

**FORD MOTOR COMPANY**

**Moderator: Mark Truby**  
**May 9, 2018**  
**5:00 p.m. ET**

Operator: This is Conference # 7267149

Operator: Good afternoon, ladies and gentlemen. My name is (Ryan) and I will be your conference operator today. At this time, I would like to welcome you to the Ford Conference Call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you like to ask a question during this time, please press Star then the number 1 on your telephone keypad. If you like to withdraw your question, press the pound key. Thank you.

Mr. Mark Truby, you may begin your conference.

Mark Truby: OK. Great. Thanks a lot, (Ryan).

Good afternoon, everybody. Thanks for joining the call on a relatively short notice. We were receiving lots of inquiries about production issues and how we're handling any issues related to the Meridian fire.

So we have Joe Hinrichs, our head of Global Operations, and Hau Thai-Tang, head of Product Development and Purchasing here today. And then they're going to give you a short update and then we'll take a few of the questions from the media.

So with that, why don't I just turn it over to you, Joe?

Joe Hinrichs: OK. Thanks, Mark.

And good afternoon, everyone. Thanks for joining us. Both myself and Hau will try and take you through a little bit of a debris for where we are. I know many of you have questions about the state of play following last week's fire at the Meridian Magnesium Product of America factory in Eaton Rapids, Michigan.

Our goal today is provide you with the latest information on what this means to operations plant by plant and the availability of our vehicle lineup product by product. Plus we're going to mention what this means for our business overall and provide some color to the steps we've been taking to work through this situation hand in hand with the team at Meridian.

First, I want to say how proud I am of the Ford team's response to the fire on May 2nd. This is really the Ford at its finest. Hau's team led by their Purchasing and FTA working with Meridian and outside partners have done a fabulous job getting in there quickly and wrecking as soon as possible to the situation. And the teamwork, supplier partnerships, and co-working together with everyone including our plants and government partners really have shown how remarkable we can be when we rally together.

And while Ford (inaudible) products represent just about under one-third of the output at the Meridian plant, our team has taken some extraordinary actions to respond quickly to this and to be upfront.

Meridian provides us with three kinds of parts for our vehicle lines that have been affected by last week's fire. The first is the front bolster that structurally reinforces the front of the engine compartment where the radiator is attached. Second is the third row seat cushion pan which is a metal pan underneath the seat cushion on the third row. And the third part is a liftgate inner which are the metal inner frames for some of our liftgates.

These three Meridian parts touch a number of our vehicle lines. Specifically, Meridian makes the front bolsters for our F-150 and Super Duty pickup trucks as well as Expedition and Navigator. They also make the third row seat

cushion pans for Explorer Flex and the Ford Flex and Lincoln MKT and a liftgate inners are for the Lincoln MKT.

So with that back on in place, let me hand it over to Hau to explain how we manage through this since the fire.

Hau?

Hau Thai-Tang: OK. Thank you, Joe.

And good afternoon, everyone. I'd like to just take the opportunity to give you a chronological summary of events and get everyone to a common understanding of what has transpired and the current status.

As Joe mentioned, the Meridian facility in Eaton Rapids, Michigan caught fire on May 2nd, very early in the morning at 1:30 A.M. Joe also recapped that we have 30 percent of the production volume here and the remaining 70 percent of the production at the site supports multiple other OEMs were also affected.

Meridian contacted us within five hours of the fire describing the structural damage and the physical environment of the plant. We quickly assembled our full response team. We have a very good purchase and supply chain risk management function and their job is to be really ready for this black swan event. And we know from our experience that rapid response time is key in terms of minimizing the impact in the business.

We deployed a cross-functional team of our folks from our supplier risk management team, our supplier technical assistance team, manufacturing and engineering, our global vendor tooling team as well as our engineers and folks from planning and logistics.

This team was on site at the Eaton Rapids facility early on May 3rd and we were the first OEM to be on site. We also took the opportunity to bring along with us one of our aligned business framework construction suppliers, Walbridge. It's our experience in these types of disasters is that if you need a

really good support from a construction expert who understands how to assess the damage and do the safety inspection.

We agreed with the team at Meridian on a plan to secure the building working with all of the first responders and develop plans to get in there, inspect our tools and dies and get them out as quickly as possible. Walbridge dispatched overnight a series of specialty equipment, heavy equipment to help with the extraction efforts as well as personnel eventually growing to a support group of 85 people.

On May 4th, just 24 hours after the initial notification to Ford from Meridian, we began extracting our tools from the Meridian plant. It took us 48 hours to remove all 19 sets of production dies, which covers all the other parts that support the vehicle line that Joe highlighted to you earlier in the call. And we were able to do this in very difficult conditions with debris, periodic wind and then if you recall the heavy winds that we had a couple of days ago. These tools are currently with our tooling suppliers and our inspection in conjunction with our tooling suppliers indicate that they were not damaged. We're able to reuse them at other sites.

In addition in parallel, we're able to leverage our relationship with the supply base to secure and reserve magnesium casting capacity. We see very specialized presence at other sites in the country to support our ongoing Ford production requirements.

Our focus now is shifted from tool recovery to quickly reestablishing the flow of supply at multiple sites, first, at the Meridian Eaton Rapids facility as well as the incremental sites that we were able to secure.

Throughout last weekend, Meridian, Walbridge, Ford, we developed a plan that address the building structure, repair the fire suppression system and restore the plant's electrical grid. We also developed a plan to restart the casting operations and we've been listed to help other Ford Powertrain manufacturing team as well as our engineering team to provide the necessary technical assistance and support to the team on the ground.

On Sunday, Eaton Rapids city officials approved the building access to skilled trades to begin the repairs required and to do the necessary step to restart production. We'll continue to work with all of our partners to execute this plan both at the Meridian Eaton Rapids site as well as the backup sites that we were able to secure. And our goal is to get all of the tools and dies back up and running and repair the supply chain as quickly as possible.

I just want to reiterate one more time that our tools for all of the affected programs are usable now and they're fully production-ready once the casting process comes online. As you can imagine, it does take a bit of time to get this industrialization up and running because of high temperatures required or deference to provide raw feet sock for the castings.

With that, I'll turn it back to Joe and then let him take you through the next steps.

Joe Hinrichs: Thanks, Hau. Appreciate all the detailed update.

Now, we've seen coverage or number here on what's happening at individual plants and so we wanted to provide you with the latest. Regarding our F-150 production, our Kansas City assembly plant truck site is down. The trend site continues to build. Our Dearborn truck plant will end production at the end of the afternoon shift tonight.

For Super Duty truck production, we are not building trucks currently at the Kentucky truck plant, but the Ohio City plant is continuing to build Super Duty. For Exhibition and Navigator, we continue building both these products at Kentucky truck plant. For Explorer, we continue building it at Chicago assembly plant. And on Flex and MKT, we are still building production.

It's key to note that we've developed plans and even backup plans as Hau referenced to put in place for (inaudible) in place for every part and every vehicle affected by the situation. Obviously, we're aiming to minimize part shortages and manufacturing issues, working to plan hour by hour.

It's also very important to know that we have healthy inventories, very strong inventories of our key vehicles on (inaudible) presently including, of course, our best-selling F series pickup trucks. Customers will not have trouble finding the F series that best meets their needs. We had 84-day supply currently on the F series trucks.

Now, we already have question about the financial impact of all of this. While the production shortage is expected to have an adverse impact in the company's near-term results, the company's guidance on delivering adjusted EPS in the range of 145, or sorry, \$1.45 to \$1.70 for the full year is unchanged.

With that, let's open it up to questions from the media. Thank you.

Operator: All right.

And at this time, if anyone does want to ask a question, you can press Star 1 on the telephone keypad. Again, that's Star 1.

And we do already have our first question in. The first question is going to come from Ian, excuse me, Ian Thibodeau from the Detroit News.

Joe Hinrichs: Hello, Ian? Are you there?

Operator: Ian, your line is open.

Ian Thibodeau: Hey. Sorry guys. Can you hear me?

Joe Hinrichs: Yes, we can. Good afternoon.

Ian Thibodeau: All right. Sorry about that. I just wanted to know, how long do you expect the shutdowns at Kansas City and Dearborn truck to last?

Joe Hinrichs: Well, Ian, as you can appreciate given the circumstances, really the day-to-day, hour-to-hour situation as Hau took you through, we have a plan developed on how to get production started back up, but it's going to take some time to make that happen. So we're not providing any forecasting of

when our friends are going to come back up because the situation really is hour-to-hour.

Ian Thibodeau: Got it. Thank you.

Operator: All right. And our next question does come from the line of Joe White from Reuters.

Joseph White: Hi. Thanks for doing this. So let me go back to the impact on the Expedition, Navigator and the Explorer. I understood you say that they're not affected now, but will they be? I mean, or do you have enough components that are critical there to keep those going for the time being?

Joe Hinrichs: Yes, we continue to build Expedition, Navigator and Explorer. We have a good supply of material for Expedition and Navigator so we see that production continuing for quite some time. We continue to build the Explorer.

Joseph White: OK. Thanks.

Joe Hinrichs: Yes. Thanks, Joe.

Operator: And our next question does come from the line of Phil LeBeau from CNBC.

Phil LeBeau: Hey, Joe. Hi. I think everybody appreciates that it is fluid and you guys are obviously working as fast as you can. But is it your sense that are we looking at a shutdown of several days or are we looking at something that's going to stretch out over several weeks?

Joe Hinrichs: Well, Phil, good afternoon. It's really hard to say. I know that people want more crystalized answers. I think it's safe to say that we're going to see an impact for several days, but we can't say beyond that as Hau and the team are working with our supply base to get things back up and running. It'll take a few days to make that happen. But we can't say anything beyond that because we're working to plan every hour.

Operator: And our next question does come from the line of Keith Naughton from Bloomberg.

Keith Naughton: Hi, Joe and Hau, a couple of things.

Joe, when you said the financial impact will be near-term, do you mean this will be contained to just the second quarter? Secondly, do you also contemplate that eventually you will have to take down Explorer, Navigator, Expedition production?

Joe Hinrichs: Well, Keith, we're not forecasting beyond where we are right now given the fluidity of the situation as far as production for Explorer, Expedition, Navigator. We are still running and we anticipate still running and we're working hard to keep those products running.

Yes, obviously we believe the impact of this will be isolated to the second quarter given the timing of where in the middle of second quarter. We do have plenty availability for our customers so we do not anticipate losing any sales as a result of all this and we'll be able over time to make up the production over extended period of time that we lose as a result of this.

Keith Naughton: Thank you.

Joe Hinrichs: Thanks, Keith.

Operator: And our next question does come from the line of Phoebe Howard from the Detroit Free.

Phoebe Howard: Hey, guys. Thank you so much for this opportunity. Two questions. One, you said you have been into the plant and you've seen the plant condition. Can you describe to us, while the tools have been recovered, what you're seeing? We're getting mixed reports on plant damage, roof collapse, et cetera. Was the actual production area where the items are made damaged or is it a matter of just getting in and getting set up?

And the second question is on the community talking about a food bank. And they seem to be anticipating the mayor and city council that this will actually be an extended period of time and they're concerned about food and utility bills in this local community, payments for those.

Hau Thai-Tang: Yes, Phoebe. I'll take the first question. I think the second question is best directed to the Meridian team. I'll couch it by saying I have not physically been inside the site, but I've seen pictures. Keep in mind, this facility has multiple buildings. The areas where the fire occurred did impact one of the die press tools so this is the capital equipment that does the casting. Our tools that go inside the machines were in a different area. They were not inside that press at that time and we were able to recover those as I mentioned.

In addition to that, in this type of operation we typically have backup tools so we were able to pull those out as well, a total of 19. And we're using those to rebuild the supply chain and send investigating, putting them into different sites beyond Eaton Rapids.

So I do know that the fire was continuing at one part of the plant. There are other areas of the plant that were not damaged so the secondary operations, for example, where they're doing some of the trimming, the press trimming as well as drilling holes and painting, those were not impacted. And my understanding is Meridian is working to get those folks back and working.

Phoebe Howard: When you're talking about that, again, going back to the previous question from Reuters, when you're talking about obviously going day by day, do we think this will be – is it possible it could be resolved by the end of May or for certain by the end of June? Is there any conservative timestamp you can put on it?

Joe Hinrichs: Well, Phoebe, again, it is really hour-to-hour and day-to-day.

Phoebe Howard: OK.

Joe Hinrichs: We have communicated to some of our manufacturing plants that they'll be down for the rest of this week. That's as far as we can say at this point in time. We're working very hard to get up and running as quickly as possible and rebuild the supply chain. You can appreciate we have to rebuild the whole supply chain to make that happen. But for now, we're following it hour-by-hour and as we know more we'll say more. But for right now we're working to get back to run as quickly as possible.

Phoebe Howard: Thank you so much.

Joe Hinrichs: Thanks.

Operator: At this time I would like to remind everyone, if you do have a question, it's Star 1 on the telephone keypad. Again, it's Star 1 for any further questions.

And our next question comes from the line of Mike Martinez from Automotive News.

Michael Martinez: Hi, guys.

Joe Hinrichs: Hi, Mike.

Michael Martinez: You mentioned the day supply 84 days. How long would this have to stretch out before that becomes a concern? Are we talking multiples weeks here into months? And then secondly, any idea on how significant that near-term negative impact will be on finances?

Joe Hinrichs: Yes. Thanks, Mike. I mean, we do not see the situation impacting sales at all and our ability to provide customers with the units they need. We have 84-day supply and we think that's very healthy given what we know about the situation. We're not going to detail the financial impact because we don't know the extent to which all this is still playing out. As we said, it's contained to the second quarter and we still held to our full year guidance and that's as far as we're going to go at this point in time.

Michael Martinez: All right. Thanks, Joe.

Joe Hinrichs: Thanks, Mike.

Operator: All right. And at this time we do have another question from (Paul Leonard) from Reuters.

(Paul Leonard): Hi, guys. You mentioned alternate sites, (inaudible) to alternate sites. Are any of those sites other Meridian facilities, for instance, in Ontario? And what other suppliers are you talking to and planning to move tools to?

Hau Thai-Tang: Yes. So we are working very closely with Meridian. They do have other sites, one of which is in Ontario which we are planning to utilize. And then as for the other suppliers, we don't disclose those.

(Paul Leonard): Thank you.

Hau Thai-Tang: Thanks.

Operator: All right. And now I'm going to turn it back over to the speakers ...

Mark Truby: OK. Thank you very much.

Thanks again, everybody, for joining the call. If you have any further questions, please don't hesitate to call the communications team. We'll clear up. As we said, things are a bit fluid in the situation, but we'll do our best to get you any answers. So thanks again for joining this evening. Have a great night.

Operator: And this does conclude today's conference call. You may all now disconnect.

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