

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 March 31, 2021

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 symbols	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
6.000% Notes due December 1, 2059	FPRC	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 April 23, 2021, Ford had outstanding 3,920,792,383 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit Index begins on page [70](#)

**FORD MOTOR COMPANY**  
**QUARTERLY REPORT ON FORM 10-Q**  
**For the Quarter Ended March 31, 2021**

**Table of Contents**

		<b>Page</b>
	<b>Part I - Financial Information</b>	
Item 1	Financial Statements	1
	Consolidated Statements of Cash Flows	1
	Consolidated Income Statements	2
	Consolidated Statements of Comprehensive Income	2
	Consolidated Balance Sheets	3
	Consolidated Statements of Equity	4
	Notes to the Financial Statements	5
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	33
	Recent Developments	33
	Results of Operations	34
	Automotive Segment	36
	Mobility Segment	42
	Ford Credit Segment	43
	Corporate Other	46
	Interest on Debt	46
	Taxes	46
	Liquidity and Capital Resources	47
	Credit Ratings	55
	Outlook	56
	Cautionary Note on Forward-Looking Statements	57
	Non-GAAP Financial Measures That Supplement GAAP Measures	58
	Non-GAAP Financial Measure Reconciliations	60
	Supplemental Information	63
	Accounting Standards Issued But Not Yet Adopted	66
Item 3	Quantitative and Qualitative Disclosures About Market Risk	67
Item 4	Controls and Procedures	67
	<b>Part II - Other Information</b>	
Item 1	Legal Proceedings	68
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	69
Item 6	Exhibits	70
	Signature	71

**PART I. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements.**

**FORD MOTOR COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in millions)**

	<b>For the periods ended March 31,</b>	
	<b>2020</b>	<b>2021</b>
	First Quarter (unaudited)	
<b>Cash flows from operating activities</b>		
Net income/(loss)	\$ (1,993)	\$ 3,262
Depreciation and tooling amortization	2,444	2,103
Other amortization	(302)	(361)
Provision for credit and insurance losses	598	(36)
Pension and other post-retirement employee benefits ("OPEB") expense/(income) (Note 13)	(178)	(318)
Equity investment dividends received in excess of (earnings)/losses	118	68
Foreign currency adjustments	338	350
Net unrealized (gain)/loss on Other Investments (Note 10)	8	(914)
Net (gain)/loss on changes in investments in affiliates (Note 4)	(15)	(166)
Stock compensation	38	41
Provision for deferred income taxes	702	427
Decrease/(Increase) in finance receivables (wholesale and other)	(1,080)	2,699
Decrease/(Increase) in accounts receivable and other assets	39	(588)
Decrease/(Increase) in inventory	(1,177)	(2,176)
Increase/(Decrease) in accounts payable and accrued and other liabilities	194	193
Other	(207)	(92)
Net cash provided by/(used in) operating activities	(473)	4,492
<b>Cash flows from investing activities</b>		
Capital spending	(1,780)	(1,368)
Acquisitions of finance receivables and operating leases	(12,184)	(11,695)
Collections of finance receivables and operating leases	12,709	12,482
Proceeds from sale of business (Note 17)	1,340	7
Purchases of marketable securities and other investments	(8,244)	(11,580)
Sales and maturities of marketable securities and other investments	4,998	11,686
Settlements of derivatives	131	31
Other	(84)	(54)
Net cash provided by/(used in) investing activities	(3,114)	(491)
<b>Cash flows from financing activities</b>		
Cash payments for dividends and dividend equivalents	(596)	(3)
Purchases of common stock	—	—
Net changes in short-term debt	(622)	273
Proceeds from issuance of long-term debt	26,691	6,931
Principal payments on long-term debt	(12,948)	(14,892)
Other	(71)	(102)
Net cash provided by/(used in) financing activities	12,454	(7,793)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(448)	(93)
<b>Net increase/(decrease) in cash, cash equivalents, and restricted cash</b>	<b>\$ 8,419</b>	<b>\$ (3,885)</b>
<b>Cash, cash equivalents, and restricted cash at beginning of period (Note 7)</b>	<b>\$ 17,741</b>	<b>\$ 25,935</b>
Net increase/(decrease) in cash, cash equivalents, and restricted cash	8,419	(3,885)
<b>Cash, cash equivalents, and restricted cash at end of period (Note 7)</b>	<b>\$ 26,160</b>	<b>\$ 22,050</b>

The accompanying notes are part of the consolidated financial statements.

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

	For the periods ended March 31,	
	2020	2021
	First Quarter (unaudited)	
<b>Revenues</b>		
Automotive	\$ 31,342	\$ 33,554
Ford Credit	2,967	2,663
Mobility	11	11
Total revenues (Note 3)	34,320	36,228
<b>Costs and expenses</b>		
Cost of sales	30,522	29,297
Selling, administrative, and other expenses	2,432	2,843
Ford Credit interest, operating, and other expenses	2,924	1,624
Total costs and expenses	35,878	33,764
Operating income/(loss)	(1,558)	2,464
Interest expense on Company debt excluding Ford Credit	227	473
Other income/(loss), net (Note 4 and Note 10)	680	1,872
Equity in net income/(loss) of affiliated companies	(41)	79
<b>Income/(Loss) before income taxes</b>	(1,146)	3,942
Provision for/(Benefit from) income taxes	847	680
<b>Net income/(loss)</b>	(1,993)	3,262
Less: Income/(Loss) attributable to noncontrolling interests	—	—
<b>Net income/(loss) attributable to Ford Motor Company</b>	\$ (1,993)	\$ 3,262
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 6)</b>		
Basic income/(loss)	\$ (0.50)	\$ 0.82
Diluted income/(loss)	(0.50)	0.81
<b>Weighted-average shares used in computation of earnings/(loss) per share</b>		
Basic shares	3,963	3,980
Diluted shares	3,963	4,016

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in millions)

	For the periods ended March 31,	
	2020	2021
	First Quarter (unaudited)	
<b>Net income/(loss)</b>	\$ (1,993)	\$ 3,262
Other comprehensive income/(loss), net of tax (Note 18)		
Foreign currency translation	(1,453)	289
Marketable securities	14	(65)
Derivative instruments	692	(301)
Pension and other postretirement benefits	14	1
<b>Total other comprehensive income/(loss), net of tax</b>	(733)	(76)
<b>Comprehensive income/(loss)</b>	(2,726)	3,186
Less: Comprehensive income/(loss) attributable to noncontrolling interests	—	—
<b>Comprehensive income/(loss) attributable to Ford Motor Company</b>	\$ (2,726)	\$ 3,186

The accompanying notes are part of the consolidated financial statements.

**FORD MOTOR COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions)

	December 31, 2020	March 31, 2021
	(unaudited)	
<b>ASSETS</b>		
Cash and cash equivalents (Note 7)	\$ 25,243	\$ 21,826
Marketable securities (Note 7)	24,718	24,281
Ford Credit finance receivables, net of allowance for credit losses of \$394 and \$374 (Note 8)	42,401	40,664
Trade and other receivables, less allowances of \$84 and \$56	9,993	10,448
Inventories (Note 9)	10,808	12,742
Assets held for sale (Note 17)	47	335
Other assets	3,534	3,636
<b>Total current assets</b>	<b>116,744</b>	<b>113,932</b>
Ford Credit finance receivables, net of allowance for credit losses of \$911 and \$849 (Note 8)	55,277	52,570
Net investment in operating leases	27,951	27,811
Net property	37,083	36,361
Equity in net assets of affiliated companies	4,901	4,694
Deferred income taxes	12,423	12,103
Other assets	12,882	13,348
<b>Total assets</b>	<b>\$ 267,261</b>	<b>\$ 260,819</b>
<b>LIABILITIES</b>		
Payables	\$ 22,204	\$ 23,492
Other liabilities and deferred revenue (Note 12 and Note 20)	23,645	20,995
Debt payable within one year (Note 14)		
Company excluding Ford Credit	1,374	1,061
Ford Credit	49,969	48,410
Liabilities held for sale (Note 17)	—	291
<b>Total current liabilities</b>	<b>97,192</b>	<b>94,249</b>
Other liabilities and deferred revenue (Note 12 and Note 20)	28,379	28,707
Long-term debt (Note 14)		
Company excluding Ford Credit	22,633	24,819
Ford Credit	87,708	78,382
Deferred income taxes	538	688
<b>Total liabilities</b>	<b>236,450</b>	<b>226,845</b>
<b>EQUITY</b>		
Common Stock, par value \$0.01 per share (4,038 million shares issued of 6 billion authorized)	40	40
Class B Stock, par value \$0.01 per share (71 million shares issued of 530 million authorized)	1	1
Capital in excess of par value of stock	22,290	22,240
Retained earnings	18,243	21,502
Accumulated other comprehensive income/(loss) (Note 18)	(8,294)	(8,370)
Treasury stock	(1,590)	(1,585)
Total equity attributable to Ford Motor Company	30,690	33,828
Equity attributable to noncontrolling interests	121	146
<b>Total equity</b>	<b>30,811</b>	<b>33,974</b>
<b>Total liabilities and equity</b>	<b>\$ 267,261</b>	<b>\$ 260,819</b>

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 sheets above.

	December 31, 2020	March 31, 2021
	(unaudited)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,822	\$ 4,794
Ford Credit finance receivables, net	51,472	48,902
Net investment in operating leases	12,794	10,026
Other assets	—	2
<b>LIABILITIES</b>		
Other liabilities and deferred revenue	\$ 56	\$ 30
Debt	46,770	43,387

The accompanying notes are part of the consolidated financial statements.

**FORD MOTOR COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS 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 18)	Treasury Stock	Total		
<b>Balance at December 31, 2019</b>	\$ 41	\$ 22,165	\$ 20,320	\$ (7,728)	\$ (1,613)	\$ 33,185	\$ 45	\$ 33,230
Adoption of accounting standards	—	—	(202)	—	—	(202)	—	(202)
Net income/(loss)	—	—	(1,993)	—	—	(1,993)	—	(1,993)
Other comprehensive income/(loss), net	—	—	—	(733)	—	(733)	—	(733)
Common stock issued (a)	—	(15)	—	—	—	(15)	—	(15)
Treasury stock/other	—	—	—	—	6	6	3	9
Dividends and dividend equivalents declared (\$0.15 per share) (b)	—	—	(598)	—	—	(598)	—	(598)
<b>Balance at March 31, 2020</b>	\$ 41	\$ 22,150	\$ 17,527	\$ (8,461)	\$ (1,607)	\$ 29,650	\$ 48	\$ 29,698
<b>Balance at December 31, 2020</b>	\$ 41	\$ 22,290	\$ 18,243	\$ (8,294)	\$ (1,590)	\$ 30,690	\$ 121	\$ 30,811
Net income/(loss)	—	—	3,262	—	—	3,262	—	3,262
Other comprehensive income/(loss), net	—	—	—	(76)	—	(76)	—	(76)
Common stock issued (a)	—	(50)	—	—	—	(50)	—	(50)
Treasury stock/other	—	—	—	—	5	5	25	30
Dividends and dividend equivalents declared (b)	—	—	(3)	—	—	(3)	—	(3)
<b>Balance at March 31, 2021</b>	\$ 41	\$ 22,240	\$ 21,502	\$ (8,370)	\$ (1,585)	\$ 33,828	\$ 146	\$ 33,974

(a) Includes impacts of share-based compensation.

(b) Dividends and dividend equivalents declared for Common and Class B Stock.

The accompanying notes are part of the consolidated financial statements.

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

**Table of Contents**

<b>Footnote</b>		<b>Page</b>
Note 1	Presentation	6
Note 2	New Accounting Standards	6
Note 3	Revenue	7
Note 4	Other Income/(Loss)	8
Note 5	Income Taxes	8
Note 6	Capital Stock and Earnings/(Loss) Per Share	8
Note 7	Cash, Cash Equivalents, and Marketable Securities	9
Note 8	Ford Credit Finance Receivables and Allowance for Credit Losses	12
Note 9	Inventories	16
Note 10	Other Investments	16
Note 11	Goodwill	16
Note 12	Other Liabilities and Deferred Revenue	17
Note 13	Retirement Benefits	18
Note 14	Debt	19
Note 15	Derivative Financial Instruments and Hedging Activities	21
Note 16	Employee Separation Actions and Exit and Disposal Activities	23
Note 17	Held-for-Sale Operations and Changes in Investments in Affiliates	25
Note 18	Accumulated Other Comprehensive Income/(Loss)	27
Note 19	Variable Interest Entities	28
Note 20	Commitments and Contingencies	28
Note 21	Segment Information	31

**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 consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information, instructions to the Quarterly Report on Form 10-Q, and Rule 10-01 of Regulation S-X. We reclassified certain prior year amounts in our consolidated financial statements to conform to the current year presentation.

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, 2020 (“2020 Form 10-K Report”).

**NOTE 2. NEW ACCOUNTING STANDARDS**

**Adoption of New Accounting Standards**

*Accounting Standards Update (“ASU”) 2019-12, Income Taxes - Simplifying the Accounting for Income Taxes.* Effective January 1, 2021, we adopted the amendments in this ASU to simplify the accounting for income taxes. The amendments clarified that an entity may elect, but is not required, to reflect an allocation of consolidated current and deferred tax expense for non-taxable legal entities that are treated as disregarded by taxing authorities in their separately issued financial statements.

With the adoption of the amendments in ASU 2019-12, Ford Credit’s separately issued financial statements no longer reflect an allocation of our consolidated U.S. current and deferred tax expense to it and certain of its U.S. subsidiaries that are treated as disregarded entities for U.S. tax purposes. Adoption of these amendments reduces complexity in accounting for income taxes and better reflects Ford Credit’s external obligations to tax authorities. Following the adoption, in April 2021, we entered into a Second Amended and Restated Tax Sharing Agreement with Ford Credit. The adoption of ASU 2019-12 and the Second Amended and Restated Tax Sharing Agreement had no impact on our consolidated financial position and results of operations. The amendments were adopted on a retrospective basis and are reflected in Ford Credit’s standalone financial statements and disclosures.

*ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity.* Effective January 1, 2021, we adopted the new standard, which simplified guidance on the issuer’s accounting for convertible debt instruments and amended certain guidance related to the computation of earnings per share for convertible instruments and contracts in an entity’s own equity. There was no impact on the date of adoption. During the first quarter of 2021, we issued convertible notes (see Note 14).

**Accounting Standards Issued But Not Yet Adopted**

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



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

**NOTE 3. REVENUE**

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

	First Quarter 2020		
	Company excluding Ford Credit	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 29,841	\$ —	\$ 29,841
Used vehicles	931	—	931
Services and other revenue (a)	523	41	564
Revenues from sales and services	31,295	41	31,336
Leasing income	58	1,459	1,517
Financing income	—	1,425	1,425
Insurance income	—	42	42
Total revenues	\$ 31,353	\$ 2,967	\$ 34,320

  

	First Quarter 2021		
	Company excluding Ford Credit	Ford Credit	Consolidated
Vehicles, parts, and accessories	\$ 32,135	\$ —	\$ 32,135
Used vehicles	745	—	745
Services and other revenue (a)	608	16	624
Revenues from sales and services	33,488	16	33,504
Leasing income	77	1,380	1,457
Financing income	—	1,243	1,243
Insurance income	—	24	24
Total revenues	\$ 33,565	\$ 2,663	\$ 36,228

(a) Includes extended service contract revenue.

The amount of consideration we receive and revenue we recognize on our vehicles, parts, and accessories varies with changes in return rights and marketing incentives we offer to our customers and their customers. Estimates of marketing incentives are based on expected retail and fleet sales volumes, mix of products to be sold, and incentive programs to be offered. Customer acceptance of products and programs, as well as other market conditions, will impact these estimates. As a result of changes in our estimate of marketing incentives, we recorded a decrease in revenue of \$885 million in the first quarter of 2020 and an increase in revenue of \$359 million in the first quarter of 2021 related to revenue recognized in prior periods. The change in estimate for the first quarter of 2020 includes additional marketing incentives offered to customers in connection with market conditions affected by the COVID-19 pandemic; conversely, the change in estimate for the first quarter of 2021 reflects lower than expected marketing incentives due to reduced dealer stock levels, which includes the effects of the semiconductor supply shortage.

We sell separately-priced service contracts that extend mechanical and maintenance coverages beyond our base warranty agreements to vehicle owners ("extended service contracts"). We had a balance of \$4.2 billion and \$4.3 billion of unearned revenue associated with outstanding contracts reported in *Other liabilities and deferred revenue* at December 31, 2020 and March 31, 2021, respectively. We expect to recognize approximately \$1 billion of the unearned amount in the remainder of 2021, \$1.2 billion in 2022, and \$2.1 billion thereafter. We recognized \$330 million and \$342 million of unearned amounts as revenue in the first quarter of 2020 and 2021, respectively.

Amounts paid to dealers to obtain these contracts are deferred and recorded as *Other assets*. We had a balance of \$283 million and \$302 million in deferred costs as of December 31, 2020 and March 31, 2021, respectively. We recognized \$20 million of amortization during the first quarter of 2020 and 2021.

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

**NOTE 4. OTHER INCOME/(LOSS)**

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

	First Quarter	
	2020	2021
Net periodic pension and OPEB income/(cost), excluding service cost	\$ 451	\$ 612
Investment-related interest income	162	72
Interest income/(expense) on income taxes	(23)	(3)
Realized and unrealized gains/(losses) on cash equivalents, marketable securities, and other investments (a)	(32)	899
Gains/(Losses) on changes in investments in affiliates	15	166
Royalty income	89	171
Other	18	(45)
Total	<u>\$ 680</u>	<u>\$ 1,872</u>

(a) See Note 10 for additional information relating to our investment in Rivian.

**NOTE 5. INCOME TAXES**

For interim tax reporting, we estimate one single effective tax rate for tax jurisdictions not subject to a valuation allowance, which is applied to the year-to-date ordinary income/(loss). Tax effects of significant unusual or infrequently occurring items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

**NOTE 6. CAPITAL STOCK AND EARNINGS/(LOSS) PER SHARE****Earnings/(Loss) Per Share Attributable to Ford Motor Company Common and Class B Stock**

Basic and diluted earnings/(loss) per share were calculated using the following (in millions):

	First Quarter	
	2020	2021
Net income/(loss) attributable to Ford Motor Company	\$ (1,993)	\$ 3,262
<b>Basic and Diluted Shares</b>		
Basic shares (average shares outstanding)	3,963	3,980
Net dilutive options, unvested restricted stock units, and unvested restricted stock shares (a)	—	36
Diluted shares	<u>3,963</u>	<u>4,016</u>

(a) In the first quarter of 2020, there were 30 million shares excluded from the calculation of diluted earnings/(loss) per share, due to their anti-dilutive effect.

**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, 2020		
		Company excluding Ford Credit	Ford Credit	Consolidated
<b>Cash and cash equivalents</b>				
U.S. government	1	\$ 2,940	\$ 3,255	\$ 6,195
U.S. government agencies	2	850	640	1,490
Non-U.S. government and agencies	2	600	717	1,317
Corporate debt	2	605	970	1,575
Total marketable securities classified as cash equivalents		4,995	5,582	10,577
Cash, time deposits, and money market funds		5,899	8,767	14,666
Total cash and cash equivalents		\$ 10,894	\$ 14,349	\$ 25,243
<b>Marketable securities</b>				
U.S. government	1	\$ 4,709	\$ 1,082	\$ 5,791
U.S. government agencies	2	3,259	485	3,744
Non-U.S. government and agencies	2	4,448	2,693	7,141
Corporate debt	2	7,095	308	7,403
Equities (a)	1	113	—	113
Other marketable securities	2	234	292	526
Total marketable securities		\$ 19,858	\$ 4,860	\$ 24,718
<b>Restricted cash</b>		\$ 45	\$ 647	\$ 692
<b>Cash, cash equivalents, and restricted cash in held-for-sale assets</b>		\$ —	\$ —	\$ —
	Fair Value Level	March 31, 2021		
		Company excluding Ford Credit	Ford Credit	Consolidated
<b>Cash and cash equivalents</b>				
U.S. government	1	\$ 1,733	\$ 16	\$ 1,749
U.S. government agencies	2	129	50	179
Non-U.S. government and agencies	2	1,197	1,345	2,542
Corporate debt	2	453	945	1,398
Total marketable securities classified as cash equivalents		3,512	2,356	5,868
Cash, time deposits, and money market funds		7,445	8,513	15,958
Total cash and cash equivalents		\$ 10,957	\$ 10,869	\$ 21,826
<b>Marketable securities</b>				
U.S. government	1	\$ 4,955	\$ 537	\$ 5,492
U.S. government agencies	2	3,176	600	3,776
Non-U.S. government and agencies	2	4,462	2,195	6,657
Corporate debt	2	7,388	342	7,730
Equities (a)	1	100	—	100
Other marketable securities	2	252	274	526
Total marketable securities		\$ 20,333	\$ 3,948	\$ 24,281
<b>Restricted cash</b>		\$ 46	\$ 162	\$ 208
<b>Cash, cash equivalents, and restricted cash in held-for-sale assets</b>		\$ 16	\$ —	\$ 16

(a) Net unrealized gains/losses incurred during the reporting periods on equity securities still held at December 31, 2020 and March 31, 2021 were a \$24 million gain and a \$13 million loss, 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”) securities were as follows (in millions):

	<b>December 31, 2020</b>						
	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
<b>Company excluding Ford Credit</b>							
U.S. government	\$ 2,894	\$ 44	\$ —	\$ 2,938	\$ 1,649	\$ 1,286	\$ 3
U.S. government agencies	2,588	15	—	2,603	772	1,629	202
Non-U.S. government and agencies	2,926	31	—	2,957	1,330	1,617	10
Corporate debt	7,482	102	(1)	7,583	3,566	3,987	30
Other marketable securities	212	3	—	215	1	147	67
Total	<u>\$ 16,102</u>	<u>\$ 195</u>	<u>\$ (1)</u>	<u>\$ 16,296</u>	<u>\$ 7,318</u>	<u>\$ 8,666</u>	<u>\$ 312</u>
<b>March 31, 2021</b>							
	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
<b>Company excluding Ford Credit</b>							
U.S. government	\$ 3,590	\$ 33	\$ —	\$ 3,623	\$ 1,600	\$ 2,023	\$ —
U.S. government agencies	2,399	7	(11)	2,395	418	1,805	172
Non-U.S. government and agencies	2,517	21	(7)	2,531	1,172	1,336	23
Corporate debt	7,689	68	(6)	7,751	3,895	3,846	10
Other marketable securities	232	2	—	234	1	167	66
Total	<u>\$ 16,427</u>	<u>\$ 131</u>	<u>\$ (24)</u>	<u>\$ 16,534</u>	<u>\$ 7,086</u>	<u>\$ 9,177</u>	<u>\$ 271</u>

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

	First Quarter	
	2020	2021
<b>Company excluding Ford Credit</b>		
Sales proceeds	\$ 1,865	\$ 2,880
Gross realized gains	7	13
Gross realized losses	7	2

**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 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):

	<b>December 31, 2020</b>					
	Less than 1 Year		1 Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Company excluding Ford Credit</b>						
U.S. government	\$ 181	\$ —	\$ —	\$ —	\$ 181	\$ —
U.S. government agencies	83	—	—	—	83	—
Non-U.S. government and agencies	164	—	10	—	174	—
Corporate debt	1,538	(1)	9	—	1,547	(1)
Other marketable securities	23	—	13	—	36	—
Total	<u>\$ 1,989</u>	<u>\$ (1)</u>	<u>\$ 32</u>	<u>\$ —</u>	<u>\$ 2,021</u>	<u>\$ (1)</u>

	<b>March 31, 2021</b>					
	Less than 1 Year		1 Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Company excluding Ford Credit</b>						
U.S. government	\$ 641	\$ —	\$ —	\$ —	\$ 641	\$ —
U.S. government agencies	1,126	(11)	—	—	1,126	(11)
Non-U.S. government and agencies	703	(7)	—	—	703	(7)
Corporate debt	1,199	(6)	9	—	1,208	(6)
Other marketable securities	94	—	8	—	102	—
Total	<u>\$ 3,763</u>	<u>\$ (24)</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ 3,780</u>	<u>\$ (24)</u>

We determine credit losses on AFS debt securities using the specific identification method. During the first quarter of 2021, we did not recognize any credit loss. The unrealized losses on securities are due to changes in interest rates and market liquidity.

**Cash, Cash Equivalents, and Restricted Cash**

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

	<b>December 31, 2020</b>	<b>March 31, 2021</b>
Cash and cash equivalents	\$ 25,243	\$ 21,826
Restricted cash (a)	692	208
Cash, cash equivalents, and restricted cash in held-for-sale assets	—	16
<b>Total cash, cash equivalents, and restricted cash</b>	<u>\$ 25,935</u>	<u>\$ 22,050</u>

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

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

**NOTE 8. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES**

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 are recorded at the time of origination or purchase at fair value and are subsequently reported at amortized cost, net of any allowance for credit losses.

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.

*Ford Credit finance receivables, net* were as follows (in millions):

	December 31, 2020	March 31, 2021
<b>Consumer</b>		
Retail installment contracts, gross	\$ 73,631	\$ 71,981
Finance leases, gross	8,431	8,192
Retail financing, gross	82,062	80,173
Unearned interest supplements	(3,987)	(3,696)
Consumer finance receivables	78,075	76,477
<b>Non-Consumer</b>		
Dealer financing	20,908	17,980
Non-Consumer finance receivables	20,908	17,980
Total recorded investment	\$ 98,983	\$ 94,457
Recorded investment in finance receivables	\$ 98,983	\$ 94,457
Allowance for credit losses	(1,305)	(1,223)
Total finance receivables, net	\$ 97,678	\$ 93,234
Current portion	\$ 42,401	\$ 40,664
Non-current portion	55,277	52,570
Total finance receivables, net	\$ 97,678	\$ 93,234
Net finance receivables subject to fair value (a)	\$ 89,651	\$ 85,436
Fair value (b)	91,238	86,808

(a) Net finance receivables subject to fair value exclude finance leases.

(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. Financing revenue from finance leases for the first quarter of 2020 and 2021 was \$95 million and \$90 million, respectively, and is included in *Ford Credit revenues* on our consolidated income statements.

At December 31, 2020 and March 31, 2021, accrued interest was \$181 million and \$164 million, respectively, which we report in *Other assets* in the current assets section of our consolidated balance sheets.

Included in the recorded investment in finance receivables at December 31, 2020 and March 31, 2021, were consumer receivables of \$43.7 billion and \$41.2 billion, respectively, and non-consumer receivables of \$16.4 billion and \$15.3 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be reported in our consolidated financial statements. The receivables are available only for payment of the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions; they are not available to pay the other obligations or the claims of Ford Credit's other creditors. Ford Credit holds the right to receive the excess cash flows not needed to pay the debt issued by, and other obligations of, the securitization entities that are parties to those securitization transactions.

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

**NOTE 8. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)****Credit Quality**

*Consumer Portfolio.* Credit quality ratings for consumer receivables are based on Ford Credit's aging analysis. 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.

The credit quality analysis of consumer receivables at December 31, 2020 was as follows (in millions):

	Amortized Cost Basis by Origination Year						Total	Percent
	Prior to 2016	2016	2017	2018	2019	2020		
<b>Consumer</b>								
31 - 60 days past due	\$ 45	\$ 62	\$ 103	\$ 162	\$ 166	\$ 143	\$ 681	0.9 %
61 - 120 days past due	7	12	24	44	45	31	163	0.2
Greater than 120 days past due	11	6	7	8	7	2	41	—
Total past due	63	80	134	214	218	176	885	1.1
Current	782	2,518	6,648	13,704	20,822	32,716	77,190	98.9
Total	<u>\$ 845</u>	<u>\$ 2,598</u>	<u>\$ 6,782</u>	<u>\$ 13,918</u>	<u>\$ 21,040</u>	<u>\$ 32,892</u>	<u>\$ 78,075</u>	<u>100.0 %</u>

The credit quality analysis of consumer receivables at March 31, 2021 was as follows (in millions):

	Amortized Cost Basis by Origination Year						Total	Percent
	Prior to 2017	2017	2018	2019	2020	2021		
<b>Consumer</b>								
31 - 60 days past due	\$ 57	\$ 64	\$ 106	\$ 117	\$ 117	\$ 5	\$ 466	0.6 %
61 - 120 days past due	9	14	25	31	30	1	110	0.1
Greater than 120 days past due	16	7	7	7	3	—	40	0.1
Total past due	82	85	138	155	150	6	616	0.8
Current	2,452	5,450	11,743	18,729	30,560	6,927	75,861	99.2
Total	<u>\$ 2,534</u>	<u>\$ 5,535</u>	<u>\$ 11,881</u>	<u>\$ 18,884</u>	<u>\$ 30,710</u>	<u>\$ 6,933</u>	<u>\$ 76,477</u>	<u>100.0 %</u>

*Non-Consumer Portfolio.* The credit quality of dealer financing receivables is evaluated based on Ford Credit's internal dealer risk rating analysis. Ford Credit uses a proprietary model to assign each dealer a risk rating. This model uses historical dealer performance data to identify key factors about a dealer that are considered most significant in predicting a dealer's ability to meet its financial obligations. Ford Credit also considers numerous other financial and qualitative factors of the dealer's operations, including capitalization and leverage, liquidity and cash flow, profitability, and credit history with Ford Credit and other creditors.

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.

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

**NOTE 8. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

The credit quality analysis of dealer financing receivables at December 31, 2020 was as follows (in millions):

	<b>Amortized Cost Basis by Origination Year</b>							<b>Wholesale Loans</b>	<b>Total</b>	<b>Percent</b>
	<b>Dealer Loans</b>									
	<b>Prior to 2016</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>			
Group I	\$ 503	\$ 129	\$ 110	\$ 188	\$ 70	\$ 248	\$ 1,248	\$ 13,160	\$ 14,408	68.9 %
Group II	38	20	11	35	3	87	194	4,680	4,874	23.3
Group III	9	—	3	19	3	35	69	1,464	1,533	7.3
Group IV	2	—	—	—	2	6	10	83	93	0.5
<b>Total (a)</b>	<b>\$ 552</b>	<b>\$ 149</b>	<b>\$ 124</b>	<b>\$ 242</b>	<b>\$ 78</b>	<b>\$ 376</b>	<b>\$ 1,521</b>	<b>\$ 19,387</b>	<b>\$ 20,908</b>	<b>100.0 %</b>

(a) Total past due dealer financing receivables at December 31, 2020 were \$99 million.

The credit quality analysis of dealer financing receivables at March 31, 2021 was as follows (in millions):

	<b>Amortized Cost Basis by Origination Year</b>							<b>Wholesale Loans</b>	<b>Total</b>	<b>Percent</b>
	<b>Dealer Loans</b>									
	<b>Prior to 2017</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>			
Group I	\$ 582	\$ 108	\$ 178	\$ 55	\$ 146	\$ 124	\$ 1,193	\$ 10,737	\$ 11,930	66.4 %
Group II	31	11	40	3	23	63	171	4,358	4,529	25.2
Group III	17	—	9	2	13	24	65	1,380	1,445	8.0
Group IV	—	—	1	1	3	3	8	68	76	0.4
<b>Total (a)</b>	<b>\$ 630</b>	<b>\$ 119</b>	<b>\$ 228</b>	<b>\$ 61</b>	<b>\$ 185</b>	<b>\$ 214</b>	<b>\$ 1,437</b>	<b>\$ 16,543</b>	<b>\$ 17,980</b>	<b>100.0 %</b>

(a) Total past due dealer financing receivables at March 31, 2021 were \$70 million.

**Non-Accrual of Revenue.** The accrual of financing revenue is discontinued at the time a receivable is determined to be uncollectible or when it is 90 days past due. Accounts may be restored to accrual status only when a customer settles all past-due deficiency balances and future payments are reasonably assured. For receivables in non-accrual status, subsequent financing revenue is recognized only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

**Troubled Debt Restructuring ("TDR").** A restructuring of debt constitutes a TDR if a concession is granted to a debtor for economic or legal reasons related to the debtor's financial difficulties that Ford Credit otherwise would not consider. Consumer and non-consumer receivables that have a modified interest rate below market rate or that were modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code, except non-consumer receivables that are current with minimal risk of loss, are considered to be TDRs. Ford Credit does not grant concessions on the principal balance of the receivables. If a receivable is modified in a reorganization proceeding, all payment requirements of the reorganization plan need to be met before remaining balances are forgiven.

**Allowance for Credit Losses**

The allowance for credit losses represents an estimate of the lifetime expected credit losses inherent in finance receivables as of the balance sheet date.

Adjustments to the allowance for credit losses are made by recording charges to *Ford Credit interest, operating, and other expenses* on our consolidated income statements. The uncollectible portion of a finance receivable is charged to the allowance for credit losses at the earlier of when an account is deemed to be uncollectible or when an account is 120 days delinquent, taking into consideration the financial condition of the customer or borrower, the value of the collateral, recourse to guarantors, and other factors.



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

**NOTE 8. FORD CREDIT FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

Charge-offs on finance receivables include uncollected amounts related to principal, interest, late fees, and other allowable charges. Recoveries on finance receivables previously charged off as uncollectible are credited to the allowance for credit losses. In the event Ford Credit repossesses the collateral, the receivable is charged off and the collateral is recorded at its estimated fair value less costs to sell and reported in *Other assets* on our consolidated balance sheets.

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

	First Quarter 2020		
	Consumer	Non-Consumer	Total
<b>Allowance for credit losses</b>			
Beginning balance	\$ 496	\$ 17	\$ 513
Adoption of ASU 2016-13 (a)	247	5	252
Charge-offs	(145)	(1)	(146)
Recoveries	43	2	45
Provision for credit losses	534	52	586
Other (b)	(18)	(1)	(19)
Ending balance	<u>\$ 1,157</u>	<u>\$ 74</u>	<u>\$ 1,231</u>

	First Quarter 2021		
	Consumer	Non-Consumer	Total
<b>Allowance for credit losses</b>			
Beginning balance	\$ 1,245	\$ 60	\$ 1,305
Charge-offs	(97)	—	(97)
Recoveries	53	3	56
Provision for credit losses	(30)	(10)	(40)
Other (b)	(1)	—	(1)
Ending balance	<u>\$ 1,170</u>	<u>\$ 53</u>	<u>\$ 1,223</u>

(a) Cumulative pre-tax adjustments related to the adoption of ASU 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments, were recorded in retained earnings as of January 1, 2020.

(b) Primarily represents amounts related to translation adjustments.

The allowance for credit losses considers economic conditions attributable to the COVID-19 pandemic. The allowance reflects economic uncertainty and an expectation of continued higher unemployment which increases the probability of default and loss given default rates used in Ford Credit's estimate of the lifetime expected credit losses for its consumer portfolio, especially in the United States.

During the first quarter of 2021, the allowance for credit losses decreased \$82 million, primarily reflecting improvement in the economic outlook that caused Ford Credit to lower its expectation of lifetime losses attributable to COVID-19. The full impact of COVID-19 on Ford Credit's credit losses depends on future developments, such as the ultimate duration and scope of the outbreak (including any potential future waves and the success of vaccination programs), resolution of macroeconomic uncertainty, and the extent to which its customers and dealers are able to utilize government relief and payment deferral programs. Although net charge-offs remained low in the quarter ended March 31, 2021, the future impact of COVID-19 on credit losses remains uncertain. Ford Credit will continue to monitor economic trends and conditions and portfolio performance and will adjust the reserve accordingly.

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

**NOTE 9. INVENTORIES**

Inventories were as follows (in millions):

	December 31, 2020	March 31, 2021
Raw materials, work-in-process, and supplies	\$ 4,676	\$ 5,184
Finished products	6,132	7,558
Total inventories	<u>\$ 10,808</u>	<u>\$ 12,742</u>

Finished products at March 31, 2021 in the table above include vehicles completed but awaiting installation of components affected by the semiconductor supply shortage, after which, they will proceed through an additional quality review process prior to being shipped to our dealers.

**NOTE 10. OTHER INVESTMENTS**

We have investments in entities not accounted for under the equity method for which 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 sheets. These investments were \$1.7 billion and \$2.8 billion at December 31, 2020 and March 31, 2021, respectively. The increase from December 31, 2020 primarily reflects an observable event of \$902 million (measured using an option pricing model) for our investment in Rivian, reported in *Other income/(loss), net* on our consolidated income statements. The cumulative net unrealized gain from adjustments related to Other Investments held at March 31, 2021 is \$1.2 billion.

**NOTE 11. GOODWILL**

The net carrying amount of goodwill was \$258 million and \$566 million at December 31, 2020 and March 31, 2021, respectively, and is reported in *Other assets* in the non-current assets section of our consolidated balance sheets. The increase from December 31, 2020 reflects the acquisition of Getrag Ford Transmissions GmbH in March 2021 (see Note 17).

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

**NOTE 12. OTHER LIABILITIES AND DEFERRED REVENUE**

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

	<u>December 31, 2020</u>	<u>March 31, 2021</u>
<b>Current</b>		
Dealer and dealers' customer allowances and claims	\$ 12,702	\$ 10,882
Deferred revenue	2,161	2,062
Employee benefit plans	1,752	1,604
Accrued interest	1,215	1,130
OPEB (a)	339	340
Pension (a)	193	192
Operating lease liabilities	323	329
Other	4,960	4,456
Total current other liabilities and deferred revenue	<u>\$ 23,645</u>	<u>\$ 20,995</u>
<b>Non-current</b>		
Pension (a)	\$ 10,738	\$ 10,253
OPEB (a)	6,236	6,182
Dealer and dealers' customer allowances and claims	3,072	3,272
Deferred revenue	4,559	4,550
Operating lease liabilities	991	965
Employee benefit plans	1,074	1,066
Other	1,709	2,419
Total non-current other liabilities and deferred revenue	<u>\$ 28,379</u>	<u>\$ 28,707</u>

(a) Balances at March 31, 2021 reflect pension and OPEB liabilities at December 31, 2020, updated for: service and interest cost; expected return on assets; curtailments, settlements, 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 2020. Included in Other assets are pension assets of \$4.3 billion and \$4.8 billion at December 31, 2020 and March 31, 2021, respectively.

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

**NOTE 13. RETIREMENT BENEFITS****Defined Benefit Plans - Expense**

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

	First Quarter					
	Pension Benefits					
	U.S. Plans		Non-U.S. Plans			
	2020	2021	2020	2021	2020	2021
Service cost	\$ 130	\$ 138	\$ 131	\$ 144	\$ 12	\$ 12
Interest cost	323	223	133	99	43	32
Expected return on assets	(699)	(702)	(267)	(285)	—	—
Amortization of prior service costs/(credits)	1	1	9	5	(4)	(3)
Net remeasurement (gain)/loss	—	423	(80)	(484)	58	—
Separation programs/other	10	2	24	37	(1)	—
Settlements and curtailments	—	39	1	1	(2)	—
Net periodic benefit cost/(income)	<u>\$ (235)</u>	<u>\$ 124</u>	<u>\$ (49)</u>	<u>\$ (483)</u>	<u>\$ 106</u>	<u>\$ 41</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 statements.

In the first quarter of 2020 and 2021, we recognized \$24 million and \$38 million, respectively, of expenses related to ongoing global redesign programs. Until our global redesign actions are completed, we anticipate further adjustments to our plans in subsequent periods.

**Pension Plan Contributions**

During 2021, we expect to contribute between \$600 million and \$800 million of cash to our global funded pension plans. We also expect to make about \$380 million of benefit payments to participants in unfunded plans. In the first quarter of 2021, we contributed \$229 million to our worldwide funded pension plans and made \$96 million of benefit payments to participants in unfunded plans.

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

**NOTE 14. DEBT**

The carrying value of Company debt excluding Ford Credit and Ford Credit debt was as follows (in millions):

	December 31, 2020	March 31, 2021
<b>Company excluding Ford Credit</b>		
<b>Debt payable within one year</b>		
Short-term	\$ 613	\$ 185
Long-term payable within one year		
Public unsecured debt securities	180	266
U.S. Department of Energy Advanced Technology Vehicles Manufacturing ("DOE ATVM") Incentive Program	148	148
Other debt	434	463
Unamortized (discount)/premium	(1)	(1)
Total debt payable within one year	1,374	1,061
<b>Long-term debt payable after one year</b>		
Public unsecured debt securities	18,877	18,792
Convertible notes	—	2,300
Delayed draw term loan	1,500	1,500
DOE ATVM Incentive Program	1,064	1,027
U.K. Export Finance Program	854	861
Other debt	768	790
Unamortized (discount)/premium	(242)	(234)
Unamortized issuance costs	(188)	(217)
Total long-term debt payable after one year	22,633	24,819
Total Company excluding Ford Credit	\$ 24,007	\$ 25,880
Fair value of Company debt excluding Ford Credit (a)	\$ 27,794	\$ 29,653
<b>Ford Credit</b>		
<b>Debt payable within one year</b>		
Short-term	\$ 11,429	\$ 11,976
Long-term payable within one year		
Unsecured debt	17,185	16,222
Asset-backed debt	21,345	20,207
Unamortized (discount)/premium	2	3
Unamortized issuance costs	(17)	(19)
Fair value adjustments (b)	25	21
Total debt payable within one year	49,969	48,410
<b>Long-term debt payable after one year</b>		
Unsecured debt	54,197	48,880
Asset-backed debt	32,276	28,867
Unamortized (discount)/premium	28	33
Unamortized issuance costs	(235)	(224)
Fair value adjustments (b)	1,442	826
Total long-term debt payable after one year	87,708	78,382
Total Ford Credit	\$ 137,677	\$ 126,792
Fair value of Ford Credit debt (a)	\$ 139,796	\$ 128,979

(a) At December 31, 2020 and March 31, 2021, the fair value of debt includes \$529 million and \$72 million of Company excluding Ford Credit short-term debt and \$10.4 billion and \$10.8 billion of Ford Credit short-term debt, respectively, carried at cost which approximates fair value. All other debt is categorized within Level 2 of the fair value hierarchy.

(b) These adjustments are related to hedging activity and include discontinued hedging relationship adjustments of \$299 million and \$273 million at December 31, 2020 and March 31, 2021, respectively. The carrying value of hedged debt was \$45.5 billion and \$40.7 billion at December 31, 2020 and March 31, 2021, respectively.

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

**NOTE 14. DEBT (Continued)**

In March 2021, we issued \$2.3 billion aggregate principal amount of 0% unsecured Convertible Senior Notes due 2026, including \$300 million aggregate principal amount of such notes pursuant to the exercise in full of the overallotment option granted to the initial purchasers. The notes will not bear regular interest and the principal amount of the notes will not accrete. The total net proceeds from the offering, after deducting debt issuance costs, were approximately \$2.267 billion.

Each \$1,000 principal amount of the notes will initially be convertible into 57.1886 shares of our Common Stock, which is equivalent to an initial conversion price of approximately \$17.49 per share, subject to adjustment upon the occurrence of specified events. The notes are convertible, at the option of the noteholders, on or after December 15, 2025. Prior to December 15, 2025, the notes are convertible only under the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ending on September 30, 2021 (and only during such fiscal quarter), if the last reported sale price of our Common Stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price of the notes on each applicable trading day;
- During the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the notes for each day of that five consecutive trading day period was less than 98% of the product of the last reported sale price of our Common Stock and the conversion rate of the notes on such trading day;
- If we call any or all of the notes for redemption; or
- Upon the occurrence of specific corporate events such as a change in control or certain beneficial distributions to common stockholders (as set forth in the indenture governing the notes).

Upon conversion, we will pay cash up to the aggregate principal amount of the notes to be converted and cash, shares of our Common Stock, or a combination of cash and shares of our Common Stock, at our election for the remainder of our obligation in excess, if any, of the aggregate principal amount of the notes being converted.

We may not redeem the notes prior to March 20, 2024. On or after March 20, 2024, we may redeem all or any portion of the notes for cash equal to 100% of the principal amount of the notes being redeemed if the last reported sale price of our Common Stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period.

If we undergo a fundamental change (e.g., change of control), subject to certain conditions, holders of the notes may require us to repurchase for cash all or any portion of their notes at a repurchase price equal to 100% of the principal amount of the notes. In addition, if specific corporate events occur prior to the maturity date or if we issue a notice of redemption, we will increase the conversion rate by pre-defined amounts for a holder who elects to convert their notes in connection with such a corporate event. During the first quarter of 2021, the conditions allowing holders of the notes to convert were not met.

The notes were issued at par and fees associated with the issuance of these notes is amortized to *Interest expense on Company debt excluding Ford Credit* over the contractual term of the notes. Amortization of issuance costs for the first quarter of 2021 was de minimis. The effective interest rate of the notes is 0.3%.

The total estimated fair value of the notes as of March 31, 2021 was approximately \$2.3 billion. The fair value was determined using commonly employed valuation methodologies applying observable market inputs and is classified within Level 2 of the fair value hierarchy.

The notes did not have an impact on our first quarter 2021 diluted EPS as the average market price of our Common Stock during the quarter did not exceed the conversion price of the notes.

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

**NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

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

**Income Effect of Derivative Financial Instruments**

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

	First Quarter	
	2020	2021
<b>Cash flow hedges</b>		
<b>Reclassified from AOCI to Cost of sales</b>		
Foreign currency exchange contracts (a)	\$ (70)	\$ (15)
Commodity contracts (b)	(14)	8
<b>Fair value hedges</b>		
<b>Interest rate contracts</b>		
Net interest settlements and accruals on hedging instruments	28	101
Fair value changes on hedging instruments	1,110	(641)
Fair value changes on hedged debt	(1,093)	590
<b>Cross-currency interest rate swap contracts</b>		
Net interest settlements and accruals on hedging instruments	—	(3)
Fair value changes on hedging instruments	—	(50)
Fair value changes on hedged debt	—	44
<b>Derivatives not designated as hedging instruments</b>		
Foreign currency exchange contracts (c)	586	233
Cross-currency interest rate swap contracts	(151)	(245)
Interest rate contracts	(74)	(31)
Commodity contracts	(43)	55
<b>Total</b>	<b>\$ 279</b>	<b>\$ 46</b>

(a) For the first quarter of 2020 and 2021, an \$897 million gain and a \$461 million loss, respectively, were reported in *Other comprehensive income/(loss), net of tax*.

(b) For the first quarter of 2020 and 2021, a \$101 million loss and an \$80 million gain, respectively, were reported in *Other comprehensive income/(loss), net of tax*.

(c) For the first quarter of 2020 and 2021, a \$376 million gain and a \$181 million gain were reported in *Cost of sales*, respectively, and a \$210 million gain and a \$52 million gain were reported in *Other income/(loss), net*, respectively.

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

**NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)****Balance Sheet Effect of Derivative Financial Instruments**

Derivative assets and liabilities are reported on our consolidated balance sheets 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 were as follows (in millions):

	December 31, 2020			March 31, 2021		
	Notional	Fair Value of Assets	Fair Value of Liabilities	Notional	Fair Value of Assets	Fair Value of Liabilities
<b>Cash flow hedges</b>						
Foreign currency exchange contracts	\$ 15,860	\$ 47	\$ 383	\$ 14,192	\$ 2	\$ 677
Commodity contracts	703	40	5	750	103	1
<b>Fair value hedges</b>						
Interest rate contracts	26,924	1,331	4	25,646	934	204
Cross-currency interest rate swap contracts	885	46	—	885	2	—
<b>Derivatives not designated as hedging instruments</b>						
Foreign currency exchange contracts	25,956	172	399	24,341	258	274
Cross-currency interest rate swap contracts	6,849	557	1	6,822	275	25
Interest rate contracts	70,318	663	439	61,608	425	314
Commodity contracts	599	74	4	696	97	4
Total derivative financial instruments, gross (a) (b)	<u>\$ 148,094</u>	<u>\$ 2,930</u>	<u>\$ 1,235</u>	<u>\$ 134,940</u>	<u>\$ 2,096</u>	<u>\$ 1,499</u>
Current portion		\$ 974	\$ 859		\$ 956	\$ 816
Non-current portion		1,956	376		1,140	683
Total derivative financial instruments, gross		<u>\$ 2,930</u>	<u>\$ 1,235</u>		<u>\$ 2,096</u>	<u>\$ 1,499</u>

(a) At December 31, 2020 and March 31, 2021, we held collateral of \$9 million and \$3 million and we posted collateral of \$96 million and \$87 million, respectively.

(b) At December 31, 2020 and March 31, 2021, the fair value of assets and liabilities available for counterparty netting was \$505 million and \$664 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 16. 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.

**Company Excluding Ford Credit**

***Global Redesign***

As previously announced, we are executing a global redesign of our business. Redesign-related activities, including employee separation costs, facility and other asset-related charges (e.g., impairment, accelerated depreciation), dealer and supplier payments, other statutory and contractual obligations, and other expenses, are recorded in *Cost of sales* and *Selling, administrative, and other expenses*. Below are actions we have initiated as part of the redesign.

*Brazil.* In February 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 ceased production at the São Bernardo do Campo plant in Brazil during 2019. Ford Brazil completed a sale of the plant machinery and equipment in the third quarter of 2020 and the land and buildings in the fourth quarter of 2020.

In December 2020, Ford Brazil committed to a plan to exit manufacturing operations in Brazil, which will result in the closure of facilities in Camaçari, Taubaté, and Troller in 2021. Operations supporting new vehicle production ceased at Camaçari and Taubaté in January 2021; limited service parts production will continue until the second quarter of 2021 to build inventories for aftermarket sales. The Troller plant will cease operations in the fourth quarter of 2021. These actions will not result in Ford Brazil being substantially liquidated, as it will continue imported vehicle sales and customer support operations, and maintain the product development center in Bahia, the proving grounds in Tatuí, São Paulo, and the regional headquarters in São Paulo.

*Russia.* In March 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 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 completion of the restructuring actions, in July 2019, Ford sold a 51% controlling interest in the restructured entity to Sollers, which resulted in deconsolidation of the Ford Sollers subsidiary. Our continued involvement in Ford Sollers is accounted for as an equity method investment.

In the fourth quarter of 2020, we also completed a sale of certain manufacturing assets.

*United Kingdom.* In June 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. Ford of Britain ceased production at the Bridgend plant and the facility was closed in September 2020.

*India.* In the third quarter of 2019, Ford committed to a plan to sell specific net assets in our India Automotive operations. On December 31, 2020, Ford and Mahindra & Mahindra Limited mutually determined that we will not complete the joint venture.

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

**NOTE 16. EMPLOYEE SEPARATION ACTIONS AND EXIT AND DISPOSAL ACTIVITIES (Continued)**

*Other Global Redesign Actions.* In 2018, we announced our plan to end production at the Ford Aquitaine Industries plant in Bordeaux, France. We ceased production and the facility was closed in July 2019. 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. We ceased production of the C-Max in June 2019. In March 2021, we announced our plan to phase-out the production of the Mondeo at the Valencia Plant in Spain. In addition, we are continuing to reduce our global workforce and take other restructuring actions.

The following table summarizes the redesign-related activities for the periods ended March 31, which are recorded in *Other liabilities and deferred revenue* (in millions):

	First Quarter	
	2020	2021
Beginning balance	\$ 734	\$ 1,732
Changes in accruals (a)	68	193
Payments	(172)	(291)
Foreign currency translation	(29)	(135)
Ending balance	<u>\$ 601</u>	<u>\$ 1,499</u>

(a) Excludes pension costs of \$24 million and \$38 million in the first quarter of 2020 and 2021, respectively.

We also recorded \$14 million and \$302 million in the first quarter of 2020 and 2021, respectively, for accelerated depreciation and other non-cash items.

We estimate that we will incur total charges in 2021 that range between \$2.2 billion and \$2.7 billion related to the actions above, primarily attributable to employee separations, accelerated depreciation, and dealer and supplier settlements. We continue to review our global businesses and may take additional restructuring actions in markets where a path to sustained profitability is not feasible when considering the capital allocation required for those markets.

**Other Actions**

*United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") Voluntary Separation Packages.* As agreed in the collective bargaining agreement ratified in November 2019, during the first quarter of 2020, we offered voluntary separation packages to our UAW hourly workforce who were eligible for normal or early retirement, and recorded associated costs of \$201 million in *Cost of sales*. All separations occurred during 2020.

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

**NOTE 17. HELD-FOR-SALE OPERATIONS AND CHANGES IN INVESTMENTS IN AFFILIATES****Company Excluding Ford Credit**

*Ford Lio Ho Motor Co., Ltd. ("FLH")*. In the first quarter of 2021, we concluded the terms of a sale of our controlling interest in FLH, a consolidated joint venture with Taiwan investors, and its wholly owned subsidiary FLH Marketing & Service Limited ("FMSL"). FLH and FMSL import, manufacture, and sell Ford-branded vehicles in Taiwan. We have reported the assets and liabilities of these operations as held for sale and ceased depreciation and amortization of those assets.

The assets and liabilities of our Ford Taiwan operations classified as held for sale were as follows (in millions):

	<b>March 31, 2021</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 16
Trade and other receivables, net	12
Inventories	141
Other assets, current	21
Net property	124
Other assets, non-current	2
Total Company excluding Ford Credit assets of held-for-sale operations	316
Less: Intercompany asset balances	(1)
Total assets of held-for-sale operations (a)	\$ 315
<b>Liabilities</b>	
Payables	\$ 124
Other liabilities and deferred revenue, current	49
Company excluding Ford Credit debt payable within one year	114
Other liabilities and deferred revenue, non-current	35
Total Company excluding Ford Credit liabilities of held-for-sale operations	322
Less: Intercompany liability balances	(31)
Total liabilities of held-for-sale operations (a)	\$ 291

(a) As of March 31, 2021, intercompany items and transactions have been eliminated on the consolidated balance sheets. Upon closing, the buyer will assume the intercompany assets and liabilities. Accordingly, we have presented those balances in the table for informational purposes.

Held-for-sale assets are measured at the lower of carrying amount and fair value less cost to sell. We determined fair value using a market approach, estimated based on the negotiated value of the assets, and determined the assets held for sale were not impaired.

On April 1, 2021, we completed the sale of our controlling financial interest in FLH and its wholly owned subsidiary FMSL, which will result in deconsolidation of our Ford Taiwan subsidiary in the second quarter of 2021. FLH will continue to import, manufacture, and sell Ford-branded vehicles for at least a five-year period. We expect to recognize a pre-tax gain of about \$150 million, which will be reported in *Other income/(loss), net* in the second quarter of 2021.

*Getrag Ford Transmissions GmbH ("GFT")*. Prior to March 2021, Ford and Magna International Inc. ("Magna") equally owned and operated the GFT joint venture for the purpose of developing, manufacturing, and selling transmissions. We accounted for our investment in GFT as an equity method investment. During the first quarter of 2021, GFT recorded restructuring charges, of which our share was \$40 million. These charges are included in *Equity in net income/(loss) of affiliated companies*.

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

**NOTE 17. HELD-FOR-SALE OPERATIONS AND CHANGES IN INVESTMENTS IN AFFILIATES (Continued)**

On March 1, 2021, we acquired Magna's shares in a restructured GFT for \$254 million. The restructured GFT includes the Halewood, UK and Cologne, Germany transmission plants, but excludes the Bordeaux, France transmission plant and China interests acquired by Magna. We concluded with Magna that these businesses would be better served under separate ownership. The Sanand, India transmission plant will continue under joint Ford/Magna ownership. As a result of the transaction, we consolidated the restructured GFT, remeasured our prior investment in GFT at its \$254 million fair value, and recognized a gain of \$155 million in *Other income/(loss), net*. We estimated the fair value of GFT in negotiations with Magna based on the income approach. The significant assumptions used in the valuation included GFT's cash flows that reflect the approved business plan, discounted at a rate typically used for a company like GFT. See Note 11 for information about goodwill recognized as part of this transaction.

**Ford Credit**

In the first quarter of 2020, Ford Credit completed the sale of its wholly-owned subsidiary Forso Nordic AB, recognizing a pre-tax loss of \$4 million, reported in *Other income/(loss), net*, and cash proceeds of \$1.3 billion.

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

**NOTE 18. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)**

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

	First Quarter	
	2020	2021
<b>Foreign currency translation</b>		
Beginning balance	\$ (4,626)	\$ (5,526)
Gains/(Losses) on foreign currency translation	(1,406)	394
Less: Tax/(Tax benefit)	27	97
Net gains/(losses) on foreign currency translation	(1,433)	297
(Gains)/Losses reclassified from AOCI to net income (a)	(20)	(8)
Other comprehensive income/(loss), net of tax	(1,453)	289
Ending balance	\$ (6,079)	\$ (5,237)
<b>Marketable securities</b>		
Beginning balance	\$ 71	\$ 156
Gains/(Losses) on available for sale securities	19	(76)
Less: Tax/(Tax benefit)	5	(19)
Net gains/(losses) on available for sale securities	14	(57)
(Gains)/Losses reclassified from AOCI to net income	—	(11)
Less: Tax/(Tax benefit)	—	(3)
Net (gains)/losses reclassified from AOCI to net income	—	(8)
Other comprehensive income/(loss), net of tax	14	(65)
Ending balance	\$ 85	\$ 91
<b>Derivative instruments</b>		
Beginning balance	\$ (488)	\$ (266)
Gains/(Losses) on derivative instruments	796	(381)
Less: Tax/(Tax benefit)	173	(74)
Net gains/(losses) on derivative instruments	623	(307)
(Gains)/Losses reclassified from AOCI to net income	84	7
Less: Tax/(Tax benefit)	15	1
Net (gains)/losses reclassified from AOCI to net income (b)	69	6
Other comprehensive income/(loss), net of tax	692	(301)
Ending balance	\$ 204	\$ (567)
<b>Pension and other postretirement benefits</b>		
Beginning balance	\$ (2,685)	\$ (2,658)
Amortization and recognition of prior service costs/(credits)	4	3
Less: Tax/(Tax benefit)	1	1
Net prior service costs/(credits) reclassified from AOCI to net income	3	2
Translation impact on non-U.S. plans	11	(1)
Other comprehensive income/(loss), net of tax	14	1
Ending balance	\$ (2,671)	\$ (2,657)
Total AOCI ending balance at March 31	\$ (8,461)	\$ (8,370)

(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 \$366 million (see Note 15).

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

**NOTE 19. VARIABLE INTEREST ENTITIES**

Certain of our affiliates are variable interest entities in which we are not the primary beneficiary. Our maximum exposure to any potential losses associated with these affiliates is limited to our investments and was \$3 billion at both December 31, 2020 and March 31, 2021.

**NOTE 20. COMMITMENTS AND CONTINGENCIES**

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

**Guarantees and Indemnifications**

*Financial Guarantees.* Financial guarantees and indemnifications are recorded at fair value at their inception. Subsequent to initial recognition, the guarantee liability is adjusted at each reporting period to reflect the current estimate of expected payments resulting from possible default events over the remaining life of the guarantee. The maximum potential payments for financial guarantees were \$346 million and \$351 million at December 31, 2020 and March 31, 2021, respectively. The carrying value of recorded liabilities related to financial guarantees was \$46 million and \$29 million at December 31, 2020 and March 31, 2021, respectively.

Our financial guarantees consist of 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.

*Non-Financial Guarantees.* Non-financial 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. The maximum potential payments for non-financial guarantees were \$245 million and \$394 million at December 31, 2020 and March 31, 2021, respectively. The carrying value of recorded liabilities related to non-financial guarantees was \$48 million and \$86 million at December 31, 2020 and March 31, 2021, respectively.

Included in the \$394 million of maximum potential payments at March 31, 2021 are guarantees for the resale value of vehicles sold in certain arrangements to daily rental companies. The maximum potential payment of \$388 million as of March 31, 2021 represents the total proceeds we guarantee the rental company will receive on resale. Reflecting our present estimate of proceeds the rental companies will receive on resale from third parties, we have recorded \$85 million as our best estimate of the amount we will have to pay under the guarantee.

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 contract claim brought by a counterparty, including a joint venture or alliance partner, or 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.

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

**NOTE 20. COMMITMENTS AND CONTINGENCIES (Continued)**

**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.

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 \$400 million.

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.

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

**NOTE 20. COMMITMENTS AND CONTINGENCIES (Continued)****Warranty and Field Service Actions**

We accrue the estimated cost of both base warranty coverages and field service actions at the time of sale. We establish our estimate of base warranty obligations using a patterned estimation model, using historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. We establish our estimates of field service action obligations using a patterned estimation model, using historical information regarding the nature, frequency, severity, and average cost of claims for each model year. In addition, from time to time, we issue extended warranties at our expense, the estimated cost of which is accrued at the time of issuance. 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, net* and *Other assets*.

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

	First Quarter	
	2020	2021
Beginning balance	\$ 5,702	\$ 8,172
Payments made during the period	(1,075)	(1,086)
Changes in accrual related to warranties issued during the period	805	1,000
Changes in accrual related to pre-existing warranties	521	(141)
Foreign currency translation and other	(164)	(40)
Ending balance	<u>\$ 5,789</u>	<u>\$ 7,905</u>

Changes to our estimated costs are reported as changes in accrual related to pre-existing warranties in the table above. Our estimate of reasonably possible costs in excess of our accruals for material field service actions and customer satisfaction actions is a range of up to about \$1 billion in the aggregate.



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

**NOTE 21. SEGMENT INFORMATION**

We report segment information consistent with the way our chief operating decision maker (“CODM”) evaluates the operating results and performance of the Company. Accordingly, we analyze the results of our business through the following segments: Automotive, Mobility, and Ford Credit.

Effective January 1, 2021, consistent with how our CODM assesses performance of the segments and makes decisions about resource allocations, we changed the measurement of our segments as follows: (i) costs and benefits related to enterprise connectivity activities included in the Mobility segment are now reported in the Automotive segment; (ii) certain corporate governance expenses that benefit the global enterprise reported in the Automotive segment are now reported as part of Corporate Other; and (iii) cash and other centrally managed corporate assets reported in the Automotive segment were realigned to Corporate Other.

In addition, we realigned tax-related assets within our segments to reflect our adoption of ASU 2019-12 as of January 1, 2021 (see Note 2).

Prior period amounts were adjusted retrospectively to reflect these changes.

Below is a description of our reportable segments and other activities.

**Automotive Segment**

The 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 and enterprise connectivity. The segment includes the following regional business units: North America, South America, Europe, China (including Taiwan), and the International Markets Group.

**Mobility Segment**

The Mobility segment primarily includes development costs for Ford’s autonomous vehicles and related businesses, Ford’s equity ownership in Argo AI (a developer of autonomous driving systems), and other mobility businesses and investments (including Spin, a micro-mobility service provider).

**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 gains and losses from our cash, cash equivalents, marketable securities, and other investments, 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. Corporate Other assets include: cash, cash equivalents, and marketable securities; tax related assets; other investments; and other assets managed centrally.

**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.

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

**NOTE 21. SEGMENT INFORMATION (Continued)****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 ordinarily 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.

Key financial information for the periods ended or at March 31 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>
<b>First Quarter 2020</b>								
Revenues	\$ 31,342	\$ 11	\$ 2,967	\$ —	\$ —	\$ —	\$ —	\$ 34,320
Income/(loss) before income taxes	(154)	(285)	30	(223)	(227)	(287) (a)	—	(1,146)
Equity in net income/(loss) of affiliated companies	(47)	—	6	—	—	—	—	(41)
Total assets	62,818	378	156,451	47,308	—	—	(2,805) (b)	264,150
<b>First Quarter 2021</b>								
Revenues	\$ 33,554	\$ 11	\$ 2,663	\$ —	\$ —	\$ —	\$ —	\$ 36,228
Income/(loss) before income taxes	3,403	(197)	962	648 (c)	(473)	(401) (a)	—	3,942
Equity in net income/(loss) of affiliated companies	174	(59)	5	1	—	(42) (a)	—	79
Total assets	65,633	3,612	146,349	46,492	—	—	(1,267) (b)	260,819

(a) Primarily reflects Global Redesign actions.

(b) Includes eliminations of intersegment transactions occurring in the ordinary course of business and deferred tax netting.

(c) Includes the unrealized gain of \$902 million related to the Rivan observable event (see Note 10).

**ITEM 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations.***

**RECENT DEVELOPMENTS**

The automotive industry continues to face a significant shortage of semiconductors, which has presented challenges and production disruptions globally, including at our assembly plants. Our initial outlook was for semiconductor supply chains to remain constrained through the second quarter of 2021, and we would have an opportunity to begin recovering lost volumes in the second half of 2021. However, the industry faced another setback on March 19, 2021, when Renesas Electronics Corporation, a key supplier of semiconductors for the automotive industry, experienced a significant fire at its Naka Factory. Renesas estimates that it will return to full capacity at its Naka Factory in July. Based on the overall recovery rate we are seeing for the industry, we now believe the automotive semiconductor shortage may not be fully resolved until 2022. For additional information regarding the semiconductor shortage, see the Outlook section on page [56](#).

**RESULTS OF OPERATIONS**

In the first quarter of 2021, the net income attributable to Ford Motor Company was \$3,262 million, and Company adjusted EBIT was \$4,816 million.

Net income/(loss) includes certain items ("special items") that are excluded from Company adjusted EBIT. These items are discussed in more detail in Note 21 of the Notes to the Financial Statements. We report special items separately 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. Our pre-tax and tax special items were as follows (in millions):

	First Quarter	
	2020	2021
<b>Global Redesign</b>		
Europe excl. Russia	\$ (105)	\$ (94)
India	(3)	—
South America	(17)	(322)
Russia	20	3
China	—	(1)
Separations and Other (not included above)	(1)	(2)
Subtotal Global Redesign	\$ (106)	\$ (416)
<b>Other Items</b>		
North America hourly buyouts / Other	\$ (203)	\$ (7)
Subtotal Other Items	\$ (203)	\$ (7)
<b>Pension and OPEB Gain/(Loss)</b>		
Pension and OPEB remeasurement	\$ 22	\$ 61
Pension settlements and curtailments	—	(39)
Subtotal Pension and OPEB Gain/(Loss)	\$ 22	\$ 22
Total EBIT Special Items	\$ (287)	\$ (401)
Cash effect of Global Redesign (incl. separations)	\$ (172)	\$ (345)
Provision for/(Benefit from) tax special items (a)	\$ 787	\$ (99)

(a) Includes related tax effect on special items and tax special items.

We recorded \$401 million of pre-tax special item charges in the first quarter of 2021, primarily reflecting Global Redesign actions in South America and Europe.

In Note 21 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.

**COMPANY KEY METRICS**

The table below shows our first quarter 2021 key metrics for the Company, compared to a year ago.

	First Quarter		
	2020	2021	H / (L)
<b>GAAP Financial Measures</b>			
Cash Flows from Operating Activities (\$B)	\$ (0.5)	\$ 4.5	\$ 5.0
Revenue (\$M)	34,320	36,228	6 %
Net Income/(Loss) (\$M)	(1,993)	3,262	5,255
Net Income/(Loss) Margin (%)	(5.8)%	9.0 %	14.8 pts
EPS (Diluted)	\$ (0.50)	\$ 0.81	\$ 1.31
<b>Non-GAAP Financial Measures (a)</b>			
Company Adj. Free Cash Flow (\$B)	\$ (2.2)	\$ (0.4)	\$ 1.8
Company Adj. EBIT (\$M)	(632)	4,816	5,448
Company Adj. EBIT Margin (%)	(1.8)%	13.3 %	15.1 pts
Adjusted EPS (Diluted)	\$ (0.23)	\$ 0.89	\$ 1.12
Adjusted ROIC (Trailing Four Quarters)	2.5 %	8.2 %	5.7 pts

(a) See *Non-GAAP Financial Measure Reconciliations* section for reconciliation to GAAP.

In the first quarter of 2021, our diluted earnings per share of Common and Class B Stock was \$0.81 and our diluted adjusted earnings per share was \$0.89.

Net income/(loss) margin was 9.0% in the first quarter of 2021, up 14.8 percentage points from a year ago. Company adjusted EBIT margin was 13.3% in the first quarter of 2021, up 15.1 percentage points from a year ago.

The year-over-year increases of \$5,255 million in net income/(loss) and \$5,448 million in Company adjusted EBIT in the first quarter of 2021 were driven by improvements in Automotive EBIT, Ford Credit EBT, and Corporate Other, which includes a \$902 million non-cash gain from our investment in Rivian.

The table below shows our first quarter 2021 net income/(loss) attributable to Ford and Company adjusted EBIT by segment.

	First Quarter		
	2020	2021	H / (L)
Automotive	\$ (154)	\$ 3,403	\$ 3,557
Mobility	(285)	(197)	88
Ford Credit	30	962	932
Corporate Other	(223)	648	871
Company Adjusted EBIT (a)	(632)	4,816	5,448
Interest on Debt	(227)	(473)	246
Special Items	(287)	(401)	114
Taxes / Noncontrolling Interests	(847)	(680)	(167)
Net Income/(Loss)	\$ (1,993)	\$ 3,262	\$ 5,255

(a) See *Non-GAAP Financial Measure Reconciliations* section for reconciliation to GAAP.

## Automotive Segment

The table below shows our first quarter 2021 Automotive segment EBIT by business unit (in millions).

	First Quarter		
	2020	2021	H / (L)
North America	\$ 373	\$ 2,949	\$ 2,576
South America	(112)	(73)	39
Europe	(149)	341	490
China (including Taiwan)	(241)	(15)	226
International Markets Group	(25)	201	226
Automotive Segment	\$ (154)	\$ 3,403	\$ 3,557

The tables below and on the following pages provide first quarter 2021 key metrics and the change in first quarter 2021 EBIT compared with first quarter 2020 by causal factor for our Automotive segment and its regional business units: North America, South America, Europe, China (including Taiwan), and the International Markets Group. For a description of these causal factors, see *Definitions and Information Regarding Automotive Causal Factors*.

Key Metrics	First Quarter		
	2020	2021	H / (L)
Market Share (%)	6.0 %	5.3 %	(0.6) pts
Wholesale Units (000)	1,126	1,062	(64)
Revenue (\$M)	\$ 31,342	\$ 33,554	\$ 2,212
EBIT (\$M)	(154)	3,403	3,557
EBIT Margin (%)	(0.5)%	10.1 %	10.6 pts

### Change in EBIT by Causal Factor (in millions)

First Quarter 2020 EBIT	\$ (154)
Volume / Mix	(778)
Net Pricing	2,954
Cost	806
Exchange	205
Other	370
<b>First Quarter 2021 EBIT</b>	<b>\$ 3,403</b>

In the first quarter of 2021, wholesales declined 6% from a year ago, primarily reflecting the impact of semiconductor supply constraints in North America and Europe and the shift to a new business model in South America, partially offset by improvement in China and IMG. The global semiconductor shortage eliminated about 17% of our planned first quarter 2021 production, or about 200,000 units. First quarter 2021 revenue increased 7%, primarily reflecting higher net pricing, favorable mix, and stronger currencies, partially offset by lower volume.

Our first quarter 2021 Automotive segment EBIT was \$3.4 billion, an improvement of \$3.6 billion from a year ago, and our first quarter 2021 Automotive EBIT margin was 10.1%. The higher EBIT was driven by higher net pricing (reflecting the strength of our product portfolio and lower incentives in response to reduced dealer stock levels), lower warranty expense, structural cost reductions in areas such as manufacturing and advertising, and higher profits from our Ford Customer Service Division business and our joint ventures, partially offset by lower volumes. We expect some of these improvements, such as lower manufacturing cost and the robust pricing environment, to moderate as the industry returns to full production and dealer stocks rebound.

## North America

Key Metrics	First Quarter		
	2020	2021	H / (L)
Market Share (%)	13.6 %	12.5 %	(1.1) ppts
Wholesale Units (000)	619	533	(85)
Revenue (\$M)	\$ 21,811	\$ 22,993	\$ 1,182
EBIT (\$M)	373	2,949	2,576
EBIT Margin (%)	1.7 %	12.8 %	11.1 ppts

### Change in EBIT by Causal Factor (in millions)

First Quarter 2020 EBIT	\$	373
Volume / Mix		(550)
Net Pricing		2,550
Cost		418
Exchange		102
Other		56
<b>First Quarter 2021 EBIT</b>	<b>\$</b>	<b>2,949</b>

In North America, first quarter 2021 wholesales declined 14% from a year ago, driven by the impact of semiconductor supply constraints. First quarter 2021 revenue increased 5%, primarily reflecting robust customer demand for the new product portfolio, higher industrywide net pricing on lower dealer inventories from the semiconductor supply shortage, and favorable mix.

North America's first quarter 2021 EBIT improved \$2.6 billion from a year ago with an EBIT margin of 12.8%. The EBIT improvement was driven by higher net pricing, favorable mix, lower warranty expense, and improved structural costs.

## South America

Key Metrics	First Quarter		
	2020	2021	H / (L)
Market Share (%)	6.9 %	3.6 %	(3.3) ppts
Wholesale Units (000)	59	18	(42)
Revenue (\$M)	\$ 728	\$ 436	\$ (292)
EBIT (\$M)	(112)	(73)	39
EBIT Margin (%)	(15.4)%	(16.7)%	(1.3) ppts

### Change in EBIT by Causal Factor (in millions)

First Quarter 2020 EBIT	\$	(112)
Volume / Mix		(73)
Net Pricing		73
Cost		13
Exchange		20
Other		6
<b>First Quarter 2021 EBIT</b>	<b>\$</b>	<b>(73)</b>

In South America, first quarter 2021 wholesales declined 70% from a year ago, driven by the impact of shifting to a new business model focused on key portfolio strengths, mainly Ranger pickup, Transit van, and key imports. First quarter 2021 revenue decreased 40%, primarily reflecting lower volume and weaker currencies.

South America's first quarter 2021 EBIT loss improved \$39 million from a year ago with an EBIT margin of negative 16.7%. The EBIT improvement was driven by structural cost reductions, pricing to offset inflation, and weaker currencies. This was South America's sixth consecutive quarter of year-over-year EBIT improvement.

## Europe

Key Metrics	First Quarter		
	2020	2021	H / (L)
Market Share (%)	6.9 %	7.2 %	0.3 pts
Wholesale Units (000) (a)	288	278	(10)
Revenue (\$M)	\$ 6,247	\$ 7,050	\$ 803
EBIT (\$M)	(149)	341	490
EBIT Margin (%)	(2.4)%	4.8 %	7.2 pts

(a) Includes Ford brand vehicles produced and sold by our unconsolidated affiliate in Turkey (about 11,000 units in Q1 2020 and 17,000 units in Q1 2021). Revenue does not include these sales.

### Change in EBIT by Causal Factor (in millions)

First Quarter 2020 EBIT	\$	(149)
Volume / Mix		(151)
Net Pricing		247
Cost		300
Exchange		(4)
Other		98
<b>First Quarter 2021 EBIT</b>	<b>\$</b>	<b>341</b>

In Europe, first quarter 2021 wholesales declined 4% from a year ago, driven by the impact of semiconductor supply constraints, partially offset by stronger commercial vehicle sales. First quarter 2021 revenue increased 13% year over year, primarily reflecting stronger currencies, favorable mix, and higher net pricing, partially offset by lower volume.

Europe's first quarter 2021 EBIT increased \$490 million year over year with an EBIT margin of 4.8%. The higher EBIT was driven by cost reductions and higher net pricing, partially offset by lower volume.



**China (Including Taiwan)**

Key Metrics	First Quarter		
	2020	2021	H / (L)
Market Share (%)	2.2 %	2.3 %	0.1 pts
Wholesale Units (000) (a)	81	150	69
Revenue (\$M)	\$ 593	\$ 825	\$ 232
EBIT (\$M)	(241)	(15)	226
EBIT Margin (%)	(40.6)%	(1.8)%	38.8 pts
<b>China Unconsolidated Affiliates</b>			
Wholesales (000)	72	140	68
Ford Equity Income/(Loss) (\$M)	\$ (91)	\$ 49	\$ 140

(a) Includes Ford brand and JMC brand vehicles produced and sold in China by our unconsolidated affiliates. Revenue does not include these sales.

**Change in EBIT by Causal Factor (in millions)**

First Quarter 2020 EBIT	\$	(241)
Volume / Mix		14
Net Pricing		30
Cost		(7)
Exchange		3
Other (Including Joint Ventures)		186
<b>First Quarter 2021 EBIT</b>	<b>\$</b>	<b>(15)</b>

In China, first quarter 2021 wholesales increased 85% from a year ago, driven by the non-recurrence of 2020 COVID-related shutdowns, localization of Lincoln, and the strength of commercial vehicles, which now represent 48% of our sales in China. First quarter 2021 revenue increased 39% year over year, primarily reflecting higher component sales to our joint ventures in China and favorable mix.

China's first quarter 2021 EBIT loss improved \$226 million from a year ago with an EBIT margin of negative 1.8%. The EBIT improvement was driven by higher profits at our joint ventures, higher net pricing, and favorable mix. This was China's fourth consecutive quarter of year-over-year EBIT improvement.

**International Markets Group**

Key Metrics	First Quarter		
	2020	2021	H / (L)
Market Share (%)	1.5 %	1.7 %	0.2 pts
Wholesale Units (000) (a)	78	82	4
Revenue (\$M)	\$ 1,962	\$ 2,250	\$ 288
EBIT (\$M)	(25)	201	226
EBIT Margin (%)	(1.3)%	8.9 %	10.2 pts

(a) Includes Ford brand vehicles produced and sold by our unconsolidated affiliate in Russia (about 3,000 units in both Q1 2020 and Q1 2021). Revenue does not include these sales.

**Change in EBIT by Causal Factor (in millions)**

First Quarter 2020 EBIT	\$	(25)
Volume / Mix		(19)
Net Pricing		54
Cost		83
Exchange		84
Other		24
<b>First Quarter 2021 EBIT</b>	<b>\$</b>	<b>201</b>

In our International Markets Group, first quarter 2021 wholesales increased 5% from a year ago, driven by higher industry volumes and improvement in market share. First quarter 2021 revenue increased 15% year over year, primarily reflecting stronger currencies, increased volume, higher net pricing, and favorable mix.

Our International Markets Group's first quarter 2021 EBIT was \$226 million higher than a year ago with an EBIT margin of 8.9%. The record quarterly EBIT was driven by favorable exchange, cost reductions, and higher net pricing.

*Definitions and Information Regarding Automotive Causal Factors*

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 wholesale units):
  - **Volume and Mix** – primarily measures EBIT variance from changes in wholesale unit 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 unit 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
- **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
- **Other** – includes a variety of items, such as parts and services earnings, royalties, government incentives, and compensation-related changes

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

### **Mobility Segment**

Effective January 1, 2021, we realigned the costs and benefits related to enterprise connectivity activities previously included in the Mobility segment to the Automotive segment. Accordingly, beginning in 2021, the Mobility segment primarily includes development costs for Ford's autonomous vehicles and related businesses, Ford's equity ownership in Argo AI (a developer of autonomous driving systems), and other mobility businesses and investments (including Spin, a micro-mobility service provider).

In our Mobility segment, our first quarter 2021 EBIT loss was \$197 million, an \$88 million improvement from a year ago. The loss reflects our strategic investments as we continued to expand our capabilities in autonomous vehicles and mobility businesses.

## 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](http://www.fordcredit.com/investor-center) and can also be found on the SEC's website located at [www.sec.gov](http://www.sec.gov).

The tables below provide first quarter 2021 key metrics and the change in first quarter 2021 EBT compared with first quarter 2020 by causal factor for the Ford Credit segment. For a description of these causal factors, see *Definitions and Information Regarding Ford Credit Causal Factors*.

GAAP Financial Measures	First Quarter		
	2020	2021	H / (L)
Net Receivables (\$B)	\$ 138	\$ 127	(8)%
Loss-to-Receivables (bps) (a)	62	22	(40)
Auction Values (b)	\$ 19,235	\$ 21,925	14 %
EBT (\$M)	\$ 30	\$ 962	\$ 932
ROE (%) (c)	— %	22 %	22 ppts
<b>Other Balance Sheet Metrics</b>			
Debt (\$B)	\$ 137	\$ 127	(7)%
Net Liquidity (\$B)	28	34	20 %
Financial Statement Leverage (to 1) (c)	8.9	8.3	(0.6)

(a) U.S. retail financing only.

(b) U.S. 36-month off-lease auction values at Q1 2021 mix.

(c) Prior period amounts have been updated as a result of the adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. For additional information, see Note 2 of the Notes to the Financial Statements.

Non-GAAP Financial Measures	First Quarter		
	2020	2021	H / (L)
Managed Receivables (\$B) (a)	\$ 146	\$ 135	(8)%
Managed Leverage (to 1) (b) (c)	8.0	7.3	(0.7)

(a) See *Non-GAAP Financial Measure Reconciliations* section for reconciliation to GAAP.

(b) See *Liquidity and Capital Resources - Ford Credit Segment* section for reconciliation to GAAP.

(c) Prior period amount has been updated as a result of the adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. For additional information, see Note 2 of the Notes to the Financial Statements.

### Change in EBT by Causal Factor (in millions)

First Quarter 2020 EBT	\$ 30
Volume / Mix	(48)
Financing Margin	(3)
Credit Loss	625
Lease Residual	448
Exchange	17
Other	(107)
<b>First Quarter 2021 EBT</b>	<b>\$ 962</b>

Ford Credit's loss-to-receivables ratio remained at a low level in the first quarter of 2021, at 0.22%, which was 40 basis points lower than a year ago. U.S. auction values in the first quarter of 2021 were 14% higher than a year ago. Full year 2021 auction values are now forecasted to be higher than 2020, consistent with third party estimates.

Ford Credit's first quarter 2021 EBT of \$962 million was \$932 million higher than a year ago, primarily reflecting the non-recurrence of the first quarter 2020 increase to the credit loss reserve due to COVID-19 as well as favorable auction performance on off-lease vehicles as a result of lower dealer stocks due to the semiconductor shortage. Unfavorable performance in market valuation adjustments to derivatives due to rising interest rates was a partial offset.

*Definitions and Information Regarding Ford Credit Causal Factors*

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 vehicles sold and leased, the extent to which Ford Credit purchases retail financing and operating 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 forward looking macroeconomic conditions. For additional information, refer to the "Critical Accounting Estimates - Allowance for Credit Losses" section of Item 7 of Part II of our 2020 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. Accumulated depreciation reflects early termination losses on operating leases due to customer default events. 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 2020 Form 10-K Report
- **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/(loss) 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/(loss) 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

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

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

- *Cash* (as shown in the Funding Structure, Liquidity, and Leverage tables) – Cash, cash equivalents, and marketable securities, excluding amounts related to insurance activities
- *Debt* (as shown in the Key Metrics and Leverage tables) – Debt on Ford Credit's balance sheets. 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
- *Earnings Before Taxes (EBT)* – Reflects Ford Credit's income before income taxes
- *Return on Equity (ROE)* (as shown in the Key Metrics table) – Reflects return on equity calculated by annualizing net income for the period and dividing by monthly average equity for the period
- *Securitization and Restricted Cash* (as shown in the Liquidity table) – Securitization cash is held for the benefit of the securitization investors (for example, a reserve fund). Restricted cash is primarily held to meet certain local governmental and regulatory reserve requirements and cash held under the terms of certain contractual agreements
- *Securitizations* (as shown in the Public Term Funding Plan table) – Public securitization transactions, Rule 144A offerings sponsored by Ford Credit, and widely distributed offerings by Ford Credit Canada
- *Term Asset-Backed Securities* (as shown in the Funding Structure table) – Obligations issued in securitization transactions that are payable only out of collections on the underlying securitized assets and related enhancements
- *Total Net Receivables* (as shown in the Key Metrics and Ford Credit Net Receivables Reconciliation to Managed Receivables tables) – Includes finance receivables (retail financing 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 sheets 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

### **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 gains and losses from our cash, cash equivalents, marketable securities, and other investments, 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. In the first quarter of 2021, Corporate Other had a \$648 million profit, compared with a \$223 million loss a year ago. The improvement is more than explained by a \$902 million gain on our investment in Rivian.

### **Interest on Debt**

Interest on Debt, which consists of interest expense on Company debt excluding Ford Credit, was \$473 million in the first quarter of 2021, \$246 million higher than a year ago, primarily reflecting higher U.S. debt interest expense.

### **Taxes**

Our *Provision for/(Benefit from) income taxes* for the first quarter 2021 was \$680 million, resulting in an effective tax rate of 17.3%.

Our first quarter 2021 adjusted effective tax rate, which excludes special items, was 17.9%.



## LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2021, total balance sheet cash, cash equivalents, marketable securities, and restricted cash (including Ford Credit) was \$46.3 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

	December 31, 2020	March 31, 2021
<u>Balance Sheets (\$B)</u>		
Company Cash	\$ 30.8	\$ 31.3
Liquidity	46.9	47.2
Debt	(24.0)	(25.9)
Cash Net of Debt	6.8	5.5
<u>Pension Funded Status (\$B) (a)</u>		
Funded Plans	\$ 0.3	\$ 0.9
Unfunded Plans	(7.0)	(6.6)
Total Global Pension	<u>\$ (6.7)</u>	<u>\$ (5.7)</u>
Total Funded Status OPEB	\$ (6.6)	\$ (6.5)

(a) Balances at March 31, 2021 reflect net underfunded status at December 31, 2020, updated for service and interest cost, expected return on assets, curtailment and settlement gains 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 2020.

*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. At March 31, 2021, we had Company cash of \$31.3 billion, with about 88% of Company cash held by consolidated entities domiciled in the United States, and Company liquidity of \$47.2 billion. To be prepared for an economic downturn, we target an ongoing Company cash balance at or above \$20 billion plus significant additional liquidity above our Company cash target. 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.

*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), changes in Company debt excluding Ford Credit, contributions to funded pension plans, shareholder distributions, and other items (including acquisitions and divestitures and other transactions with Ford Credit).

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

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 the sale of vehicles to dealers, which generally occurs shortly after being produced. In contrast, our Automotive trade payables are based primarily on industry-standard production supplier payment terms of generally about 45 days. As a result, our cash flow tends to improve as wholesale volumes increase, but can deteriorate when wholesale volumes sharply decrease. For example, the suspension of production at most of our assembly plants and lower industry volumes due to COVID-19 in early 2020 resulted in an initial deterioration of our cash flow, while the subsequent resumption of manufacturing operations and return to pre-COVID-19 production levels at most of our assembly plants resulted in a subsequent improvement of our cash flow. Even in normal economic conditions, however, 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.

A financial institution offers a supply chain finance ("SCF") program that enables our suppliers, at their sole discretion, to sell their Ford receivables (i.e., our payment obligations to the suppliers) to the financial institution on a non-recourse basis in order to be paid earlier than our payment terms provide. Our suppliers' voluntary inclusion of invoices in the SCF program has no bearing on our payment terms, the amounts we pay, or our liquidity. We have no economic interest in a supplier's decision to participate in the SCF program, and we have no direct financial relationship with the SCF financial institution. Moreover, we do not provide any guarantees in connection with the SCF program. As of March 31, 2021, the outstanding amount of Ford receivables that suppliers elected to sell to the SCF financial institution was \$43 million. The reduction in the balance at the end of the first quarter reflects the transition to a new SCF financial institution. The amount settled through the SCF program during the first quarter of 2021 was \$341 million.

Changes in Company cash excluding Ford Credit are summarized below (in billions):

	First Quarter	
	2020	2021
<u>Company Excluding Ford Credit</u>		
Company Adjusted EBIT excluding Ford Credit (a)	\$ (0.7)	\$ 3.9
Capital spending	\$ (1.8)	\$ (1.4)
Depreciation and tooling amortization	1.4	1.2
Net spending	\$ (0.4)	\$ (0.1)
Receivables	\$ 0.5	\$ (0.6)
Inventory	(1.1)	(2.2)
Trade Payables	(0.5)	1.6
Changes in working capital	\$ (1.2)	\$ (1.2)
Ford Credit distributions	\$ 0.3	\$ 1.0
Interest on debt and cash taxes	(0.4)	(0.4)
All other and timing differences	0.2	(3.5)
Company adjusted free cash flow (a)	\$ (2.2)	\$ (0.4)
Global Redesign (including separations)	\$ (0.2)	\$ (0.3)
Changes in debt	15.1	1.9
Funded pension contributions	(0.2)	(0.2)
Shareholder distributions	(0.6)	—
All other (including acquisitions and divestitures)	0.1	(0.4)
Change in cash	\$ 12.0	\$ 0.5

(a) See *Non-GAAP Financial Measure Reconciliations* section for reconciliation to GAAP.

Note: Numbers may not sum due to rounding.

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

Our first quarter 2021 *Net cash provided by/(used in) operating activities* was positive \$4.5 billion, an increase of \$5.0 billion from a year ago. The year-over-year increase is more than explained by higher net income. Our Company adjusted free cash flow was negative \$0.4 billion, which was \$1.8 billion higher than a year ago, driven by higher adjusted EBIT and Ford Credit distributions and lower capital spending, partially offset by adverse timing differences.

Capital spending was \$1.4 billion in the first quarter of 2021, \$0.4 billion lower than a year ago. We continue to expect full year 2021 capital spending to be between \$6.0 billion and \$6.5 billion.

First quarter 2021 working capital was \$1.2 billion negative, driven by higher inventory due to the semiconductor supply constraints; all other and timing differences were \$3.5 billion negative, reflecting assorted differences including differences between accrual-based EBIT and the associated cash flows (e.g., marketing incentive and warranty payments to dealers; pension and OPEB income or expense) and the \$902 million non-cash gain from our investment in Rivian. We expect the working capital and timing differences to normalize as the semiconductor supply is restored, dealer stocks rebound, and incentives return to more normal levels. This process will take several quarters and will most likely extend into 2022.

In the first quarter of 2021, we contributed \$229 million to our global funded pension plans. We continue to expect to contribute between \$600 million and \$800 million to our global funded pension plans in 2021.

There were no shareholder distributions in the first quarter of 2021.

We previously announced our plan for the global redesign of our business, pursuant to which we are working to turn around automotive operations, compete like a challenger, and capitalize on our strengths by allocating more capital, more resources, and more talent to our strongest business and vehicle franchises. Beginning with the actions we took in 2018, we expect our global redesign to have a potential cash effect of about \$7 billion. The cash effect related to our global redesign activities was \$2 billion through March 31, 2021 and is expected to be about \$5 billion through December 31, 2021.

*Available Credit Lines.* Total Company committed credit lines, excluding Ford Credit, at March 31, 2021 were \$18.3 billion, consisting of \$13.5 billion of our corporate credit facility, \$2 billion of our supplemental revolving credit facility, \$1.5 billion of our delayed draw term loan facility, and \$1.4 billion of local credit facilities. At March 31, 2021, the utilized portion of the corporate credit facility was \$27 million, representing amounts utilized for letters of credit, and no portion of the supplemental revolving credit facility was utilized. The \$1.5 billion delayed draw term loan facility was drawn in full in 2019 and remains outstanding. In addition, \$878 million of committed Company credit lines, excluding Ford Credit, was utilized under local credit facilities for our affiliates as of March 31, 2021.

Lenders under our corporate credit facility have \$0.4 billion of commitments maturing on April 30, 2022, \$3 billion of commitments maturing on July 27, 2023, and \$10.1 billion of commitments maturing on April 30, 2024. Lenders under our supplemental revolving credit facility have \$0.2 billion of commitments maturing on April 30, 2022 and \$1.8 billion of commitments maturing on July 27, 2023.

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 or trigger early repayment. 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. Further, the terms of the corporate and supplemental revolving credit facilities prohibit share repurchases (with limited exceptions) while any portion of either facility is outstanding and the payment of dividends on our Common or Class B Stock while more than 50% of the aggregate amount of commitments under the two facilities is utilized. The terms and conditions of the delayed draw term loan (other than the restrictions on share repurchases and dividends) and the supplemental revolving credit facility are consistent with our corporate credit facility.

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

Each of the corporate credit facility, supplemental revolving credit facility, delayed draw term loan, and our Loan Arrangement and Reimbursement Agreement with the U.S. Department of Energy (the "DOE") include a covenant that requires us to provide guarantees from certain of our subsidiaries in the event that our senior, unsecured, long-term debt does not maintain at least two investment grade ratings from Fitch, Moody's, and S&P. The following subsidiaries have provided unsecured guarantees to the lenders under the credit facilities and to the DOE: Ford Component Sales, LLC; Ford European Holdings LLC; Ford Global Technologies, LLC; Ford Holdings LLC (the parent company of Ford Credit); Ford International Capital LLC; Ford Mexico Holdings LLC; Ford Motor Service Company; Ford Smart Mobility LLC; and Ford Trading Company, LLC.

*Debt.* As shown in Note 14 of the Notes to the Financial Statements, at March 31, 2021, Company debt excluding Ford Credit was \$25.9 billion. This balance is \$1.9 billion higher than at December 31, 2020, primarily reflecting our convertible notes issuance in March 2021.

In March 2021, we issued \$2.3 billion principal amount of 0% Convertible Senior Notes due March 15, 2026. These notes are convertible, under certain circumstances, into Ford Common Stock at a conversion price of approximately \$17.49 per share. Upon conversion, we will pay cash up to the aggregate principal amount of the notes to be converted and cash, shares of Ford Common Stock, or a combination of cash and shares of Ford Common Stock, at our election, for the remainder of our obligation in excess, if any, of the aggregate principal amount of the notes being converted.

*Leverage.* We manage Company debt (excluding Ford Credit) levels with a leverage framework that targets investment grade credit ratings through a normal business cycle; however, during these uncertain times, we have increased our debt balance and prioritized actions that preserve or improve our cash balance. The leverage framework includes a ratio of total company debt (excluding Ford Credit), underfunded pension liabilities, operating leases, and other adjustments, divided by Company adjusted EBIT (excluding Ford Credit EBT), and further adjusted to exclude depreciation and tooling amortization (excluding Ford Credit).

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 Company debt excluding Ford Credit.

## Ford Credit Segment

Ford Credit ended the first quarter of 2021 with \$33.7 billion of liquidity. During the quarter, Ford Credit completed \$5 billion of public term funding.

Key elements of Ford Credit's funding strategy include:

- Maintain strong liquidity; continue to renew and expand committed ABS capacity
- Prudently access public markets
- Flexibility to increase ABS mix as needed; preserving assets and committed capacity
- Target managed leverage of 8:1 to 9:1
- Maintain self-liquidating balance sheet

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 regularly stress tests its balance sheet and liquidity to ensure that it can continue to meet its financial obligations through economic cycles.

The following table shows funding for Ford Credit's managed receivables (in billions):

	March 31, 2020	December 31, 2020	March 31, 2021
Term unsecured debt	\$ 75.4	\$ 76.6	\$ 69.4
Term asset-backed securities	55.7	54.6	50.2
Ford Interest Advantage / Deposits	5.7	6.5	7.2
Other (a)	5.4	5.7	7.2
Equity (a)	15.5	15.6	15.3
Adjustments for cash	(11.3)	(18.5)	(14.1)
<b>Total Managed Receivables (b)</b>	<b>\$ 146.4</b>	<b>\$ 140.5</b>	<b>\$ 135.2</b>

Securitized Funding as Percent of Managed Receivables	38.1 %	38.8 %	37.1 %
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(a) Prior period amounts have been updated as a result of the adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. For additional information, see Note 2 of the Notes to the Financial Statements.

(b) See *Non-GAAP Financial Measure Reconciliations* section for reconciliation to GAAP.

Managed receivables were \$135.2 billion at March 31, 2021, and were funded primarily with term unsecured debt and term asset-backed securities. Securitized funding as a percent of managed receivables was 37.1% at the end of the first quarter of 2021. The calendarization of the funding plan will result in quarterly fluctuations of the securitized funding percentage.

**Public Term Funding Plan.** The following table shows Ford Credit's issuances for full year 2019 and 2020, planned issuances for full year 2021, and its global public term funding issuances through April 27, 2021, excluding short-term funding programs (in billions):

	2019 Actual	2020 Actual	2021 Forecast	Through April 27
Unsecured	\$ 17	\$ 14	\$ 5 - 9	\$ 1
Securitized (a)	14	13	7 - 10	5
<b>Total public</b>	<b>\$ 31</b>	<b>\$ 27</b>	<b>\$ 12 - 19</b>	<b>\$ 6</b>

(a) See *Definitions and Information Regarding Ford Credit Causal Factors* section.

For 2021, Ford Credit now projects full year public term funding in the range of \$12 billion to \$19 billion. Through April 27, 2021, Ford Credit has completed \$6 billion of public term issuances.

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

Liquidity. The following table shows Ford Credit's liquidity sources and utilization (in billions):

	March 31, 2020	December 31, 2020	March 31, 2021
<b>Liquidity Sources (a)</b>			
Cash	\$ 11.3	\$ 18.5	\$ 14.1
Committed asset-backed facilities	35.9	38.1	38.2
Other unsecured credit facilities	2.8	2.5	2.5
Total liquidity sources	\$ 50.0	\$ 59.1	\$ 54.8
<b>Utilization of Liquidity (a)</b>			
Securitization and restricted cash	\$ (3.1)	\$ (3.9)	\$ (5.4)
Committed asset-backed facilities	(18.6)	(16.7)	(11.9)
Other unsecured credit facilities	(0.5)	(0.5)	(0.6)
Total utilization of liquidity	\$ (22.2)	\$ (21.1)	\$ (17.9)
Gross liquidity	\$ 27.8	\$ 38.0	\$ 36.9
Asset-backed capacity in excess of eligible receivables and other adjustments	0.3	(2.6)	(3.2)
Net liquidity available for use	\$ 28.1	\$ 35.4	\$ 33.7

(a) See Definitions and Information Regarding Ford Credit Causal Factors section.

Ford Credit's net liquidity available for use will fluctuate quarterly based on factors including near-term debt maturities, receivable growth and decline, and timing of funding transactions. At March 31, 2021, Ford Credit's net liquidity available for use was \$33.7 billion, \$1.7 billion lower than year-end 2020. Ford Credit's sources of liquidity include cash, committed asset-backed facilities, and unsecured credit facilities. At March 31, 2021, Ford Credit's liquidity sources including cash totaled \$54.8 billion, down \$4.3 billion from year-end 2020.

**Balance Sheet Liquidity Profile.** Ford Credit defines its balance sheet liquidity profile as the cumulative maturities, including the impact of expected prepayments and allowance for credit losses, of its finance receivables, investment in operating leases, and cash, less the cumulative debt maturities over upcoming annual periods. Ford Credit's balance sheet is inherently liquid because of the short-term nature of its finance receivables, investment in operating leases, and cash. Ford Credit ensures its cumulative debt maturities have a longer tenor than its cumulative asset maturities. This positive maturity profile is intended to provide Ford Credit with additional liquidity after all of its assets have been funded and is in addition to its liquidity stress test.

The following table shows Ford Credit's cumulative maturities for assets and total debt for the periods presented and unsecured long-term debt maturities in the individual periods presented (in billions):

	April - December 2021	2022	2023	2024 and Beyond
<b>Balance Sheet Liquidity Profile</b>				
Assets (a)	\$ 64	\$ 95	\$ 120	\$ 147
Total debt (b)	46	74	92	126
Memo: Unsecured long-term debt maturities	10	14	11	30

(a) Includes gross finance receivables less the allowance for credit losses (including certain finance receivables that are reclassified in consolidation to *Trade and other receivables*), investment in operating leases net of accumulated depreciation, cash and cash equivalents, and marketable securities (excluding amounts related to insurance activities). Amounts shown include the impact of expected prepayments.

(b) Excludes unamortized debt (discount)/premium, unamortized issuance costs, and fair value adjustments.

Maturities of investment in operating leases consist primarily of the portion of rental payments attributable to depreciation over the remaining life of the lease and the expected residual value at lease termination. Maturities of finance receivables and investment in operating leases in the table above include expected prepayments for Ford Credit's retail installment sale contracts and investment in operating leases. The table above also reflects adjustments to debt maturities to match the asset-backed debt maturities with the underlying asset maturities.

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

All wholesale securitization transactions and wholesale receivables are shown maturing in the next 12 months, even if the maturities extend beyond first quarter 2022. The retail securitization transactions under certain committed asset-backed facilities are assumed to amortize immediately rather than amortizing after the expiration of the commitment period. As of March 31, 2021, Ford Credit had \$147 billion of assets, \$76 billion of which were unencumbered.

**Funding and Liquidity Risks.** Ford Credit's funding plan is subject to risks and uncertainties, many of which are beyond its control, including disruption in the capital markets, that could impact both unsecured debt and asset-backed securities issuance and the effects of regulatory changes on the financial markets. Refer to the "Liquidity - Ford Credit Segment - Funding and Liquidity Risks" section of Item 7 of Part II of our 2020 Form 10-K Report for more information.

**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 table below shows the calculation of Ford Credit's financial statement leverage and managed leverage (in billions):

	March 31, 2020	December 31, 2020	March 31, 2021
<b>Leverage Calculation</b>			
Debt	\$ 136.8	\$ 137.7	\$ 126.8
Adjustments for cash	(11.3)	(18.5)	(14.1)
Adjustments for derivative accounting (a)	(1.6)	(1.5)	(0.8)
Total adjusted debt	<u>\$ 123.9</u>	<u>\$ 117.7</u>	<u>\$ 111.9</u>
Equity (b) (c)	\$ 15.5	\$ 15.6	\$ 15.3
Adjustments for derivative accounting (a)	—	0.1	—
Total adjusted equity (c)	<u>\$ 15.4</u>	<u>\$ 15.7</u>	<u>\$ 15.3</u>
Financial statement leverage (to 1) (GAAP) (c)	8.9	8.8	8.3
Managed leverage (to 1) (Non-GAAP) (c)	8.0	7.5	7.3

(a) 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.

(b) Total shareholder's interest reported on Ford Credit's balance sheets.

(c) Prior period amounts have been updated as a result of the adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. For additional information, see Note 2 of the Notes to the Financial Statements.

Note: Numbers may not sum due to rounding.

Ford Credit plans its managed leverage by considering market conditions and the risk characteristics of its business. At March 31, 2021, Ford Credit's financial statement leverage was 8.3:1, and its managed leverage was 7.3:1. Ford Credit targets managed leverage in the range of 8:1 to 9:1 and expects its managed leverage to return to its target range later in 2021.

**Total Company**

**Pension Plans - Underfunded Balances.** As of March 31, 2021, our total Company pension underfunded status reported on our consolidated balance sheets was \$5.7 billion and reflects the net underfunded status at December 31, 2020, updated for: service and interest cost; expected return on assets; curtailments, settlements, 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 2020.

**Return on Invested Capital ("ROIC").** We analyze total Company performance using an adjusted 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 (in billions):

	<b>Four Quarters Ending</b>	
	<b>March 31, 2020</b>	<b>March 31, 2021</b>
<b>Adjusted Net Operating Profit After Cash Tax</b>		
Net income/(loss) attributable to Ford	\$ (3.1)	\$ 4.0
Add: Noncontrolling interest	—	—
Less: Income tax	0.3	—
Add: Cash tax	(0.6)	(0.4)
Less: Interest on debt	(1.0)	(1.9)
Less: Total pension/OPEB income/(cost)	(2.5)	(0.9)
Add: Pension/OPEB service costs	(1.0)	(1.1)
Net operating profit/(loss) after cash tax	\$ (1.6)	\$ 5.2
Less: Special items (excl. pension/OPEB) pre-tax	(3.2)	(0.7)
Adjusted net operating profit after cash tax	<u>\$ 1.6</u>	<u>\$ 6.0</u>
<b>Invested Capital</b>		
Equity	\$ 29.7	\$ 34.0
Redeemable noncontrolling interest	—	—
Debt (excl. Ford Credit)	30.5	25.9
Net pension and OPEB liability	12.2	12.2
Invested capital (end of period)	<u>\$ 72.4</u>	<u>\$ 72.1</u>
Average invested capital	<u>\$ 63.7</u>	<u>\$ 72.9</u>
ROIC (a)	(2.5)%	7.2 %
Adjusted ROIC (Non-GAAP) (b)	2.5 %	8.2 %

(a) 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.

(b) 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 2020 Form 10-K Report:

- On March 29, 2021, Moody's affirmed the credit ratings for Ford and Ford Credit at Ba2 and revised the outlook to stable, from negative.

The following table 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	BB (high)	BB (high)	Negative	BB (high)	R-4	Negative	BBB (low)
Fitch	BB+	BB+	Negative	BB+	B	Negative	BBB-
Moody's	N/A	Ba2	Stable	Ba2	NP	Stable	Baa3
S&P	BB+	BB+	Negative	BB+	B	Negative	BBB-

## OUTLOOK

We provided 2021 Company guidance in our earnings release furnished on Form 8-K dated April 28, 2021. The guidance is based on our expectations as of April 28, 2021 and assumes no material change in the current economic environment, including foreign exchange and tariffs. Our actual results could differ materially from our guidance due to risks, uncertainties, and other factors, including those set forth in "Risk Factors" in Item 1A of our 2020 Form 10-K Report and as updated by our subsequent filings with the SEC.

	<u>2021 Guidance</u>
<b>Total Company</b>	
Adjusted EBIT (a)	\$5.5 - \$6.5 billion
Adjusted Free Cash Flow (a)	\$0.5 - \$1.5 billion
Capital spending	\$6.0 - \$6.5 billion
Pension contributions	\$0.6 - \$0.8 billion
Global Redesign EBIT charges (b)	\$2.2 - \$2.7 billion
Global Redesign cash effects (b)	\$3.0 - \$3.5 billion

<b>Ford Credit</b>	
EBT	Improved compared to 2020
Ford Credit auction values (c)	Higher

- (a) When we provide guidance for Adjusted EBIT we do not provide guidance for net income/(loss), the most comparable GAAP measure, because, as described in more detail below in "Non-GAAP Measures That Supplement GAAP Measures," it includes items that are difficult to predict with reasonable certainty prior to year-end, including pension and OPEB rereasurement gains and losses.
- (b) We continue to review our global businesses and may take additional restructuring actions in markets where a path to sustained profitability is not feasible when considering the capital allocation required for those markets. Such actions may result in global redesign EBIT charges and cash effects in 2021 that are incremental to those set forth in the table.
- (c) On average compared with full year 2020 at constant mix.

In February 2021, we estimated that there was the potential for an adverse impact of 10% to 20% on our volume for the first half of 2021 due to the growing semiconductor shortage. Further, we believed that the risk had the potential to reduce our original full-year guidance, which was to deliver adjusted EBIT of \$8 billion to \$9 billion, by \$1 billion to \$2.5 billion, net of recoveries and some production make-up in the second half of the year. Including the impact of the fire at Renesas, we now expect to lose about 50% of our planned production in the second quarter of 2021, an increase from the 17% loss in the first quarter of 2021. The second quarter is expected to be the trough for our performance this year. For the second half of 2021, we expect to lose about 10% of our planned production.

In total, we believe the shortage for the year will result in a loss of about 1.1 million wholesale units, which translates to a headwind to adjusted EBIT of about \$2.5 billion, net of recovery actions. The expected volume loss for the year has more than doubled, but we have worked to contain the adjusted EBIT impact to the high-end of the range we outlined in February. Including the effect of the semiconductor shortage, we now expect full-year adjusted EBIT to be in a range of \$5.5 billion to \$6.5 billion.

We also now expect full-year adjusted free cash flow of \$500 million to \$1.5 billion, which reflects a \$3 billion adverse impact from semiconductors. The impact of the semiconductor shortage on adjusted free cash flow is \$500 million worse than the impact on adjusted EBIT due to timing differences and working capital impacts that we expect to recover once our rate of production is fully restored, dealer stocks align with demand, and incentives normalize. In the second quarter of 2021, adjusted free cash flow is expected to be significantly negative, but we expect our cash balance and liquidity to remain healthy throughout 2021.

### 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 and Ford Credit's financial condition and results of operations have been and may continue to be adversely affected by public health issues, including epidemics or pandemics such as COVID-19;
- Ford is highly dependent on its suppliers to deliver components in accordance with Ford's production schedule, and a shortage of key components, such as semiconductors, can disrupt Ford's production of vehicles;
- Ford's long-term competitiveness depends on the successful execution of its Plan;
- Ford's vehicles could be affected by defects that result in delays in new model launches, recall campaigns, or increased warranty costs;
- Ford may not realize the anticipated benefits of existing or pending strategic alliances, joint ventures, acquisitions, divestitures, or new business strategies;
- Operational systems, security systems, and vehicles could be affected by cyber incidents and other disruptions;
- Ford's production, as well as Ford's suppliers' production, could be disrupted by labor issues, 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;
- Ford's ability to attract and retain talented, diverse, and highly skilled employees is critical to its success and competitiveness;
- Ford's new and existing products and mobility services are subject to market acceptance and face significant competition from existing and new entrants in the automotive and mobility industries;
- Ford's results are dependent on sales of larger, more profitable vehicles, particularly in the United States;
- With a global footprint, Ford's results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events, including tariffs;
- Industry sales volume in any of Ford's key markets can be volatile and could decline if there is a financial crisis, recession, or significant geopolitical event;
- Ford may face increased price competition or a reduction in demand for its products resulting from industry excess capacity, currency fluctuations, competitive actions, or other factors;
- Fluctuations in commodity prices, foreign currency exchange rates, interest rates, and market value of Ford or Ford Credit's investments can have a significant effect on results;
- Ford and 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's receipt of government incentives could be subject to reduction, termination, or clawback;
- Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- 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;
- Pension and other postretirement liabilities could adversely affect Ford's liquidity and financial condition;
- 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 may need to substantially modify its product plans to comply with safety, emissions, fuel economy, autonomous vehicle, and other regulations;
- Ford and Ford Credit could be affected by the continued development of more stringent privacy, data use, and data protection laws and regulations as well as consumers' heightened expectations to safeguard their personal information; and
- Ford Credit could be subject to new or increased credit regulations, consumer 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 2020 Form 10-K Report, as updated by our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

## 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/(Loss) 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. Our management ordinarily excludes special items from its review of the results of the operating segments for purposes of measuring segment profitability and allocating resources. Our categories of pre-tax special items and the applicable significance guideline for each item (which may consist of a group of items related to a single event or action) are as follows:

### Pre-Tax Special Item

- Pension and OPEB rereasurement gains and losses
- 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
- Other items that we do not necessarily consider to be indicative of earnings from ongoing operating activities

### Significance Guideline

- No minimum
- Generally \$100 million or more
- \$500 million or more for individual field service actions; generally \$100 million or more for other items

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 rereasurement gains and losses.

- *Company Adjusted EBIT Margin (Most Comparable GAAP Measure: Company Net Income/(Loss) 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/(Loss) Per Share (Most Comparable GAAP Measure: Earnings/(Loss) Per Share)* – Measure of Company's diluted net earnings/(loss) per share adjusted for impact of pre-tax special items (described above), tax special items, and restructuring impacts in noncontrolling 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/(loss) per share, we do not provide guidance on an earnings/(loss) 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 rereasurement 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 rereasurement gains and losses.

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

- *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, global redesign (including separations), and other items that are considered operating cash flows 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 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 ("Adjusted 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.
- *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 and held-for-sale 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.

### Non-GAAP Financial Measure Reconciliations

The following tables show our Non-GAAP financial measure reconciliations. The GAAP reconciliation for Ford Credit Managed Leverage can be found in the Ford Credit Segment section of "Liquidity and Capital Resources."

#### Net Income/(Loss) Reconciliation to Adjusted EBIT (\$M)

	First Quarter	
	2020	2021
Net income/(loss) attributable to Ford (GAAP)	\$ (1,993)	\$ 3,262
Income/(Loss) attributable to noncontrolling interests	—	—
Net income/(loss)	\$ (1,993)	\$ 3,262
Less: (Provision for)/Benefit from income taxes	(847)	(680)
Income/(Loss) before income taxes	\$ (1,146)	\$ 3,942
Less: Special items pre-tax	(287)	(401)
Income/(Loss) before special items pre-tax	\$ (859)	\$ 4,343
Less: Interest on debt	(227)	(473)
Adjusted EBIT (Non-GAAP)	\$ (632)	\$ 4,816
Memo:		
Revenue (\$B)	\$ 34.3	\$ 36.2
Net income/(loss) margin (%)	(5.8)%	9.0 %
Adjusted EBIT margin (%)	(1.8)%	13.3 %

#### Earnings per Share Reconciliation to Adjusted Earnings per Share

	First Quarter	
	2020	2021
<u>Diluted After-Tax Results (\$M)</u>		
Diluted after-tax results (GAAP)	\$ (1,993)	\$ 3,262
Less: Impact of pre-tax and tax special items	(1,074)	(302)
Adjusted net income/(loss) – diluted (Non-GAAP)	\$ (919)	\$ 3,564
<u>Basic and Diluted Shares (M)</u>		
Basic shares (average shares outstanding)	3,963	3,980
Net dilutive options, unvested restricted stock units and restricted stock (a)	—	36
Diluted shares	3,963	4,016
Earnings/(Loss) per share – diluted (GAAP)	\$ (0.50)	\$ 0.81
Less: Net impact of adjustments	(0.27)	(0.08)
Adjusted earnings/(loss) per share – diluted (Non-GAAP)	\$ (0.23)	\$ 0.89

(a) In Q1 2020, there were 30 million shares excluded from the calculation of diluted earnings/(loss) per share, due to their anti-dilutive effect.

**Effective Tax Rate Reconciliation to Adjusted Effective Tax Rate**

	First Quarter		Memo: FY 2020
	2020	2021	
<b>Pre-Tax Results (\$M)</b>			
Income/(Loss) before income taxes (GAAP)	\$ (1,146)	\$ 3,942	\$ (1,116)
Less: Impact of special items	(287)	(401)	(2,246)
Adjusted earnings before taxes (Non-GAAP)	<u>\$ (859)</u>	<u>\$ 4,343</u>	<u>\$ 1,130</u>
<b>Taxes (\$M)</b>			
(Provision for)/Benefit from income taxes (GAAP)	\$ (847)	\$ (680)	\$ (160)
Less: Impact of special items (a)	(787)	99	(670)
Adjusted (provision for) / benefit from income taxes (Non-GAAP)	<u>\$ (60)</u>	<u>\$ (779)</u>	<u>\$ 510</u>
<b>Tax Rate (%)</b>			
Effective tax rate (GAAP)	(73.9)%	17.3 %	(14.3)%
Adjusted effective tax rate (Non-GAAP)	(7.0)%	17.9 %	(45.1)%

(a) Full Year 2020 includes \$(1.3) billion related to the establishment of valuation allowances against primarily U.S. tax credits.

**Net Cash Provided by/(Used in) Operating Activities Reconciliation to Company Adjusted Free Cash Flow (\$M)**

	First Quarter	
	2020	2021
Net cash provided by / (used in) operating activities (GAAP)	\$ (473)	\$ 4,492
Less: Items not included in Company Adjusted Free Cash Flows		
Ford Credit operating cash flows (a)	\$ 201	\$ 4,998
Funded pension contributions	(175)	(229)
Global Redesign (including separations)	(172)	(345)
Ford Credit tax payments / (refunds) under tax sharing agreement (a)	407	4
Other, net	(15)	77
Add: Items included in Company Adjusted Free Cash Flows		
Automotive and Mobility capital spending	\$ (1,770)	\$ (1,358)
Ford Credit distributions (a)	343	1,000
Settlement of derivatives	(28)	(25)
Company adjusted free cash flow (Non-GAAP) (a)	<u>\$ (2,174)</u>	<u>\$ (396)</u>

(a) Prior period amounts have been updated as a result of the adoption of ASU 2019-12, Simplifying the Accounting for Income Taxes. For additional information, see Note 2 of the Notes to the Financial Statements.

**Ford Credit Net Receivables Reconciliation to Managed Receivables (\$B)**

	March 31, 2020	December 31, 2020	March 31, 2021
Ford Credit finance receivables, net (GAAP) (a)	\$ 106.0	\$ 97.7	\$ 93.2
Net investment in operating leases (GAAP) (a)	27.0	26.6	26.6
Consolidating adjustments (b)	4.8	7.4	7.3
Total net receivables	\$ 137.8	\$ 131.7	\$ 127.1
Ford Credit unearned interest supplements and residual support	\$ 6.3	6.5	\$ 6.0
Allowance for credit losses	1.2	1.3	1.2
Other, primarily accumulated supplemental depreciation	1.1	1.0	0.9
Total managed receivables (Non-GAAP)	<u>\$ 146.4</u>	<u>\$ 140.5</u>	<u>\$ 135.2</u>

(a) 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 sheets 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.

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



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

	For the period ended March 31, 2021			
	First Quarter			
	Company excluding Ford Credit	Ford Credit	Eliminations	Consolidated
<b>Cash flows from operating activities</b>				
Net income	\$ 2,417	\$ 845	\$ —	\$ 3,262
Depreciation and tooling amortization	1,525	578	—	2,103
Other amortization	32	(393)	—	(361)
Provision for credit and insurance losses	(1)	(35)	—	(36)
Pension and OPEB expense/(income)	(318)	—	—	(318)
Equity investment dividends received in excess of (earnings)/losses	73	(5)	—	68
Foreign currency adjustments	301	49	—	350
Net unrealized (gain)/loss on Other Investments	(914)	—	—	(914)
Net (gain)/loss on changes in investments in affiliates	(165)	(1)	—	(166)
Stock compensation	39	2	—	41
Provision for deferred income taxes	414	13	—	427
Decrease/(Increase) in finance receivables (wholesale and other)	—	2,699	—	2,699
Decrease/(Increase) in intersegment receivables/payables	(772)	772	—	—
Decrease/(Increase) in accounts receivable and other assets	(624)	36	—	(588)
Decrease/(Increase) in inventory	(2,176)	—	—	(2,176)
Increase/(Decrease) in accounts payable and accrued and other liabilities	397	(204)	—	193
Other	(125)	33	—	(92)
Interest supplements and residual value support to Ford Credit	(609)	609	—	—
Net cash provided by/(used in) operating activities	\$ (506)	\$ 4,998	\$ —	\$ 4,492
<b>Cash flows from investing activities</b>				
Capital spending	\$ (1,358)	\$ (10)	\$ —	\$ (1,368)
Acquisitions of finance receivables and operating leases	—	(11,695)	—	(11,695)
Collections of finance receivables and operating leases	—	12,482	—	12,482
Proceeds from sale of business	7	—	—	7
Purchases of marketable and other investments	(7,879)	(3,701)	—	(11,580)
Sales and maturities of marketable securities and other investments	7,088	4,598	—	11,686
Settlements of derivatives	(25)	56	—	31
Other	(54)	—	—	(54)
Investing activity (to)/from other segments	1,000	—	(1,000)	—
Net cash provided by/(used in) investing activities	\$ (1,221)	\$ 1,730	\$ (1,000)	\$ (491)
<b>Cash flows from financing activities</b>				
Cash payments for dividends and dividend equivalents	\$ (3)	\$ —	\$ —	\$ (3)
Purchases of common stock	—	—	—	—
Net changes in short-term debt	(295)	568	—	273
Proceeds from issuance of long-term debt	2,300	4,631	—	6,931
Principal payments on long-term debt	(78)	(14,814)	—	(14,892)
Other	(91)	(11)	—	(102)
Financing activity to/(from) other segments	—	(1,000)	1,000	—
Net cash provided by/(used in) financing activities	\$ 1,833	\$ (10,626)	\$ 1,000	\$ (7,793)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	\$ (26)	\$ (67)	\$ —	\$ (93)

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

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

	For the period ended March 31, 2021		
	First Quarter		
	Company excluding Ford Credit	Ford Credit	Consolidated
Revenues	\$ 33,565	\$ 2,663	\$ 36,228
Total costs and expenses	32,140	1,624	33,764
Operating income/(loss)	1,425	1,039	2,464
Interest expense on Company debt excluding Ford Credit	473	—	473
Other income/(loss), net	1,954	(82)	1,872
Equity in net income/(loss) of affiliated companies	74	5	79
Income/(Loss) before income taxes	2,980	962	3,942
Provision for/(Benefit from) income taxes	563	117	680
Net income/(loss)	2,417	845	3,262
Less: Income/(Loss) attributable to noncontrolling interests	—	—	—
Net income/(loss) attributable to Ford Motor Company	\$ 2,417	\$ 845	\$ 3,262

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):

	March 31, 2021			
	Company excluding Ford Credit	Ford Credit	Eliminations	Consolidated
<b>Assets</b>				
Cash and cash equivalents	\$ 10,957	\$ 10,869	\$ —	\$ 21,826
Marketable securities	20,333	3,948	—	24,281
Ford Credit finance receivables, net	—	40,664	—	40,664
Trade and other receivables, net	3,973	6,475	—	10,448
Inventories	12,742	—	—	12,742
Assets held for sale	321	14	—	335
Other assets	2,303	1,333	—	3,636
Receivable from other segments	158	1,075	(1,233)	—
Total current assets	50,787	64,378	(1,233)	113,932
Ford Credit finance receivables, net	—	52,570	—	52,570
Net investment in operating leases	1,251	26,560	—	27,811
Net property	36,141	220	—	36,361
Equity in net assets of affiliated companies	4,564	130	—	4,694
Deferred income taxes	11,937	166	—	12,103
Other assets	11,057	2,291	—	13,348
Receivable from other segments	—	34	(34)	—
Total assets	\$ 115,737	\$ 146,349	\$ (1,267)	\$ 260,819
<b>Liabilities</b>				
Payables	\$ 22,365	\$ 1,127	\$ —	\$ 23,492
Other liabilities and deferred revenue	19,661	1,334	—	20,995
Debt payable within one year	1,061	48,410	—	49,471
Liabilities held for sale	291	—	—	291
Payable to other segments	1,233	—	(1,233)	—
Total current liabilities	44,611	50,871	(1,233)	94,249
Other liabilities and deferred revenue	27,445	1,262	—	28,707
Long-term debt	24,819	78,382	—	103,201
Deferred income taxes	164	524	—	688
Payable to other segments	34	—	(34)	—
Total liabilities	\$ 97,073	\$ 131,039	\$ (1,267)	\$ 226,845

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

Selected Other Information.

*Equity.* At March 31, 2021, total equity attributable to Ford was \$33.8 billion, an increase of \$3.1 billion compared with December 31, 2020. The detail for this change is shown below (in billions):

	Increase/ (Decrease)
Net income/(loss)	\$ 3.3
Common stock issued	(0.1)
Other comprehensive income	(0.1)
Total	<u>\$ 3.1</u>

*U.S. Sales by Type.* The following table shows first quarter 2021 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	277,233	257,240
SUVs	216,899	186,032
Cars	27,202	16,135
Total Vehicles	<u>521,334</u>	<u>459,407</u>

**ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED**

The Financial Accounting Standards Board ("FASB") has issued the following Accounting Standards Update ("ASU") which is not expected to have a material impact to our financial statements or financial statement disclosures. For additional information, see Note 2 of the Notes to the Financial Statements.

ASU	Effective Date (a)
2018-12 Targeted Improvements to the Accounting for Long Duration Contracts	January 1, 2023

(a) Early adoption of the standard is permitted.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.**

#### **Automotive Segment**

*Foreign Currency Risk.* The net fair value of foreign exchange forward contracts (including adjustments for credit risk) as of March 31, 2021, was a liability of \$706 million, compared with a liability of \$487 million as of December 31, 2020. The potential decrease in fair value from a 10% adverse change in the underlying exchange rates, in U.S. dollar terms, would have been \$2.4 billion at March 31, 2021, compared with \$2.5 billion at December 31, 2020.

*Commodity Price Risk.* The net fair value of commodity forward contracts (including adjustments for credit risk) as of March 31, 2021, was an asset of \$195 million, compared with an asset of \$105 million at December 31, 2020. The potential decrease in fair value from a 10% adverse change in the underlying commodity prices would have been \$164 million at March 31, 2021, compared with \$141 million at December 31, 2020.

#### **Ford Credit Segment**

*Interest Rate Risk.* To provide a quantitative measure of the sensitivity of its pre-tax cash flow to changes in interest rates, Ford Credit uses interest rate scenarios that assume a hypothetical, instantaneous increase or decrease of one percentage point in all interest rates across all maturities (a “parallel shift”), as well as a base case that assumes that all interest rates remain constant at existing levels. The differences in pre-tax cash flow between these scenarios and the base case over a 12-month period represent an estimate of the sensitivity of Ford Credit’s pre-tax cash flow. Under this model, Ford Credit estimates that at March 31, 2021, all else constant, such an increase in interest rates would increase its pre-tax cash flow by \$1 million over the next 12 months, compared with a decrease of \$3 million at December 31, 2020. 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.

#### **Transition from LIBOR to Alternative Reference Rates**

We and our affiliates, including Ford Credit, have been working to transition from the London Interbank Offered Rate (“LIBOR”) to alternative reference rates. We have developed a total company inventory of affected financial instruments and contracts, have been working to transition legacy contracts linked to LIBOR to alternative reference rates, and intend to rely exclusively on alternative reference rates for new contracts after 2021.

### **ITEM 4. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures.* James D. Farley, Jr., our Chief Executive Officer (“CEO”), and John T. Lawler, our Chief Financial Officer (“CFO”), have performed an evaluation of the Company’s disclosure controls and procedures, as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of March 31, 2021, 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.* There were no changes in internal control over financial reporting during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. *Legal Proceedings.*

#### ENVIRONMENTAL MATTERS

We have no legal proceedings arising under any federal, state, or local provisions that have been enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment, in which (i) a governmental authority is a party, and (ii) we believe there is the possibility of monetary sanctions (exclusive of interest and costs) in excess of \$1 million.

#### OTHER MATTERS

*Brazilian Tax Matters* (as previously reported on page 28 of our 2020 Form 10-K Report). One Brazilian state (São Paulo) and the Brazilian federal tax authority currently have outstanding substantial tax assessments against Ford Motor Company Brasil Ltda. ("Ford Brazil") related to state and federal tax incentives Ford Brazil received for its operations in the Brazilian state of Bahia. The state assessments are part of a broader conflict among various states in Brazil. The federal legislature enacted laws designed to encourage the states to end that conflict, and in 2017 the states reached an agreement on a framework for resolution. Ford Brazil continues to pursue a resolution under the framework and expects the amount of any remaining assessments by the states to be resolved under that framework. The federal assessments are outside the scope of the legislation.

All of the assessments have been appealed to the relevant administrative court of each jurisdiction. In the State of Minas Gerais, one case that had been pending at the administrative level was dismissed on April 1, 2020, and on July 13, 2020, the other two cases that were on appeal to the judicial court were dismissed. Our appeals with the State of São Paulo and the federal tax authority remain at the administrative level. To proceed with an appeal within the judicial court system, an appellant may be required to post collateral. To date, we have not been required to post any collateral. If we are required to post collateral, which could be in excess of \$1 billion, we expect it to be in the form of fixed assets, surety bonds, and/or letters of credit, but we may be required to post cash collateral. Although the ultimate resolution of these matters may take many years, we consider our overall risk of loss to be remote.

**ITEM 2. *Unregistered Sales of Equity Securities and Use of Proceeds.***

On March 19, 2021, Ford issued \$2.3 billion in aggregate principal amount of 0% Convertible Senior Notes due 2026 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The notes are unsecured, senior obligations of Ford.

The principal initial purchasers of the notes were Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, BofA Securities, Inc., Barclays Capital Inc., BNP Paribas Securities Corp., Mizuho Securities USA LLC, Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, Commerz Markets LLC, Credit Agricole Securities (USA) Inc., Credit Suisse Securities (USA) LLC, Lloyds Securities Inc., SG Americas Securities, LLC, and SMBC Nikko Securities America, Inc.

The notes will not bear regular interest, and the principal amount of the notes will not accrete. The notes will mature on March 15, 2026, unless earlier repurchased, redeemed, or converted. Ford may not redeem the notes prior to March 20, 2024. On or after March 20, 2024, Ford may redeem for cash all or any portion of the notes, at its option, if the last reported sale price of Ford's Common Stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on and including the trading day preceding the date on which Ford provides notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid special interest, if any, to, but excluding, the redemption date.

The initial conversion rate for the notes is 57.1886 shares of Ford's Common Stock per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately \$17.49 per share). Prior to December 15, 2025, the notes will be convertible at the option of the noteholders only upon the satisfaction of specified conditions and during certain periods as set forth in the indenture for the notes, and as described in more detail in Note 14 of the Notes to the Financial Statements. Thereafter, the notes will be convertible at the option of the noteholders at any time regardless of these conditions. Conversions of the notes will be settled in cash up to the aggregate principal amount of the notes to be converted and cash, shares of Ford's Common Stock, or a combination thereof, at Ford's election, for the remainder, if any, of Ford's conversion obligation in excess of the aggregate principal amount of the notes being converted.

Ford intends to use the net proceeds of \$2,266,725,000 after deducting the initial purchasers' discount and expenses from the offering of the notes for general corporate purposes, including the potential repayment of debt.

**ITEM 6. Exhibits.**

<b>Designation</b>	<b>Description</b>	<b>Method of Filing</b>
<a href="#">Exhibit 10.1</a>	Annual Incentive Compensation Plan Metrics for 2021.	Filed with this Report.
<a href="#">Exhibit 10.2</a>	Performance-Based Restricted Stock Unit Metrics for 2021.	Filed with this Report.
<a href="#">Exhibit 10.3</a>	Agreement between Ford Motor Company and Jon M. Huntsman, Jr. dated April 12, 2021.	Filed with this Report.
<a href="#">Exhibit 31.1</a>	Rule 15d-14(a) Certification of CEO.	Filed with this Report.
<a href="#">Exhibit 31.2</a>	Rule 15d-14(a) Certification of CFO.	Filed with this Report.
<a href="#">Exhibit 32.1</a>	Section 1350 Certification of CEO.	Furnished with this Report.
<a href="#">Exhibit 32.2</a>	Section 1350 Certification of CFO.	Furnished with this Report.
Exhibit 101.INS	Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language ("Inline XBRL").	(a)
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document.	(a)
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	(a)
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	(a)
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	(a)
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	(a)
Exhibit 104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).	(a)

(a) 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, Controller  
(principal accounting officer)

Date: April 28, 2021

**Annual Incentive Compensation Plan Metrics for 2021**

On February 10, 2021, the Compensation Committee of the Board of Directors of the Company approved the specific performance goals and business criteria to be used for purposes of determining any future cash awards for 2021 participants, including executive officers, under the Company's Annual Incentive Compensation Plan (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2020). The Corporate performance criteria and weightings to be used for 2021 under the plan include attaining specified levels of:

- Company Adjusted Free Cash Flow (50%)
- Company Adjusted EBIT (20%)
- Company Revenue (10%)
- Quality (20%)

Based on business performance results for 2021 against the targeted levels established for each metric, the Compensation Committee will determine the percentage of the target award that is earned, which could range between 0% and 200% depending on actual performance achieved relative to the target levels.

**Performance-Based Restricted Stock Unit Award Metrics for 2021**

On February 10, 2021, the Compensation Committee of the Board of Directors of the Company approved the specific performance goals and business criteria to be used for purposes of determining any future performance-based restricted stock unit final awards for the 2021-2023 performance-period for participants, including executive officers, under the Company's shareholder-approved 2018 Long-Term Incentive Plan (filed as Exhibit 4.1 to Registration Statement No. 333-226348).

The performance based restricted stock unit grant is a target opportunity; however, participants will have the opportunity to earn a maximum of up to 200% of the target. The performance based restricted stock unit grant has a three-year performance period (2021-2023), after which the Compensation Committee will determine the final award based on corporate performance-to-objectives. The maximum performance level that can be achieved for any single metric for the 2021 Performance Unit grants is 200%. 100% of the final award will be based on financial metrics and can be modified by up to +/-25% based on relative Total Shareholder Return of Ford's common stock compared to a peer group of companies over the three-year performance period. The metrics and weightings are summarized below:

<b><u>Financial Metrics – 100%</u></b>	<b><u>Weighting</u></b>
Company Adjusted Free Cash Flow	50%
Company Adjusted EBIT Margin	30%
External Annual ROIC	20%
<b><u>Total Shareholder Return</u></b>	<b><u>Modifier</u></b>
Total Shareholder Return (TSR)	+/- 25%



Bill Ford  
Executive Chairman

April 12, 2021

Jim Farley  
President and CEO

Gov. Jon Huntsman  
[Redacted]

Dear Jon,

On behalf of Ford Motor Company and pending Board of Directors approval, I am pleased to offer you the position of Vice Chair, Policy an at-will, Leadership Level 1 position, reporting to me and to Bill Ford, Executive Chairman. We believe you have the personal and professional qualifications to make a significant addition to our senior leadership team.

Included within this communication is a summary of the broader range of compensation and benefits related to this offer.<sup>1</sup> This complete package replaces any compensation and benefits you currently receive as an Independent Director of the Board. The main features of our offer are summarized below.

**Base Salary:** \$1,000,000 per year

This amount is payable monthly, according to Ford's regular payroll practices.

**Initial Stock Award:** \$3,000,000

Pending final approval by the Compensation Committee, you will receive an initial stock award with a grant date value of \$3,000,000. This award will be granted in the form of time-vested restricted stock units, on or near May 15, 2021. The quantity of restricted stock units will be determined by the Fair Market Value (FMV) of Ford Common Stock using the closing price for Ford Motor Company Common Stock (trading the regular way on the NYSE) on the grant date for this stock award. This award will vest over a three-year period – 33% one year from the grant date, another 33% two years from the grant date, and the remaining 34% three years from the grant date<sup>2</sup>.

**Incentive Compensation Plans:**

For the sake of clarity, you will not be eligible for annual awards under the Company's Annual Incentive Compensation Plan (bonus) or the Long-Term Incentive Plan (annual stock award).

**Retirement/Savings Plans:**

Upon hire, you will have the ability to determine and manage your investment elections under the following plans:

- Savings and Stock Investment Plan (SSIP): Company-sponsored 401(k) retirement and savings plan, inclusive of Ford Retirement Plan (FRP).
  - The plan provides Company retirement (FRP) contributions to an SSIP account on your behalf of 3.5% to 5.5% of your eligible base salary, based upon your age. *Vesting of the FRP contributions is on the third anniversary of your date of hire.*
  - If you choose to contribute your own savings to SSIP, the plan provides Company matching contributions of 90% on the first 5% of your own savings (4.5% maximum match). *Vesting of the Company matching contributions is on the third anniversary of your date of hire.*

- Benefit Equalization Plan (BEP): The company credits notional contributions to a BEP account on your behalf to make up for Company matching contributions and FRP contributions that would have been made to the SSIP, but were not permitted due to legal limitations on the amount of compensation and/or contributions. This is a non-qualified, unfunded plan.
- Defined Contribution Supplemental Executive Retirement Plan (DC SERP): An additional benefit provided to certain executives where notional contributions are credited to a DC SERP account on your behalf, based upon your age and leadership level. This is a non-qualified, unfunded plan.
- The combination of FRP, BEP and DC SERP contributions total 20% of your salary.
- *Vesting of the BEP and DC SERP Contributions requires the following conditions be met:*
  - 5 years of service at LL4+, and either,
  - 55 years of age with 10 years of total service, or
  - 65 years of age with 5 years of total service.

**Vacation and Holidays:**

In 2021, you will be eligible for 18 days of paid vacation and the paid holidays observed at Ford. In 2022, you will be eligible for 6 weeks of paid vacation, earned monthly per Company policy.

**Vehicle Program:**

You will be eligible for two free Evaluation vehicles, with fuel, for the purpose of obtaining on-road testing and evaluation. You will also be eligible for up to two lease vehicles under the terms of the Management Lease Vehicle Evaluation Program.

**Ford Benefits:**

Upon your hire, you will be eligible for other Company benefits, as detailed in the attachment.<sup>1</sup> Please refer to the attachment for information on coverage levels, enrollment requirements and other relevant information.

**Tax Consequences and Possible Delays in Payment to Avoid Penalties:**

You are solely responsible and liable for all taxes that may arise in connection with the compensation and benefits that you receive from Ford. This includes any tax arising under Section 409A of the Internal Revenue Code of 1986, as amended (Code). In the event Ford determines that you are a "specified employee" under Code Section 409A, any nonqualified deferred compensation benefit payable upon termination of employment while a "specified employee" will be delayed until the first day of the seventh month following such termination. Please consult your personal financial or tax advisor about the tax consequences of your compensation and benefits. No one at Ford is authorized to provide this advice to you.

This offer of at-will employment is subject to the following conditions:

- A completed Health History Form and employment application
- A valid proof of identification and acceptable evidence that you are authorized to work in the United States
- Determination, to our satisfaction, that information provided by you in your job application and/or resume is valid. This offer is contingent upon successful completion and passing of the background check.
- Establishment to Ford's reasonable satisfaction that your commencement of employment with Ford will not violate any agreement (such as a non-competition agreement) between you and any prior employer

In addition, your acceptance of this offer is contingent upon the return of the following signed documents:

- Non-Disclosure Agreement
- Confidential Information, Non-compete, and Inventions Assignment Agreement
- Acknowledgement Regarding Ford's Prohibition of Use of Confidential Information of Other Entities

Other documents we require all employees to execute before they start work (i.e. tax forms, direct deposit form) will be provided to you separately.

This offer remains in effect until April 14, 2021. We anticipate that your effective date of hire will be May 3, 2021.

Please plan to provide proof of identification (e.g. passport, driver's license or other documentation with a photo or physical description) and proof of the ability to work in the United States (e.g. visa, work permit, etc.) when you report for your first day of work. Michigan law will control all issues arising under this offer.

Jon, we are pleased to offer you this opportunity to expand your role on the Ford team and look forward to your favorable response.

Sincerely,

/s/ Bill Ford

Bill Ford

/s/ Jim Farley

Jim Farley

I have read the foregoing offer of at-will employment. I agree with and accept this offer of employment subject to the terms and conditions detailed above.

Signature:           /s/ Jon M. Huntsman, Jr.          

Date:           April 12, 2021

Attachments:

- Employee Application
- Benefit Summary
- Non-Disclosure Agreement
- Confidential Information, Non-compete, and Inventions Assignment Agreement
- Acknowledgement Regarding Ford's Prohibition of Use of Confidential Information of Other Entities
- Background Check Authorization Form

Upon a verbal acceptance, you will be sent additional instructions and the official forms to be signed and returned.

<sup>1</sup> Items described in this letter and the attachments, are subject to the terms and conditions of the individual plans and programs. To the extent this summary conflicts with the terms and conditions of the individual plan and program documents, the individual plan and program documents will control. The Company reserves the right to amend or terminate its benefit or pension plans at any time in the future.

<sup>2</sup> Stock award grants are subject to the terms and conditions of the Company's Long-Term Incentive Plan (LTIP) and approval by the Compensation Committee of the Board of Directors, or its permitted delegates, as provided in the LTIP. Among other provisions, the LTIP requires stock award grants to be canceled if your employment is terminated for any reason within six months of the grant date.

## CERTIFICATION

I, James D. Farley, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2021 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: April 28, 2021

/s/ James D. Farley, Jr.

James D. Farley, Jr.

President and Chief Executive Officer



## CERTIFICATION

I, John T. Lawler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2021 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: April 28, 2021

/s/ John T. Lawler

John T. Lawler  
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, James D. Farley, Jr., 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 March 31, 2021, 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: April 28, 2021

/s/ James D. Farley, Jr.

James D. Farley, Jr.

President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, John T. Lawler, 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 March 31, 2021, 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: April 28, 2021

/s/ John T. Lawler

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John T. Lawler

Chief Financial Officer