivalents	\$ 16,718	\$ 22,117
Restricted cash (a)	189	189
Total cash, cash equivalents, and restricted cash	<u>\$ 16,907</u>	<u>\$ 22,306</u>

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

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. FORD CREDIT FINANCE RECEIVABLES

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	June 30, 2019
Consumer		
Retail installment contracts, gross	\$ 70,874	\$ 68,737
Finance leases, gross	8,748	8,983
Retail financing, gross	79,622	77,720
Unearned interest supplements	(3,508)	(3,512)
Consumer finance receivables	76,114	74,208
Non-Consumer		
Dealer financing	34,372	33,936
Non-Consumer finance receivables	34,372	33,936
Total recorded investment	\$ 110,486	\$ 108,144
Recorded investment in finance receivables	\$ 110,486	\$ 108,144
Allowance for credit losses	(589)	(513)
Finance receivables, net	\$ 109,897	\$ 107,631
Current portion	\$ 54,353	\$ 53,756
Non-current portion	55,544	53,875
Finance receivables, net	\$ 109,897	\$ 107,631
Net finance receivables subject to fair value (a)	\$ 101,471	\$ 99,010
Fair value (b)	100,877	99,142

- (a) Net finance receivables subject to fair value exclude finance leases. Previously, certain consumer financing 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 for the second quarter of 2018 and 2019 was \$95 million and \$97 million, respectively, and for the first half of 2018 and 2019 was \$190 million and \$189 million, respectively. Financing revenue from finance leases 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):

	June 30, 2019
Within one year	\$ 2,075
After one year and within two years	2,005
After two years and within three years	1,599
After three years and within four years	708
After four years and within five years	120
After five years	2
Total future cash payments	6,509
Less: Present value discount	(313)
Finance lease receivables	\$ 6,196

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):

	June 30, 2019
Finance lease receivables	\$ 6,196
Unguaranteed residual assets	2,661
Initial direct costs	126
Finance leases, gross	8,983
Unearned interest supplements from Ford and affiliated companies	(345)
Allowance for credit losses	(17)
Finance leases, net	\$ 8,621

At December 31, 2018 and June 30, 2019, accrued uncollected interest was \$264 million and \$262 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 June 30, 2019, were consumer receivables of \$40.7 billion and \$39.3 billion, respectively, and non-consumer receivables of \$25.7 billion and \$25.1 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 June 30, 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	June 30, 2019
Consumer		
31-60 days past due	\$ 859	\$ 662
61-90 days past due	123	103
91-120 days past due	39	31
Greater than 120 days past due	39	39
Total past due	1,060	835
Current	75,054	73,373
Consumer finance receivables	76,114	74,208
Non-Consumer		
Total past due	76	70
Current	34,296	33,866
Non-Consumer finance receivables	34,372	33,936
Total recorded investment	\$ 110,486	\$ 108,144

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	June 30, 2019
Dealer Financing		
Group I	\$ 27,032	\$ 26,333
Group II	5,635	6,020
Group III	1,576	1,468
Group IV	129	115
Total recorded investment	\$ 34,372	\$ 33,936

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 June 30, 2019 was \$370 million and \$337 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 June 30, 2019 was \$129 million and \$115 million, or 0.4% and 0.3% of non-consumer receivables, respectively. Impaired finance receivables are evaluated both collectively and specifically.

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 June 30 was as follows (in millions):

	Second Quarter 2018			First Half 2018		
	Consumer	Non-Consumer	Total	Consumer	Non-Consumer	Total
Allowance for credit losses						
Beginning balance	\$ 584	\$ 16	\$ 600	\$ 582	\$ 15	\$ 597
Charge-offs	(123)	(1)	(124)	(254)	(3)	(257)
Recoveries	47	1	48	86	2	88
Provision for credit losses	72	(2)	70	164	—	164
Other	(7)	—	(7)	(5)	—	(5)
Ending balance	\$ 573	\$ 14	\$ 587	\$ 573	\$ 14	\$ 587
Analysis of ending balance of allowance for credit losses						
Collective impairment allowance				\$ 552	\$ 13	\$ 565
Specific impairment allowance				21	1	22
Ending balance				573	14	587
Analysis of ending balance of finance receivables						
Collectively evaluated for impairment				\$ 75,203	\$ 32,615	\$ 107,818
Specifically evaluated for impairment				378	96	474
Recorded investment				75,581	32,711	108,292
Ending balance, net of allowance for credit losses				\$ 75,008	\$ 32,697	\$ 107,705
	Second Quarter 2019			First Half 2019		
	Consumer	Non-Consumer	Total	Consumer	Non-Consumer	Total
Allowance for credit losses						
Beginning balance	\$ 496	\$ 17	\$ 513	\$ 566	\$ 23	\$ 589
Charge-offs	(117)	—	(117)	(254)	(17)	(271)
Recoveries	45	6	51	88	8	96
Provision for credit losses	70	(7)	63	94	2	96
Other	2	1	3	2	1	3
Ending balance	\$ 496	\$ 17	\$ 513	\$ 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				\$ 73,871	\$ 33,821	\$ 107,692
Specifically evaluated for impairment				337	115	452
Recorded investment				74,208	33,936	108,144
Ending balance, net of allowance for credit losses				\$ 73,712	\$ 33,919	\$ 107,631

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. INVENTORIES

Inventories were as follows (in millions):

	December 31, 2018	June 30, 2019
Raw materials, work-in-process, and supplies	\$ 4,536	\$ 4,619
Finished products	6,684	7,818
Total inventories	<u>\$ 11,220</u>	<u>\$ 12,437</u>

NOTE 11. NET INVESTMENT IN OPERATING LEASES

Net investment in operating leases consists 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, 2018	June 30, 2019
Automotive Segment		
Vehicles, net of depreciation	\$ 1,705	\$ 2,107
Ford Credit Segment		
Vehicles and other equipment, at cost (a)	33,557	33,583
Accumulated depreciation	(6,143)	(5,892)
Total Ford Credit Segment	<u>27,414</u>	<u>27,691</u>
Total	<u>\$ 29,119</u>	<u>\$ 29,798</u>

(a) Includes Ford Credit's operating lease assets of \$16.3 billion and \$14 billion at December 31, 2018 and June 30, 2019, respectively, that have been included in 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 operating leases at June 30, 2019 were as follows (in millions):

	Within one year	After one year and within two years	After two years and within three years	After three years and within four years	After four years and within five years	Total
Operating lease payments	\$ 4,746	\$ 2,940	\$ 1,029	\$ 73	\$ 5	\$ 8,793

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. OTHER INVESTMENTS

We have investments in entities for which we do not have the ability to exercise significant influence and fair values are not readily available. We record these investments at cost (less impairment, if any), adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer. We report the carrying value of these investments in *Other assets* in the non-current assets section of our consolidated balance sheet. These investments were \$250 million and \$727 million at December 31, 2018 and June 30, 2019, respectively. The increase from December 31, 2018 primarily reflects the \$500 million investment in Rivian we made during the second quarter of 2019. In the first half of 2019, there were no material adjustments to the fair values of these investments held at June 30, 2019.

NOTE 13. GOODWILL

The net carrying amount of goodwill was \$264 million and \$265 million at December 31, 2018 and June 30, 2019, respectively, and is reported in *Other assets* in the non-current section of our consolidated balance sheet.

NOTE 14. OTHER LIABILITIES AND DEFERRED REVENUE

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

	December 31, 2018	June 30, 2019
Current		
Dealer and dealers' customer allowances and claims	\$ 11,369	\$ 11,989
Deferred revenue	2,095	2,732
Employee benefit plans	1,755	2,097
Accrued interest	988	1,046
OPEB (a)	339	342
Pension (a)	204	203
Operating lease liabilities	—	327
Other	3,806	3,767
Total current other liabilities and deferred revenue	\$ 20,556	\$ 22,503
Non-current		
Pension (a)	\$ 9,423	\$ 9,061
OPEB (a)	5,220	5,224
Dealer and dealers' customer allowances and claims	2,497	2,163
Deferred revenue	3,985	4,184
Operating lease liabilities	—	1,013
Employee benefit plans	1,080	1,125
Other	1,383	1,262
Total non-current other liabilities and deferred revenue	\$ 23,588	\$ 24,032

(a) Balances at June 30, 2019 reflect pension and OPEB liabilities at December 31, 2018, updated for service and interest cost, expected return on assets, settlement gain and associated interim remeasurement (where applicable), separation expense, actual benefit payments, and cash contributions. For plans without interim remeasurement, the discount rate and rate of expected return assumptions are unchanged from year-end 2018. Included in *Other assets* are pension assets of \$3.3 billion and \$3.6 billion at December 31, 2018 and June 30, 2019, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. RETIREMENT BENEFITS**Defined Benefit Plans - Expense**

The pre-tax net periodic benefit cost/(income) for our defined benefit pension and OPEB plans for the periods ended June 30 were as follows (in millions):

	Second Quarter					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Worldwide OPEB	
	2018	2019	2018	2019	2018	2019
Service cost	\$ 136	\$ 114	\$ 151	\$ 127	\$ 13	\$ 11
Interest cost	366	409	173	173	49	52
Expected return on assets	(722)	(649)	(329)	(281)	—	—
Amortization of prior service costs/(credits)	35	21	7	9	(28)	(17)
Net remeasurement (gain)/loss	—	(10)	—	—	—	—
Separation programs/other	3	—	16	232	1	—
Settlements and curtailments	—	(50)	—	—	—	—
Net periodic benefit cost/(income)	<u>\$ (182)</u>	<u>\$ (165)</u>	<u>\$ 18</u>	<u>\$ 260</u>	<u>\$ 35</u>	<u>\$ 46</u>

	First Half					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Worldwide OPEB	
	2018	2019	2018	2019	2018	2019
Service cost	\$ 272	\$ 228	\$ 303	\$ 256	\$ 27	\$ 22
Interest cost	733	818	349	349	98	105
Expected return on assets	(1,444)	(1,298)	(663)	(567)	—	—
Amortization of prior service costs/(credits)	71	43	13	17	(55)	(35)
Net remeasurement (gain)/loss	(26)	(10)	—	—	—	—
Separation programs/other	14	1	18	244	1	—
Settlements and curtailments	(15)	(50)	—	—	—	—
Net periodic benefit cost/(income)	<u>\$ (395)</u>	<u>\$ (268)</u>	<u>\$ 20</u>	<u>\$ 299</u>	<u>\$ 71</u>	<u>\$ 92</u>

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

As part of our ongoing global redesign activities, we recognized additional pension expense of \$232 million and \$245 million in the second quarter and first half of 2019, respectively, related to separation programs. In addition, in the second quarter, we recognized a settlement, which required a plan remeasurement at current discount rates, asset returns, and economic conditions. This resulted in a remeasurement gain of \$10 million and a settlement gain of \$50 million. Until our global redesign actions are completed, we anticipate further adjustments to our plans in subsequent periods.

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 half of 2019, we contributed about \$400 million (including \$140 million in discretionary contributions in the United States) to our worldwide funded pension plans and made about \$150 million of benefit payments to participants in unfunded plans.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. 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.

Lease right-of-use assets and liabilities at June 30 were as follows (in millions):

	June 30, 2019
Operating leases	
Other assets, non-current	\$ 1,299
Other liabilities and deferred revenue, current	\$ 327
Other liabilities and deferred revenue, non-current	1,013
Total operating lease liabilities	<u>\$ 1,340</u>
Finance leases	
Property and equipment, gross	\$ 234
Accumulated depreciation	(39)
Property and equipment, net	<u>\$ 195</u>
Automotive debt payable within one year	\$ 89
Automotive long-term debt	72
Total finance lease liabilities	<u>\$ 161</u>

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	<u>\$ 1,511</u>

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. LEASE COMMITMENTS (Continued)

The amounts contractually due on our lease liabilities as of June 30, 2019 were as follows (in millions):

	Operating Leases	Finance Leases (a)
Within one year	\$ 367	\$ 94
After one year and within two years	275	27
After two years and within three years	196	20
After three years and within four years	146	15
After four years and within five years	115	9
After five years	421	6
Total	1,520	171
Less: Present value discount	180	10
Total lease liabilities	\$ 1,340	\$ 161

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

Supplemental cash flow information related to leases for the period ended June 30 was as follows (in millions):

	First Half 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 215
Operating cash flows from finance leases	3
Financing cash flows from finance leases	17
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ 142
Finance leases	20

The components of lease expense for the period ended June 30 were as follows (in millions):

	Second Quarter 2019	First Half 2019
Operating lease expense	\$ 110	\$ 220
Variable lease expense	12	31
Sublease income	(4)	(8)
Finance lease expense		
Amortization of right-of-use assets	4	7
Interest on lease liabilities	2	3
Total lease expense	\$ 124	\$ 253

The weighted average remaining lease term and weighted average discount rate at June 30 were as follows:

	June 30, 2019
Weighted average remaining lease term (years)	
Operating leases	6.8
Finance leases	3.0
Weighted average discount rate	
Operating leases	3.5%
Finance leases	3.5%

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. DEBT

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

	December 31, 2018	June 30, 2019
Automotive		
Debt payable within one year		
Short-term	\$ 614	\$ 1,143
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	495
Unamortized (discount)/premium	(16)	—
Total debt payable within one year	2,314	2,229
Long-term debt payable after one year		
Public unsecured debt securities (a)	9,033	9,783
DOE ATVM Incentive Program	1,470	1,175
Delayed draw term loan (b)	—	500
Other debt	1,026	568
Adjustments		
Unamortized (discount)/premium	(224)	(167)
Unamortized issuance costs	(72)	(94)
Total long-term debt payable after one year	11,233	11,765
Total Automotive	\$ 13,547	\$ 13,994
Fair value of Automotive debt (c)	\$ 13,319	\$ 14,694
Ford Credit		
Debt payable within one year		
Short-term	\$ 14,705	\$ 14,301
Long-term payable within one year		
Unsecured debt	14,373	13,387
Asset-backed debt	22,130	22,836
Adjustments		
Unamortized (discount)/premium	2	1
Unamortized issuance costs	(16)	(18)
Fair value adjustments (d)	(15)	(15)
Total debt payable within one year	51,179	50,492
Long-term debt payable after one year		
Unsecured debt	52,409	57,379
Asset-backed debt	36,844	33,248
Adjustments		
Unamortized (discount)/premium	—	(1)
Unamortized issuance costs	(195)	(206)
Fair value adjustments (d)	(171)	558
Total long-term debt payable after one year	88,887	90,978
Total Ford Credit	\$ 140,066	\$ 141,470
Fair value of Ford Credit debt (c)	\$ 138,809	\$ 142,775
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	\$	737
--------------------------	----	-----	----	-----

- (a) Public unsecured debt securities increased by \$750 million reflecting our unsecured debt (retail bond) issuance in the second quarter of 2019.
- (b) We drew \$500 million under our delayed draw term loan facility in the second quarter of 2019.
- (c) The fair value of debt includes \$458 million and \$840 million of Automotive segment short-term debt and \$13.8 billion and \$13.3 billion of Ford Credit segment short-term debt at December 31, 2018 and June 30, 2019 , respectively, carried at cost, which approximates fair value. All other debt is categorized within Level 2 of the fair value hierarchy.
- (d) These adjustments relate to designated fair value hedges. The carrying value of hedged debt was \$38 billion and \$39.4 billion at December 31, 2018 and June 30, 2019 , respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

Income Effect of Derivative Financial Instruments

The gains/(losses), by hedge designation, reported in income for the periods ended June 30 were as follows (in millions):

	Second Quarter		First Half	
	2018	2019	2018	2019
Cash flow hedges (a)				
Reclassified from AOCI to Cost of sales				
Foreign currency exchange contracts	\$ (12)	\$ 44	\$ 5	\$ 98
Commodity contracts	—	(6)	—	(11)
Fair value hedges				
Interest rate contracts				
Net interest settlements and accruals on hedging instruments	(2)	(12)	24	(32)
Fair value changes on hedging instruments	(90)	474	(429)	724
Fair value changes on hedged debt	82	(463)	411	(716)
Derivatives not designated as hedging instruments				
Foreign currency exchange contracts (b)	416	5	300	(23)
Cross-currency interest rate swap contracts	(125)	141	(183)	(4)
Interest rate contracts	(20)	(3)	(37)	(30)
Commodity contracts	8	(12)	(38)	(1)
Total	\$ 257	\$ 168	\$ 53	\$ 5

(a) For the second quarter and first half of 2018, a \$60 million gain and a \$121 million gain, respectively, were reported in *Other comprehensive income/(loss), net of tax* related to foreign currency contracts. For the second quarter and first half of 2019, a \$205 million gain and a \$316 million loss, respectively, were reported in *Other comprehensive income/(loss), net of tax* related to foreign currency contracts. For the second quarter and first half of 2019, a \$37 million loss and \$26 million loss, respectively, were reported in *Other comprehensive income/(loss), net of tax* related to commodity contracts.

(b) For the second quarter and first half of 2018, a \$306 million gain and a \$202 million gain were reported in *Cost of sales* and a \$110 million gain and a \$98 million gain were reported in *Other income/(loss), net*, respectively. For the second quarter and first half of 2019, a \$35 million loss and a \$57 million loss were reported in *Cost of sales* and a \$40 million gain and \$34 million gain were reported in *Other income/(loss), net*, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. 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			June 30, 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	\$ 13,376	\$ 101	\$ 151
Commodity contracts	327	—	20	583	—	36
Fair value hedges						
Interest rate contracts	22,989	158	208	25,308	687	13
Derivatives not designated as hedging instruments						
Foreign currency exchange contracts	20,695	202	99	23,117	124	189
Cross-currency interest rate swap contracts	5,235	232	157	7,879	228	163
Interest rate contracts	76,904	235	274	63,877	255	270
Commodity contracts	638	3	45	386	1	16
Total derivative financial instruments, gross (a) (b)	\$ 142,760	\$ 1,221	\$ 913	\$ 134,526	\$ 1,396	\$ 838
Current portion		\$ 681	\$ 601		\$ 290	\$ 617
Non-current portion		540	312		1,106	221
Total derivative financial instruments, gross		\$ 1,221	\$ 913		\$ 1,396	\$ 838

(a) At December 31, 2018 and June 30, 2019, we held collateral of \$19 million and \$24 million, and we posted collateral of \$59 million and \$85 million, respectively.

(b) At December 31, 2018 and June 30, 2019, the fair value of assets and liabilities available for counterparty netting was \$434 million and \$387 million, respectively. All derivatives are categorized within Level 2 of the fair value hierarchy.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. EMPLOYEE SEPARATION ACTIONS AND EXIT AND DISPOSAL ACTIVITIES

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

Automotive Segment

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.

Brazil. 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 had control, announced its plan to restructure its business in Russia to focus exclusively on commercial vehicles and to exit the passenger car segment. As a result of these actions, Ford acquired a 100% ownership of Ford Sollers and ceased production at the Naberezhnye Chelny and St. Petersburg vehicle assembly plants and the Elabuga engine plant during the second quarter of 2019.

Subsequent to the completion of the restructuring actions, in July 2019, Ford sold a 51% controlling interest in the restructured entity to Sollers.

United Kingdom. On June 5, 2019, Ford Motor Company Limited ("Ford of Britain"), a subsidiary of Ford, announced its plan to exit the Ford Bridgend plant in South Wales in 2020.

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):

	Second Quarter 2019	First Half 2019
Beginning balance	\$ 414	\$ 291
Changes in accruals (a)	741	1,008
Payments	(222)	(358)
Foreign currency translation	(4)	(12)
Ending balance	<u>\$ 929</u>	<u>\$ 929</u>

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

We also recorded \$291 million and \$542 million in second quarter and first half of 2019, respectively, for 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.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. 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 held by Sollers, reported in the mezzanine section of our consolidated balance sheet at December 31, 2018 was \$100 million. The redeemable noncontrolling interest became exercisable beginning on January 1, 2019, and Sollers exercised its option in March 2019 for a value of \$135 million. The \$35 million increase in value from December 2018 was reported in *Income/(Loss) attributable to noncontrolling interests* on our consolidated income statement during the first quarter of 2019. We purchased the noncontrolling interest from Sollers in the second quarter of 2019 and derecognized the redeemable noncontrolling interest balance. See Note 19 for more information concerning the restructuring of our business in Russia.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The changes in the balances for each component of accumulated other comprehensive income/(loss) attributable to Ford Motor Company for the periods ended June 30 were as follows (in millions):

	Second Quarter		First Half	
	2018	2019	2018	2019
Foreign currency translation				
Beginning balance	\$ (3,981)	\$ (4,557)	\$ (4,277)	\$ (4,800)
Gains/(Losses) on foreign currency translation	(527)	(139)	(283)	132
Less: Tax/(Tax benefit)	69	(12)	19	16
Net gains/(losses) on foreign currency translation	(596)	(127)	(302)	116
(Gains)/Losses reclassified from AOCI to net income (a)	—	—	2	—
Other comprehensive income/(loss), net of tax	(596)	(127)	(300)	116
Ending balance	\$ (4,577)	\$ (4,684)	\$ (4,577)	\$ (4,684)
Marketable securities				
Beginning balance	\$ (95)	\$ 4	\$ (48)	\$ (59)
Gains/(Losses) on available for sale securities	(15)	74	(84)	154
Less: Tax/(Tax benefit)	(4)	17	(21)	36
Net gains/(losses) on available for sale securities	(11)	57	(63)	118
(Gains)/Losses reclassified from AOCI to net income	4	2	10	5
Less: Tax/(Tax benefit)	1	—	2	1
Net (gains)/losses reclassified from AOCI to net income	3	2	8	4
Other comprehensive income/(loss), net of tax	(8)	59	(55)	122
Ending balance	\$ (103)	\$ 63	\$ (103)	\$ 63
Derivative instruments				
Beginning balance	\$ 51	\$ (245)	\$ 18	\$ 201
Gains/(Losses) on derivative instruments	60	168	121	(342)
Less: Tax/(Tax benefit)	14	24	29	(78)
Net gains/(losses) on derivative instruments	46	144	92	(264)
(Gains)/Losses reclassified from AOCI to net income	12	(38)	(5)	(87)
Less: Tax/(Tax benefit)	6	(11)	2	(22)
Net (gains)/losses reclassified from AOCI to net income (b)	6	(27)	(7)	(65)
Other comprehensive income/(loss), net of tax	52	117	85	(329)
Ending balance	\$ 103	\$ (128)	\$ 103	\$ (128)
Pension and other postretirement benefits				
Beginning balance	\$ (2,644)	\$ (2,703)	\$ (2,652)	\$ (2,708)
Amortization and recognition of prior service costs/(credits)	14	13	29	25
Less: Tax/(Tax benefit)	3	3	6	5
Net prior service costs/(credits) reclassified from AOCI to net income	11	10	23	20
Translation impact on non-U.S. plans	6	6	2	1
Other comprehensive income/(loss), net of tax	17	16	25	21
Ending balance	\$ (2,627)	\$ (2,687)	\$ (2,627)	\$ (2,687)
Total AOCI ending balance at June 30	\$ (7,204)	\$ (7,436)	\$ (7,204)	\$ (7,436)

(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 \$82 million. See Note 18 for additional information.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. 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	June 30, 2019
Maximum potential payments	\$ 1,163	\$ 1,043
Carrying value of recorded liabilities related to guarantees and limited indemnities	351	324

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 \$897 million as of June 30, 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 \$297 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.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. 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 \$700 million. In addition, we have a reasonably possible risk of loss for an emission matter. At this stage, we cannot estimate the risk of loss or predict the outcome, and cannot provide reasonable assurance that it will not have a material adverse effect on us.

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

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 June 30 was as follows (in millions):

	First Half	
	2018	2019
Beginning balance	\$ 5,296	\$ 5,137
Payments made during the period	(1,911)	(2,192)
Changes in accrual related to warranties issued during the period	1,252	1,424
Changes in accrual related to pre-existing warranties	337	715
Foreign currency translation and other	(96)	23
Ending balance	<u>\$ 4,878</u>	<u>\$ 5,107</u>

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

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

NOTE 23. 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, China, Asia Pacific Operations, and Middle East & Africa.

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

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. SEGMENT INFORMATION (Continued)

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

	<u>Automotive</u>	<u>Mobility</u>	<u>Ford Credit</u>	<u>Corporate Other</u>	<u>Interest on Debt</u>	<u>Special Items</u>	<u>Adjustments</u>	<u>Total</u>
Second Quarter 2018								
Revenues	\$ 35,905	\$ 6	\$ 3,009	\$ —	\$ —	\$ —	\$ —	\$ 38,920
Income/(loss) before income taxes	1,157	(181)	645	71	(301)	(42)	—	1,349
Equity in net income/(loss) of affiliated companies	54	—	6	—	—	—	—	60
Cash, cash equivalents, marketable securities, and restricted cash	25,108	50	11,511	—	—	—	—	36,669
Total assets	103,306	470	158,604	—	—	—	(4,301) (a)	258,079
Second Quarter 2019								
Revenues	\$ 35,758	\$ 6	\$ 3,089	\$ —	\$ —	\$ —	\$ —	\$ 38,853
Income/(loss) before income taxes	1,373	(264)	831	(286)	(244)	(1,205)	—	205
Equity in net income/(loss) of affiliated companies	72	7	8	—	—	—	—	87
Cash, cash equivalents, marketable securities, and restricted cash	23,106	142	14,989	—	—	—	—	38,237
Total assets	102,641	1,153	163,141	—	—	—	(4,751) (a)	262,184
	<u>Automotive</u>	<u>Mobility</u>	<u>Ford Credit</u>	<u>Corporate Other</u>	<u>Interest on Debt</u>	<u>Special Items</u>	<u>Adjustments</u>	<u>Total</u>
First Half 2018								
Revenues	\$ 74,917	\$ 10	\$ 5,952	\$ —	\$ —	\$ —	\$ —	\$ 80,879
Income/(loss) before income taxes	2,889	(283)	1,286	(15)	(590)	(19)	—	3,268
Equity in net income/(loss) of affiliated companies	272	—	12	—	—	—	—	284
First Half 2019								
Revenues	\$ 72,997	\$ 12	\$ 6,186	\$ —	\$ —	\$ —	\$ —	\$ 79,195
Income/(loss) before income taxes	3,382	(552)	1,632	(361)	(489)	(1,797)	—	1,815
Equity in net income/(loss) of affiliated companies	89	9	14	—	—	—	—	112

(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.

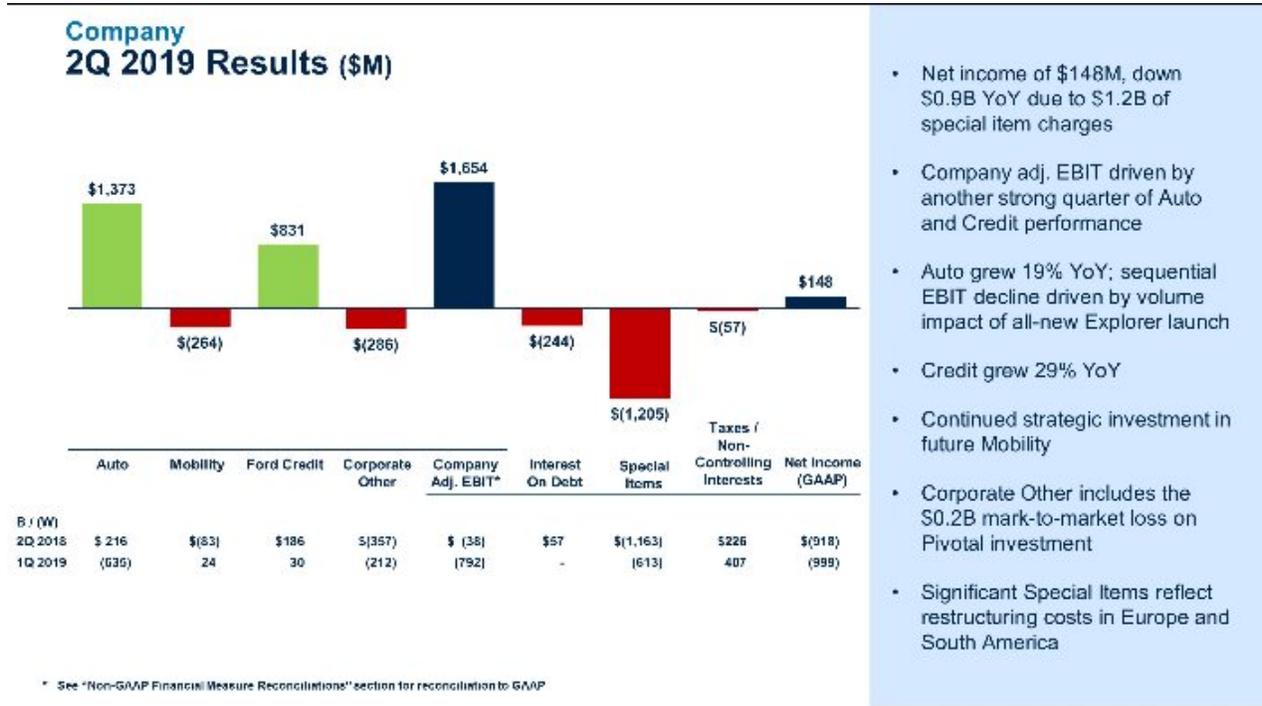
- *Company Adjusted EBIT (Most Comparable GAAP Measure: Net Income Attributable to Ford)* – Earnings before interest and taxes (EBIT) excludes interest on debt (excl. Ford Credit Debt), taxes and pre-tax special items. This non-GAAP measure is useful to management and investors because it allows users 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 expenses, dealer-related costs, and facility-related charges stemming from our efforts to match production capacity and cost structure to market demand and changing model mix, and (iii) other items that we do not necessarily consider to be indicative of earnings from ongoing operating activities. When we provide guidance for adjusted EBIT, we do not provide guidance on a net income basis because the GAAP measure will include potentially significant special items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end, including pension and OPEB remeasurement gains and losses.
- *Company Adjusted EBIT Margin (Most Comparable GAAP Measure: Company Net Income Margin)* – Company Adjusted EBIT margin is Company adjusted EBIT divided by Company revenue. This non-GAAP measure is useful to management and investors because it allows users to evaluate our operating results aligned with industry reporting.
- *Adjusted Earnings Per Share (Most Comparable GAAP Measure: Earnings Per Share)* – Measure of Company's diluted net earnings per share adjusted for impact of pre-tax special items (described above), tax special items and restructuring impacts in 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 Free Cash Flow (Most Comparable GAAP Measure: Net Cash Provided By / (Used In) Operating Activities)* – Measure of Company's operating cash flow excluding Ford Credit's operating cash flows. The measure contains elements management considers operating activities, including Automotive and Mobility capital spending, Ford Credit distributions to its parent, and settlement of derivatives. The measure excludes cash outflows for funded pension contributions, 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 free cash flow, we do not provide guidance for net cash provided by/(used in) operating activities because the GAAP measure will include items that are difficult to quantify or predict with reasonable certainty, including cash flows related to the Company's exposures to foreign currency exchange rates and certain commodity prices (separate from any related hedges), Ford Credit's operating cash flows, and cash flows related to special items, including separation payments, each of which individually or in the aggregate could have a significant impact to our net cash provided by/(used in) our operating activities.

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

RESULTS OF OPERATIONS

Company

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



In the second quarter of 2019, net income attributable to Ford was \$148 million, down \$0.9 billion from a year ago due to \$1.2 billion of special item charges, the vast majority of which were associated with the redesigns of Europe and South America. The cash effect of the special item charges was \$0.2 billion in the second quarter.

Company adjusted EBIT of \$1.7 billion in the second quarter of 2019 was driven by our Automotive and Ford Credit segments.

In our Mobility segment, our strategic investments increased by 46 percent year over year as we continue to build-out our capabilities including mobility services, connectivity, and autonomy.

Ford Credit posted a 29 percent increase in EBT from a year ago. Favorable loss metrics reflected healthy consumer credit conditions, and, year to date, auction values for off-lease vehicles performed slightly better than expectations. We now believe full year 2019 auction values will be down by about 3 percent on average year over year, at constant mix. Receivables were flat year over year, and managed receivables remain below Ford Credit's target of \$155 billion.

Corporate Other expense of \$286 million included a mark-to-market loss of \$181 million for our investment in Pivotal Software.

The chart below shows our second quarter and year-to-date 2019 key metrics for the Company, compared to a year ago.

Company Key Metrics Summary

	SECOND QUARTER			YEAR TO DATE		
	2018	2019	H / (L)	2018	2019	H / (L)
Market Share (%)	6.7 %	6.2 %	(0.5) pppts	6.6 %	6.1 %	(0.5) pppts
Wholesale Units (000)	1,493	1,364	(9) %	3,166	2,789	(12) %
GAAP						
Cash Flow From Op. Activities (\$B)	\$ 5.0	\$ 6.5	\$ 1.5	\$ 8.5	\$ 10.0	\$ 1.5
Revenue (\$B)	30.9	30.9	- %	60.9	78.2	(2) %
Net Income (\$B)	1.1	0.1	\$(0.9)	2.8	1.3	\$(1.5)
Net Income Margin (%)	2.7 %	0.4 %	(2.4) pppts	3.5 %	1.6 %	(1.8) pppts
EPS (Diluted)	\$ 0.27	\$ 0.04	\$(0.23)	\$ 0.70	\$ 0.32	\$(0.38)
Non-GAAP						
Company Adj. Free Cash Flow* (\$B)	\$ (1.8)	\$ 0.2	\$ 2.0	\$ 1.2	\$ 2.1	\$ 0.9
Company Adj. EBIT* (\$B)	1.7	1.7	-	3.9	4.1	0.2
Company Adj. EBIT Margin* (%)	4.3 %	4.3 %	- pppts	4.8 %	5.2 %	0.4 pppts
Adjusted EPS* (Diluted)	\$ 0.27	\$ 0.28	\$ 0.01	\$ 0.70	\$ 0.72	\$ 0.02
Adjusted ROIC* (Trailing Four Qtrs)	8.7 %	8.5 %	(0.2) pppts			

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

In the second quarter of 2019, our diluted earnings per share of Common and Class B stock was \$0.04 and our diluted adjusted earnings per share was \$0.28.

Net income margin was 0.4 percent in the second quarter of 2019, down 2.3 percentage points from a year ago. Company adjusted EBIT margin was 4.3 percent in the second quarter of 2019, flat compared with a year ago.

In the second quarter of 2019, wholesales declined 9 percent year over year, driven by China, lower industry, and launch-related volume impact in North America, as we ramped up Explorer and Police Interceptor. Although wholesales were down, revenue was flat, as strong mix and pricing were offset by lower volumes and adverse exchange.

The chart below shows the change in second quarter 2019 revenue compared with second quarter 2018.

Company
2Q 2019 Revenue YoY Bridge (\$B)



In the second quarter of 2019, revenue was \$39 billion, the same as a year ago. Pricing was positive in all regions, led by North America's strength in trucks and utilities. Adverse exchange of \$1.3 billion was primarily driven by Europe and South America.

Automotive Segment

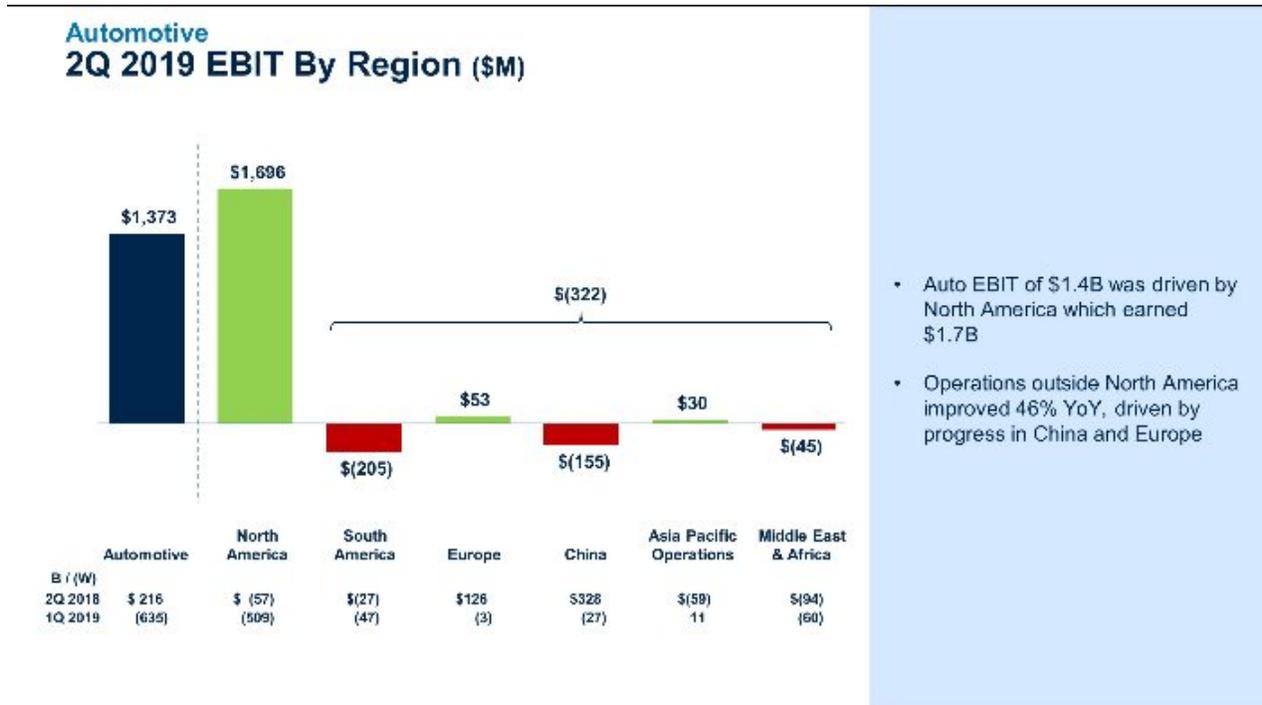
In general, we measure year-over-year change in Automotive segment EBIT using the causal factors listed below, with net pricing and cost variances calculated at present-period volume and mix and exchange:

- **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

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

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



In the second quarter of 2019, our Automotive segment posted its second consecutive quarter of EBIT growth. EBIT grew 19 percent from a year ago (up from 16 percent last quarter), and Automotive EBIT margin expanded by 60 basis points. These results were supported by strong mix in North America, reflecting our franchise strengths, and strong pricing in every region. In North America, EBIT declined 3 percent driven by the changeover of Explorer, Interceptor, and the introduction of Lincoln's all-new Aviator, as well as higher warranty costs.

In North America, second quarter 2019 EBIT was down from a year ago and EBIT margin contracted by 30 basis points to 7.1 percent. The region continued to deliver strong mix and net pricing, supported by F-Series, as well our decision to exit traditional sedans. This favorability was more than offset by launch-related declines in volume and higher warranty. In the quarter, wholesales for Explorer and Interceptor were down by 72,000 units year over year, which led to the 7 percent overall decline in wholesales in North America.

In the United States, sales of total pickups accelerated in the second quarter of 2019, marking our best overall pickup sales performance since 2004. F-Series continues to do well, maintaining market leadership with the lowest incentive spend of primary competitors and the highest transaction pricing. Ranger, which we launched at the end of 2018, more than doubled its volume from the first quarter of 2019 while also steadily increasing segment share to 14.2 percent.

Europe's second quarter 2019 EBIT of \$53 million was an improvement of \$126 million year over year supported by our redesign actions. Favorable market factors, aided by flat structural costs excluding pension, drove the EBIT improvement. This was the first quarterly year-over-year improvement in EBIT for Europe in two years.

In China, second quarter 2019 consolidated revenue increased 48 percent from a year ago, driven by higher Lincoln volumes. EBIT loss narrowed to \$155 million, a year-over-year improvement of \$328 million, supported by favorable improvements from consolidated operations in volume, mix, and pricing, lower tariffs and structural costs, as well as favorable exchange. Our team has taken action to stabilize sales, with second quarter retail sales up 13 percent sequentially and reductions in inventory to improve dealer health.

In addition, China implemented initiatives ranging from enhancing capabilities with in-depth Chinese market experience to strengthening cooperation with joint venture partners.

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

Automotive Key Metrics

	SECOND QUARTER			YEAR TO DATE		
	2018	2019	H / (L)	2018	2019	H / (L)
Global SAAR (M)	97.3	95.7	(2) %	96.3	94.9	(1) %
Market Share (%)	6.7 %	6.2 %	(0.6) ppts	6.6 %	6.1 %	(0.6) ppts
Wholesale Units (000)	1,493	1,364	(9) %	3,155	2,789	(12) %
Revenue (\$B)	\$ 35.9	\$ 35.8	(0) %	\$ 74.9	\$ 73.0	(3) %
EBIT (\$M)	\$ 1,157	\$ 1,373	\$ 216	\$ 2,088	\$ 3,392	\$ 483
EBIT Margin (%)	3.2 %	3.8 %	0.6 ppts	3.9 %	4.6 %	0.8 ppts

- 2Q EBIT grew 19% YoY driven by our franchise strengths and benefits of global redesign
- Reduction in volume driven by China, lower industry and launch-related volume impact of all-new Explorer

Limited-edition, track-only Ford GT Mk II unleashes the next level of Ford GT supercar performance



Automotive 2Q 2019 EBIT YoY Bridge (\$M)



- Automotive EBIT grew 19% YoY
- Favorable market factors included positive mix in North America reflecting our franchise strengths and strong pricing in every region
- Adverse exchange of \$260M driven by the euro, Argentine peso and rand
- Structural cost improved \$76M excluding past service pension / OPEB

North America Key Metrics

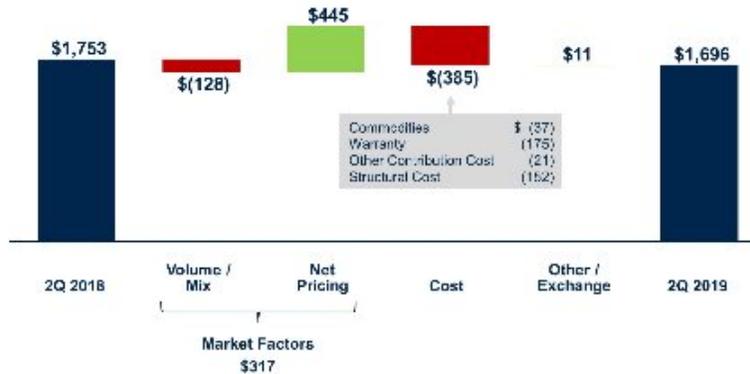
	SECOND QUARTER			YEAR TO DATE		
	2018	2019	H / (L)	2018	2019	H / (L)
SAAR (M)	21.4	21.2	(1) %	21.5	21.2	(1) %
U.S.	17.5	17.5	- %	17.6	17.5	(1) %
Market Share (%)	14.0 %	13.8 %	(0.2) ppts	13.8 %	13.7 %	(0.1) ppts
U.S.	14.7 %	14.3 %	(0.4) ppts	14.6 %	14.3 %	(0.2) ppts
Wholesale Units (000)	742	693	(7) %	1,538	1,446	(6) %
Revenue (\$B)	\$ 23.7	\$ 24.0	1 %	\$ 48.6	\$ 49.4	2 %
EBIT (\$M)	\$ 1,753	\$ 1,696	\$ (57)	\$ 3,608	\$ 3,800	\$ 212
EBIT Margin (%)	7.4 %	7.1 %	(0.3) ppts	7.6 %	7.0 %	0.3 ppts

- 2Q reduction in wholesale units due to launch-related volume impact of the all-new Explorer
- Revenue grew as favorable mix and net pricing offset lower volume

Launched the all-new 2020 Explorer, America's all-time best-selling SUV, with production oversubscribed



North America 2Q 2019 EBIT YoY Bridge (\$M)



- North America EBIT down 3% YoY, reflecting primarily lower volume, including the impact of all-new Explorer launch
- Favorable mix and net pricing largely offset cost increases, including higher YoY warranty expense and pension
- Other includes \$58M of adverse exchange

South America Key Metrics

	SECOND QUARTER			YEAR TO DATE		
	2018	2019	H / (L)	2018	2019	H / (L)
SAAR (M)	4.5	4.4	(2) %	4.6	4.4	(4) %
Brazil	2.6	2.9	16 %	2.6	2.8	14 %
Argentina	0.9	0.4	(66) %	1.0	0.6	(60) %
Market Share (%)	0.6 %	7.4 %	(1.2) ppts	0.7 %	7.5 %	(1.2) ppts
Wholesale Units (000)	98	75	(22) %	102	143	(21) %
Revenue (\$B)	\$ 1.5	\$ 1.0	(33) %	\$ 2.8	\$ 1.9	(32) %
EBIT (\$M)	\$ (178)	\$ (205)	\$ (27)	\$ (327)	\$ (382)	\$ (55)
EBIT Margin (%)	(12.2) %	(21.0) %	(8.8) ppts	(11.7) %	(19.1) %	(7.4) ppts

- 2Q SAAR YoY decline driven by 56% industry reduction in Argentina
- Reduction in wholesale units driven primarily by lower industry volumes and the phase out of South America's heavy truck, Fiesta and Focus
- South America revenue reflects lower volume and adverse exchange
- Redesign efforts continue toward a more asset-light business model

Launching the 2020 Ranger, introducing segment-first driver-assist technology



South America 2Q 2019 EBIT YoY Bridge (\$M)



- South America EBIT down 15% YoY, driven by lower Argentina industry volume and \$59M adverse exchange
- On track for São Bernardo plant closure by end of the year

Europe Key Metrics

	SECOND QUARTER			YEAR TO DATE		
	2018	2019	H / (L)	2018	2019	H / (L)
SAAR (M)	21.8	21.0	(3) %	21.8	21.0	(3) %
Market Share (%)	6.9 %	6.7 %	(0.2) ppts	7.3 %	6.9 %	(0.4) ppts
Wholesale Units* (000)	367	379	3 %	818	770	(8) %
Revenue (\$B)	\$ 7.6	\$ 7.6	(1) %	\$ 16.5	\$ 16.2	(0) %
EBIT (\$M)	\$ (73)	\$ 53	\$ 126	\$ 46	\$ 110	\$ 64
EBIT Margin (%)	(1.0) %	0.7 %	1.7 ppts	0.3 %	0.7 %	0.4 ppts

- 2Q YoY revenue decline of 1% driven by adverse exchange
- #1 CV brand in Europe; launching updated 2T Transit in second half

Announced new Ford Puma with mild-hybrid powertrain technology; entry into the fast-growing small utility segment

* Includes Ford brand vehicles produced and sold by our unconsolidated affiliate in Turkey (about 15,000 units in 2Q 2018 and 7,000 units in 2Q 2019). Revenue does not include these sales



Europe 2Q 2019 EBIT YoY Bridge (\$M)



- Europe EBIT improved \$126M YoY, driven by favorable market factors
- Market factors improvement of \$272M reflecting higher volume and favorable pricing on the strength of commercial vehicles
- Cost increase due to \$133M of regulatory costs; structural cost flat excluding pension
- Adverse exchange of \$27M

China Key Metrics

	SECOND QUARTER			YEAR TO DATE		
	2018	2019	H / (L)	2018	2019	H / (L)
SAAR (M)	28.7	29.2	2 %	27.8	28.1	1 %
Market Share (%)	3.2 %	2.3 %	(0.9) ppts	3.2 %	2.2 %	(1.0) ppts
Wholesale Units* (000)	104	126	(32) %	406	241	(41) %
Revenue (\$B)	\$ 0.6	\$ 0.8	48 %	\$ 1.9	\$ 1.8	(6) %
EBIT (\$M)	\$ (483)	\$ (155)	\$ 328	\$ (633)	\$ (283)	\$ 350
EBIT Margin (%)	(77.9) %	(17.0) %	61.0 ppts	(34.0) %	(16.0) %	18.1 ppts

China Unconsolidated Affiliates						
	2018	2019	H / (L)	2018	2019	H / (L)
Wholesales (000)	174	108	(38) %	369	207	(44) %
Ford Equity Income (\$M)	\$ 3	\$ 7	158 %	\$ 141	\$ (34)	(124) %
Net Income Margin (%)	0.6 %	1.6 %	1.0 ppts	6.6 %	(1.7) %	(7.2) ppts

- 2Q revenue, EBIT and margin improved YoY
- Market share is lower YoY and up 0.2 ppts. sequentially
- Lower wholesale volume reflects JV sales
- China consolidated revenue improved 48% YoY, driven by higher Lincoln volumes

Introducing SYNC+, a new in-vehicle infotainment system built specifically for Chinese customers



* Wholesale units include Ford brand and Jiangling Motors Corporation (JMC) brand vehicles produced and sold in China by our unconsolidated affiliates. Revenue does not include these sales

China 2Q 2019 EBIT YoY Bridge (\$M)



- China loss narrowed by 68% YoY, due to higher Lincoln volume, favorable tariffs, structural cost reductions and \$51M favorable exchange
- Dealer inventories in good shape overall

Asia Pacific Operations Key Metrics

	SECOND QUARTER			YEAR TO DATE		
	2018	2019	H / (L)	2018	2019	H / (L)
SAAR (M)	17.3	16.8	(3) %	17.0	16.8	(1) %
Market Share (%)	1.9 %	1.8 %	(0.1) ppts	1.9 %	1.8 %	(0.1) ppts
Wholesale Units (000)	77	70	(9) %	161	146	(9) %
Revenue (\$B)	\$ 1.0	\$ 1.0	(1) %	\$ 3.8	\$ 3.6	(7) %
EBIT (\$M)	\$ 89	\$ 30	\$ (59)	\$ 120	\$ 49	\$ (71)
EBIT Margin (%)	5.0 %	1.7 %	(3.3) ppts	3.1 %	1.3 %	(1.7) ppts

- In 2Q, Asia Pacific Operations revenue was nearly flat despite a reduction in wholesale units and adverse exchange

Ranger continues to lead APO sales, up 9% YoY



Asia Pacific Operations 2Q 2019 EBIT YoY Bridge (\$M)



- 2Q Asia Pacific Operations EBIT down \$59M YoY, driven by \$57M adverse exchange, primarily the Australian dollar

Middle East & Africa Key Metrics

	SECOND QUARTER			YEAR TO DATE		
	2018	2019	H / (L)	2018	2019	H / (L)
SAAR (M)	3.9	3.0	(23) %	3.8	3.4	(11) %
Market Share (%)	2.5 %	3.1 %	0.5 ppts	2.8 %	2.9 %	0.1 ppts
Wholesale Units (000)	27	21	(22) %	52	43	(17) %
Revenue (\$B)	\$ 0.0	\$ 0.6	(26) %	\$ 1.4	\$ 1.2	(16) %
EBIT (\$M)	\$ 49	\$ (46)	\$ (94)	\$ (6)	\$ (31)	\$ (26)
EBIT Margin (%)	6.6 %	(6.1) %	(14.7) ppts	(0.4) %	(2.7) %	(2.3) ppts

- In 2Q, lower Middle East & Africa revenue driven by volume and adverse exchange

Built at Silverton Assembly plant, the Ranger Raptor launched in South Africa to positive media and customer reviews



Middle East & Africa 2Q 2019 EBIT YoY Bridge (\$M)

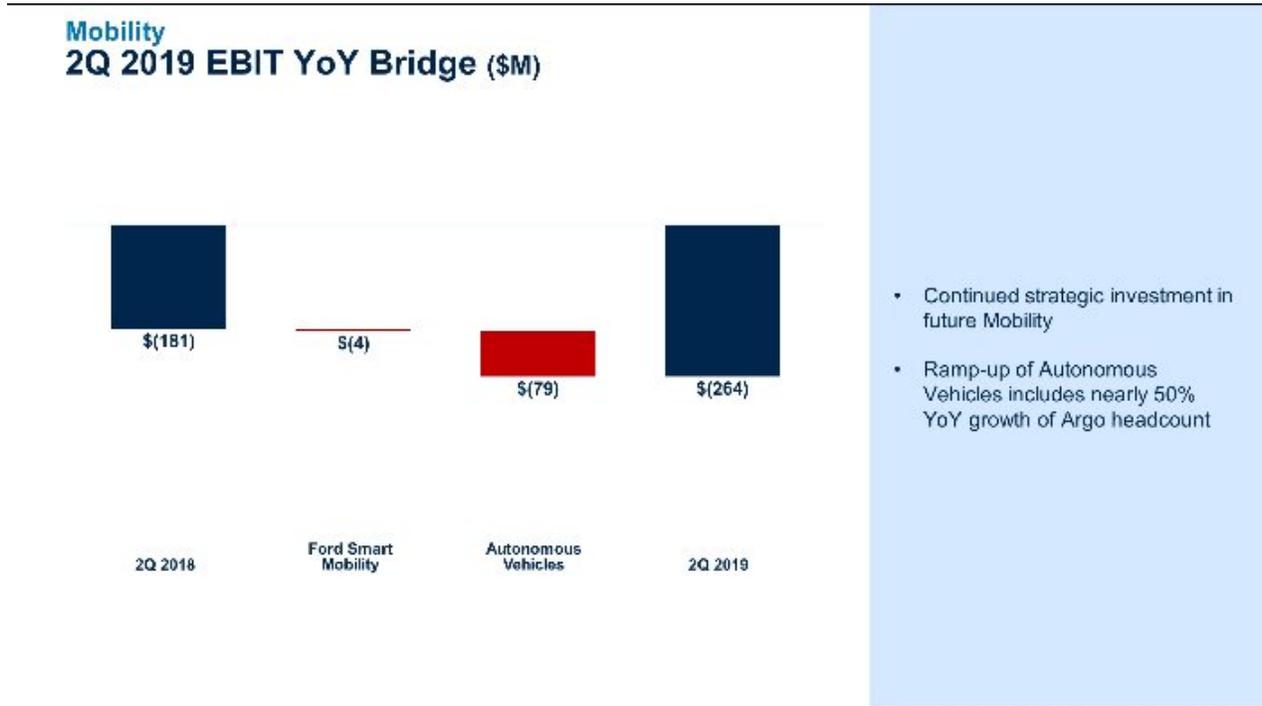


- Middle East & Africa EBIT down \$94M YoY, explained by \$108M adverse exchange, primarily the rand

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 second quarter 2019 EBIT compared with a year ago.



Ford Credit Segment

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

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 within each region
- **Financing Margin:**
 - Financing margin variance is the period-to-period change in financing margin yield multiplied by the present period average managed receivables at prior period exchange rates. This calculation is performed at the product and country level and then aggregated. Financing margin yield equals revenue, less interest expense and scheduled depreciation for the period, divided by average managed receivables for the same period
 - Financing margin changes are driven by changes in revenue and interest expense. Changes in revenue are primarily driven by the level of market interest rates, cost assumptions in pricing, mix of business, and competitive environment. Changes in interest expense are primarily driven by the level of market interest rates, borrowing spreads, and asset-liability management
- **Credit Loss:**
 - Credit loss is the change in the provision for credit losses at prior period exchange rates. For analysis purposes, management splits the provision for credit losses into net charge-offs and the change in the allowance for credit losses
 - Net charge-off changes are primarily driven by the number of repossessions, severity per repossession, and recoveries. Changes in the allowance for credit losses are primarily driven by changes in historical trends in credit losses and recoveries, changes in the composition and size of Ford Credit's present portfolio, changes in trends in historical used vehicle values, and changes in 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 is better reflected as depreciation. We have reclassified prior period amounts to reflect these 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

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

- **Exchange:**
 - Reflects changes in EBT driven by the effects of converting functional currency income to U.S. dollars
- **Other:**
 - Primarily includes operating expenses, other revenue, insurance expenses, and other income at prior period exchange rates
 - Changes in operating expenses are primarily driven by salaried personnel costs, facilities costs, and costs associated with the origination and servicing of customer contracts
 - In general, other income changes are primarily driven by changes in earnings related to market valuation adjustments to derivatives (primarily related to movements in interest rates) and other miscellaneous items

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

- **Cash** (as shown 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

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

Ford Credit Key Metrics

	SECOND QUARTER			YEAR TO DATE		
	2018	2019	H / (L)	2018	2019	H / (L)
Net Receivables (\$B)	\$ 143	\$ 143	- %	\$ 143	\$ 143	- %
Managed Receivables* (\$B)	\$ 181	\$ 182	- %	\$ 181	\$ 182	- %
Loss-to-Receivables** (LTR)	40 bps	39 bps	(1) bp	51 bps	47 bps	(4) bps
Auction Values***	\$18,435	\$18,465	- %	\$18,020	\$17,905	(1) %
Earnings Before Taxes (EBT) (\$M)	\$ 645	\$ 831	\$ 186	\$ 1,286	\$ 1,632	\$ 346
ROE (%)	12 %	16 %	4 ppt	15 %	16 %	1 ppt

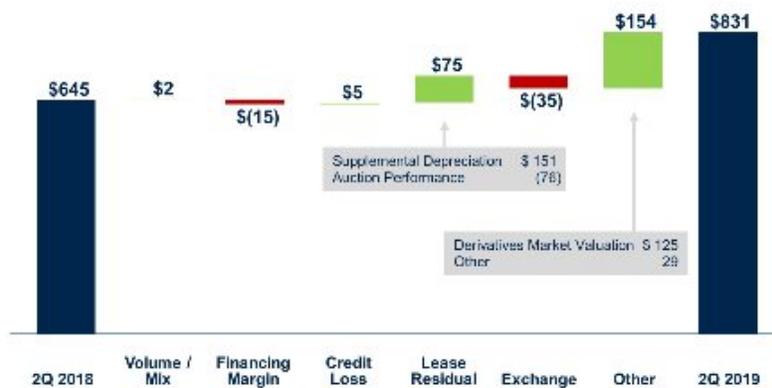
Other Balance Sheet Metrics

Debt (\$B)	\$ 137	\$ 141	4 %
Net Liquidity (\$B)	\$ 27	\$ 34	23 %
Financial Statement Leverage (to 1)	8.9	9.5	0.6
Managed Leverage* (to 1)	8.3	8.6	0.3

- Strong EBT up 29% YoY
- Receivables about flat from a year ago
- Healthy U.S. consumer credit metrics with improved LTR
- Auction performance slightly better than expectations; now expect FY auction values to be down around 3% YoY
- Balance sheet and liquidity remain strong; managed leverage within target range of 8:1 to 9:1

* See "Non-GAAP Financial Measure Reconciliations" section for reconciliation to GAAP
 ** U.S. retail only, previously included both retail and lease
 *** U.S. 36-month off-lease second quarter auction values at 2Q 2019 mix

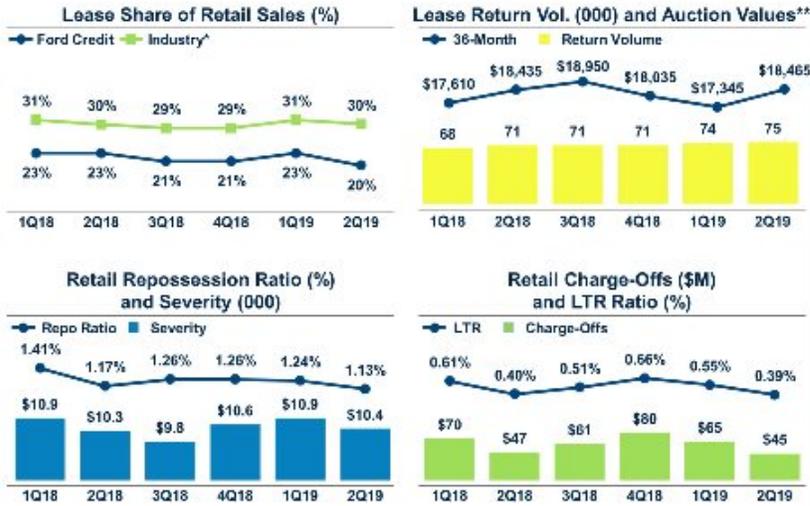
Ford Credit 2Q 2019 EBT YoY Bridge (\$M)



- Ford Credit EBT up 29%
- Lease residual reflects benefit from lower supplemental depreciation on vehicles in Ford Credit lease portfolio
- Favorable derivatives market valuation primarily reflects lower interest rates

The charts below show U.S. automotive financing trends in Ford Credit's business.

Ford Credit U.S. Automotive Financing Trends



* Source: J.D. Power PIN
** At 2Q 2019 mix

- Lease share below industry reflecting Ford sales mix
- Strong loss metrics reflect healthy consumer credit conditions

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 second quarter 2019 Corporate Other results were a \$286 million loss, which includes the mark-to-market loss on our investment in Pivotal Software.

Interest on Debt

Interest on Debt consists of interest expense on Automotive and Other debt. Second quarter 2019 interest expense on Automotive and Other debt was \$244 million, which is \$57 million lower than a year ago, reflecting primarily lower foreign debt interest expense, including our repayment of higher-cost affiliate debt as discussed in the Liquidity and Capital Resources section below.

Special Items

In Note 23 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:

Company Special Items (\$M)

	SECOND QUARTER		YEAR TO DATE	
	2018	2019	2018	2019
Global Redesign				
South America São Bernardo closure	\$ -	\$ (169)	\$ -	\$ (362)
Other South America	(16)	(66)	(24)	(74)
Russia	-	(211)	-	(385)
Other Europe (incl. Bridgend, Saarlouis, etc.)	(26)	(707)	(26)	(822)
Separations (not included above)	-	(58)	-	(82)
Subtotal Global Redesign	\$ (42)	\$ (1,211)	\$ (50)	\$ (1,725)
Other Items				
Focus cancellation	\$ -	\$ (5)	\$ (10)	\$ (72)
Chariot closure	-	-	-	(11)
Subtotal Other Items	\$ -	\$ (5)	\$ (10)	\$ (83)
Pension and OPEB Gain / (Loss)				
Other pension remeasurement	\$ -	\$ 10	\$ 26	\$ 10
Pension curtailment	-	-	15	-
Subtotal Pension and OPEB Gain / (Loss)	\$ -	\$ 10	\$ 41	\$ 10
Total EBIT Special Items	\$ (42)	\$ (1,205)	\$ (19)	\$ (1,797)
Cash effect of Global Redesign (incl. separations)	\$ (18)	\$ (222)	\$ (34)	\$ (358)
Tax special items	\$ 9	\$ 216	\$ 5	\$ 223

Note: Numbers may not sum due to rounding

Taxes

Our tax provisions for second quarter and first half of 2019 were \$55 million and \$482 million, respectively, resulting in effective tax rates of 26.6% and 26.5%, respectively. Our second quarter and first half of 2019 adjusted effective tax rates, which exclude special items, were 19.2% and 19.5%, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2019, total balance sheet cash, cash equivalents, marketable securities, and restricted cash (including Ford Credit) was \$38.2 billion.

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

Company excluding Ford Credit

Company Balance Sheet (\$B)

	2018 Dec 31	2019 Jun 30
Balance Sheet and Liquidity		
Company Excluding Ford Credit		
Company Cash	\$ 23.1	\$ 23.2
Liquidity	34.2	37.3
Debt	\$ (14.1)	\$ (14.6)
Cash Net of Debt	8.9	8.7
Pension Funded Status*		
Funded Plans	\$ (0.3)	\$ 0.5
Unfunded Plans	(6.0)	(6.2)
Total Global Pension	\$ (6.3)	\$ (5.7)
Total Funded Status OPEB	\$ (5.6)	\$ (5.6)

* Balances at June 30, 2019 reflect net underfunded status of December 31, 2018, updated for service and interest cost, expected return on assets, settlement gain and associated interim remeasurement (where applicable), separation expense, actual benefit payments and cash contributions. For plans without interim remeasurement, the discount rate and rate of expected return assumptions are unchanged from year-end 2018.

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 June 30, 2019, we had Company cash of \$23.2 billion, with 88% held by consolidated entities domiciled in the United States. To be prepared for an economic downturn, we target an ongoing Company cash balance at or above \$20 billion. We expect to have periods when we will be above or below this amount due to: (i) future cash flow expectations, such as for investments in future opportunities, capital investments, debt maturities, pension contributions, or restructuring requirements, (ii) short-term timing differences, and (iii) changes in the global economic environment.

Our Company cash investments primarily include U.S. Department of Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions, investment-grade corporate securities, investment-grade commercial paper, and debt obligations of a select group of non-U.S. governments, non-U.S. governmental agencies, and supranational institutions. The average maturity of these investments is approximately one year and adjusted based on market conditions and liquidity needs. We monitor our Company cash levels and average maturity on a daily basis.

In addition to our Company cash target, we also target to maintain a \$10 billion balance available 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 June 30, 2019, we had \$37.3 billion of Company liquidity, which is up over \$3 billion from December 31, 2018, reflecting the addition of our supplemental credit facility (described below in *Available Credit Lines*). 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 EBT, capital spending, depreciation and tooling amortization, changes in working capital, Ford Credit distributions, and all other and timing differences. Non-operating items include: Global Redesign (including separation payments), 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.

The year-over-year improvement in our cash flow in the second quarter and first half of 2019 was driven by favorable working capital.

Changes in Company cash excluding Ford Credit are summarized below:

**Company
Cash Flow (\$B)**

	SECOND QUARTER		YEAR TO DATE	
	2018	2019	2018	2019
Company Adjusted EBIT*	\$ 1.7	\$ 1.7	\$ 3.9	\$ 4.1
Excluding: Ford Credit EBT	(0.7)	(0.8)	(1.3)	(1.6)
Subtotal	\$ 1.0	\$ 0.8	\$ 2.6	\$ 2.5
Capital spending	\$ (1.9)	\$ (1.9)	\$ (3.7)	\$ (3.5)
Depreciation and tooling amortization	1.4	1.4	2.7	2.7
Net spending	\$ (0.5)	\$ (0.5)	\$ (1.0)	\$ (0.8)
Changes in working capital	(2.1)	(0.1)	(1.0)	0.3
Ford Credit distributions	0.5	0.7	1.5	1.3
All other and timing differences	(0.7)	(0.6)	(0.9)	(1.3)
Company adjusted free cash flow*	\$ (1.8)	\$ 0.2	\$ 1.2	\$ 2.1
Global Redesign (incl. separations)	-	(0.2)	-	(0.4)
Other transactions with Ford Credit	0.1	-	(0.1)	0.2
Other, including acquisitions and divestitures	(0.2)	(0.5)	(0.5)	(0.5)
Other cash flow excl. debt & distributions	\$ (0.1)	\$ (0.7)	\$ (0.6)	\$ (0.7)
Changes in debt	0.2	0.3	0.1	0.3
Funded pension contributions	(0.1)	(0.1)	(0.2)	(0.4)
Shareholder distributions	(0.6)	(0.6)	(1.8)	(1.2)
Debt & Distributions	(0.5)	(0.4)	(1.9)	(1.3)
Change in cash	\$ (2.4)	\$ (1.0)	\$ (1.3)	\$ 0.2

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

Capital spending was \$1.9 billion in the second quarter of 2019 and \$3.5 billion year to date, 4 percent lower than a year ago. We expect full year 2019 capital spending to be about \$7.7 billion. 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.

Second quarter 2019 working capital was about \$100 million negative, and year-to-date 2019 working capital was about \$300 million positive, reflecting primarily changes in payables.

Second quarter and year-to-date 2019 all other and timing differences were both negative, reflecting primarily assorted timing differences, interest payments on Automotive and Other debt, and cash taxes.

Shareholder distributions were about \$600 million in the second quarter of 2019 and \$1.2 billion year-to-date. We expect full year distributions of \$2.6 billion.

Available Credit Lines . Total committed Company credit lines excluding Ford Credit at June 30, 2019 were \$11.4 billion, consisting of \$10.4 billion of our corporate credit facility and \$1 billion of local credit facilities. At June 30, 2019, the utilized portion of the corporate credit facility was \$27 million, representing amounts utilized for letters of credit. At June 30, 2019, the utilized portion of the local credit facilities was \$272 million.

Our corporate credit facility was amended in the second quarter of 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.

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 in the second quarter of 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 drew \$500 million under the term loan facility in the second quarter of 2019, and we expect to draw the remainder of the term loan by year-end 2019. The terms and conditions of the supplemental credit facility are consistent with our corporate credit facility. As of July 24, 2019, \$3 billion was available for use.

Debt. As shown in Note 17 of the Notes to the Financial Statements, at June 30, 2019, Company debt excluding Ford Credit was \$14.6 billion, including Automotive debt of \$14 billion. Both balances were about \$450 million higher than at December 31, 2018, and include the \$500 million draw under the term loan facility described above and our \$750 million unsecured debt (retail bond) issuance in the second quarter of 2019. The impact of this draw and future draws under the term loan facility, as well as the unsecured debt issuance, is leverage neutral after taking into consideration debt reduction actions we took late last year and this year to repay higher-cost affiliate debt.

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.

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

Ford Credit Segment

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:

Ford Credit			
Funding Structure – Managed Receivables* (\$B)			
	2017	2018	2019
	Dec 31	Dec 31	Jun 30
Term Debt (incl. Bank Borrowings)	\$ 75	\$ 70	\$ 74
Term Asset-Backed Securities	53	60	57
Commercial Paper	5	4	4
Ford Interest Advantage / Deposits	5	6	6
Other	9	10	10
Equity	16	15	15
Adjustments For Cash	(12)	(10)	(14)
Total Managed Receivables	\$ 151	\$ 155	\$ 152
Securitized Funding as Pct of Managed Receivables	35%	39%	38%

- Funding is diversified across platforms and markets
- Well capitalized with a strong balance sheet and ample liquidity

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

Managed receivables were \$152 billion at June 30, 2019, about the same as a year ago. Managed receivables 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.

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 July 23, 2019, excluding short-term funding programs:

Ford Credit
Public Term Funding Plan* (\$B)

	2017 Actual	2018 Actual	2019 Forecast	Through Jul 23
Unsecured — Currency of issuance				
<i>(USD Equivalent)</i>				
USD	\$ 10	\$ 6	\$ 8 - 10	\$ 6
CAD	2	1	1 - 2	1
EUR / GBP	3	4	4 - 5	4
Other	1	1	1	1
Total unsecured	<u>\$ 16</u>	<u>\$ 13</u>	<u>\$ 15 - 18</u>	<u>\$ 12</u>
Securitized	15	14	12 - 14	7
Total public	<u>\$ 32</u>	<u>\$ 27</u>	<u>\$ 27 - 31</u>	<u>\$ 18</u>

* See "Ford Credit Segment" section for definitions
Note: Numbers may not sum due to rounding

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 \$31 billion. Through July 23, 2019, Ford Credit has completed \$18 billion of public term issuances.

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

Ford Credit
Liquidity Sources* (\$B)

	2018 Jun 30	2018 Dec 31	2019 Mar 31	2019 Jun 30
Liquidity Sources				
Cash	\$ 10.7	\$ 10.2	\$ 12.8	\$ 14.1
Committed asset-backed facilities	32.0	35.4	35.2	35.7
Other unsecured credit facilities	2.8	3.0	3.3	2.9
Ford corporate credit facility allocation	3.0	3.0	3.0	3.0
Total liquidity sources	<u>\$ 48.5</u>	<u>\$ 61.6</u>	<u>\$ 64.3</u>	<u>\$ 66.7</u>
Utilization of Liquidity				
Securitization cash	\$ (3.3)	\$ (3.0)	\$ (3.3)	\$ (4.0)
Committed asset-backed facilities	(17.7)	(20.7)	(19.8)	(17.5)
Other unsecured credit facilities	(0.3)	(0.7)	(0.6)	(0.9)
Ford corporate credit facility allocation	-	-	-	-
Total utilization of liquidity	<u>\$ (21.3)</u>	<u>\$ (24.4)</u>	<u>\$ (23.7)</u>	<u>\$ (22.4)</u>
Gross liquidity	\$ 27.2	\$ 27.2	\$ 30.6	\$ 33.3
Adjustments	0.2	0.1	0.4	0.3
Net liquidity available for use	<u>\$ 27.4</u>	<u>\$ 27.3</u>	<u>\$ 31.0</u>	<u>\$ 33.6</u>

* See "Ford Credit Segment" section for definitions

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

At June 30, 2019, Ford Credit's net liquidity available for use was \$33.6 billion, \$6.3 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 June 30, 2019, Ford Credit's liquidity sources including cash totaled \$55.7 billion, up \$4.1 billion from year-end 2018.

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
Leverage (\$B)**

	2018 June 30	2018 Dec 31	2019 Mar 31	2019 June 30
Leverage Calculation				
Total debt*	\$ 136.7	\$ 140.1	\$ 142.9	\$ 141.5
Adjustments for cash	(10.7)	(10.2)	(12.8)	(14.1)
Adjustments for derivative accounting*	0.5	0.2	(0.1)	(0.6)
Total adjusted debt	<u>\$ 126.5</u>	<u>\$ 130.1</u>	<u>\$ 130.0</u>	<u>\$ 126.8</u>
Equity**				
Equity**	\$ 15.3	\$ 15.0	\$ 14.9	\$ 14.9
Adjustments for derivative accounting*	(0.2)	(0.2)	(0.2)	(0.1)
Total adjusted equity	<u>\$ 15.1</u>	<u>\$ 14.8</u>	<u>\$ 14.7</u>	<u>\$ 14.8</u>
Financial statement leverage (to 1) (GAAP)	8.9	9.4	9.6	9.5
Managed leverage (to 1) (Non-GAAP)	8.3	8.8	8.8	8.6

* Related primarily to market valuation adjustments to derivatives due to movements in interest rates. Adjustments to debt are related to designated fair value hedges and adjustments to equity are related to retained earnings

** Total shareholder's interest reported on Ford Credit's balance sheet

Ford Credit plans its managed leverage by considering prevailing market conditions and the risk characteristics of its business. At June 30, 2019, Ford Credit's financial statement leverage was 9.5:1, and its managed leverage was 8.6:1. Ford Credit targets managed leverage in the range of 8:1 to 9:1.

Total Company

Pension Plans - Underfunded Balances. As of June 30, 2019, our total Company pension underfunded status reported on our balance sheet was \$5.7 billion and reflects the net underfunded status at December 31, 2018, updated for service and interest cost, expected return on assets, settlement gain and associated interim rereasurement (where applicable), separation expense, actual benefit payments, and cash contributions. For plans without interim rereasurement, the discount rate and rate of expected return assumptions are unchanged from year-end 2018.

Based on our planning assumptions for asset returns, discount rates, and contributions, we expect our funded status to remain relatively unchanged 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:

Company Adjusted ROIC (\$B)

	Four Quarters Ending	
	2Q 2018	2Q 2019
Adjusted Net Operating Profit After Cash Tax		
Net income attributable to Ford	\$ 6.9	\$ 2.2
Add: Non-controlling interest	-	-
Less: Income tax	-	(0.7)
Add: Cash tax	(0.6)	(0.8)
Less: Interest on debt	(1.2)	(1.1)
Less: Total pension / OPEB income / (cost)	0.7	(0.8)
Add: Pension / OPEB service costs	(1.2)	(1.1)
Net operating profit after cash tax	\$ 5.8	\$ 3.0
Less: Special items (excl. pension / OPEB) pre-tax	(0.3)	(2.3)
Adj. net operating profit after cash tax	\$ 5.9	\$ 5.3
Invested Capital		
Equity	\$ 36.5	\$ 36.1
Redeemable non-controlling interest	0.1	-
Debt (excl. Ford Credit)	16.2	14.6
Net pension and OPEB liability	11.7	11.2
Invested capital (end of period)	\$ 64.5	\$ 62.0
Average invested capital	\$ 64.7	\$ 62.7
ROIC [*]	8.7%	4.8%
Adjusted ROIC (Non-GAAP) ^{**}	9.2%	8.5%

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

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

Note: Numbers may not sum due to rounding

CREDIT RATINGS

Our short-term and long-term debt is rated by four credit rating agencies designated as nationally recognized statistical rating organizations ("NRSROs") by the U.S. Securities and Exchange Commission: DBRS, Fitch, Moody's, and S&P.

In several markets, locally recognized rating agencies also rate us. A credit rating reflects an assessment by the rating agency of the credit risk associated with a corporate entity or particular securities issued by that entity. Rating agencies' ratings of us are based on information provided by us and other sources. Credit ratings are not recommendations to buy, sell, or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency.

The following rating actions were taken by these NRSROs since the filing of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.

- On May 17, 2019, Fitch 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
	Issuer Default / Corporate / Issuer Rating	Long-Term Senior Unsecured	Outlook / Trend	Long-Term Senior Unsecured	Short-Term Unsecured	Outlook / Trend	Minimum Long-Term Investment Grade Rating
DBRS	BBB	BBB	Negative	BBB	R-2M	Negative	BBB (low)
Fitch	BBB	BBB	Negative	BBB	F2	Negative	BBB-
Moody's	N/A	Baa3	Negative	Baa3	P-3	Negative	Baa3
S&P	BBB	BBB	Negative	BBB	A-2	Negative	BBB-

OUTLOOK

Our Company guidance for 2019, which is based on the current economic environment, including commodities, foreign exchange, and tariffs, is below. This guidance replaces in its entirety the guidance provided on page 60 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.

Company 2019 Outlook

	2019**
Adj. Free Cash Flow*	Improvement From 2018
Adj. EBIT*	\$7.0 - \$7.5B
Adj. EPS*	\$1.20 - \$1.35***

* When we provide guidance for Adjusted Free Cash Flow, Adjusted EBIT, and Adjusted EPS, we do not provide guidance for the most comparable GAAP measure because they will include items that are difficult to predict with reasonable certainty as described in more detail under "Non-GAAP Financial Measures That Supplement GAAP Measures" in the Overview section.

** Replaces 2019 Outlook from first quarter of 2019.

*** Assumes an 18 - 20% adjusted effective tax rate.

In addition, as previously reported, 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 continue to expect to incur \$3 billion to \$3.5 billion of the EBIT charges, but now expect negative cash effects of about \$1.5 billion to \$2 billion, reflecting a shift of about \$0.5 billion to \$1 billion in cash effects to 2020. We expect substantially all of the EBIT charges to be treated as special items.

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 Free Cash Flow, 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."

Company

Net Income Reconciliation To Adjusted EBIT (\$M)

	2Q		YTD		Memo: FY 2018
	2018	2019	2018	2019	
Net income / (Loss) attributable to Ford (GAAP)	\$ 1,066	\$ 148	\$ 2,802	\$ 1,294	\$ 3,677
Income / (Loss) attributable to non-controlling interests	3	2	12	39	18
Net income / (Loss)	\$ 1,069	\$ 150	\$ 2,814	\$ 1,333	\$ 3,695
Less: (Provision for) / Benefit from income taxes	(280)	(55)	(454)	(482)	(650)
Income / (Loss) before income taxes	\$ 1,349	\$ 205	\$ 3,268	\$ 1,815	\$ 4,345
Less: Special items pre-tax	(42)	(1,205)	(19)	(1,797)	(1,429)
Income / (Loss) before special items pre-tax	\$ 1,391	\$ 1,410	\$ 3,287	\$ 3,612	\$ 5,774
Less: Interest on debt	(301)	(244)	(590)	(489)	(1,228)
Adjusted EBIT (Non-GAAP)	\$ 1,692	\$ 1,654	\$ 3,877	\$ 4,101	\$ 7,002
Memo:					
Revenue (\$B)	\$ 38.9	\$ 38.9	\$ 80.9	\$ 79.2	\$ 160.3
Net income margin (GAAP) (%)	2.7%	0.4%	3.5%	1.6%	2.3%
Adjusted EBIT Margin (%)	4.3%	4.3%	4.8%	5.2%	4.4%

Company

Earnings Per Share Reconciliation To Adjusted Earnings Per Share

	2Q		YTD	
	2018	2019	2018	2019
Diluted After-Tax Results (\$M)				
Diluted after-tax results (GAAP)	\$ 1,066	\$ 148	\$ 2,802	\$ 1,294
Less: Impact of pre-tax and tax special items	(33)	(989)	(14)	(1,574)
Less: Non-controlling interests impact of Russia restructuring	-	-	-	(35)
Adjusted net income – diluted (Non-GAAP)	\$ 1,099	\$ 1,137	\$ 2,818	\$ 2,903
Basic and Diluted Shares (M)				
Basic shares (average shares outstanding)	3,977	3,984	3,976	3,979
Net dilutive options, unvested restricted stock units and restricted stock	22	29	22	26
Diluted shares	3,999	4,013	3,998	4,005
Earnings per share – diluted (GAAP)	\$ 0.27	\$ 0.04	\$ 0.70	\$ 0.32
Less: Net impact of adjustments	-	(0.24)	-	(0.40)
Adjusted earnings per share – diluted (Non-GAAP)	\$ 0.27	\$ 0.28	\$ 0.70	\$ 0.72

Company

Effective Tax Rate Reconciliation To Adjusted Effective Tax Rate

	2019		Memo:
	2Q	YTD	FY 2018
Pre-Tax Results (\$M)			
Income / (Loss) before income taxes (GAAP)	\$ 205	\$ 1,815	\$ 4,345
Less: Impact of special items	(1,205)	(1,797)	(1,429)
Adjusted earnings before taxes (Non-GAAP)	<u>\$ 1,410</u>	<u>\$ 3,612</u>	<u>\$ 5,774</u>
Taxes (\$M)			
(Provision for) / Benefit from income taxes (GAAP)	\$ (55)	\$ (482)	\$ (650)
Less: Impact of special items	216	223	(68)
Adjusted (provision for) / benefit from income taxes (Non-GAAP)	<u>\$ (271)</u>	<u>\$ (705)</u>	<u>\$ (562)</u>
Tax Rate (%)			
Effective tax rate (GAAP)	26.6%	26.5%	15.0%
Adjusted effective tax rate (Non-GAAP)	19.2%	19.5%	9.7%

Company

Net Cash Provided By / (Used In) Operating Activities Reconciliation To Company Adjusted Free Cash Flow (\$M)

	2Q		YTD	
	2018	2019	2018	2019
Net cash provided by / (used in) operating activities (GAAP)	\$ 4,972	\$ 6,463	\$ 8,486	\$ 10,007
Less: <u>Items not included in Company Adjusted Free Cash Flows</u>				
Ford Credit free cash flows	5,907	5,267	5,592	6,385
Funded pension contributions	(72)	(106)	(160)	(400)
Global Redesign (including separations)	(18)	(222)	(34)	(358)
Other, net	(112)	175	(59)	153
Add: <u>Items included in Company Adjusted Free Cash Flows</u>				
Automotive and Mobility capital spending	(1,898)	(1,911)	(3,667)	(3,531)
Ford Credit distributions	450	650	1,463	1,325
Settlement of derivatives	114	86	(47)	60
Pivotal conversion to a marketable security	263	-	263	-
Company adjusted free cash flow (Non-GAAP)	<u>\$ (1,804)</u>	<u>\$ 174</u>	<u>\$ 1,159</u>	<u>\$ 2,081</u>

Ford Credit

Total Net Receivables Reconciliation To Managed Receivables (\$B)

	2017 Dec 31	2018 Jun 30	2018 Dec 31	2019 Jun 30
Ford Credit finance receivables, net (GAAP)*	\$ 108.4	\$ 107.7	\$ 109.9	\$ 107.6
Net investment in operating leases (GAAP)*	26.7	27.3	27.4	27.7
Consolidating adjustments**	7.6	8.2	8.9	8.1
Total net receivables	<u>\$ 142.7</u>	<u>\$ 143.2</u>	<u>\$ 146.3</u>	<u>\$ 143.4</u>
Ford Credit unearned interest supplements and residual support	6.1	6.4	6.8	6.9
Allowance for credit losses	0.6	0.6	0.6	0.6
Other, primarily accumulated supplemental depreciation	1.1	1.3	1.2	1.1
Total managed receivables (Non-GAAP)	<u>\$ 150.5</u>	<u>\$ 151.5</u>	<u>\$ 154.9</u>	<u>\$ 151.9</u>

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

** Primarily includes Automotive segment receivables purchased by Ford Credit which are classified to Trade and other receivables on our consolidated balance sheet. Also includes eliminations of intersegment transactions.

Note: Numbers may not sum due to rounding.

Supplemental Information

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

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

	For the period ended June 30, 2019					
	Second Quarter					
	Company excluding Ford Credit				Ford Credit	Consolidated
	Automotive	Mobility	Other (a)	Subtotal		
Revenues	\$ 35,758	\$ 6	\$ —	\$ 35,764	\$ 3,089	\$ 38,853
Total costs and expenses	34,911	314	1,157	36,382	2,381	38,763
Interest expense on Automotive debt	—	—	230	230	—	230
Interest expense on Other debt	—	—	14	14	—	14
Other income/(loss), net	454	37	(334)	157	115	272
Equity in net income of affiliated companies	72	7	—	79	8	87
Income/(loss) before income taxes	1,373	(264)	(1,735)	(626)	831	205
Provision for/(Benefit from) income taxes	243	(64)	(342)	(163)	218	55
Net income/(Loss)	1,130	(200)	(1,393)	(463)	613	150
Less: Income/(Loss) attributable to noncontrolling interests	2	—	—	2	—	2
Net income/(loss) attributable to Ford Motor Company	\$ 1,128	\$ (200)	\$ (1,393)	\$ (465)	\$ 613	\$ 148
	For the period ended June 30, 2019					
	First Half					
	Company excluding Ford Credit				Ford Credit	Consolidated
	Automotive	Mobility	Other (a)	Subtotal		
Revenues	\$ 72,997	\$ 12	\$ —	\$ 73,009	\$ 6,186	\$ 79,195
Total costs and expenses	70,584	647	1,936	73,167	4,736	77,903
Interest expense on Automotive debt	—	—	461	461	—	461
Interest expense on Other debt	—	—	28	28	—	28
Other income/(loss), net	880	74	(222)	732	168	900
Equity in net income of affiliated companies	89	9	—	98	14	112
Income/(loss) before income taxes	3,382	(552)	(2,647)	183	1,632	1,815
Provision for/(Benefit from) income taxes	625	(133)	(426)	66	416	482
Net income/(Loss)	2,757	(419)	(2,221)	117	1,216	1,333
Less: Income/(Loss) attributable to noncontrolling interests	39	—	—	39	—	39
Net income/(loss) attributable to Ford Motor Company	\$ 2,718	\$ (419)	\$ (2,221)	\$ 78	\$ 1,216	\$ 1,294

(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):

	June 30, 2019			
	Company excluding Ford Credit	Ford Credit	Eliminations	Consolidated
Assets				
Cash and cash equivalents	\$ 9,499	\$ 12,618	\$ —	\$ 22,117
Marketable securities	13,684	2,247	—	15,931
Ford Credit finance receivables, net	—	53,756	—	53,756
Trade and other receivables, less allowances	3,683	7,258	—	10,941
Inventories	12,437	—	—	12,437
Other assets	2,114	1,055	—	3,169
Receivable from other segments	312	1,830	(2,142)	—
Total current assets	41,729	78,764	(2,142)	118,351
Ford Credit finance receivables, net	—	53,875	—	53,875
Net investment in operating leases	2,107	27,691	—	29,798
Net property	36,381	200	—	36,581
Equity in net assets of affiliated companies	2,515	122	—	2,637
Deferred income taxes	12,247	193	(2,287)	10,153
Other assets	8,495	2,294	—	10,789
Receivable from other segments	320	2	(322)	—
Total assets	\$ 103,794	\$ 163,141	\$ (4,751)	\$ 262,184
Liabilities				
Payables	\$ 21,906	\$ 1,074	\$ —	\$ 22,980
Other liabilities and deferred revenue	20,920	1,583	—	22,503
Automotive debt payable within one year	2,229	—	—	2,229
Ford Credit debt payable within one year	—	50,492	—	50,492
Other debt payable within one year	130	—	—	130
Payable to other segments	2,142	—	(2,142)	—
Total current liabilities	47,327	53,149	(2,142)	98,334
Other liabilities and deferred revenue	22,913	1,119	—	24,032
Automotive long-term debt	11,765	—	—	11,765
Ford Credit long-term debt	—	90,978	—	90,978
Other long-term debt	470	—	—	470
Deferred income taxes	70	2,686	(2,287)	469
Payable to other segments	8	314	(322)	—
Total liabilities	\$ 82,553	\$ 148,246	\$ (4,751)	\$ 226,048

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 June 30, 2019			
	First Half			
	Company excluding Ford Credit	Ford Credit	Eliminations	Consolidated
Cash flows from operating activities				
Net cash provided by/(used in) operating activities	\$ 3,622	\$ 6,385	\$ —	\$ 10,007
Cash flows from investing activities				
Capital spending	\$ (3,531)	\$ (22)	\$ —	\$ (3,553)
Acquisitions of finance receivables and operating leases	—	(26,202)	—	(26,202)
Collections of finance receivables and operating leases	—	24,974	—	24,974
Purchases of marketable securities and other investments	(5,571)	(2,099)	—	(7,670)
Sales and maturities of marketable securities and other investments	7,357	1,183	—	8,540
Settlements of derivatives	60	23	—	83
Other	6	(2)	—	4
Investing activity (to)/from other segments	1,404	—	(1,404)	—
Net cash provided by/(used in) investing activities	\$ (275)	\$ (2,145)	\$ (1,404)	\$ (3,824)
Cash flows from financing activities				
Cash payments for dividends and dividend equivalents	\$ (1,196)	\$ —	\$ —	\$ (1,196)
Purchases of common stock	—	—	—	—
Net changes in short-term debt	557	(486)	—	71
Proceeds from issuance of long-term debt	1,250	24,983	—	26,233
Principal payments on long-term debt	(1,469)	(24,298)	—	(25,767)
Other	(85)	(64)	—	(149)
Financing activity to/(from) other segments	—	(1,404)	1,404	—
Net cash provided by/(used in) financing activities	\$ (943)	\$ (1,269)	\$ 1,404	\$ (808)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	\$ —	\$ 24	\$ —	\$ 24

Selected Other Information.

Cost of sales and Selling, administrative, and other expenses for the second quarter of 2019 were \$36.4 billion, an increase of about \$400 million compared with the second quarter of 2018. Cost of sales and Selling, administrative, and other expenses for the first half of 2019 were \$73.2 billion, a decrease of \$1.3 billion compared with the first half of 2018. The detail for these changes is shown below (in billions):

	2019 Lower/(Higher) 2018	
	Second Quarter	First Half
Volume and mix, exchange, and other	\$ 1.0	\$ 3.4
Contribution costs		
Material excluding commodities	(0.1)	—
Commodities	(0.1)	(0.2)
Warranty	(0.2)	(0.4)
Freight	0.1	—
Structural costs	(0.2)	—
Special items	(0.9)	(1.5)
Total	\$ (0.4)	\$ 1.3

Equity. At June 30, 2019, total equity attributable to Ford was \$36.1 billion, an increase of about \$200 million compared with December 31, 2018. The detail for this change is shown below (in billions):

	Increase/ (Decrease)
Net income	\$ 1.3
Shareholder distributions	(1.2)
Other	0.1
Total	\$ 0.2

U.S. Sales by Type. The following table shows second 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	324,243	335,109
SUVs	215,898	157,608
Cars	110,195	96,780
Total Vehicles	650,336	589,497

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.

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 (with the exception of ASU 2016-13) 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 (b)
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.

(b) The FASB has issued the following update to the Credit Losses standard: ASU 2019-05 (Targeted Transition Relief). We will adopt the new Credit Losses standard effective January 1, 2020.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Automotive Segment

Foreign Currency Risk. The net fair value of foreign exchange forward contracts (including adjustments for credit risk) as of June 30, 2019, was a liability of \$100 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 \$2.2 billion at June 30, 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 June 30, 2019, was a liability of \$51 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 \$92 million at June 30, 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 June 30, 2019, all else constant, such an increase in interest rates would increase its pre-tax cash flow by \$21 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 Tim Stone, our Chief Financial Officer ("CFO"), have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of June 30, 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. Effective June 1, 2019, Tim Stone succeeded Bob Shanks as our Chief Financial Officer. Mr. Stone joined Ford on April 15, 2019. Mr. Shanks has elected to retire at the end of 2019.

PART II. OTHER INFORMATION

ITEM 1. *Legal Proceedings.*

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.

As previously reported, we are currently a defendant in a significant number of litigation matters relating to the performance of vehicles equipped with DPS6 transmissions.

OTHER MATTERS

Transit Connect Customs Ruling (as previously reported on page 23 of our 2018 Form 10-K Report and in our Current Report on Form 8-K filed on June 12, 2019). On March 8, 2013, U.S. Customs and Border Protection ("CBP") ruled that Transit Connects imported as passenger wagons and later converted into cargo vans are subject to the 25% duty applicable to cargo vehicles, rather than the 2.5% duty applicable to passenger vehicles. As a result of the ruling, CBP is requiring Ford to pay the 25% duty upon importation of Transit Connects that will be converted to cargo vehicles, and is seeking the difference in duty rates for prior imports. Our protest of the ruling within CBP was denied, and we filed a challenge in the U.S. Court of International Trade ("CIT"). On August 9, 2017, the CIT ruled in our favor. On October 6, 2017, CBP filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit (the "Federal Circuit"), and on June 7, 2019, a panel of three Federal Circuit judges ruled in favor of CBP. On July 22, 2019, we filed a petition for rehearing and rehearing en banc with the Federal Circuit. If we prevail, we will receive a refund of the contested amounts paid, plus interest. If we do not prevail, CBP would recover the increased duties for prior imports, plus interest, and might assert a claim for penalties.

Emissions Certification (as previously reported on page 70 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019). 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 continue to cooperate fully with all government agencies. At this stage, we cannot predict the outcome, and we cannot provide assurance that it will not have a material adverse effect on us.

ITEM 6. Exhibits.

Designation	Description	Method of Filing
Exhibit 31.1	Rule 15d-14(a) Certification of CEO.	Filed with this Report.
Exhibit 31.2	Rule 15d-14(a) Certification of CFO.	Filed with this Report.
Exhibit 32.1	Section 1350 Certification of CEO.	Furnished with this Report.
Exhibit 32.2	Section 1350 Certification of CFO.	Furnished with this Report.
Exhibit 101.INS	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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: July 24, 2019

CERTIFICATION

I, James P. Hackett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of Ford Motor Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 24, 2019

/s/ James P. Hackett

James P. Hackett

President and Chief Executive Officer

CERTIFICATION

I, Tim Stone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of Ford Motor Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 24, 2019

/s/ Tim Stone

Tim Stone

Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

1. The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2019 , to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 24, 2019

/s/ James P. Hackett

James P. Hackett

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

1. The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2019 , to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 24, 2019

/s/ Tim Stone

Tim Stone

Chief Financial Officer