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- Use of Non-GAAP Financial Measures
- Variance Analysis
- Cash Flow and Working Capital Changes
- Warranty Reserves

*Ford Credit*
- Lease Accounting & Profit Reporting

*Appendix*
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**What We Are Changing**

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

**Why We Are Making These Changes in Q2**

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

New Segment Structure (2Q 2016)

Prior Segment Structure

Automotive Sector
- North America Segment
- South America Segment
- Europe Segment
- Middle East & Africa Segment
- Asia Pacific Segment
- Other Auto
- Special Items

Financial Services Sector
- FMCC Segment
- Other FSG

Special Items
- Special Items
- All Other (Treasury Ops, FSM LLC)
Title now reflects new Automotive Segment

No change to Wholesales, Revenue, Market Share, and Operating Margin metrics

Automotive Sector Pre-tax Results (as shown) included Other Automotive; now Other Automotive results will be included in All Other, separate from Automotive Segment

- Special items continue to be excluded from the presentation of Automotive Segment Pre-Tax Results

Despite change to Pre-Tax Results, Operating Margin does not change because the prior calculation started with Pre-tax results and subtracted Other Automotive; the adjustment is not necessary under our new segment reporting
## USE OF NON-GAAP FINANCIAL MEASURES

<table>
<thead>
<tr>
<th>Non-GAAP Measure</th>
<th>Most Comparable GAAP Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Company Adjusted Pre-tax Result</td>
<td>Net income attributable to Ford</td>
</tr>
<tr>
<td>Adjusted Earnings Per Share</td>
<td>Earnings Per Share</td>
</tr>
<tr>
<td>Adjusted Effective Tax Rate</td>
<td>Effective Tax Rate</td>
</tr>
<tr>
<td>Ford Credit Managed Receivables</td>
<td>Net Finance Receivables plus Net Investment in Operating Leases</td>
</tr>
<tr>
<td>Ford Credit Managed Leverage</td>
<td>Financial Statement Leverage</td>
</tr>
</tbody>
</table>
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YoY changes in pre-tax results excluding special items focus on six causal factors:
- Volume / Mix
- Net Pricing
- Contribution Cost
- Structural Cost
- Exchange
- Other

China JV results included in all 6 causal factors
VARIANCE ANALYSIS – VOLUME AND MIX

Volume is the change in wholesale volumes (at prior-year average contribution margin per unit) driven by changes in industry volume, market share, and dealer stocks.

Mix is the change in product mix, including mix among vehicle lines and the mix of trim levels and options within a vehicle line.

Other Volume includes changes in external components.
Net Pricing is calculated at present-year volume, mix and exchange

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

Measures per-unit changes in cost categories that vary with volume. These include:
- Material (incl. commodities)
- Warranty expense
- Freight and Duty
Structural cost variances are driven by absolute changes in cost categories that do not have a directly proportionate relationship to volumes measured at present-year exchange.

- Cost categories include:
  - Manufacturing, incl. Volume-Related
  - Engineering
  - Spending-Related
  - Advertising and Sales Promotions
  - Administrative and Selling
  - Pension and OPEB
Exchange includes transactional and translational changes in foreign exchange and hedging.

Other includes a variety of items, such as parts and services profits, royalties, government incentives and performance compensation changes.
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- Changes in Sector and Segment Reporting
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- Variance Analysis
- **Cash Flow and Working Capital Changes**
- Warranty Reserves

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- Lease Accounting & Profit Reporting

**Appendix**
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- Return On Invested Capital (ROIC)
- Asia Pacific Structure
Automotive operating cash flow represents the ability of the automotive business to generate cash and includes:
- Automotive Segment pre-tax profits
- Net capital spending
- Changes in working capital
- All Other and Timing differences

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

Financing cash flow
- Impact of changes in debt
- Funded pension contributions
- Dividend payments and stock buybacks
KEY DRIVERS OF CHANGES TO WORKING CAPITAL

Elements of Working Capital

Payables

Inventory

Receivables

Key Drivers

- Production Volumes: customer demand, seasonality for plant shutdowns, launch schedules
- Supplier payment terms changes

- Finished vehicle inventory, including units in-transit
- Work-in-Process and stockpiles

- Variability in government-related tax receivables
- Arrangements with unconsolidated subsidiaries
## KEY DRIVERS OF TIMING DIFFERENCES

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

**Timing Differences Largely Reflect Differences Between Profit And Cash Impacts**
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WARRANTY OVERVIEW

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

Warranty Elements

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

Field Service Actions
- Safety Recalls
- Emission Recalls
- Other Product Campaigns

Customer Satisfaction Actions
- Roadside Assistance
- Transportation Assistance
BASE COVERAGES

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

Accrual
- Initial Accrual
  \[
  \text{Cost Per Unit} = \frac{\text{Wholesale Volume}}{\text{Initial Accrual (Mils.)}}
  \]
- Reserve adjustments based on adequacy reviews

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

The Lifetime Cost Per Unit Evolves As The Model Year Matures
FIELD SERVICE ACTIONS

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

### Accrual
- Initial Accrual
  - Cost Per Unit
  - Wholesale Volume
  - Initial Accrual (Mils.)

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

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

The Field Service Action Initial Accrual Creates A Reserve For Future Recall Decisions
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Generally, depreciation for leases is the sum of base and supplemental depreciation, net of residual support

- **Base Depreciation** reflects scheduled depreciation from the acquisition cost to the contract LEV and does not change after inception.

- **Supplemental Depreciation** reflects the difference between contract LEV and projected auction value. It is depreciated over the life of the contract.

- **Residual Support** is received up front from Ford and amortized within depreciation.

- **Accumulated Supplemental Depreciation (ASD)** reflects the accumulated balance of Supplemental Depreciation and Residual Support. In this example, ASD is $0.
LEASE ACCOUNTING EXAMPLE WITH RESIDUAL LOSS

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

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

- Residual Gain or Loss is the difference between the auction value and the depreciated value at contract termination
- Auction value projections are assessed quarterly and changes are made accordingly
- In this example, the projected residual is lowered at month 12
- Supplemental Depreciation is increased to depreciate the vehicle to the revised auction value projection
- In this example, ASD is $(500) at contract termination
- Supplemental Depreciation can be increased or decreased; however, it can never “un-depreciate” above base depreciation
Lease Residual performance is reported at prior period exchange rates. It reflects Residual Gains and Losses plus Change in Accumulated Supplemental Depreciation.

Lease Residual performance is affected by projected auction values of future disposals, portfolio size, and actual auction values and volume of disposed units.
RISK FACTORS

Statements included or incorporated by reference herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts, and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

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

We cannot be certain that any expectation, forecast, or assumption made in preparing forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events, or otherwise. For additional discussion, see "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.
Appendix

- Non-GAAP Financial Measures
- Return On Invested Capital (ROIC)
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NON-GAAP FINANCIAL MEASURES THAT SUPPLEMENT GAAP MEASURES

We use non-GAAP financial measures listed below for operational and financial decision making and to assess Company business performance. These non-GAAP measures are intended to be considered by users as supplemental information to their equivalent GAAP measures, to aid investors in better understanding our financial results. We believe that these non-GAAP measures provide useful perspective on underlying business results and trends, and a means to assess our period-over-period results. These non-GAAP measures should not be considered as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP. These non-GAAP measures may not be the same as similarly titled measures used by other companies due to possible differences in method and in items or events being adjusted.

Total Company Adjusted Pre-tax Profit (Most Comparable GAAP Measure: Net income attributable to Ford) – The non-GAAP measure is useful to management and investors because it allows users to evaluate our pre-tax results excluding pre-tax special items. Pre-tax special items consist of (i) pension and OPEB remeasurement gains and losses that are not reflective of our underlying business results, (ii) significant restructuring actions related to our efforts to match production capacity and cost structure to market demand and changing model mix, and (iii) other items that we do not necessarily consider to be indicative of earnings from ongoing operating activities.

Adjusted Earnings Per Share (Most Comparable GAAP Measure: Earnings Per Share) – Measure of Company’s diluted net earnings per share adjusted for impact of pre-tax special items (described above), and tax special items. The measure provides investors with useful information to evaluate performance of our business excluding items not indicative of underlying run rate of our business.

Adjusted Effective Tax Rate (Most Comparable GAAP Measure: Effective Tax Rate) – Measure of Company’s tax rate excluding pre-tax special items (described above) and tax special items. The measure provides an ongoing effective rate which investors find useful for historical comparisons and for forecasting.

Ford Credit Managed Receivables – (Most Comparable GAAP Measure: Net Finance Receivables plus Net Investment in Operating Leases) – Measure of Ford Credit’s Total net receivables, excluding unearned interest supplements and residual support, allowance for credit losses, and other (primarily accumulated supplemental depreciation). The measure is useful to management and investors as it closely approximates the customer’s outstanding balance on the receivables, which is the basis for earning revenue.

Ford Credit Managed Leverage (Most Comparable GAAP Measure: Financial Statement Leverage) – Ford Credit’s debt-to-equity ratio adjusted (i) to exclude cash, cash equivalents, and marketable securities (other than marketable securities related to insurance activities), and (ii) for derivative accounting. The measure is useful to investors because it reflects the way Ford Credit manages its business. Cash, cash equivalents, and marketable securities are deducted because they generally correspond to excess debt beyond the amount required to support operations and on-balance sheet securitization transactions. Derivative accounting adjustments are made to asset, debt, and equity positions to reflect the impact of interest rate instruments used with Ford Credit’s term-debt issuances and securitization transactions. Ford Credit generally repays its debt obligations as they mature, so the interim effects of changes in market interest rates are excluded in the calculation of managed leverage.
RETURN ON INVESTED CAPITAL CALCULATION

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

Annual ROIC                                  | 8.9%  | 17.7% |

After-Tax Five-Year Average ROIC**            | 16.2% | 15.7% |

** Approach**

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

** Operating Return (NOPAT)**

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

** Invested Capital**

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

---

* Reflects total pension & OPEB (income) / expense except service cost
** Calculated as five-year average NOPAT divided by five-year average invested capital
FORD RETURN ON INVESTED CAPITAL

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

* Based on Ford ROIC methodology
FORD & COMPETITORS RETURN ON INVESTED CAPITAL

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Ford</th>
<th>BMW</th>
<th>VW</th>
<th>GM</th>
<th>Fiat Group / FCA</th>
<th>Toyota</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>16%</td>
<td>15%</td>
<td>12%</td>
<td>11%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>15%</td>
<td>12%</td>
<td>12%</td>
<td>11%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>14%</td>
<td>12%</td>
<td>12%</td>
<td>11%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>14%</td>
<td>12%</td>
<td>12%</td>
<td>11%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>14%</td>
<td>12%</td>
<td>12%</td>
<td>11%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>14%</td>
<td>12%</td>
<td>12%</td>
<td>11%</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

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

Ford ROIC Compares Favorably To Industry Peers, Reflecting Relative Capital Efficiency
Ford Asia Pacific Profit Includes China Joint Venture Entities, Ford Costs Related To JVs, Ford And Lincoln Imports, And Non-China Markets.

- **China JVs -- Ford Equity Share of Net Income**
  - Disclosed

- **Ford Costs & Income Related to JVs**
  - Note: Costs include engineering for Ford global platforms; income includes royalties received for JV use of Ford technology and profits on parts sold to the JVs

- **Ford and Lincoln Vehicles Imported for Sale in China**

- **Rest of AP**
  - **Non-China Asia Pacific Markets**

---

**Ford Asia Pacific**

**Disclosed**
Ford discloses net income from China JVs, i.e., after-tax net income at Ford’s equity share; 2015 net income $1.5B

JV net income reflects component costs, service billings from Ford and royalty expenses paid by the JVs to Ford
- JVs pay royalties to Ford for use of intellectual property Ford has provided for engineering the vehicle

JVs self-fund their capital spending requirements; JV capital spending not included in Ford consolidated capital spending levels
JV results are reflected in these AP key metrics:
- Wholesales
- Market Share
- Operating Margin
- Pre-Tax Results

JV results are not included in Revenue