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MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

Philippe Houchois

Analyst, Jefferies International Ltd.

...the whole senior management team of Ford of Europe. Stuart Rowley, President of Ford of Europe; Hans Schep, who runs the Commercial Vehicle division; and Roelant de Waard, who is in charge of the car side of the business Ford of Europe. I think Stuart will go through a few introductory comments. There are slides available on the webcast and also will be available on the site of Ford later today.

I think for any questions later on, please use the website to ask your questions and we'll take them later on. And then just as a disclaimer, I just need you to consider that members of the media and the press not authorized to participate in this event. If you are from media or press, please disconnect from the call now. And the content of the call is subject to copyrights of Exane and Jefferies and third-parties and should not be published without authorization of Jefferies, Exane, and Ford.

So at this stage, I think, Stuart, if you're ready, we [indiscernible] (00:01:23) looking forward to hearing your comments about the change that have been happening at Ford of Europe. Thank you.

Stuart John Rowley

President, Ford of Europe, Ford Motor Co.

Philippe, thank you for the introduction. Good afternoon, everybody, and thank you for your interest in Ford Motor Company. As Philippe mentioned, I'm Stuart Rowley, President of Ford of Europe. I'm joined by Roelant de Waard, who is the General Manager of our Passenger Vehicle business and Hans Schep who is the General Manager of our Commercial Vehicle business. I'm also joined this afternoon by Will Periam, our CFO.

So, we'll start by making some opening remarks and then look forward to taking your questions. Philippe, if we can go to the next slide please. So, I just start off by saying that Jim Farley became a CEO on October 1 of 2020, and he shared this plan with our employees and also with investors and other stakeholders and it states very simply what we must and we will do as Ford Motor Company.

As well as embracing some core principles, very important such as caring for each other and treating our customers like family. The plan focuses on three strategic areas and these are turning around our automotive business, modernizing everywhere and disrupting ourselves. And the team here in Ford of Europe is absolutely on this journey. We'll share some examples of what we mean by modernization such as the launch of our all new Mustang Mach-E with full online – end-to-end online sales capability or the disruption in our commercial vehicle business as we move into connected services.

However, our primary focus in Ford of Europe in the last 24 months has been around turning around our automotive business here in Europe. And I'll share that detail in a moment. But as we move forward, it's going to be a much heavier weighting on those other elements, modernization and disruption.

So, if we can go to the next slide and this is our road map to sustainable profitability in Europe, and it's been almost – well, actually slightly over two years since January 2019 when we communicated our plan to redesign our Ford business in Europe and we've made very significant progress over those last two years. We've streamlined our manufacturing operations. We've moved to a minority position and restructured our business in Russia and we've consolidated our marketing and sales organization.

Our footprint is much smaller than it was two years ago. We've closed or sold now six manufacturing facilities and we've reduced our personnel levels in Western Europe by over 20%. We hit 20% or 10,000 people at the end of 2020 and we've continued to make further reductions as we go into 2021. And as a result, over that period, we were able to reduce our structural costs in Ford of Europe on a net basis by over \$1 billion. At the same time, we continued to grow our leading share in the European commercial vehicle business, as well as shifting our passenger vehicle portfolio to utilities and growing our share of the utility segment.

At the same time, as our focus on yield management allowed us to improve our mix and net pricing over that same period by an excess of \$2 billion. And in the fourth quarter of the year when we were able to come out from some of the effects of COVID lockdowns, you started to see that come through in our results where we reported in the fourth quarter our best quarterly margin for over four years of 5.8%. And most importantly, we remain on track to achieve our 6% margin which we communicated back in the beginning of 2019.

So we really built a solid foundation, but like every house you build, the foundation is often the hard work but the really interesting stuff comes when you build those first and second floors where all the interesting rooms are. And that's now what we're doing. We're going forward and we're focused on building a sustainably profitable business in Europe. And that means being the number one commercial vehicle business brand in Europe, which we are today. And that is the cornerstone of our business in Europe.

But the future will be much more than that. We're not only going to add more products, but we're going to build scale principally through our alliance with Volkswagen, which will impact across the commercial vehicle business.

But we're also going to add services that will allow our commercial vehicle business customers businesses to thrive.

On the Passenger Vehicles side, we're going to have a more focused portfolio and we're going to aim to be in the top three in the segments in which we participate with highly differentiated or opinionated products. And this is going to be an electrified future, not only delivering great products, but also the experiences around those products.

And finally, we will have a small but brand enhancing and very profitable import business. That business started with the Mustang that we introduced earlier last decade. We've built on that with the introduction of the Plug-In Hybrid Explorer last year and then the introduction of the Mach-E as we speak.

And if we can go to the next slide, slide 4. So really, the first phase of the transformation of our business in Europe was complete at the end of last year with those step function improvements in structural costs and mix and our return to profitability.

On February, the 17th, we announced the move to our next phase of our plan and that's a very exciting [indiscernible] (00:08:18) and it's really represented in our commitment to an electrified future. Globally, Jim Farley has announced that we will invest \$22 billion in electrification and a further \$7 billion in autonomous vehicles through 2025 and in Europe, we are going all in on electrification.

For commercial vehicles, where we are the number one commercial vehicle brand in Europe, we've announced that our entire commercial vehicle range in Europe will be zero emissions capable by the end of 2024. By that we mean every product that we offer will be available as either all electrical or plug-in hybrid.

And as more and more businesses turn to electrified vehicles, we expect that two-thirds of our commercial vehicles sales will be electrified by 2030. And for passenger vehicles, we're committing that by mid-2026, 100% of our passenger vehicle range will also be zero emission capable. I will have all electric or plug-in hybrid drivetrains and that by 2030 our entire passenger vehicle range will be 100% battery electric.

And with that introduction, I'll turn it over to Hans Schep, our General Manager of Commercial Vehicles.

Hans Schep

General Manager, Commercial Vehicles, Ford of Europe, Ford Motor Co.

Thank you, Stuart. So let's go to slide 5. I'll talk to you about the Commercial Vehicle business. And as mentioned, Ford is leading that market in Europe and has been for the last six years. And actually in 2020, we had a record market share of 14.6%. We're now leading in 10 of the European markets.

Going forward, we'll extend our leadership by offering smart vehicles and connected services underpinned by strategic partnerships and I'll talk a little bit more about that. But first of all, let me talk to you about the purpose of our business. It's really important the purpose of our business is to make our customers' businesses thrive. So it's not about us, it's about our customers and that's actually a business lens we use in the decisions that we make every day.

And we deliver that by executing a very clear strategy. First of all, we leverage our strengths. And a very good example of that is our low cost manufacturing source in Turkey delivered through our joint venture, Ford Otosan. And on top of that we now build scale to that, again, through a partnership, the strategic alliance with Volkswagen that you'll know of.

Secondly, we deliver the basics of our business and that's really about growing our market presence, stretching our transit and range of brands across more and more sub-segments. And Stuart just talked about electrification as a key example of that. And delivering uptime and clearly uptime is obviously very important to deliver productivity to our customers' businesses.

Then thirdly, we focus on a few key strategy pillars. I already mentioned several partnerships and leveraging those partnerships is one of those strategy pillars. A great example that I haven't mentioned yet is our conversion business which is really important in the commercial vehicle market. We deliver converted vehicles through a network of close to 200 partners across 17 of the European markets.

Another strategy focus is deepening the relationship with our customers. And to that end, we launched Ford Fleet Management last year, again, through partnership, a joint venture with ALD Automotive, and that enables our customers to get their fleets run through our fleet management business again to improve their productivity. All of the examples I just mentioned are underpinned by connected services, like telematics, data services, FordPass Pro, et cetera, and we're building those out as we go forward.

So in summary, it's a very, very strong business for us, which we've been leading for the last six years. And we're excited to continue that leadership and extend that going forward in the future.

So with that, I'll hand over to Roelant to talk about our Passenger Vehicle business.

Roelant Christiaan de Waard

General Manager, Passenger Vehicles & Vice President, Marketing, Sales and Service, Ford of Europe, Ford Motor Co.

Yeah. Thank you, Hans. So here in heading you see our clear mission, we had to and have transformed our Passenger Vehicle business. In fact, we just completed our first step to do so. Stuart mentioned, we've reduced cost and capacity significantly. We have exited loss making vehicle lines and we've shifted our attention, you see on the left, to a new clear customer target and more aspirational customer which we call the aspirers. With that, we aim to be more selective about the segments we compete in and targeting higher margins.

This last year, in 2020, we introduced two vehicles which were designed already based on that new customer inside, the Puma and the Kuga, both electrified SUVs, both occupying leading positions in their segments. So with the help of those two vehicles, we, in the fourth quarter last year, achieved that first important step and we became profitable with the Passenger Vehicle business in Europe and plan to continue to do so and improve profits in 2021. And just to underpin that, in 2021, we expect to sell more than 50% of our passenger vehicles as SUVs. And with that, we will over-index versus the industry mix.

So, after that it's time for the next step to robust profitability and appeal even more to that more forward-leaning higher margin audience through some very important strategic decisions you see here on the page.

So the first one, as Stuart mentioned, we announced that we will go all in on electrification. In 2026, all vehicles will be zero emission capable, in 2030, we will only have battery electric passenger vehicles. And we announced recently that we are transforming our Cologne plant to be our first battery electric vehicle plant in Europe with a localized vehicle.

The next thing here on the page is emotional product families. I mentioned how we want to be more selective in where we play. So we will transform our product portfolio to consist of a select group of highly distinctive emotional product families. And at the same time, we want to create scale and we create scale through leveraging

to global best platforms, the global Ford platform for larger vehicles and a global VW platform for the compact battery electric vehicles.

And our aim is not to be a me too premium brand. Our aim is to be a credible alternative to the traditional premium brands through a clearly differentiated positioning of the Ford brand. And given the response to the Mustang Mach-E, for example, we clearly believe we're on the right track with that.

Now on top of that, to the right of that, connectivity. The modern customer, the aspirer customer expects more than a car. They expect to live their digital lives also when they're moving. So we're developing a full suite of digital experiences to make those customers live an easier, but also a more fun life and prove that we can also make our electric cars exciting to drive, building on that proud heritage of great to drive Ford on-road and off-road vehicles. And of course all of those will have over-the-air updates as they mature.

Very importantly, Stuart mentioned it in half two of this year, we will launch a full end to end online sales capability, meaning their customers can specify, trade in their car, finance their car, click a button and get their car delivered fully digitally.

So I mentioned the restructuring. We have closed plants, we've reduced costs. There's 10,000 colleagues who left the company and we will continue to drive the efficiency. But even equally important is that we will aim to continue to truly excite that forward leaning customer with clearly differentiated products and services to make Ford of Europe Passenger Vehicles solidly profitable.

Stuart John Rowley

President, Ford of Europe, Ford Motor Co.

So thank you, Roelant. Thank you, Hans. And, Philippe, maybe I can hand back to you to take questions.

QUESTION AND ANSWER SECTION

Philippe Houchois

Analyst, Jefferies International Ltd.

Q

Yeah. No, thank you very much, all three of you, for your presentations, very, very interesting. And I just – maybe two questions that came to mind listening to you and then we'll have more questions from the audience. But the first one is, so you're one of – I mean, Ford of Europe is one of the handful of carmakers which have put a hard stop to the sale of ICE vehicles in the next 10, 15 years. You're a bit more on the aggressive side in terms of timing, at least when it comes to cars. And I'm just trying to understand what the implications of that in terms of how you think the transition goes, how much the business might shrink depending on how quickly the market follows your targets on penetration. What can you do in terms of non-hardware revenue services to compensate maybe a decline in [ph] etail, (00:18:06) is that going to be the case.

And then also you've done a significant amount of downsizing of your operations already. And you think that these all – the way you've resized the business is that consistent with your market share ambitions on EVs because if you want to be 100% EVs by 2030 and markets are not there, either you have to take a lot of share or you have to agree to be a slightly smaller carmakers. So, how do you see the your potential market share and your industrial footprint matching or not?

Stuart John Rowley

President, Ford of Europe, Ford Motor Co.

A

Yeah. So, thanks, Philippe. Let me start with that. So, I think the first way we think about electrification is that it is the electrified part of the market that is growing and it's growing very rapidly in Europe. In the passenger car segment in the fourth quarter of last year, full battery electric vehicles were 10% of the market and plug-in hybrids were a further 8% and the growth is dramatic.

And we believe that that growth of that electrified segment is going to be sustained. It's going to be driven by both the regulatory environment but also by consumer demand. And clearly, there are many supporting factors that need to be put in place. Obviously, having great products available but also electrification and we think that governments, both in the EU – at the EU level as well as at the national level and as well in the UK, are firmly behind that agenda and will support that transition. To varying degrees it will differ by year and by market but we think this is going to be the growing part of the market and we think it's going to be a much more attractive part of the market into which to invest than is the ICE part of the market that is going to be shrinking at a corresponding pace. So it's a bold move but we think it's very clear move in terms of where we see customer demand and I would not use it as a gating factor on the size of our business.

I would though refer back to the comments that Hans and Roland made. We are the number one commercial vehicle brand in Europe and we have grown our share in I think six of the last seven years. So we will continue to grow that business and we'll add scale through our partnership with Volkswagen and we will expand the business through services.

On the passenger vehicles side, it will be a more focused portfolio and you've seen us reduced our installed capacity in Europe over the last two years. We have further actions that we need to take to size that business appropriately and of course we have to address some of the ICE assets to support that business and we have to invest in electrified assets moving forward, but I don't see electrification as a gating factor on the size of our business.

Philippe Houchois*Analyst, Jefferies International Ltd.*

Right. Okay. Thank you very much. Another question was I was looking at – so clearly, you have a strong focus on commercial vehicles and it's an attractive segment of the market obviously. We're seeing some changing dynamics, I guess, in the space on the creation of [indiscernible] (00:21:40) was possible in part because they made concessions to the [ph] regulators and (00:21:45) the market share which means they will help you to grow in the segments. Renault looks a bit weakened because they lost the volume of what used to be GM Europe.

And so I'm just trying to see how much of a threat you see some of those changing dynamics. And we haven't seen yet in Europe potential disruptors. We see in the US, names like Canoo or Lordstown who are also focused on commercial vehicle applications [ph] region as well as your shareholder (00:22:14). Do you expect significant change or similar change in Europe or would you be – could you be the disruptor of these segments of the market through your electrification offers?

Hans Schep*General Manager, Commercial Vehicles, Ford of Europe, Ford Motor Co.*

Yeah. Thank you, Philippe. It's Hans. So first of all, as I've mentioned and Stuart just reiterated, we are the leader in this part of the market and have been for a long while. We know our customers better than anyone else, I would say in Europe. And that leadership will – we've got the clear plans to extend that leadership.

Now, to the point that you're making on some of our competitors, I think what we're seeing in the market actually proves the point that we've also just been making. And it underpins the strategic importance of our partnership with the alliance with Volkswagen. So, building out those strengths and growing scale is clearly the right thing to do and we've embarked on that journey.

Also when it comes to delivering commercial solutions to our customers, building out the services that I was talking about are going to be key contributors to our growth in this market. So yeah, we've got a clear plan to extend the leadership that we have in the market underpinned with – by scale and all the partnerships I talked about including Ford Otosan is a very important one there.

Philippe Houchois*Analyst, Jefferies International Ltd.*

Okay. One last question from me and then we'll take questions from investors. But just curious about in – so in the US, Ford made a decision to work more closely with Google on software. In Europe, I think you'll be close to Volkswagen. What do you think is the software -your preferred software partner in Europe? Are you going to go the route of Google like your parent in the US or do you think that as you use the MEB platform from Volkswagen, are you also going to migrate to more software as developed by Volkswagen?

Roelant Christiaan de Waard*General Manager, Passenger Vehicles & Vice President, Marketing, Sales and Service, Ford of Europe, Ford Motor Co.*

Yeah. Philippe, thanks. This is Roelant speaking. Well, what we are working through now with VW is to understand exactly the capabilities of that architecture. And what we're finding is that using a cloud allows us to extract the data and put it in a neutral environment where we can work with that data equally as with the data coming out of the Ford vehicles. So it is our intent to create functionality and also visual experience for our customers, which is very much the same, while in the background the architectures may be different.

Philippe Houchois*Analyst, Jefferies International Ltd.*

Q

Right.

Stuart John Rowley*President, Ford of Europe, Ford Motor Co.*

A

Thanks, Roelant. Philippe, I'd say the partnership with Google is a global partnership. So we have the full opportunity to leverage that partnership and the teams we're putting in place around it as well as, as Roelant said, plugging into the scale that the Volkswagen have in Europe on MEB, not only on the hardware, but on the digital architecture around that product.

Philippe Houchois*Analyst, Jefferies International Ltd.*

Q

Right. Okay. Thank you. If I can pass the lead of the meeting to Stuart Pearson, my peer at Exane, which is a partner in this event. Stuart, do you want to convey some of the questions from investors?

Stuart Pearson*Analyst, Exane SA (United Kingdom)*

Q

Yes. Thanks, Philippe, and thanks, everyone. So, we have lots of questions coming in. Maybe just starting on I guess the European pricing environment, one of the questions here regarding – obviously, it's very strong pricing environment we seem to be seeing in Europe both from the new and used side, certainly not what we used to, I guess, the merger with Stellantis might be having some early impact there and that the prioritization of the region by certain players. So, maybe a little bit more color on what you're seeing in pricing in Europe and is it a better region going forward than it used to be?

And one question that are following or linked to that is how is your European margin target that 6% that you mentioned compatible with your EV penetration targets given that's less profitable at least at the moment?

Roelant Christiaan de Waard*General Manager, Passenger Vehicles & Vice President, Marketing, Sales and Service, Ford of Europe, Ford Motor Co.*

A

Yeah. Thank you, Stuart. Yeah, you are right, the pricing environment is positive not just for a straight pricing on like-for-like product, but also, we see a continued strength of higher margin segments. I mentioned, the SUVs which continued to generate good pricing. What's also interesting to see is the pricing environment for the electrified vehicles where, of course, everybody was worried that there might be a drag on profitability and we're seeing that rapidly improve. In fact, on our existing vehicles, the margins are equal or better already than their ICE-only variants.

Stuart John Rowley*President, Ford of Europe, Ford Motor Co.*

A

Yeah. So with respect to our 6% target, at a macro level, I would – how do you think about that across the business line. So, the foundation of our profitability in Europe will be our commercial vehicle business. It has been for a number of years and it's a very strong, good, profitable business and it will get stronger increase scale, update the portfolio and ad services.

On the passenger vehicle side, it's really been around a turnaround of that business, including significant structural cost reductions has allowed that to make the first step of getting to profitability. And as we now continue

to size that business appropriately and position it in the growing parts of the market, which is more in the utility segments, more of the electrified segments, then that business will also be sustainably profitable but not as profitable as the commercial vehicle business. And on aggregate, we're on track to achieve our 6% objective.

Stuart Pearson

Analyst, Exane SA (United Kingdom)

Q

Okay. Thank you. And maybe just carrying on the LCV side. Also, some questions about the competitive environment there with the Stellantis merger and also the agreement with Toyota to increase the output for Toyota in the smaller LCV space. How do you see that affecting your business?

And then as a second or follow-up question from that, maybe a little more color on your platform strategy around LCV, maybe just how do you plan on cooperating with Volkswagen on there in the long term as well?

Hans Schep

General Manager, Commercial Vehicles, Ford of Europe, Ford Motor Co.

A

Yeah. Thank you. So as I mentioned before, the moves in the market confirm our strategy. So we are the leader and we're building scale as some of our competitors are doing. And that's the right way forward for us. As we've said, we've announced our partnership or our alliance with Volkswagen basically working together on a City Van, a 1 ton vehicle and a compact pickup and we're constantly looking at scale opportunities if relevant beyond that but this is what we've announced so far.

Stuart John Rowley

President, Ford of Europe, Ford Motor Co.

A

Yeah. And maybe if I could just add to Hans' comments there. So in terms of the platform strategy, Ford will be in the lead, [ph] i.e. (00:29:53) it will be a Ford platform in the 1 ton on the compact pickup segments. And then obviously if you then partner, so you're getting the industrial scale of Ford and Volkswagen combined in the segments in which we're cooperating and then I think you'll find that that stacks up pretty well against competitor OEMs.

The other thing I'd ask you to think about is the strategic advantage that our business – our joint venture, Ford Otosan provides us. Today, three of the four transit family products are built in our Ford Otosan joint venture in Turkey and of course you can compare and contrast that with the manufacturing locations of our competitors.

Stuart Pearson

Analyst, Exane SA (United Kingdom)

Q

Okay. Thank you. And maybe just turning back to the passenger car side of the business that staying on platforms just a few similar questions actually just – maybe just clarifying on the Cologne plant and your plans for electric passenger cars with small and medium products in Europe. Is it fair to assume that your plans [ph] when you're (00:31:05) 2030 and 100% EV to be basing that all on Volkswagen's MEB platform and the Cologne will be a dedicated plant producing on that platform? Or will Ford by that point possibly [ph] have their own (00:31:16) architecture that it's using based on your plans today?

Roelant Christiaan de Waard

General Manager, Passenger Vehicles & Vice President, Marketing, Sales and Service, Ford of Europe, Ford Motor Co.

A

Yeah. Our strategy is to leverage two platforms. One is the Ford global platform and one is the VW global platform so for large, respectively, the compact vehicles. So Cologne will have the VW platform and other plants and products are TBD.

Stuart Pearson*Analyst, Exane SA (United Kingdom)*

Q

Okay. All right. And then, I mean, turning to ADAS and maybe this is slightly linked for an adjacent point on over-the-air capability because we've seen Volkswagen announced that they wants to have 500,000 cars on MEB over-the-air capability on the roads the next couple of years. Given that Ford is moving to that platform, should we expect the same capabilities from them? And do you see in Europe, as I'm sure you will in the US as well, incremental potential revenue streams coming from service and software-based products actually start to have that capability on the product in the field?

Lynn Antipas Tyson*Executive Director-Investor Relations, Ford Motor Co.*

A

Hi. This is Lynn Tyson. I'm just going to jump in before the Europe team responds. In 2021, we expect to have about 1 million vehicles on the road that will be OTA-capable and that ramps very quickly out to 2027, I believe, where we'll be at about 33 million vehicles. So we're going to start to have exponential growth with vehicles that have our new electrical architecture. This includes the Mach-E that's already out, the all new F-150, and that will continue as we launch new vehicles. So I'll turn it back over to the Europe team.

Stuart John Rowley*President, Ford of Europe, Ford Motor Co.*

A

Well, thanks, Lynn. I think nothing really to add there. It starts right now with Mach-E and it rolls out across the portfolio including to Europe and of course we have the opportunity to leverage the MEB capability in our alliance with Volkswagen.

Stuart Pearson*Analyst, Exane SA (United Kingdom)*

Q

Okay. All right. Then just turning to other products that might come to Europe and a few people asking about the Bronco but that's probably for their own personal shopping list. But also questions about pickups as well and the potential growth in that segment in Europe. We've seen a smaller pickup start production in Mexico. Is that something that to be fit for Europe? And what potential do you see for that because not a region famed for its pickups historically but starting to grow?

Hans Schep*General Manager, Commercial Vehicles, Ford of Europe, Ford Motor Co.*

A

Yeah. Thank you for that question. So interestingly, the compact pickup markets, so the market, where we play with Ranger, has been growing over the last few years. And actually we expect it to continue to grow. Customers really like these vehicles for a combination of their business life and private life. And as I mentioned, we lead that by a stretch. I mean, last year, we had about 35% market share. Actually first two months of the year, we're now over 40% market share – segment share in there. Going forward, we have seen some of our competition drop out of that segment, which gives us the ability to in a growing segment take even more market share. So, it's a booming business for us. And yeah, we're really excited to build that out.

Stuart Pearson*Analyst, Exane SA (United Kingdom)*

Q

Okay. Thank you for that. And then another question in here on how does Ford think about the need to be in different regions and countries going forward? Is there potential to scale back in some countries which no longer makes financial sense?

Stuart John Rowley*President, Ford of Europe, Ford Motor Co.*

A

Maybe I – Lynn, would you like to take that question?

Lynn Antipas Tyson*Executive Director-Investor Relations, Ford Motor Co.*

A

I'm sorry. Can you ask that again?

Stuart Pearson*Analyst, Exane SA (United Kingdom)*

Q

Yeah, it was just a question regarding just I guess the geographic presence of the company. We've seen quite a few companies. I guess just be more selective geographically where they target. So [ph] does Ford – how do we think (00:35:23) about the need to be in different regions and countries going forward and is there a potential to scale back in certain markets and I guess, if so, where?

Lynn Antipas Tyson*Executive Director-Investor Relations, Ford Motor Co.*

A

Sure. So in 2018, we announced a global redesign of the company, which was really beyond just a brute force restructuring. We very deliberately curated our geographic footprint and the products in each region with a focus on where we have strength and Europe is the absolute best example of our execution against that not only footprint but also partnerships, joint ventures and honing a more profitable portfolio. We frankly done that in North America when we announced the exit of sedans in 2018.

We've done it in South America. While we still have a footprint in South America, we announced several weeks ago that we were ending manufacturing in Brazil and we are assessing our footprint in India. So we're doing this on a global basis. And again, we want to make sure that we're allocating capital to opportunities that are profitable, so not only the core portfolio but then also all of our growth initiatives and we have more work to do. We're not done. But Europe is probably the best example of the opportunities that we have to improve the portfolio.

Stuart Pearson*Analyst, Exane SA (United Kingdom)*

Q

Okay. Thank you for that. And maybe some one or two last questions. Maybe turning to regulation and your expectations both for the revised CO2 emissions proposals that are expecting by June but also Euro 7 and how you expect those to look. And also a question linked into that on plug-in hybrids which clearly still be a significant part of your mix through to 2030. What risks do you see to plug-in hybrid both in terms of consumer attitude towards them, given I guess, differences between real world and playing test data on plug-in hybrids? And also how the regulation itself might change towards plug-in hybrids in a few years' time?

Stuart John Rowley*President, Ford of Europe, Ford Motor Co.*

A

Yeah. It's Stuart here. Let me maybe start and then I'll ask Roelant to talk about the plug-in hybrid. So first of all, we went through last year and this year a significant increases in the regulatory requirements as regard to CO2. We will comply with our CO2 obligations in 2021 both on the passenger vehicle and the commercial vehicle fleet.

The next step change is in 2025 where the obligation increases again materially. We expect to achieve that obligation driven largely by the electrification of our portfolio. And then as you referred to there are also regulations around Euro 6 today and then coming with Euro 7 which will you put increased pressure on the non-electrified segment. So again, as we look at the allocation of our capital and we look at the parts of the market that are growing and the costs of doing business in the ICE segment will become increasingly heavily regulated, and that really drives our thinking on allocation and electrification. And maybe with that, I'll ask Roelant to talk about where we see plug-in hybrids in the mix over the coming years.

Roelant Christiaan de Waard

General Manager, Passenger Vehicles & Vice President, Marketing, Sales and Service, Ford of Europe, Ford Motor Co.

A

Yeah. Well, we believe there is a role for plug-ins to play for the foreseeable future. Various countries have expressed that desire. Germany has committed to support plants through 2025. The UK has spoken about continued support for plug-ins, long-range plug-ins post 2030. And we also see that plug-ins are very interesting bet. It's not just whether they are allowed in general but also selectively we will see potentially limited city access. Plug-ins allow a way to still have access to cities even if that happens.

And then there are use cases which is not the majority of the volume but use cases which require lots of capability and power where perhaps we may not yet be capable of serving that customer. So therefore, we have said that we want to continue to have at least one plug-in continue in the portfolio.

Stuart Pearson

Analyst, Exane SA (United Kingdom)

Okay. Thank you. All interesting stuff. I'm afraid we've run out of time for today's fireside chat. So thank you to whole Ford team for joining us today and everybody on the call for this Exane BNP and Jefferies Motor Show Conference. As a reminder, the next fireside chat is Autoliv coming up on the hour at 2:00 PM UK time. Otherwise, enjoy the rest of the conference and maybe meet your attending. Thank you.

Philippe Houchois

Analyst, Jefferies International Ltd.

Yeah. Thank you very much for Ford team. Much appreciate it.

Stuart John Rowley

President, Ford of Europe, Ford Motor Co.

Thank you.

Lynn Antipas Tyson

Executive Director-Investor Relations, Ford Motor Co.

Thank you.

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