

FORD UNIVERSITY

July 15, 2016

Ford



Go Further

Agenda

Ford

- **Changes in Sector and Segment Reporting**
- **Use of Non-GAAP Financial Measures**
- **Variance Analysis**
- **Cash Flow and Working Capital Changes**
- **Warranty Reserves**

Ford Credit

- **Lease Accounting & Profit Reporting**

Appendix

- **Non-GAAP Financial Measures**
- **Return On Invested Capital (ROIC)**
- **Asia Pacific Structure**

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CHANGES IN SECTOR AND SEGMENT REPORTING

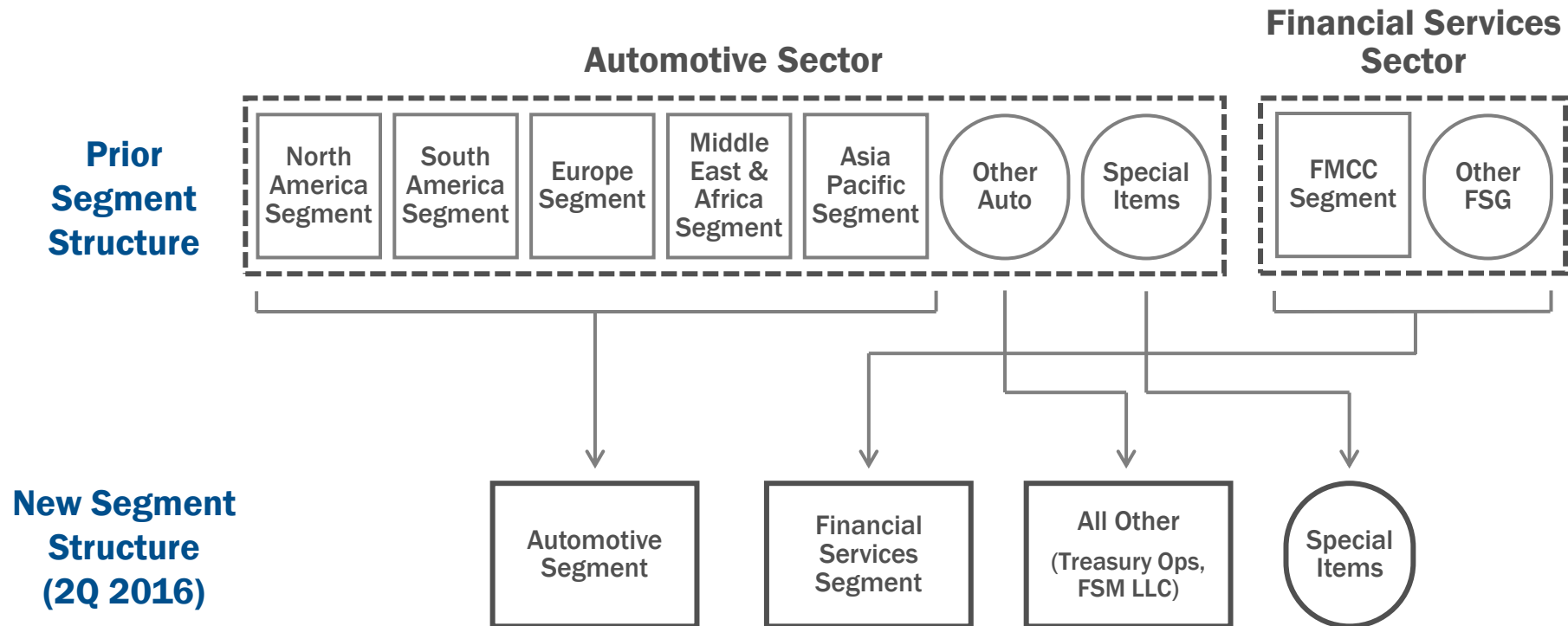
What We Are Changing

- Beginning with our second quarter results, we are making changes to our reporting in our 10-Q financial statements
 - Our 10-Q will only have consolidated financial statements, similar to how our competitors show results
 - Automotive and Financial Services results will be shown separately in our segment disclosures
 - Other business activities (primarily our central Treasury Operations and the activities of Ford Smart Mobility LLC) and Special Items will be shown separately
 - Discussion of Automotive Regional Business Units' results will continue to be provided in the 10-Q MD&A

Why We Are Making These Changes in Q2

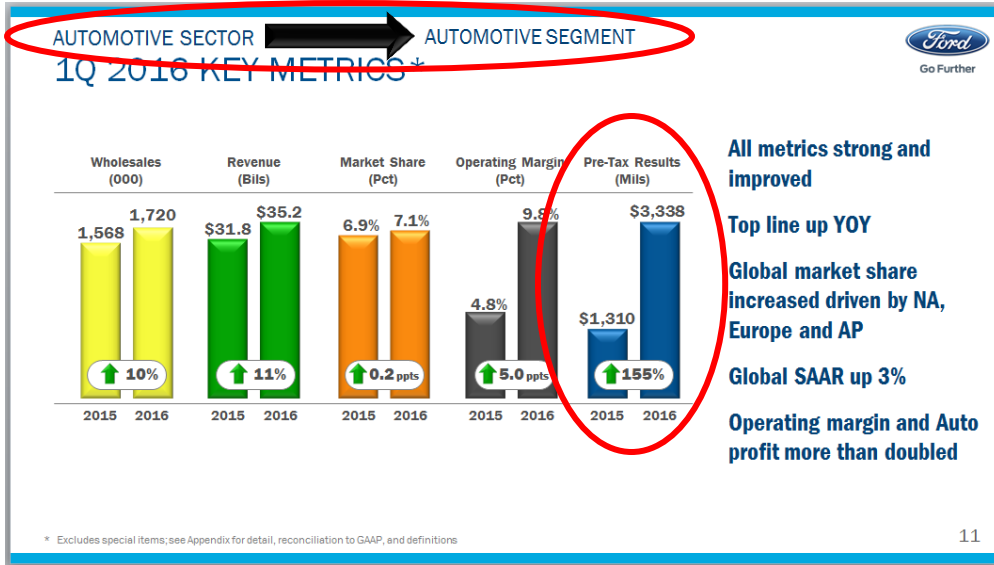
- More clearly addresses consolidated and segment reporting – sector reporting is unique to us; better aligned with XBRL tagging taxonomy
- Consistent with how we now run the business – primary focus is on Automotive, Financial Services, and Mobility
- Enables us to comply with updated interpretations from the SEC and continue to provide Automotive and Financial Services results and Regional Business Unit details

CHANGE IN SEGMENTS



IMPACT TO AUTOMOTIVE KEY METRICS SLIDE

Slide: 1Q 2016 Ford Motor Company 10-Q and Earnings Announcement



- Title now reflects new Automotive Segment
- No change to Wholesales, Revenue, Market Share, and Operating Margin metrics
- Automotive Sector Pre-tax Results (as shown) included Other Automotive; now Other Automotive results will be included in All Other, separate from Automotive Segment
 - Special items continue to be excluded from the presentation of Automotive Segment Pre-Tax Results
- Despite change to Pre-Tax Results, Operating Margin does not change because the prior calculation started with Pre-tax results and subtracted Other Automotive; the adjustment is not necessary under our new segment reporting

USE OF NON-GAAP FINANCIAL MEASURES

Non-GAAP Measure

Total Company Adjusted Pre-tax Result

Adjusted Earnings Per Share

Adjusted Effective Tax Rate

Ford Credit Managed Receivables

Ford Credit Managed Leverage

Most Comparable GAAP Measure

Net income attributable to Ford

Earnings Per Share

Effective Tax Rate

Net Finance Receivables plus Net
Investment in Operating Leases

Financial Statement Leverage

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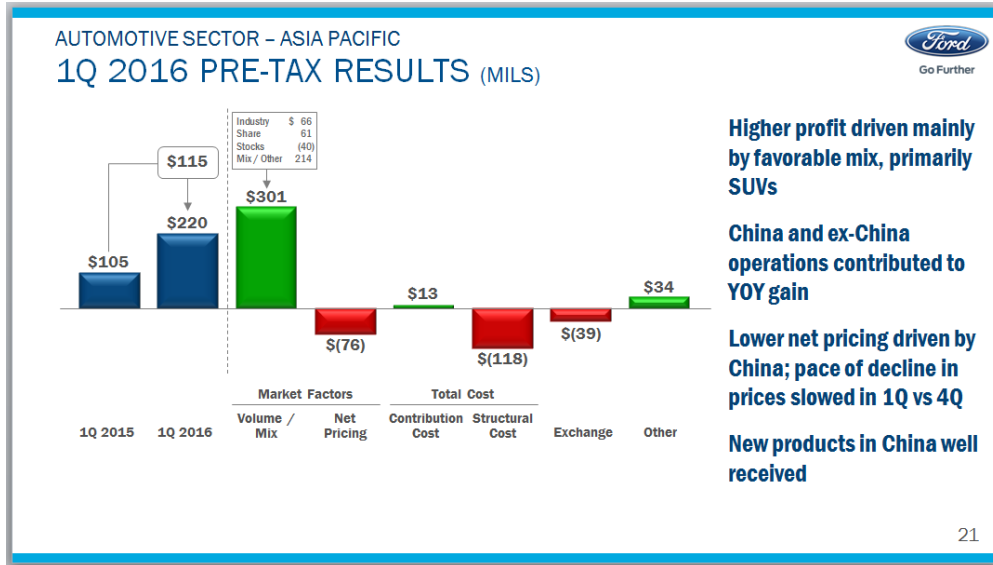
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VARIANCE ANALYSIS – OVERVIEW

Slide: Ford Motor Company, 1Q 2016 Earnings Review

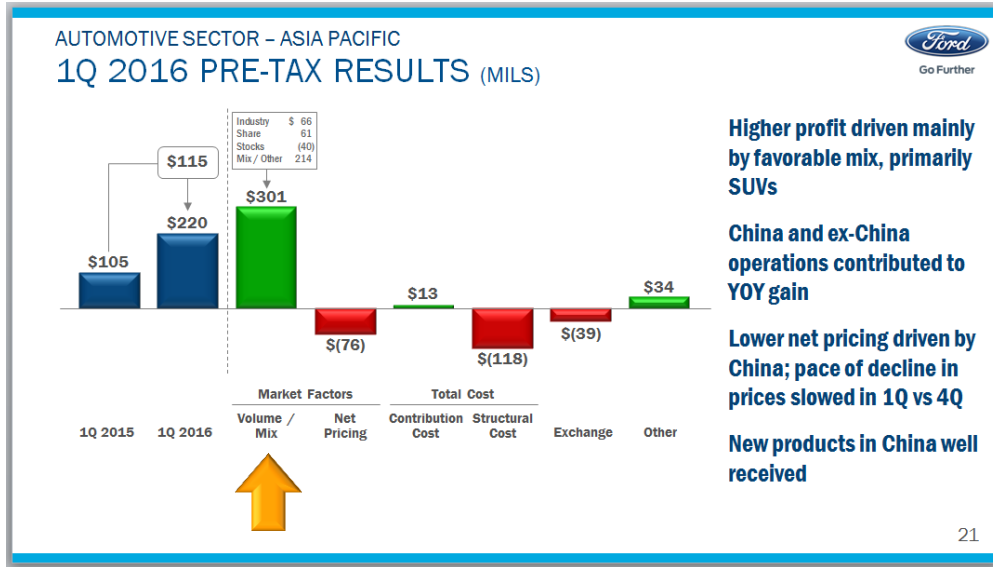


- YoY changes in pre-tax results excluding special items focus on six causal factors:
 - Volume / Mix
 - Net Pricing
 - Contribution Cost
 - Structural Cost
 - Exchange
 - Other

- China JV results included in all 6 causal factors

VARIANCE ANALYSIS – VOLUME AND MIX

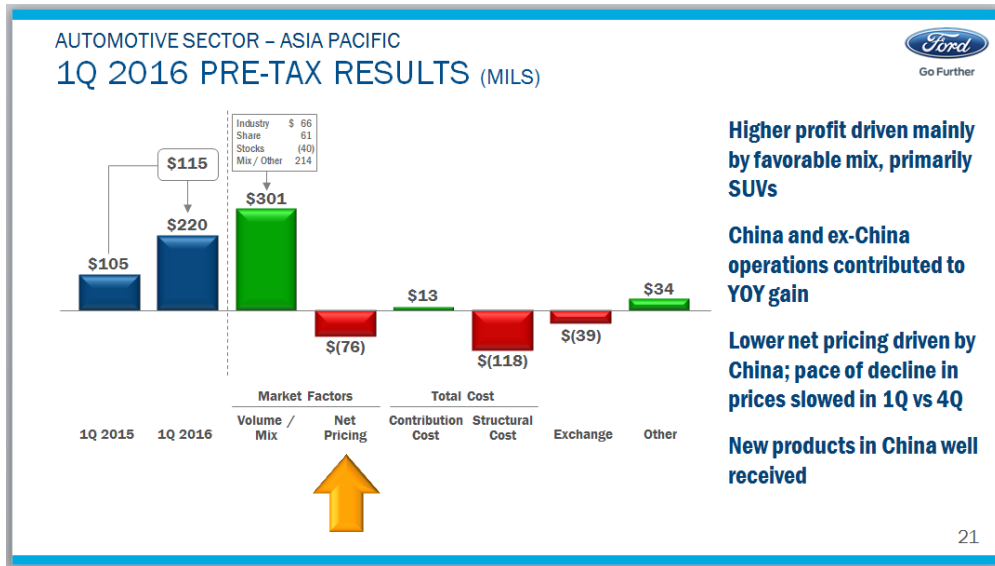
Slide: Ford Motor Company, 1Q 2016 Earnings Review



- Volume is the change in wholesale volumes (at prior-year average contribution margin per unit) driven by changes in industry volume, market share, and dealer stocks
- Mix is the change in product mix, including mix among vehicle lines and the mix of trim levels and options within a vehicle line
- Other Volume includes changes in external components

VARIANCE ANALYSIS – NET PRICING

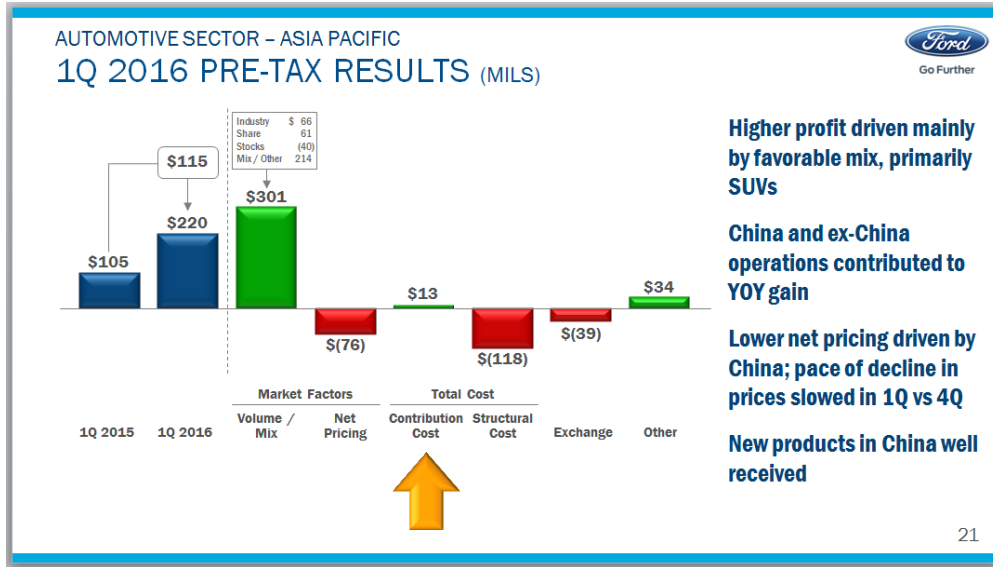
Slide: Ford Motor Company, 1Q 2016 Earnings Review



- Net Pricing is calculated at present-year volume, mix and exchange
- Net Pricing changes are driven by the following:
 - Pricing – changes in wholesale prices to dealers
 - Incentives – marketing incentive programs, including stock accrual adjustments on dealer inventory
 - Other – select dealer incentives, dealer facility assistance, other outside sales, etc.

VARIANCE ANALYSIS – CONTRIBUTION COST

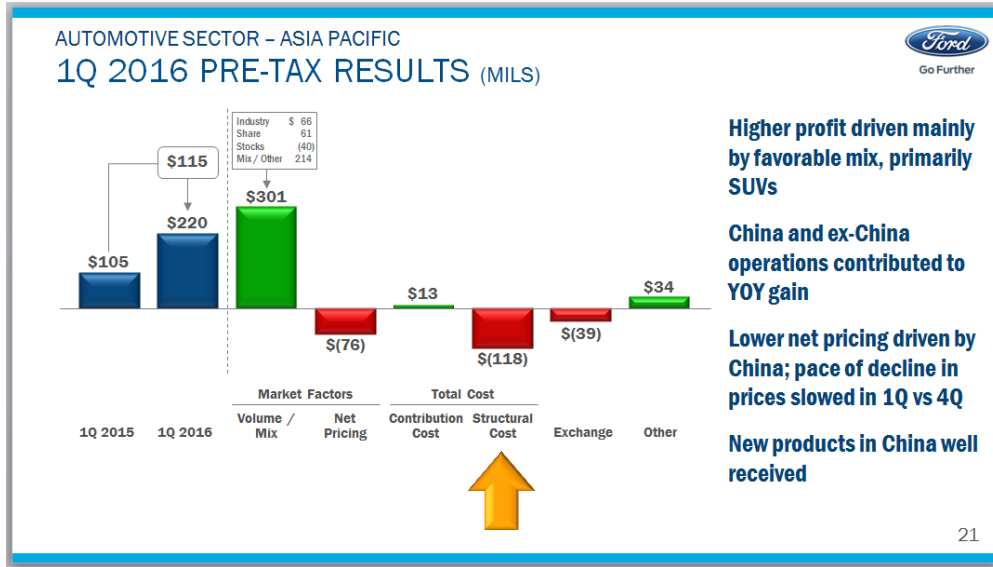
Slide: Ford Motor Company, 1Q 2016 Earnings Review



- Contribution cost is calculated at present-year volume, mix and exchange
- Measures per-unit changes in cost categories that vary with volume. These include:
 - Material (incl. commodities)
 - Warranty expense
 - Freight and Duty

VARIANCE ANALYSIS – STRUCTURAL COST

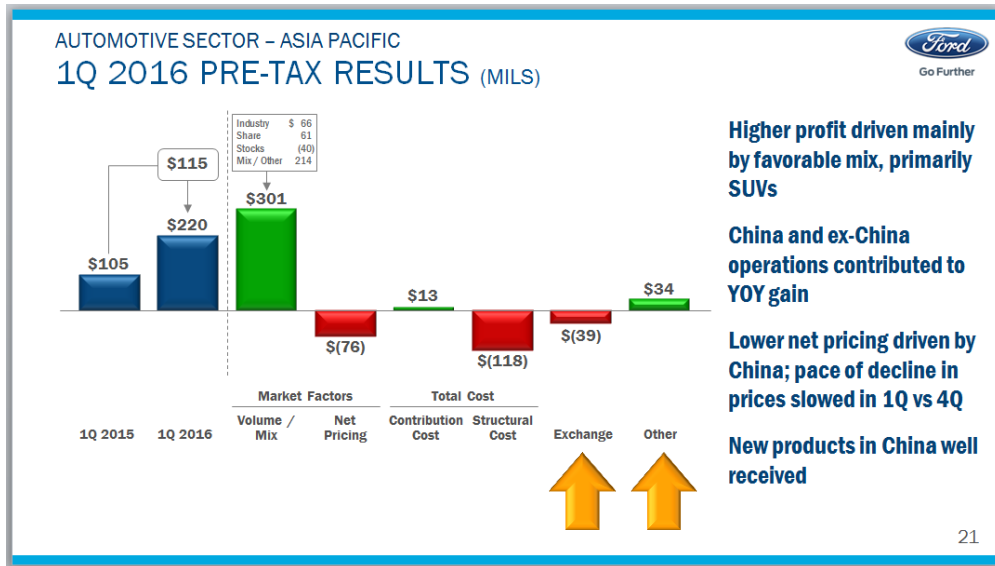
Slide: Ford Motor Company, 1Q 2016 Earnings Review



- Structural cost variances are driven by absolute changes in cost categories that do not have a directly proportionate relationship to volumes measured at present-year exchange
- Cost categories include:
 - Manufacturing, incl. Volume-Related
 - Engineering
 - Spending-Related
 - Advertising and Sales Promotions
 - Administrative and Selling
 - Pension and OPEB

VARIANCE ANALYSIS – EXCHANGE & OTHER

Slide: Ford Motor Company, 1Q 2016 Earnings Review



- Exchange includes transactional and translational changes in foreign exchange and hedging
- Other includes a variety of items, such as parts and services profits, royalties, government incentives and performance compensation changes

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CASH FLOW

Slide: Ford Motor Company, 1Q Earnings – 2Q Proforma

AUTOMOTIVE SEGMENT		
AUTOMOTIVE CASH FLOW		
(Bil.)	1Q 2016	
Cash at end of period	\$24.3	
Cash at beginning of period	23.6	
Change in Cash	\$0.7	
Automotive Segment pre-tax profits	\$3.5	
Capital spending	(1.5)	
Depreciation and tooling amortization	1.1	
Changes in working capital	-	
All Other and Timing differences	(0.4)	
Automotive operating cash flow	\$2.7	
Separation payments	-	
Net receipts from Other Segments	-	
Other, including acquisitions and divestitures	0.2	
Cash flow before other actions	\$2.9	
Changes in debt	(0.1)	
Funded pension contributions	(0.4)	
Dividends / Other items	(1.7)	
Change in Cash	\$0.7	
Memo:		
Liquidity*	\$35.2	
Automotive Debt	13.0	

Strength of cash flow highlights quality of earnings

Cash and liquidity balances remain strong

Record 1Q operating-related cash flow

Shareholder distributions of \$1.7B incl. supplemental dividend

Automotive leverage remains very healthy

* Total available committed Automotive credit lines (including local lines available to foreign affiliates) were \$10.9 billion at March 31, 2016

- Automotive operating cash flow represents the ability of the automotive business to generate cash and includes:
 - Automotive Segment pre-tax profits
 - Net capital spending
 - Changes in working capital
 - All Other and Timing differences

- Other cash flow
 - Non-recurring items such as separation payments
 - Net receipts from Other Segments
 - Acquisitions and divestitures

- Financing cash flow
 - Impact of changes in debt
 - Funded pension contributions
 - Dividend payments and stock buybacks

KEY DRIVERS OF CHANGES TO WORKING CAPITAL

Elements of Working Capital

Payables

Inventory

Receivables

Key Drivers

- Production Volumes: customer demand, seasonality for plant shutdowns, launch schedules
- Supplier payment terms changes
- Finished vehicle inventory, including units in-transit
- Work-in-Process and stockpiles
- Variability in government-related tax receivables
- Arrangements with unconsolidated subsidiaries

KEY DRIVERS OF TIMING DIFFERENCES

Drivers	Effects	
	Profit	Cash Flow
Warranty	Wholesale or reserve adjustment	Upon service of vehicle
Marketing – incentive, rebates, etc.	Wholesale or reserve adjustment	Retail sale
Performance compensation	Throughout year	First Quarter of following year
Joint venture impacts	Throughout year	JV dividends (e.g., semi-annually, annually)
Pension expense	As benefits are earned	Select benefit payments to retirees

Timing Differences Largely Reflect Differences Between Profit And Cash Impacts

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WARRANTY OVERVIEW

Warranty Elements

Description

Base Coverages

- Full vehicle coverage
- Extended coverage for selected components, e.g., Powertrain

Field Service Actions

- Safety Recalls
- Emission Recalls
- Other Product Campaigns

Customer Satisfaction Actions

- Roadside Assistance
- Transportation Assistance

Warranty Reserves Are Accrued At Wholesale And Adjusted Following A Proven Set Of Guidelines

BASE COVERAGES

History

- Historical warranty claims are used in the development of lifetime warranty cost per unit estimates
- The cost per unit calculation transitions to reflect actual data as vehicle time in service matures

Accrual

- Initial Accrual

$$\begin{array}{c} \text{Cost Per Unit} \\ \times \\ \text{Wholesale Volume} \\ = \\ \text{Initial Accrual (Mils.)} \end{array}$$

- Reserve adjustments based on adequacy reviews

Reserve Adequacy

- Conduct quarterly reserve reviews to:
 - Ensure lifetime Cost Per Unit are aligned with actual claims experience
 - Adjust reserve up or down, as required
- Actual experience will impact future accrual rates

The Lifetime Cost Per Unit Evolves As The Model Year Matures

FIELD SERVICE ACTIONS

History

- An average of the most recent seven model years of history to develop Cost Per Unit
- 2017 Model Year Cost Per Unit is an average of 2009 MY – 2015 MY

Accrual

- Initial Accrual

$$\begin{array}{c} \text{Cost Per Unit} \\ \times \\ \text{Wholesale Volume} \\ = \\ \text{Initial Accrual (Mils.)} \end{array}$$

- Approved actions applied to accrual
- Extended warranty programs are expensed when approved
- Reserve adjustments based on adequacy reviews

Reserve Adequacy

- Conduct review of approved Field Service Action programs
- Evaluate reserve to verify adequate contingency for future approvals is maintained
- Adjust reserve up or down, as required
- Actual experience will impact future accrual rates

The Field Service Action Initial Accrual Creates A Reserve For Future Recall Decisions

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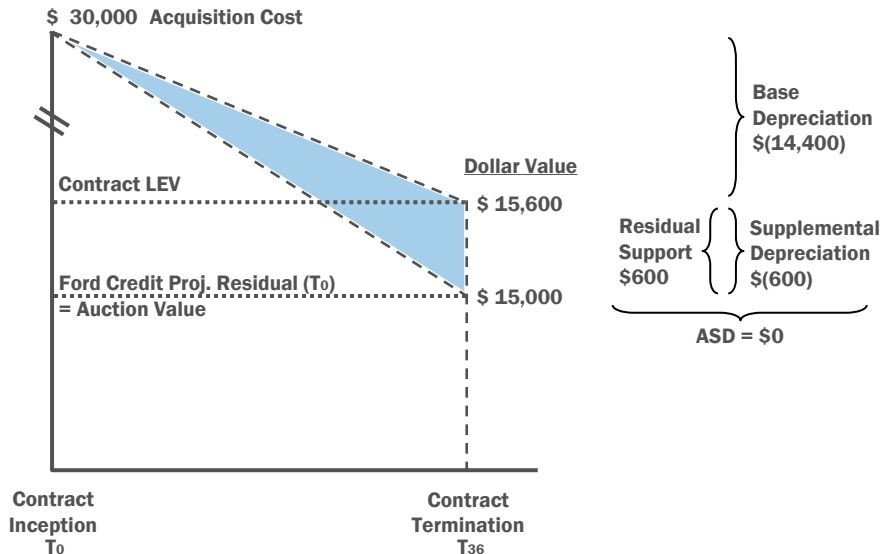
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LEASE ACCOUNTING EXAMPLE WITH NO RESIDUAL GAIN / LOSS

Lease Accounting Example:		
Acquisition Cost = MSRP	\$	30,000
Contract Lease-end Value (LEV)	15,600	(52% MSRP)
Ford Credit Projected Residual at Contract Inception	15,000	(50% MSRP)
Ford Residual Support	600	
Lease Term in months	36	

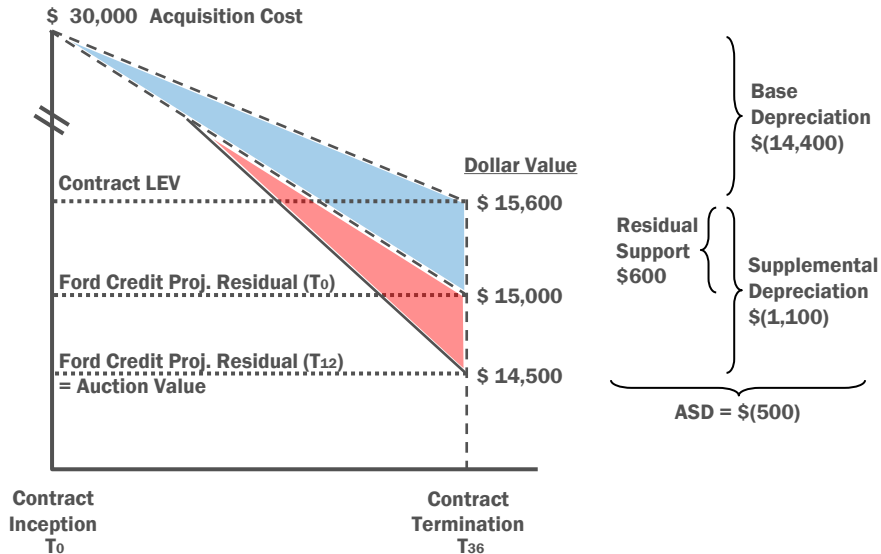


Generally, depreciation for leases is the sum of base and supplemental depreciation, net of residual support

- Base Depreciation reflects scheduled depreciation from the acquisition cost to the contract LEV and does not change after inception
- Supplemental Depreciation reflects the difference between contract LEV and projected auction value. It is depreciated over the life of the contract
- Residual Support is received up front from Ford and amortized within depreciation
- Accumulated Supplemental Depreciation (ASD) reflects the accumulated balance of Supplemental Depreciation and Residual Support. In this example, ASD is \$0

LEASE ACCOUNTING EXAMPLE WITH RESIDUAL LOSS

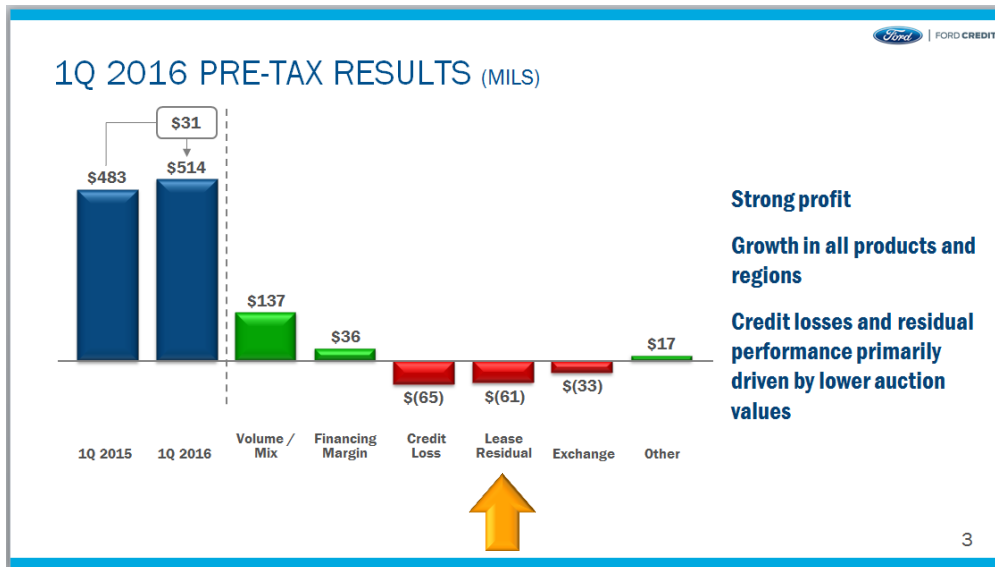
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Lease Term in months	36	



- Auction value projections are assessed quarterly and changes are made accordingly
- In this example, the projected residual is lowered at month 12
- Supplemental Depreciation is increased to depreciate the vehicle to the revised auction value projection
- In this example, ASD is \$(500) at contract termination
- Supplemental Depreciation can be increased or decreased; however, it can never “un-depreciate” above base depreciation
- Residual Gain or Loss is the difference between the auction value and the depreciated value at contract termination

VARIANCE ANALYSIS – LEASE RESIDUAL (MILS)

Slide: Ford Motor Credit Company, 1Q 2016 Earnings Review



- Lease Residual performance is reported at prior period exchange rates. It reflects Residual Gains and Losses plus Change in Accumulated Supplemental Depreciation
- Lease Residual performance is affected by projected auction values of future disposals, portfolio size, and actual auction values and volume of disposed units

Q&A

Ford



Go Further

RISK FACTORS

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:

- Decline in industry sales volume, particularly in the United States, Europe, or China due to financial crisis, recession, geopolitical events, or other factors;
- Decline in Ford's market share or failure to achieve growth;
- Lower-than-anticipated market acceptance of Ford's new or existing products or services;
- Market shift away from sales of larger, more profitable vehicles beyond Ford's current planning assumption, particularly in the United States;
- An increase in or continued volatility of fuel prices, or reduced availability of fuel;
- Continued or increased price competition resulting from industry excess capacity, currency fluctuations, or other factors;
- Fluctuations in foreign currency exchange rates, commodity prices, and interest rates;
- Adverse effects resulting from economic, geopolitical, or other events;
- Economic distress of suppliers that may require Ford to provide substantial financial support or take other measures to ensure supplies of components or materials and could increase costs, affect liquidity, or cause production constraints or disruptions;
- Work stoppages at Ford or supplier facilities or other limitations on production (whether as a result of labor disputes, natural or man-made disasters, tight credit markets or other financial distress, production constraints or difficulties, or other factors);
- Single-source supply of components or materials;
- Labor or other constraints on Ford's ability to maintain competitive cost structure;
- Substantial pension and postretirement health care and life insurance liabilities impairing our liquidity or financial condition;
- Worse-than-assumed economic and demographic experience for postretirement benefit plans (e.g., discount rates or investment returns);
- Restriction on use of tax attributes from tax law "ownership change";
- The discovery of defects in vehicles resulting in delays in new model launches, recall campaigns, or increased warranty costs;
- Increased safety, emissions, fuel economy, or other regulations resulting in higher costs, cash expenditures, and / or sales restrictions;
- Unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise;
- A change in requirements under long-term supply arrangements committing Ford to purchase minimum or fixed quantities of certain parts, or to pay a minimum amount to the seller ("take-or-pay" contracts);
- Adverse effects on results from a decrease in or cessation or clawback of government incentives related to investments;
- Inherent limitations of internal controls impacting financial statements and safeguarding of assets;
- Cybersecurity risks to operational systems, security systems, or infrastructure owned by Ford, Ford Credit, or a third-party vendor or supplier;
- Failure of financial institutions to fulfill commitments under committed credit and liquidity facilities;
- Inability of Ford Credit to access debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts, due to credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;
- Higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Increased competition from banks, financial institutions, or other third parties seeking to increase their share of financing Ford vehicles; and
- New or increased credit regulations, consumer or data protection regulations, or other regulations resulting in higher costs and / or additional financing restrictions.

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 Annual Report on Form 10-K for the year ended December 31, 2015, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Appendix

- **Non-GAAP Financial Measures**
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- **Asia Pacific Structure**

NON-GAAP FINANCIAL MEASURES THAT SUPPLEMENT GAAP MEASURES

We use non-GAAP financial measures listed below for operational and financial decision making and to assess Company business performance. These non-GAAP measures 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.

Total Company Adjusted Pre-tax Profit (Most Comparable GAAP Measure: Net income attributable to Ford) – The non-GAAP measure is useful to management and investors because it allows users to evaluate our pre-tax results excluding pre-tax special items. Pre-tax special items consist of (i) pension and OPEB remeasurement gains and losses that are not reflective of our underlying business results, (ii) significant restructuring actions related to 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.

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), and tax special items. The measure provides investors with useful information to evaluate performance of our business excluding items not indicative of underlying run rate of our business.

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.

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 marketable securities 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.

RETURN ON INVESTED CAPITAL CALCULATION

<i>(Bils)</i>	2014	2015
Net Operating Profit After Tax (NOPAT)		
Pre-Tax Profit (Incl. Special Items)	\$ 1.2	\$ 10.3
Add Back: Costs Related to Invested Capital		
Automotive Interest Expense	0.8	0.8
Funding-Related Pension and OPEB costs*	3.4	(0.7)
Less: Cash Taxes	(0.5)	(0.6)
Net Operating Profit After Tax	<u>\$ 5.0</u>	<u>\$ 9.8</u>
Invested Capital		
Equity	\$ 24.5	\$ 28.7
Redeemable Non-Controlling Interest	0.3	0.1
Automotive Debt	13.8	12.8
Net Pension and OPEB liability	16.2	13.9
Invested Capital (End of Year)	<u>\$ 54.8</u>	<u>\$ 55.5</u>
Average Year Invested Capital	<u>\$ 55.7</u>	<u>\$ 55.1</u>
Annual ROIC	8.9%	17.7%
After-Tax Five-Year Average ROIC**	16.2%	15.7%

* Reflects total pension & OPEB (income) / expense except service cost

** Calculated as five-year average NOPAT divided by five-year average invested capital

Approach

- Reflects an “all-in” after-tax measure providing a true return on total capital employed
- Focus is on rolling five-year average ROIC, which reflects our industry’s product and investment cycles

Operating Return (NOPAT)

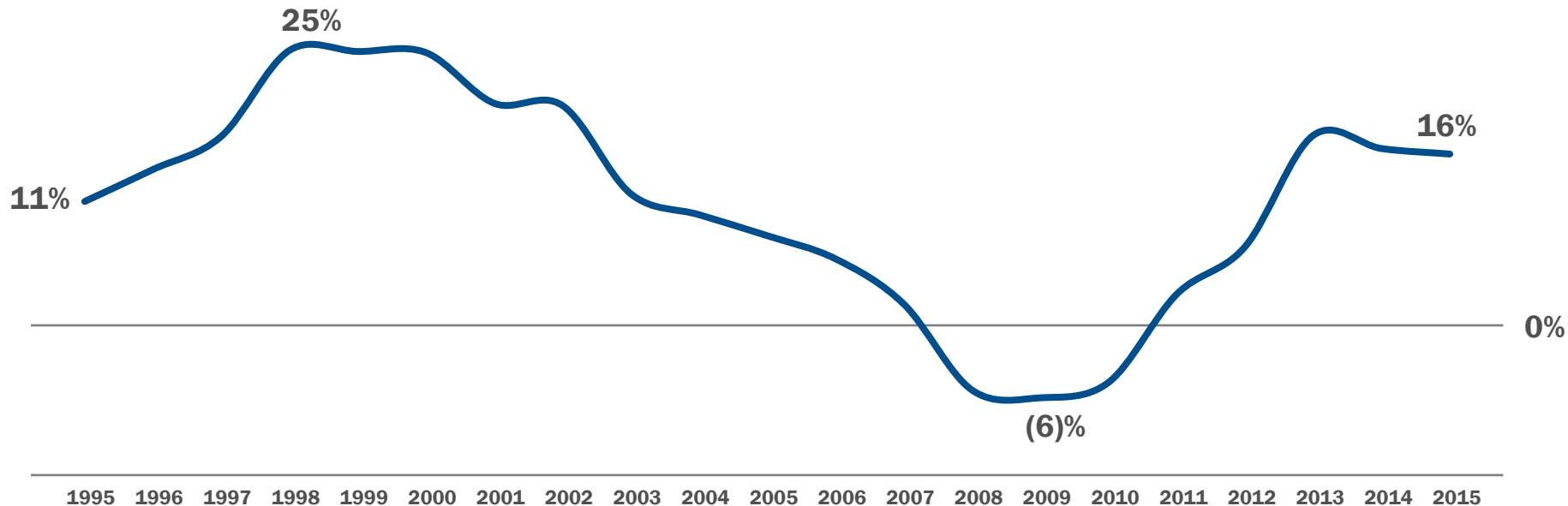
- GAAP income before taxes
- Excludes costs associated with funding capital structure (i.e., cost of capital)
 - Automotive debt interest expense
 - Funding-related pension and OPEB costs
- Less Cash Taxes (deferred tax assets inherent in invested capital)

Invested Capital

- Average year balance sheet equity, Auto debt and net unfunded pension & OPEB obligations

FORD RETURN ON INVESTED CAPITAL

After-Tax Five-Year Average ROIC* (Pct.)

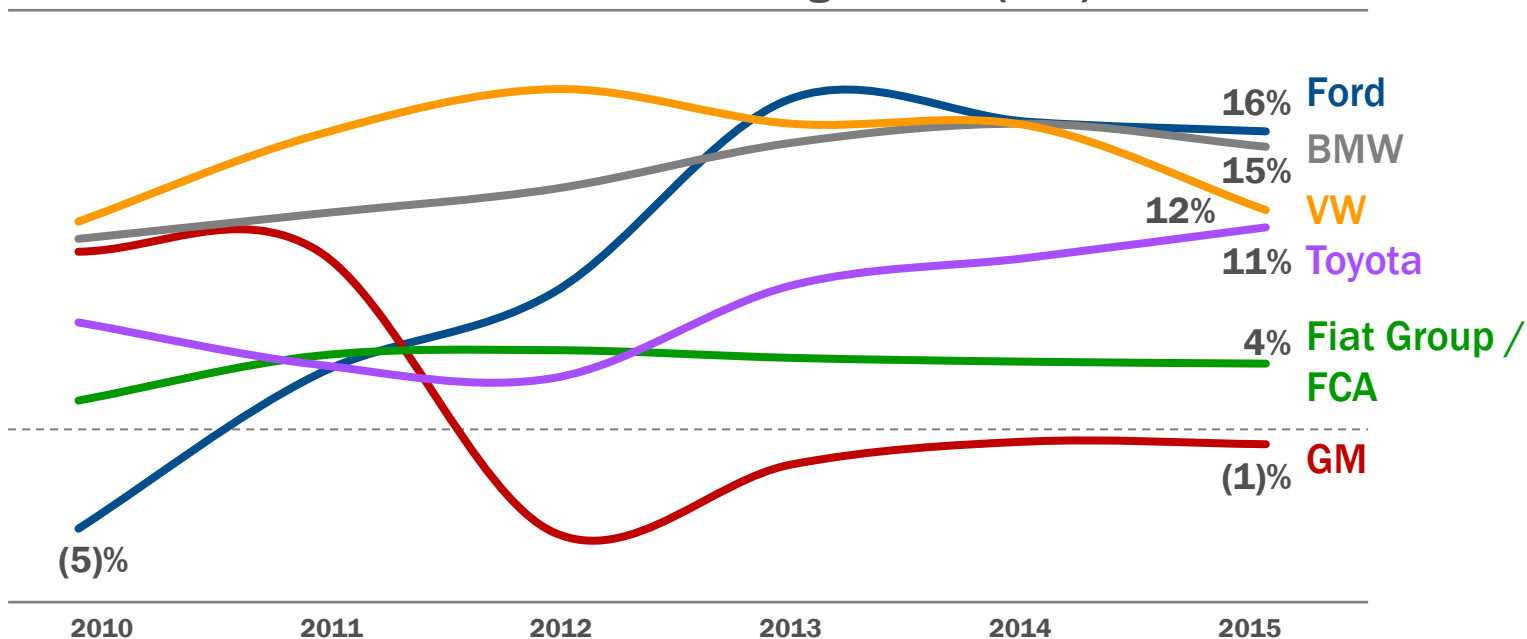


* Based on Ford ROIC methodology

ROIC Healthy And Higher Than Cost Of Capital In Majority Of Last Twenty Years

FORD & COMPETITORS RETURN ON INVESTED CAPITAL

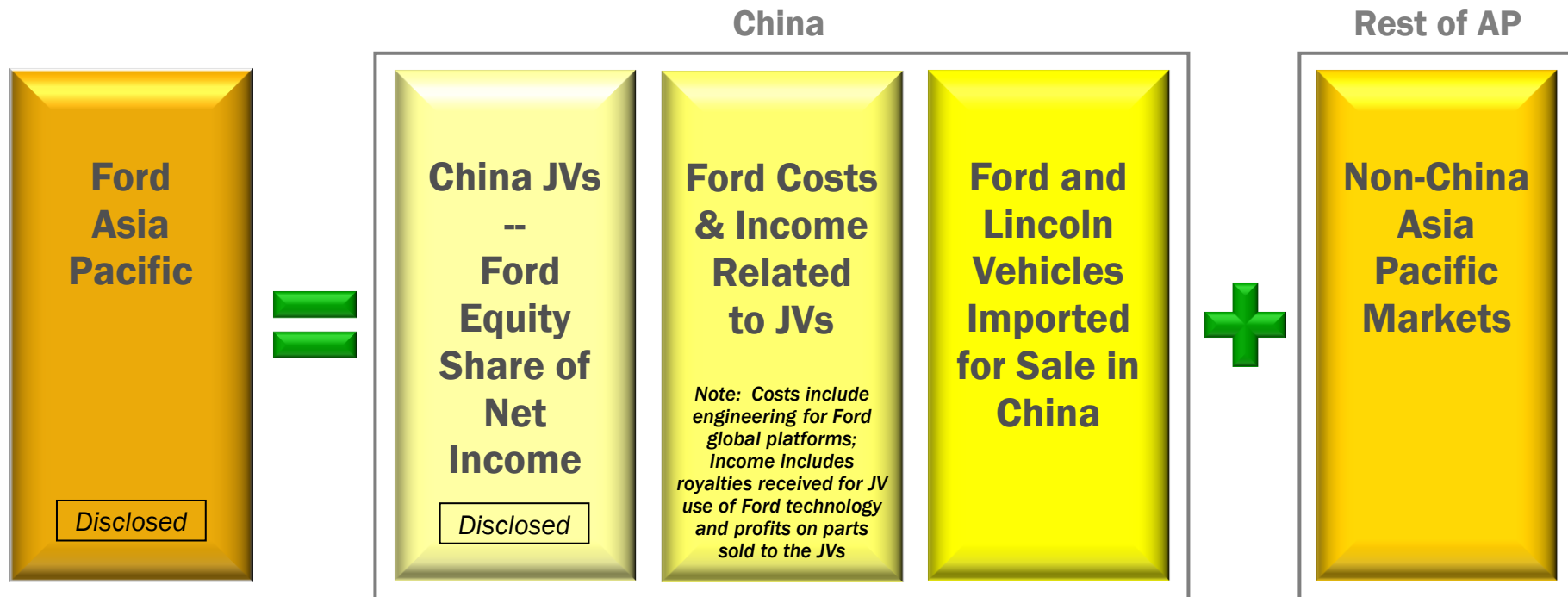
After-Tax Five-Year Average ROIC* (Pct.)



* Based on Ford ROIC methodology. For Fiat Group and GM, cumulative ROIC since 2009 reflecting post-bankruptcy (2010 - 2013 period) results; for Fiat Group, consolidated Chrysler results effective June 2011.

Ford ROIC Compares Favorably To Industry Peers,
Reflecting Relative Capital Efficiency

FORD ASIA PACIFIC FINANCIAL RESULTS



Ford Asia Pacific Profit Includes China Joint Venture Entities, Ford Costs Related To JVs, Ford And Lincoln Imports, And Non-China Markets

FORD JOINT VENTURES IN CHINA

Changan Ford
Automobile
Corporation (CAF)

**Non-Premium
Passenger**

**Local
Manufacture**

**50%
Equity
Investment**

Jiangling Motors
Company (JMC)

**Trucks,
Commercial,
Non-Premium
Passenger**

**Local
Manufacture**

**32%
Equity
Investment**

Changan Ford
Mazda Engine
Company (CFME)

Engines

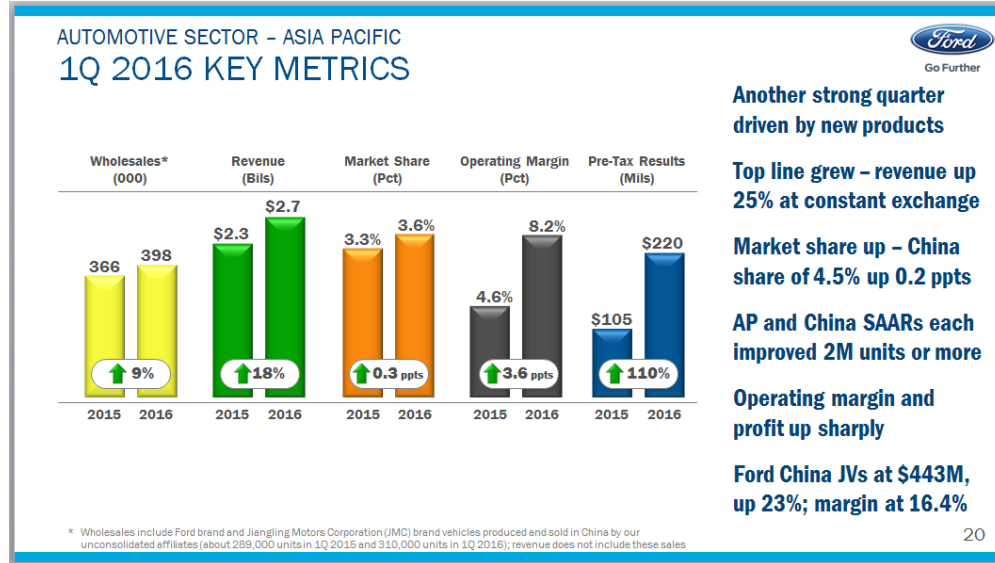
**Local
Manufacture**

**25%
Equity
Investment**

- Ford discloses net income from China JVs, i.e., after-tax net income at Ford's equity share; 2015 net income \$1.5B
- JV net income reflects component costs, service billings from Ford and royalty expenses paid by the JVs to Ford
 - JVs pay royalties to Ford for use of intellectual property Ford has provided for engineering the vehicle
- JVs self-fund their capital spending requirements; JV capital spending not included in Ford consolidated capital spending levels

FORD JOINT VENTURES IN CHINA

Slide: Ford Motor Company, 1Q 2016 Earnings Review



- JV results are reflected in these AP key metrics:
 - Wholesales
 - Market Share
 - Operating Margin
 - Pre-Tax Results
- JV results are not included in Revenue