**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 20549**

**FORM 10-Q**

(Mark One)

☑ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

**For the quarterly period ended June 30, 2016**

**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** | **38-0549190** |
| *(State of incorporation)* | *(I.R.S. Employer Identification No.)* |
| **One American Road, Dearborn, Michigan** | **48126** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**313-322-3000**
*(Registrant's telephone number, including area code)*

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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 July 21, 2016, Ford had outstanding 3,902,388,793 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit Index begins on page 66

**FORD MOTOR COMPANY**
**QUARTERLY REPORT ON FORM 10-Q**
**For the Quarter Ended June 30, 2016**

## PART I. FINANCIAL INFORMATION

### ITEM 1. *Financial Statements.*

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

| | For the periods ended June 30, | | | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | Second Quarter | | First Half | |
| | (unaudited) | | | |
| **Revenues** | | | | |
| Automotive | $ 36,932 | $ 35,105 | $ 72,189 | $ 66,905 |
| Financial Services | 2,553 | 2,158 | 5,014 | 4,258 |
| Total revenues | 39,485 | 37,263 | 77,203 | 71,163 |
| **Costs and expenses** | | | | |
| Cost of sales | 32,348 | 30,326 | 62,629 | 58,798 |
| Selling, administrative, and other expenses | 2,661 | 2,544 | 5,223 | 5,016 |
| Financial Services interest, operating, and other expenses | 2,258 | 1,745 | 4,318 | 3,458 |
| Total costs and expenses | 37,267 | 34,615 | 72,170 | 67,272 |
| Interest expense on Automotive debt | 212 | 190 | 412 | 355 |
| Non-Financial Services interest income and other income/(loss), net (Note 13) | 389 | 272 | 793 | 462 |
| Financial Services other income/(loss), net (Note 13) | 82 | 70 | 173 | 144 |
| Equity in net income of affiliated companies | 398 | 486 | 939 | 923 |
| **Income before income taxes** | 2,875 | 3,286 | 6,526 | 5,065 |
| Provision for/(Benefit from) income taxes | 903 | 1,125 | 2,099 | 1,750 |
| **Net income** | 1,972 | 2,161 | 4,427 | 3,315 |
| Less: Income/(Loss) attributable to noncontrolling interests | 2 | 1 | 5 | 2 |
| **Net income attributable to Ford Motor Company** | $ 1,970 | $ 2,160 | $ 4,422 | $ 3,313 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 15)** | | | | |
| Basic income | $ 0.50 | $ 0.54 | $ 1.11 | $ 0.83 |
| Diluted income | 0.49 | 0.54 | 1.11 | 0.83 |
| Cash dividends declared | 0.15 | 0.15 | 0.55 | 0.30 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## (in millions)

| | For the periods ended June 30, | | | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | Second Quarter | | First Half | |
| | (unaudited) | | | |
| **Net income** | $ 1,972 | $ 2,161 | $ 4,427 | $ 3,315 |
| Other comprehensive income/(loss), net of tax (Note 12) | | | | |
| Foreign currency translation | (58) | (37) | (122) | 66 |
| Marketable securities | — | — | 6 | — |
| Derivative instruments | 111 | (76) | 357 | (166) |
| Pension and other postretirement benefits | 17 | 16 | 39 | (132) |
| **Total other comprehensive income/(loss), net of tax** | 70 | (97) | 280 | (232) |
| **Comprehensive income** | 2,042 | 2,064 | 4,707 | 3,083 |
| Less: Comprehensive income/(loss) attributable to noncontrolling interests | 2 | — | 4 | 1 |
| **Comprehensive income attributable to Ford Motor Company** | $ 2,040 | $ 2,064 | $ 4,703 | $ 3,082 |

The accompanying notes are part of the financial statements.

## FORD MOTOR COMPANY AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEET
## (in millions)

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | (unaudited) | |
| **ASSETS** | | |
| Cash and cash equivalents (Note 4) | $ 17,063 | $ 14,272 |
| Marketable securities (Note 4) | 22,234 | 20,904 |
| Financial Services finance receivables, net (Note 5) | 47,860 | 45,137 |
| Trade and other receivables, less allowances of $366 and $372 | 10,728 | 11,042 |
| Inventories (Note 7) | 9,829 | 8,319 |
| Other assets | 3,053 | 2,913 |
| **Total current assets** | 110,767 | 102,587 |
| Financial Services finance receivables, net (Note 5) | 47,427 | 45,554 |
| Net investment in operating leases | 29,468 | 27,093 |
| Net property | 31,940 | 30,163 |
| Equity in net assets of affiliated companies | 3,349 | 3,224 |
| Deferred income taxes | 9,822 | 11,509 |
| Other assets | 6,905 | 4,795 |
| **Total assets** | $ 239,678 | $ 224,925 |
| **LIABILITIES** | | |
| Payables | $ 23,084 | $ 20,272 |
| Other liabilities and deferred revenue (Note 8) | 21,463 | 19,089 |
| Automotive debt payable within one year (Note 10) | 2,417 | 1,779 |
| Financial Services debt payable within one year (Note 10) | 42,444 | 41,196 |
| **Total current liabilities** | 89,408 | 82,336 |
| Other liabilities and deferred revenue (Note 8) | 23,416 | 23,457 |
| Automotive long-term debt (Note 10) | 10,654 | 11,060 |
| Financial Services long-term debt (Note 10) | 84,399 | 78,819 |
| Deferred income taxes | 552 | 502 |
| **Total liabilities** | 208,429 | 196,174 |
| Redeemable noncontrolling interest | 95 | 94 |
| **EQUITY** | | |
| Common Stock, par value $.01 per share (3,975 million shares issued of 6 billion authorized) | 40 | 40 |
| Class B Stock, par value $.01 per share (71 million shares issued of 530 million authorized) | 1 | 1 |
| Capital in excess of par value of stock | 21,546 | 21,421 |
| Retained earnings | 16,652 | 14,414 |
| Accumulated other comprehensive income/(loss) | (5,976) | (6,257) |
| Treasury stock | (1,122) | (977) |
| Total equity attributable to Ford Motor Company | 31,141 | 28,642 |
| Equity attributable to noncontrolling interests | 13 | 15 |
| **Total equity** | 31,154 | 28,657 |
| **Total liabilities and equity** | $ 239,678 | $ 224,925 |

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 sheet above.

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | (unaudited) | |
| **ASSETS** | | |
| Cash and cash equivalents | $ 2,418 | $ 3,949 |
| Financial Services finance receivables, net | 49,844 | 45,902 |
| Net investment in operating leases | 11,714 | 13,309 |
| Other assets | 2 | 85 |
| **LIABILITIES** | | |
| Other liabilities and deferred revenue | $ 25 | $ 19 |
| Debt | 41,515 | 43,086 |

The accompanying notes are part of the financial statements.

## FORD MOTOR COMPANY AND SUBSIDIARIES
## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
## (in millions)

| | For the periods ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| | First Half | |
| | (unaudited) | |
| **Cash flows from operating activities** | | |
| Net cash provided by/(used in) operating activities | $ 11,834 | $ 7,623 |
| | | |
| **Cash flows from investing activities** | | |
| Capital spending | (3,206) | (3,533) |
| Acquisitions of finance receivables and operating leases | (27,501) | (26,505) |
| Collections of finance receivables and operating leases | 19,732 | 18,844 |
| Purchases of equity and debt securities | (16,757) | (21,282) |
| Sales and maturities of equity and debt securities | 15,491 | 23,222 |
| Settlements of derivatives | 111 | 192 |
| Other | 21 | 112 |
| Net cash provided by/(used in) investing activities | (12,109) | (8,950) |
| | | |
| **Cash flows from financing activities** | | |
| Cash dividends | (2,184) | (1,190) |
| Purchases of Common Stock | (145) | (91) |
| Net changes in short-term debt | 934 | 176 |
| Proceeds from issuance of other debt | 25,574 | 24,912 |
| Principal payments on other debt | (21,104) | (19,787) |
| Other | (30) | (279) |
| Net cash provided by/(used in) financing activities | 3,045 | 3,741 |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | 21 | (274) |
| | | |
| **Net increase/(decrease) in cash and cash equivalents** | $ 2,791 | $ 2,140 |
| | | |
| **Cash and cash equivalents at January 1** | $ 14,272 | $ 10,757 |
| Net increase/(decrease) in cash and cash equivalents | 2,791 | 2,140 |
| **Cash and cash equivalents at June 30** | $ 17,063 | $ 12,897 |

The accompanying notes are part of the financial statements.

## FORD MOTOR COMPANY AND SUBSIDIARIES
## CONSOLIDATED STATEMENT OF EQUITY
## (in millions, unaudited)

| | Equity Attributable to Ford Motor Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Cap. in Excess of Par Value of Stock | Retained Earnings | Accumulated Other Comprehensive Income/(Loss) (Note 12) | Treasury Stock | Total | Equity Attributable to Non-controlling Interests | Total Equity |
| **Balance at December 31, 2015** | $ 41 | $ 21,421 | $ 14,414 | $ (6,257) | $ (977) | $ 28,642 | $ 15 | $ 28,657 |
| Net income | — | — | 4,422 | — | — | 4,422 | 5 | 4,427 |
| Other comprehensive income/(loss), net of tax | — | — | — | 281 | — | 281 | (1) | 280 |
| Common stock issued (including share-based compensation impacts) | — | 125 | — | — | — | 125 | — | 125 |
| Treasury stock/other | — | — | — | — | (145) | (145) | (1) | (146) |
| Cash dividends declared | — | — | (2,184) | — | — | (2,184) | (5) | (2,189) |
| **Balance at June 30, 2016** | $ 41 | $ 21,546 | $ 16,652 | $ (5,976) | $ (1,122) | $ 31,141 | $ 13 | $ 31,154 |
| | | | | | | | | |
| **Balance at December 31, 2014** | $ 40 | $ 21,089 | $ 9,422 | $ (5,265) | $ (848) | $ 24,438 | $ 27 | $ 24,465 |
| Net income | — | — | 3,313 | — | — | 3,313 | 2 | 3,315 |
| Other comprehensive income/(loss), net of tax | — | — | — | (231) | — | (231) | (1) | (232) |
| Common stock issued (including share-based compensation impacts) | 1 | 228 | — | — | — | 229 | — | 229 |
| Treasury stock/other | — | — | — | — | (91) | (91) | (1) | (92) |
| Cash dividends declared | — | — | (1,190) | — | — | (1,190) | (6) | (1,196) |
| **Balance at June 30, 2015** | $ 41 | $ 21,317 | $ 11,545 | $ (5,496) | $ (939) | $ 26,468 | $ 21 | $ 26,489 |

The accompanying notes are part of the financial statements.

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

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**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.

Our financial statements are presented in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information, instructions to Quarterly Report on Form 10-Q, and Rule 10-01 of Regulation S-X.

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, 2015 (“2015 Form 10-K Report”).

*Change in presentation.* Our core Automotive business includes the designing, manufacturing, marketing, and servicing of a full line of Ford cars, trucks, SUVs, and electrified vehicles, as well as Lincoln luxury vehicles. We provide vehicle-related financing and leasing activities through our Ford Credit operation. At the same time, we are pursuing emerging opportunities in connectivity, mobility, autonomous vehicles, the customer experience, and data and analytics.

Prior to the second quarter of 2016, we presented our financial statements on both a consolidated basis and on a “sector” basis for our Automotive and Financial Services sectors. With our expansion into mobility services, including the formation in March 2016 of the Ford Smart Mobility LLC subsidiary, we have reevaluated our disclosures and concluded we should eliminate our two-sector financial presentation and, reflecting the manner in which our Chief Operating Decision Maker now manages our business, change our segment presentation to be Automotive, Financial Services, and All Other. See Note 3 for a description of our new segment presentation.

In addition, as a result of the elimination of our two-sector financial presentation, at June 30,2016 we changed the presentation of our consolidated balance sheet and certain notes to the consolidated financial statements to classify our assets and liabilities as current or non-current. We reclassified certain prior year amounts in our consolidated financial statements to conform to the current year presentation.

## NOTE 2. NEW ACCOUNTING STANDARDS

### Adoption of New Accounting Standards

*Accounting Standard Update (“ASU”) 2015-17, Income Taxes - Balance Sheet Classification of Deferred Taxes*. On April 1, 2016, we retrospectively adopted the new accounting standard which requires deferred tax assets and liabilities to be classified as non-current in the consolidated balance sheet. The impact of the change resulted in the classification of all deferred taxes as non-current.

We also adopted the following standards during 2016, none of which have a material impact to our financial statements or financial statement disclosures:

| Standard | | Effective Date |
|---|---|---|
| 2015-16 | Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments | January 1, 2016 |
| 2015-09 | Insurance - Disclosures about Short-Duration Contracts | January 1, 2016 |
| 2015-05 | Internal-Use Software - Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement | January 1, 2016 |
| 2015-02 | Consolidation - Amendments to the Consolidation Analysis | January 1, 2016 |
| 2015-01 | Extraordinary and Unusual Items - Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items | January 1, 2016 |
| 2014-12 | Stock Compensation - Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period | January 1, 2016 |

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

**NOTE 2. NEW ACCOUNTING STANDARDS *(Continued)***

**Accounting Standards Issued But Not Yet Adopted**

*ASU 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments.* In June 2016, the Financial Accounting Standards Board ("FASB") issued a new accounting standard which replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses. The new standard is effective as of January 1, 2020, and early adoption is permitted as of January 1, 2019. We are assessing the potential impact to our financial statements and disclosures.

*ASU 2016-09, Stock Compensation - Improvements to Employee Share-Based Payment Accounting.* In March 2016, the FASB issued a new accounting standard which simplifies accounting for share-based payment transactions, including income tax consequences and the classification of the tax impact on the statement of cash flows. The new standard is effective as of January 1, 2017, and early adoption is permitted. We are assessing the potential impact to our financial statements and disclosures.

*ASU 2016-02, Leases.* In February 2016, the FASB issued a new accounting standard which provides guidance on the recognition, measurement, presentation, and disclosure of leases. The new standard supersedes present U.S. GAAP guidance on leases and requires substantially all leases to be reported on the balance sheet as right-of-use assets and lease liabilities, as well as additional disclosures. The new standard is effective as of January 1, 2019, and early adoption is permitted. We are assessing the potential impact to our financial statements and disclosures.

*ASU 2014-09, Revenue - Revenue from Contracts with Customers.* In May 2014, the FASB issued a new accounting standard that requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The FASB has also issued several updates to ASU 2014-09. The new standard supersedes U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires additional disclosures. We plan to adopt the new revenue guidance effective January 1, 2017 and do not expect a material impact to our financial statements or disclosures. Under the new standard, the income statement classification for certain performance obligations will change.

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

## NOTE 3. SEGMENT INFORMATION

In conjunction with our expanded business model to become an automotive, financial services, and mobility company, beginning with the second quarter of 2016, we have changed our reportable segment disclosures. Reflecting the manner in which our Chief Operating Decision Maker manages our businesses, including resource allocation and performance assessment, we have four operating segments that represent the primary businesses reported in our consolidated financial statements. These operating segments are: Automotive, Financial Services, Ford Smart Mobility LLC, and Central Treasury Operations.

Automotive and Financial Services comprise separate reportable segments. Ford Smart Mobility LLC and Central Treasury Operations did not meet the quantitative thresholds in this reporting period to qualify as reportable segments; therefore, these operating segments are combined and disclosed below as All Other. Prior-period amounts have been adjusted retrospectively to reflect the change to our reportable segments.

Below is a description of our reportable segments and the business activities included in All Other.

### Automotive Segment

Our Automotive segment primarily includes the sale of Ford and Lincoln brand vehicles, service parts, and accessories worldwide, together with the associated costs to develop, manufacture, distribute, and service the vehicles, parts, and accessories. The segment includes 5 regional business units: North America, South America, Europe, Middle East & Africa, and Asia Pacific.

### Financial Services Segment

The Financial Services segment primarily includes our vehicle-related financing and leasing activities at Ford Credit.

### All Other

All Other is a combination of operating segments that did not meet the quantitative thresholds in this reporting period to qualify as reportable segments. All Other consists of our Central Treasury Operations (formerly Other Automotive) and Ford Smart Mobility LLC. The Central Treasury Operations segment is primarily engaged in decision making for investments, risk management activities, and providing financing for the Automotive segment. Interest income, interest expense, gains and losses on cash equivalents and marketable securities, and foreign exchange derivatives associated with intercompany lending, are included in the results of Central Treasury Operations. The underlying assets and liabilities, primarily cash and cash equivalents, marketable securities, debt, and derivatives, remain with the Automotive segment.

Ford Smart Mobility LLC is a new subsidiary formed to design, build, grow, and invest in emerging mobility services. Designed to compete like a start-up company, Ford Smart Mobility LLC will design and build mobility services on its own, and collaborate with start-ups and tech companies.

### Special Items

In addition, our results include Special Items that consist of (i) pension and other postretirement employee benefits ("OPEB") remeasurement gains and losses, (ii) significant personnel and dealer-related costs stemming from our efforts to match production capacity and cost structure to market demand and changing model mix, and (iii) certain infrequent significant items that we generally do not consider to be indicative of our ongoing operating activities. Our management excludes these items from its review of the results of the operating segments for purposes of measuring segment profitability and allocating resources. Special items are presented as a separate reconciling item.

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

## NOTE 3. SEGMENT INFORMATION *(Continued)*

Key operating data for our business segments for the periods ended or at June 30 were as follows (in millions):

| | Automotive | Financial Services | All Other | Special Items | Adjustments | Total |
|---|---|---|---|---|---|---|
| **Second Quarter 2016** | | | | | | |
| Revenues | $ 36,932 | $ 2,553 | $ — | $ — | $ — | $ 39,485 |
| Pre-tax results - income/(loss) | 2,832 | 385 | (224) | (118) | — | 2,875 |
| Cash, cash equivalents, and marketable securities | 27,210 | 12,087 | — | — | — | 39,297 |
| Total assets | 99,272 | 145,303 | 6 | — | (4,903) (a) | 239,678 |
| Debt | 13,071 | 126,843 | — | — | — | 139,914 |
| Operating cash flows | 4,144 | 2,283 | — | — | 1,315 (b) | 7,742 |
| **Second Quarter 2015** | | | | | | |
| Revenues | $ 35,105 | $ 2,158 | $ — | $ — | $ — | $ 37,263 |
| Pre-tax results - income/(loss) | 2,962 | 491 | (167) | — | — | 3,286 |
| Cash, cash equivalents, and marketable securities | 20,729 | 10,573 | — | — | — | 31,302 |
| Total assets | 92,610 | 126,383 | — | — | (2,866) (a) | 216,127 |
| Debt | 13,713 | 109,813 | — | — | — | 123,526 |
| Operating cash flows | 1,887 | 1,755 | — | — | 1,568 (b) | 5,210 |

| | Automotive | Financial Services | All Other | Special Items | Adjustments | Total |
|---|---|---|---|---|---|---|
| **First Half 2016** | | | | | | |
| Revenues | $ 72,189 | $ 5,014 | $ — | $ — | $ — | $ 77,203 |
| Pre-tax results - income/(loss) | 6,296 | 884 | (350) | (304) | — | 6,526 |
| Operating cash flows | 6,871 | 2,808 | — | — | 2,155 (b) | 11,834 |
| **First Half 2015** | | | | | | |
| Revenues | $ 66,905 | $ 4,258 | $ — | $ — | $ — | $ 71,163 |
| Pre-tax results - income/(loss) | 4,484 | 960 | (379) | — | — | 5,065 |
| Operating cash flows | 2,412 | 3,162 | — | — | 2,049 (b) | 7,623 |

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(a) Includes eliminations of intersegment transactions occurring in the ordinary course of business and deferred tax netting.
(b) We measure and evaluate our Automotive segment operating cash flow on a different basis than *Net cash provided by/(used in) operating activities* in our consolidated statement of cash flows. Automotive segment operating cash flow includes additional elements management considers to be related to our Automotive operating activities, primarily capital spending, and excludes outflows for funded pension contributions and separation payments that are considered operating cash flows under U.S. GAAP. The table below quantifies these reconciling adjustments to *Net cash provided by/(used in) operating activities* for the periods ended June 30 (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Automotive capital spending | $ 1,686 | $ 1,719 | $ 3,183 | $ 3,505 |
| Separation payments | (148) | (109) | (158) | (510) |
| Funded pension contributions | (221) | (91) | (589) | (853) |
| Other | (2) | 49 | (281) | (93) |
| Total operating cash flow adjustments | $ 1,315 | $ 1,568 | $ 2,155 | $ 2,049 |

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

## NOTE 4. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES

The following tables categorize the fair values of cash, cash equivalents, and marketable securities measured at fair value on a recurring basis on our balance sheet (in millions):

| | | June 30, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|---|
| | Fair Value Level | Automotive | Financial Services | Consolidated | Automotive | Financial Services | Consolidated |
| Cash and cash equivalents | | | | | | | |
| U.S. government | 1 | $ 699 | $ 974 | $ 1,673 | $ 115 | $ — | $ 115 |
| U.S. government agencies | 2 | 400 | 55 | 455 | 22 | — | 22 |
| Non-U.S. government and agencies | 2 | 924 | 353 | 1,277 | 173 | 266 | 439 |
| Corporate debt | 2 | 125 | 65 | 190 | 20 | — | 20 |
| Total marketable securities classified as cash equivalents | | 2,148 | 1,447 | 3,595 | 330 | 266 | 596 |
| Cash, time deposits, and money market funds | | 7,345 | 6,123 | 13,468 | 5,056 | 8,620 | 13,676 |
| Total cash and cash equivalents | | $ 9,493 | $ 7,570 | $ 17,063 | $ 5,386 | $ 8,886 | $ 14,272 |
| Marketable securities | | | | | | | |
| U.S. government | 1 | $ 3,366 | $ 1,888 | $ 5,254 | $ 1,623 | $ 298 | $ 1,921 |
| U.S. government agencies | 2 | 4,228 | 1,556 | 5,784 | 5,240 | 1,169 | 6,409 |
| Non-U.S. government and agencies | 2 | 6,296 | 739 | 7,035 | 7,451 | 832 | 8,283 |
| Corporate debt | 2 | 3,573 | 290 | 3,863 | 3,279 | 384 | 3,663 |
| Equities | 1 | 207 | — | 207 | 240 | — | 240 |
| Other marketable securities | 2 | 47 | 44 | 91 | 348 | 40 | 388 |
| Total marketable securities | | $ 17,717 | $ 4,517 | $ 22,234 | $ 18,181 | $ 2,723 | $ 20,904 |

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

## NOTE 5. FINANCIAL SERVICES FINANCE RECEIVABLES

Our Financial Services, primarily 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, net were as follows (in millions):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **Consumer** | | |
| Retail financing, gross | $ 64,601 | $ 62,068 |
| Unearned interest supplements | (2,416) | (2,119) |
| Consumer finance receivables | 62,185 | 59,949 |
| **Non-Consumer** | | |
| Dealer financing | 33,551 | 31,115 |
| Non-Consumer finance receivables | 33,551 | 31,115 |
| Total recorded investment | $ 95,736 | $ 91,064 |
| | | |
| Recorded investment in finance receivables | $ 95,736 | $ 91,064 |
| Allowance for credit losses | (449) | (373) |
| Finance receivables, net | $ 95,287 | $ 90,691 |
| | | |
| Current portion | $ 47,860 | $ 45,137 |
| Non-current portion | 47,427 | 45,554 |
| Finance receivables, net | $ 95,287 | $ 90,691 |
| | | |
| Net finance receivables subject to fair value (a) | $ 93,234 | $ 88,876 |
| Fair value | 94,720 | 90,048 |

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(a) At June 30, 2016 and December 31, 2015, excludes $2.1 billion and $1.8 billion, respectively, of certain receivables (primarily direct financing leases) that are not subject to fair value disclosure requirements. The fair value of finance receivables is categorized within Level 3 of the hierarchy.

Excluded from finance receivables at June 30, 2016 and December 31, 2015, was $213 million and $209 million, respectively, of accrued uncollected interest, which are reported as *Other assets* in the current assets section of our consolidated balance sheet.

Included in the recorded investment in finance receivables at June 30, 2016 and December 31, 2015 were consumer receivables of $30.8 billion and $27.6 billion, respectively, and non-consumer receivables of $25.7 billion and $26.1 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 5. FINANCIAL SERVICES FINANCE RECEIVABLES *(Continued)***

### Aging

For all finance receivables, we define "past due" as any payment, including principal and interest, that is at least 31 days past the contractual due date. The recorded investment of consumer receivables greater than 90 days past due and still accruing interest was $20 million and $16 million at June 30, 2016 and December 31, 2015, respectively. The recorded investment of non-consumer receivables greater than 90 days past due and still accruing interest was $3 million and $1 million at June 30, 2016 and December 31, 2015, respectively.

The aging analysis of our finance receivables balances were as follows (in millions):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **Consumer** | | |
| 31-60 days past due | $ 633 | $ 708 |
| 61-90 days past due | 107 | 108 |
| 91-120 days past due | 30 | 27 |
| Greater than 120 days past due | 40 | 38 |
| Total past due | 810 | 881 |
| Current | 61,375 | 59,068 |
| Consumer finance receivables | 62,185 | 59,949 |
| **Non-Consumer** | | |
| Total past due | 91 | 116 |
| Current | 33,460 | 30,999 |
| Non-Consumer finance receivables | 33,551 | 31,115 |
| Total recorded investment | $ 95,736 | $ 91,064 |

### Credit Quality

*Consumer Portfolio.* Credit quality ratings for consumer receivables are based on aging. Refer to the aging table above.

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
- *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

*Non-Consumer Portfolio.* 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
- *Group IV* – poor financial metrics, including dealers classified as uncollectible

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

## NOTE 5. FINANCIAL SERVICES FINANCE RECEIVABLES *(Continued)*

The credit quality analysis of our dealer financing receivables was as follows (in millions):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **Dealer Financing** | | |
| Group I | $ 24,853 | $ 22,146 |
| Group II | 6,849 | 7,175 |
| Group III | 1,739 | 1,683 |
| Group IV | 110 | 111 |
| Total recorded investment | $ 33,551 | $ 31,115 |

### Impaired Receivables

Impaired consumer receivables include accounts that have been rewritten or modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code that are considered to be troubled debt restructurings ("TDRs"), as well as all accounts greater than 120 days past due. Impaired non-consumer receivables represent accounts with dealers that have weak or poor financial metrics or dealer financing that has been modified in TDRs. The recorded investment of consumer receivables that were impaired at June 30, 2016 and December 31, 2015 was $366 million, or 0.6% of consumer receivables, and $375 million, or 0.6% of consumer receivables, respectively. The recorded investment of non-consumer receivables that were impaired at June 30, 2016 and December 31, 2015 was $126 million, or 0.4% of non-consumer receivables, and $134 million, or 0.4% of non-consumer receivables, respectively. Impaired finance receivables are evaluated both collectively and specifically.

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

## NOTE 6. FINANCIAL SERVICES ALLOWANCE FOR CREDIT LOSSES

An analysis of the allowance for credit losses related to finance receivables for the periods ended June 30 was as follows (in millions):

| | Second Quarter 2016 | | | First Half 2016 | | |
|---|---|---|---|---|---|---|
| | Consumer | Non-Consumer | Total | Consumer | Non-Consumer | Total |
| **Allowance for credit losses** | | | | | | |
| Beginning balance | $ 390 | $ 20 | $ 410 | $ 357 | $ 16 | $ 373 |
| Charge-offs | (94) | (3) | (97) | (196) | (2) | (198) |
| Recoveries | 31 | 2 | 33 | 60 | 3 | 63 |
| Provision for credit losses | 109 | (1) | 108 | 211 | — | 211 |
| Other (a) | (4) | (1) | (5) | — | — | — |
| Ending balance (b) | $ 432 | $ 17 | $ 449 | $ 432 | $ 17 | $ 449 |
| **Analysis of ending balance of allowance for credit losses** | | | | | | |
| Collective impairment allowance | | | | $ 414 | $ 13 | $ 427 |
| Specific impairment allowance | | | | 18 | 4 | 22 |
| Ending balance (b) | | | | 432 | 17 | 449 |
| **Analysis of ending balance of finance receivables** | | | | | | |
| Collectively evaluated for impairment | | | | 61,819 | 33,425 | 95,244 |
| Specifically evaluated for impairment | | | | 366 | 126 | 492 |
| Recorded investment | | | | 62,185 | 33,551 | 95,736 |
| Ending balance, net of allowance for credit losses | | | | $ 61,753 | $ 33,534 | $ 95,287 |

(a) Primarily represents amounts related to translation adjustments.
(b) Total allowance, including reserves for operating leases, was $512 million.

| | Second Quarter 2015 | | | First Half 2015 | | |
|---|---|---|---|---|---|---|
| | Consumer | Non-Consumer | Total | Consumer | Non-Consumer | Total |
| **Allowance for credit losses** | | | | | | |
| Beginning balance | $ 301 | $ 13 | $ 314 | $ 305 | $ 16 | $ 321 |
| Charge-offs | (70) | (2) | (72) | (150) | (1) | (151) |
| Recoveries | 31 | 1 | 32 | 61 | 3 | 64 |
| Provision for credit losses | 57 | — | 57 | 110 | (4) | 106 |
| Other (a) | 3 | 1 | 4 | (4) | (1) | (5) |
| Ending balance (b) | $ 322 | $ 13 | $ 335 | $ 322 | $ 13 | $ 335 |
| **Analysis of ending balance of allowance for credit losses** | | | | | | |
| Collective impairment allowance | | | | $ 303 | $ 13 | $ 316 |
| Specific impairment allowance | | | | 19 | — | 19 |
| Ending balance (b) | | | | 322 | 13 | 335 |
| **Analysis of ending balance of finance receivables** | | | | | | |
| Collectively evaluated for impairment | | | | 55,527 | 27,123 | 82,650 |
| Specifically evaluated for impairment | | | | 380 | 126 | 506 |
| Recorded investment | | | | 55,907 | 27,249 | 83,156 |
| Ending balance, net of allowance for credit losses | | | | $ 55,585 | $ 27,236 | $ 82,821 |

(a) Primarily represents amounts related to translation adjustments.
(b) Total allowance, including reserves for operating leases, was $380 million.

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

## NOTE 7. INVENTORIES

All inventories are stated at the lower of cost and net realizable value. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out ("LIFO") basis. LIFO was used for 33% and 27% of total inventories at June 30, 2016 and December 31, 2015, respectively. Cost of other inventories is determined by costing methods that approximate a first-in, first-out ("FIFO") basis.

Inventories were as follows (in millions):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Raw materials, work-in-process, and supplies | $ 4,186 | $ 4,005 |
| Finished products | 6,571 | 5,254 |
| Total inventories under FIFO | 10,757 | 9,259 |
| LIFO adjustment | (928) | (940) |
| Total inventories | $ 9,829 | $ 8,319 |

## NOTE 8. OTHER LIABILITIES AND DEFERRED REVENUE

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

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **Current** | | |
| Dealer and dealers' customer allowances and claims | $ 9,632 | $ 8,122 |
| Deferred revenue | 5,639 | 4,662 |
| Employee benefit plans | 1,482 | 1,562 |
| Accrued interest | 946 | 840 |
| OPEB | 358 | 354 |
| Pension (a) | 266 | 249 |
| Other | 3,140 | 3,300 |
| Total current other liabilities and deferred revenue | $ 21,463 | $ 19,089 |
| **Non-current** | | |
| Pension (a) | $ 9,190 | $ 9,543 |
| OPEB | 5,392 | 5,347 |
| Dealer and dealers' customer allowances and claims | 2,782 | 2,731 |
| Deferred revenue | 3,499 | 3,265 |
| Employee benefit plans | 1,112 | 1,041 |
| Other | 1,441 | 1,530 |
| Total non-current other liabilities and deferred revenue | $ 23,416 | $ 23,457 |

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(a) Balances at June 30, 2016 reflect pension liabilities at December 31, 2015, updated for service and interest cost, expected return on assets, separation expense, actual benefit payments, and cash contributions. The discount rate and rate of expected return assumptions are unchanged from year-end 2015. Included in *Other assets* are pension assets of $2.1 billion and $1.6 billion at June 30, 2016 and December 31, 2015, respectively.

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

## NOTE 9. RETIREMENT BENEFITS

### Defined Benefit Plans - Expense

The pre-tax expense for our defined benefit pension and OPEB plans for the periods ended June 30 was as follows (in millions):

| | Second Quarter | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | | | | |
| | U.S. Plans | | Non-U.S. Plans | | Worldwide OPEB | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Service cost | $ 127 | $ 146 | $ 124 | $ 133 | $ 12 | $ 15 |
| Interest cost | 381 | 455 | 202 | 232 | 49 | 59 |
| Expected return on assets | (674) | (732) | (350) | (369) | — | — |
| Amortization of prior service costs/(credits) | 43 | 39 | 9 | 11 | (36) | (52) |
| Net remeasurement (gain)/loss | — | — | 11 | — | — | — |
| Separation programs/other | 3 | — | 65 | 12 | — | 1 |
| Net periodic benefit cost/(income) | $ (120) | $ (92) | $ 61 | $ 19 | $ 25 | $ 23 |

| | First Half | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | | | | |
| | U.S. Plans | | Non-U.S. Plans | | Worldwide OPEB | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Service cost | $ 255 | $ 293 | $ 242 | $ 268 | $ 24 | $ 30 |
| Interest cost | 762 | 909 | 397 | 471 | 97 | 119 |
| Expected return on assets | (1,347) | (1,464) | (689) | (744) | — | — |
| Amortization of prior service costs/(credits) | 85 | 78 | 19 | 23 | (71) | (103) |
| Net remeasurement (gain)/loss | — | — | 11 | — | — | — |
| Separation programs/other | 3 | 2 | 72 | 19 | — | 1 |
| Net periodic benefit cost/(income) | $ (242) | $ (182) | $ 52 | $ 37 | $ 50 | $ 47 |

Beginning in 2016, we changed the method used to estimate the service and interest costs for pension and OPEB plans that utilize a yield curve approach. We now apply the specific spot rates along the yield curve to the relevant cash flows instead of using a single effective discount rate. Service and interest costs in the second quarter and first half were about $145 million lower and about $290 million lower, respectively, with the new method than they would have been under the prior method.

### Pension Plan Contributions

During 2016, we expect to contribute about $1.5 billion from cash and cash equivalents to our worldwide funded pension plans (including discretionary contributions of about $400 million), and to make about $300 million of benefit payments to participants in unfunded plans, for a total of about $1.8 billion. In the first half of 2016, we contributed about $600 million to our worldwide funded pension plans and made about $150 million of benefit payments to participants in unfunded plans.

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

## NOTE 10. DEBT

The carrying value of Automotive and Financial Services debt was as follows (in millions):

| **Automotive** | **June 30, 2016** | **December 31, 2015** |
|---|---|---|
| **Debt payable within one year** | | |
| Short-term | $ 1,126 | $ 818 |
| Long-term payable within one year | | |
| U.S. Department of Energy ("DOE") Advanced Technology Vehicles Manufacturing ("ATVM") Incentive Program | 591 | 591 |
| Other debt | 752 | 370 |
| Unamortized (discount)/premium | (52) | — |
| Total debt payable within one year | 2,417 | 1,779 |
| **Long-term debt payable after one year** | | |
| Public unsecured debt securities | 6,594 | 6,594 |
| DOE ATVM Incentive Program | 2,947 | 3,242 |
| Other debt | 1,530 | 1,696 |
| Adjustments | | |
| Unamortized (discount)/premium | (358) | (412) |
| Unamortized issuance costs | (59) | (60) |
| Total long-term debt payable after one year | 10,654 | 11,060 |
| Total Automotive | $ 13,071 | $ 12,839 |
| | | |
| Fair value of Automotive debt (a) | $ 15,151 | $ 14,199 |
| | | |
| **Financial Services** | | |
| **Debt payable within one year** | | |
| Short-term | $ 12,734 | $ 12,123 |
| Long-term payable within one year | | |
| Unsecured debt | 10,382 | 10,241 |
| Asset-backed debt | 19,349 | 18,855 |
| Adjustments | | |
| Unamortized (discount)/premium | (3) | (5) |
| Unamortized issuance costs | (18) | (18) |
| Total debt payable within one year | 42,444 | 41,196 |
| **Long-term debt payable after one year** | | |
| Unsecured debt | 55,927 | 49,193 |
| Asset-backed debt | 27,420 | 29,390 |
| Adjustments | | |
| Unamortized (discount)/premium | (15) | (24) |
| Unamortized issuance costs | (227) | (198) |
| Fair value adjustments (b) | 1,294 | 458 |
| Total long-term debt payable after one year | 84,399 | 78,819 |
| Total Financial Services | $ 126,843 | $ 120,015 |
| | | |
| Fair value of Financial Services debt (a) | $ 128,982 | $ 121,170 |

(a) The fair value of debt includes $869 million and $560 million of Automotive short-term debt and $12.1 billion and $10.3 billion of Financial Services short-term debt at June 30, 2016 and December 31, 2015, respectively, carried at cost, which approximates fair value. All other debt is categorized within Level 2 of the fair value hierarchy.
(b) Adjustments related to designated fair value hedges of unsecured debt.

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

## NOTE 11. 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, recorded in income for the periods ended June 30 were as follows (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Cash flow hedges (a) | | | | |
| Reclassified from AOCI to net income | $ 46 | $ (90) | $ 133 | $ (136) |
| Fair value hedges | | | | |
| Interest rate contracts | | | | |
| Net interest settlements and accruals excluded from the assessment of hedge effectiveness | 98 | 89 | 197 | 177 |
| Ineffectiveness (b) | 5 | (10) | 22 | (4) |
| Derivatives not designated as hedging instruments | | | | |
| Foreign currency exchange contracts | 171 | (181) | 32 | 145 |
| Cross-currency interest rate swap contracts | 140 | (77) | 335 | 12 |
| Interest rate contracts | (43) | (18) | (91) | (61) |
| Commodity contracts | 9 | (15) | 4 | (25) |
| Total | $ 426 | $ (302) | $ 632 | $ 108 |

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(a) For the second quarter and first half of 2016, a $184 million gain and a $547 million gain, respectively, were recorded in *Other comprehensive income*. For the second quarter and first half of 2015, a $217 million loss and a $367 million loss, respectively, were recorded in *Other comprehensive income.*

(b) For the second quarter and first half of 2016, hedge ineffectiveness reflects the net change in fair value on derivatives of $273 million gain and $883 million gain, respectively, and a change in value on hedged debt attributable to the change in benchmark interest rates of $268 million loss and $861 million loss, respectively. For the second quarter and first half of 2015, hedge ineffectiveness reflects the net change in fair value on derivatives of $249 million loss and $28 million loss, respectively, and a change in value on hedged debt attributable to the change in benchmark interest rates of $239 million gain and $24 million gain, respectively.

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

## NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(Continued)*

### Balance Sheet Effect of Derivative Financial Instruments

Derivative assets and liabilities are recorded on the balance sheet 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.

The fair value of our derivative instruments and the associated notional amounts, presented gross, were as follows (in millions):

| | June 30, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Notional | Fair Value of Assets | Fair Value of Liabilities | Notional | Fair Value of Assets | Fair Value of Liabilities |
| Cash flow hedges | | | | | | |
| Foreign currency exchange and commodity contracts | $ 14,801 | $ 740 | $ 207 | $ 12,593 | $ 522 | $ 366 |
| Fair value hedges | | | | | | |
| Interest rate contracts | 35,581 | 1,572 | — | 28,964 | 670 | 16 |
| Derivatives not designated as hedging instruments | | | | | | |
| Foreign currency exchange contracts | 17,904 | 505 | 254 | 21,108 | 426 | 242 |
| Cross-currency interest rate swap contracts | 3,550 | 258 | 15 | 3,137 | 73 | 111 |
| Interest rate contracts | 62,637 | 173 | 185 | 62,638 | 159 | 112 |
| Commodity contracts | 548 | 15 | 6 | 643 | 2 | 26 |
| Total derivative financial instruments, gross (a) (b) | $ 135,021 | 3,263 | 667 | $ 129,083 | 1,852 | 873 |
| Counterparty netting | | (589) | (589) | | (733) | (733) |
| Total derivative financial instruments, net | | $ 2,674 | $ 78 | | $ 1,119 | $ 140 |

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(a) At June 30, 2016 and December 31, 2015, the pledged collateral was $2 million and $0, respectively.
(b) All derivatives are categorized within Level 2 of the fair value hierarchy.

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

## NOTE 12. 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 June 30 were as follows (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Foreign currency translation** | | | | |
| Beginning balance | $ (3,633) | $ (2,335) | $ (3,570) | $ (2,438) |
| Gains/(Losses) on foreign currency translation | (58) | (36) | (88) | 67 |
| Less: Tax/(Tax benefit) | — | — | — | — |
| Net gains/(losses) on foreign currency translation | (58) | (36) | (88) | 67 |
| (Gains)/Losses reclassified from AOCI to net income (a) | — | — | (33) | — |
| Other comprehensive income/(loss), net of tax | (58) | (36) | (121) | 67 |
| Ending balance | $ (3,691) | $ (2,371) | $ (3,691) | $ (2,371) |
| **Marketable securities** | | | | |
| Beginning balance | $ — | $ — | $ (6) | $ — |
| Gains/(Losses) on available for sale securities | — | — | 11 | — |
| Less: Tax/(Tax benefit) | — | — | — | — |
| Net gains/(losses) on available for sale securities | — | — | 11 | — |
| (Gains)/Losses reclassified from AOCI to net income | — | — | (1) | — |
| Less: Tax/(Tax benefit) | — | — | 4 | — |
| Net (gains)/losses reclassified from AOCI to net income | — | — | (5) | — |
| Other comprehensive income/(loss), net of tax | — | — | 6 | — |
| Ending balance | $ — | $ — | $ — | $ — |
| **Derivative instruments** | | | | |
| Beginning balance | $ 310 | $ (253) | $ 64 | $ (163) |
| Gains/(Losses) on derivative instruments | 184 | (217) | 547 | (367) |
| Less: Tax/(Tax benefit) | 35 | (78) | 94 | (110) |
| Net gains/(losses) on derivative instruments | 149 | (139) | 453 | (257) |
| (Gains)/Losses reclassified from AOCI to net income | (46) | 90 | (133) | 136 |
| Less: Tax/(Tax benefit) | (8) | 27 | (37) | 45 |
| Net (gains)/losses reclassified from AOCI to net income (b) | (38) | 63 | (96) | 91 |
| Other comprehensive income/(loss), net of tax | 111 | (76) | 357 | (166) |
| Ending balance | $ 421 | $ (329) | $ 421 | $ (329) |
| **Pension and other postretirement benefits** | | | | |
| Beginning balance | $ (2,723) | $ (2,812) | $ (2,745) | $ (2,664) |
| Amortization and recognition of prior service costs/(credits) (c) | 16 | (2) | 33 | (2) |
| Less: Tax/(Tax benefit) | 7 | (2) | 10 | 77 |
| Net prior service costs/(credits) reclassified from AOCI to net income | 9 | — | 23 | (79) |
| Translation impact on non-U.S. plans | 8 | 16 | 16 | (53) |
| Other comprehensive income/(loss), net of tax | 17 | 16 | 39 | (132) |
| Ending balance | $ (2,706) | $ (2,796) | $ (2,706) | $ (2,796) |
| Total AOCI ending balance at June 30 | $ (5,976) | $ (5,496) | $ (5,976) | $ (5,496) |

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(a) Reclassified to *Non-Financial Services interest income and other income/(loss), net.*
(b) Reclassified to *Cost of sales*. During the next twelve months we expect to reclassify existing net gains on cash flow hedges of $465 million. See Note 11 for additional information.
(c) *Amortization and recognition of prior service costs/(credits)* is included in the computation of net periodic pension cost. See Note 9 for additional information.

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

## NOTE 13. OTHER INCOME/(LOSS)

### Non-Financial Services

The amounts included in *Non-Financial Services interest income and other income/(loss), net* for the periods ended June 30 were as follows (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Investment-related interest income | $ 52 | $ 56 | $ 113 | $ 101 |
| Interest income/(expense) on income taxes | 1 | 10 | (1) | 1 |
| Realized and unrealized gains/(losses) on cash equivalents and marketable securities | (7) | (16) | 65 | (43) |
| Gains/(Losses) on changes in investments in affiliates | 147 | 18 | 181 | 18 |
| Royalty income | 137 | 157 | 320 | 299 |
| Other | 59 | 47 | 115 | 86 |
| Total | $ 389 | $ 272 | $ 793 | $ 462 |

### Financial Services

The amounts included in *Financial Services other income/(loss), net* for the periods ended June 30 were as follows (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Investment-related interest income | $ 20 | $ 20 | $ 39 | $ 39 |
| Interest income/(expense) on income taxes | 15 | (3) | 13 | (6) |
| Insurance premiums earned | 41 | 34 | 80 | 65 |
| Other | 6 | 19 | 41 | 46 |
| Total | $ 82 | $ 70 | $ 173 | $ 144 |

## NOTE 14. 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 15. CAPITAL STOCK AND EARNINGS PER SHARE

### Earnings Per Share Attributable to Ford Motor Company Common and Class B Stock

Basic and diluted income per share were calculated using the following (in millions):

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Basic and Diluted Income Attributable to Ford Motor Company** | | | | |
| Basic income | $ 1,970 | $ 2,160 | $ 4,422 | $ 3,313 |
| Diluted income | 1,970 | 2,160 | 4,422 | 3,313 |
| | | | | |
| **Basic and Diluted Shares** | | | | |
| Basic shares (average shares outstanding) | 3,973 | 3,974 | 3,972 | 3,968 |
| Net dilutive options and unvested restricted stock units | 24 | 33 | 24 | 35 |
| Diluted shares | 3,997 | 4,007 | 3,996 | 4,003 |

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

## NOTE 16. COMMITMENTS AND CONTINGENCIES

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

### Guarantees and Indemnifications

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 guarantee or indemnity, the amount of probable payment is recorded.

We guarantee 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. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full, and may be limited in the event of insolvency of the third party or other circumstances.

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 terms of the contract or by 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.

The maximum potential payments and the carrying value of recorded liabilities related to guarantees and limited indemnities were as follows (in millions):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Maximum potential payments | $ 200 | $ 284 |
| Carrying value of recorded liabilities related to guarantees and limited indemnities | 23 | 23 |

### 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.

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

**NOTE 16. COMMITMENTS AND CONTINGENCIES *(Continued)***

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 $2.8 billion.

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.

**Warranty and Field Service Actions**

We accrue obligations for warranty costs and field service actions (i.e., safety recalls, emission recalls, and other product campaigns) at the time of sale using a patterned estimation model that includes historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. 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 the recovery is virtually certain. Recoveries are reported in *Receivables* and *Other assets.*

The estimate of our future warranty and field service action costs, net of supplier recoveries, for the periods ended June 30 were as follows (in millions):

| | First Half | |
|---|---|---|
| | **2016** | **2015** |
| Beginning balance | $ 4,558 | $ 4,785 |
| Payments made during the period | (1,593) | (1,229) |
| Changes in accrual related to warranties issued during the period | 1,179 | 1,005 |
| Changes in accrual related to pre-existing warranties | 279 | 212 |
| Foreign currency translation and other | 45 | (68) |
| Ending balance | $ 4,468 | $ 4,705 |

Revisions to our estimated costs are reported as *Changes in accrual related to pre-existing warranties* in the table above.

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of
Ford Motor Company:

We have reviewed the accompanying consolidated balance sheet of Ford Motor Company and its subsidiaries as of June 30, 2016, and the related consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015 and the condensed consolidated statement of cash flows and the consolidated statement of equity for the six-month periods ended June 30, 2016 and 2015. These interim financial statements are the responsibility of the Company’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2015, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the year then ended (not presented herein), and in our report dated February 11, 2016 (which included an explanatory paragraph with respect to the Company’s change in the manner in which it accounts for defined benefit pension and other postretirement employee benefit plans), we expressed an unqualified opinion on those consolidated financial statements. As discussed in Note 1 to the accompanying consolidated interim financial statements, the Company changed its presentation of the consolidated balance sheet to classify assets and liabilities as current or non-current. The accompanying December 31, 2015 consolidated balance sheet reflects this change.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan
July 28, 2016

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

## OVERVIEW

Our core Automotive business includes the designing, manufacturing, marketing, and servicing of a full line of Ford cars, trucks, SUVs, and electrified vehicles, as well as Lincoln luxury vehicles. We provide vehicle-related financing and leasing activities through our Ford Credit operation. At the same time, we are pursuing emerging opportunities in connectivity, mobility, autonomous vehicles, the customer experience, and data and analytics.

In conjunction with our expanded business model to become an automotive, financial services, and mobility company, beginning with the second quarter of 2016, we have changed our reportable segments. Prior-period amounts have been adjusted retrospectively to reflect the reportable segment change. See Note 3 of the Notes to the Financial Statements for additional information.

### 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.

- *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 other postretirement employee benefits ("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 the 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.

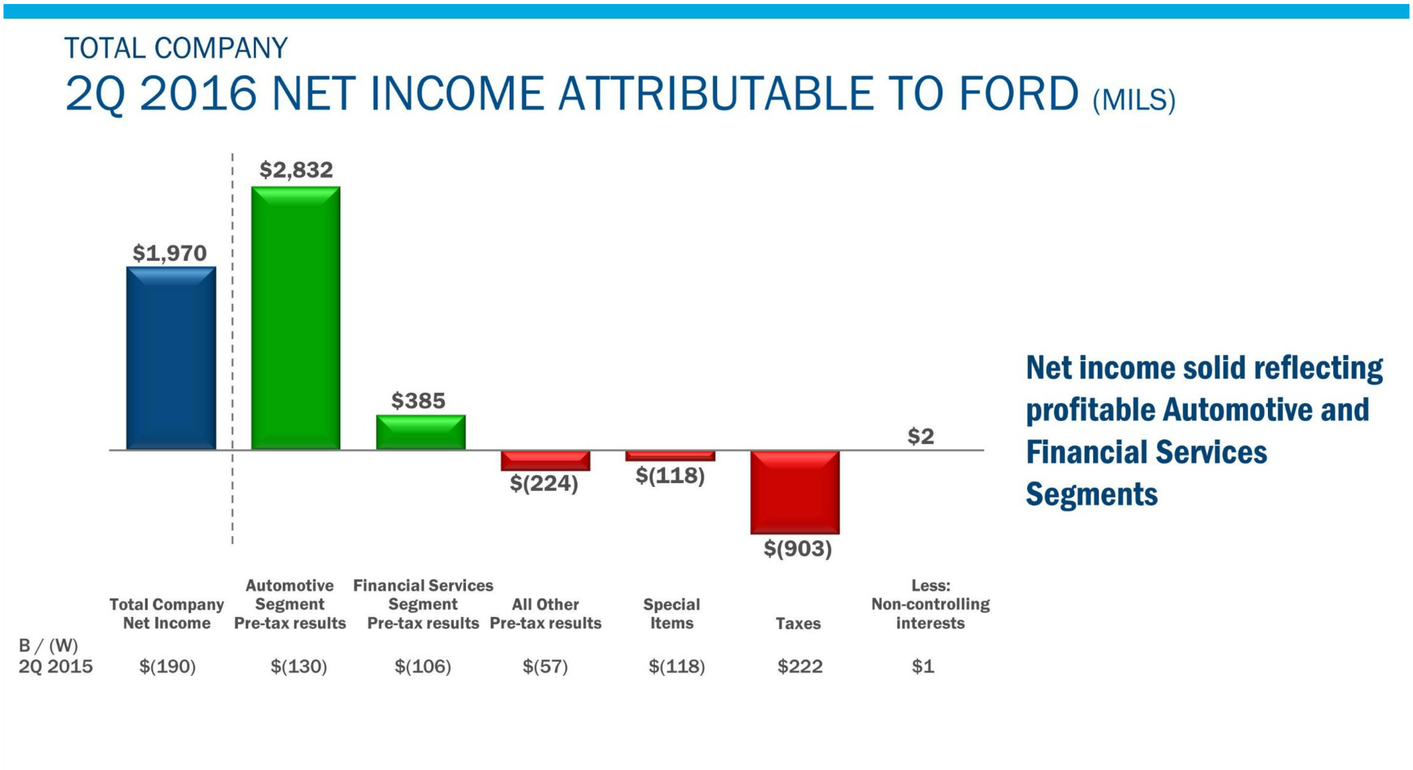
- *Ford Credit Managed Leverage (Most Comparable GAAP Measure: Financial Statement Leverage)* – Ford Credit's debt-to-equity ratio adjusted (i) to exclude cash, cash equivalents, and marketable securities (other than marketable securities related to insurance activities), and (ii) for derivative accounting. 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.

See "GAAP Reconciliations of Non-GAAP Financial Measures" section in this Item 2.

## RESULTS OF OPERATIONS

### Total Company

*Net income attributable to Ford.* The chart below shows our second quarter 2016 net income attributable to Ford.



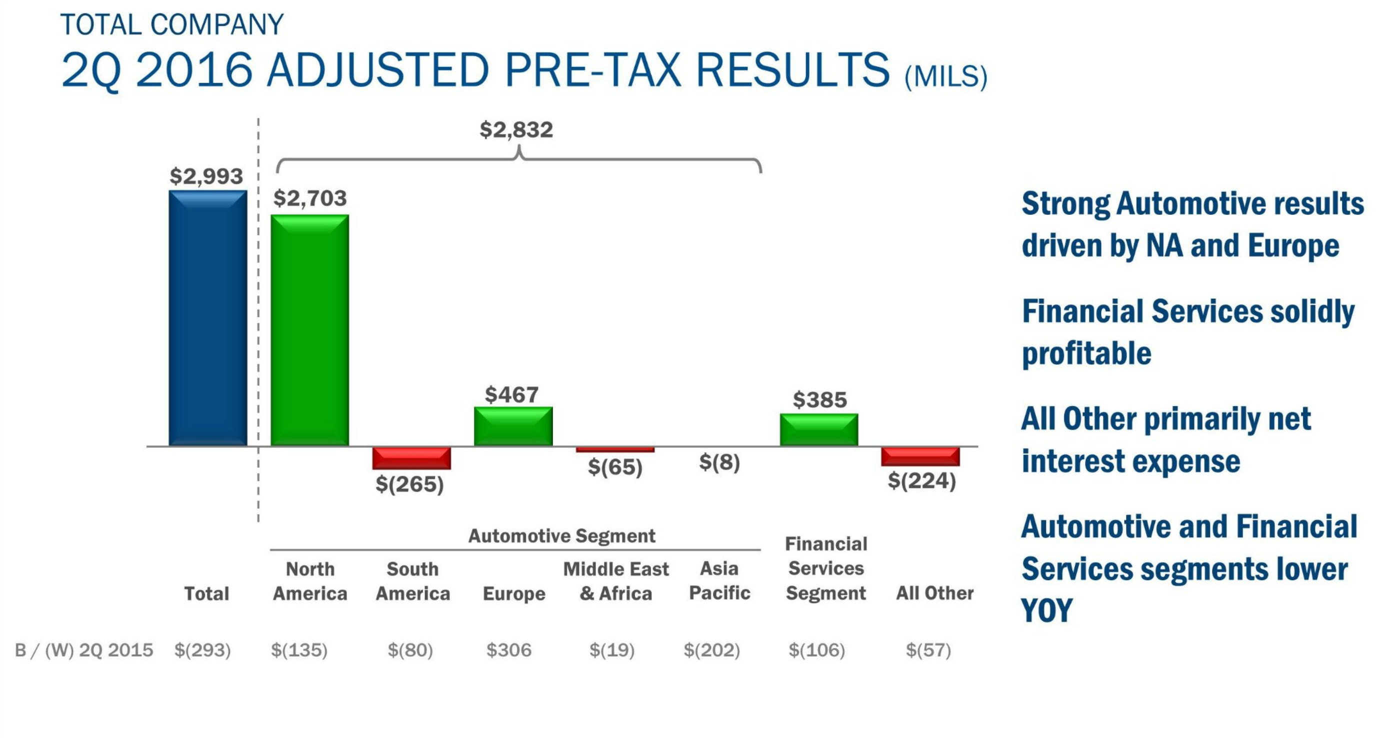

Net income attributable to Ford in the second quarter of 2016 was $2 billion or $0.49 earnings per share of Common and Class B Stock, a decrease of $190 million or $0.05 per share from the second quarter a year ago. Second quarter 2016 pre-tax results of our Automotive segment, Financial Services segment, All Other, Special Items, and Taxes are discussed in the following sections in "Results of Operations."

*Revenue.* Company revenue in the second quarter of 2016 was $39.5 billion, $2.2 billion higher than a year ago.

*Equity.* At June 30, 2016, total equity attributable to Ford was $31.1 billion, an increase of $2.5 billion compared with December 31, 2015. The detail for this change is shown below (in billions):

| | Higher/(Lower) |
|---|---|
| Net income | $ 4.4 |
| Dividends | (2.2) |
| Other comprehensive income | 0.3 |
| Compensation-related equity issuances | 0.1 |
| Treasury stock share repurchases | (0.1) |
| Total | $ 2.5 |

The chart below shows our second quarter 2016 total Company adjusted pre-tax results and pre-tax results of our Automotive segment by regional business unit, our Financial Services segment, and All Other, which is mainly net interest expense.




Total Company adjusted pre-tax profit in the second quarter of 2016 was $3 billion or $0.52 of adjusted earnings per share of Common and Class B Stock. Automotive segment pre-tax results were driven by North America and Europe. In total, our operations outside of North America delivered a profit of $129 million, about the same as a year ago.

Financial Services segment pre-tax profit of $385 million in the second quarter of 2016 included another solid performance at Ford Credit, which earned a pre-tax profit of $400 million.

The Automotive and Financial Services segments pre-tax profits were lower than the same period in 2015.

**AUTOMOTIVE SEGMENT**

In general, we measure year-over-year change in Automotive segment pre-tax results using the causal factors listed below, with net pricing and cost variances calculated at present-year volume and mix and exchange:

- *Market Factors*:
  - *Volume and Mix* – primarily measures profit variance from changes in wholesale volumes (at prior-year average contribution margin per unit) driven by changes in industry volume, market share, and dealer stocks, as well as the profit 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 profit variance driven by changes in wholesale prices to dealers and marketing incentive programs such as rebate programs, low-rate financing offers, special lease offers, and stock adjustments on dealer inventory

- *Contribution Costs* – primarily measures profit 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 profit 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 profit 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 profits, 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

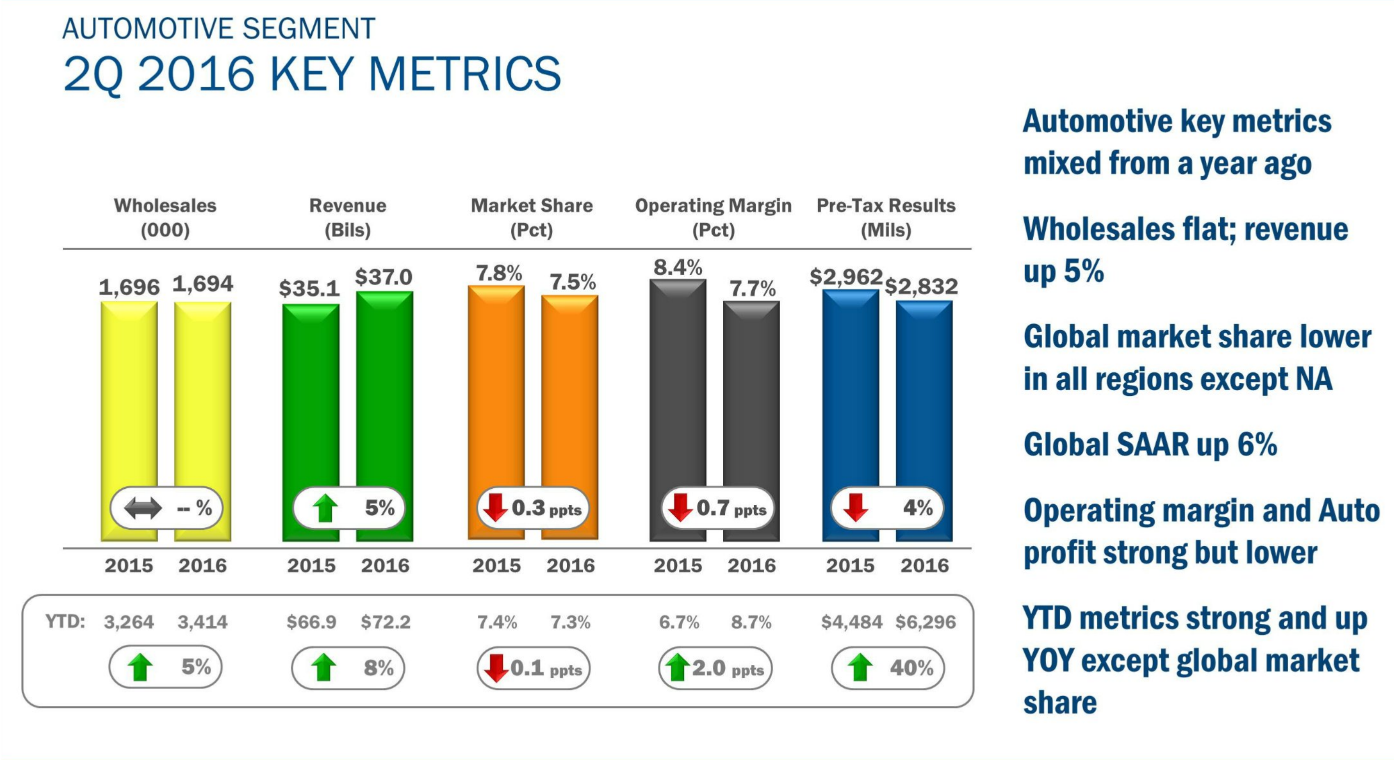
- *Automotive Segment Operating Margin* – defined as Automotive segment pre-tax profit divided by Automotive segment revenue

- *Industry Volume and Market Share* – based, in part, on estimated vehicle registrations; includes medium and heavy duty trucks

- *SAAR* – seasonally adjusted annual rate
- *Automotive Cash* – includes cash, cash equivalents, and marketable securities

The charts on the following pages detail second quarter 2016 key metrics and the change in second quarter 2016 pre-tax results compared with the second quarter of 2015 by causal factor for our Automotive segment by business unit.

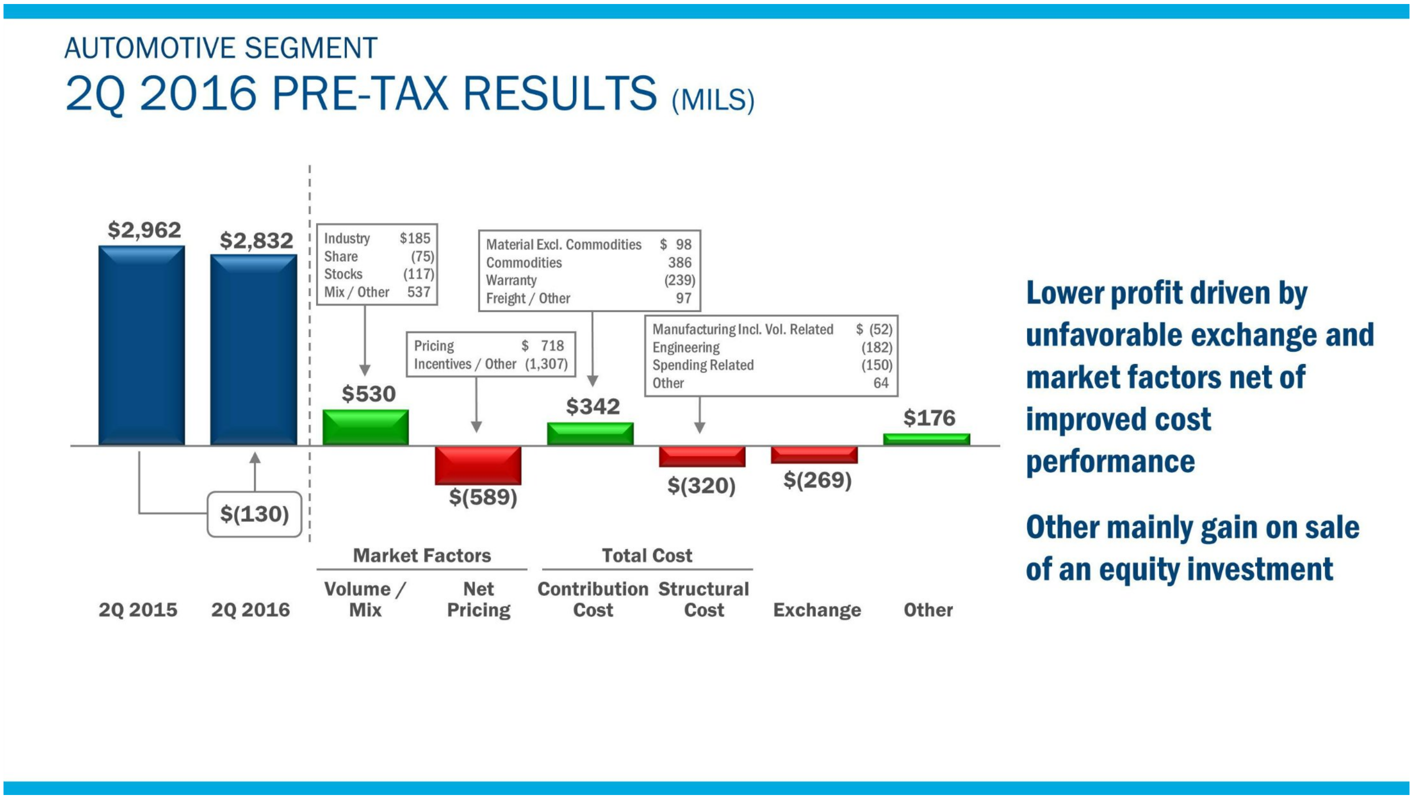
References to Automotive segment and business unit records are since at least 2000.




Shown above are the key market factors and financial metrics for our Automotive segment in the second quarter of 2016, which were mixed from a year ago. Wholesale volumes were flat while Automotive revenue was up 5%.

Global market share at 7.5% was down three-tenths of a percentage point compared to a year ago, driven by lower share in all regions, excluding North America. Global industry volume, at an estimated SAAR of 91.2 million units, was up 5.4 million units or 6% from a year ago; this was driven by Asia Pacific and Europe.

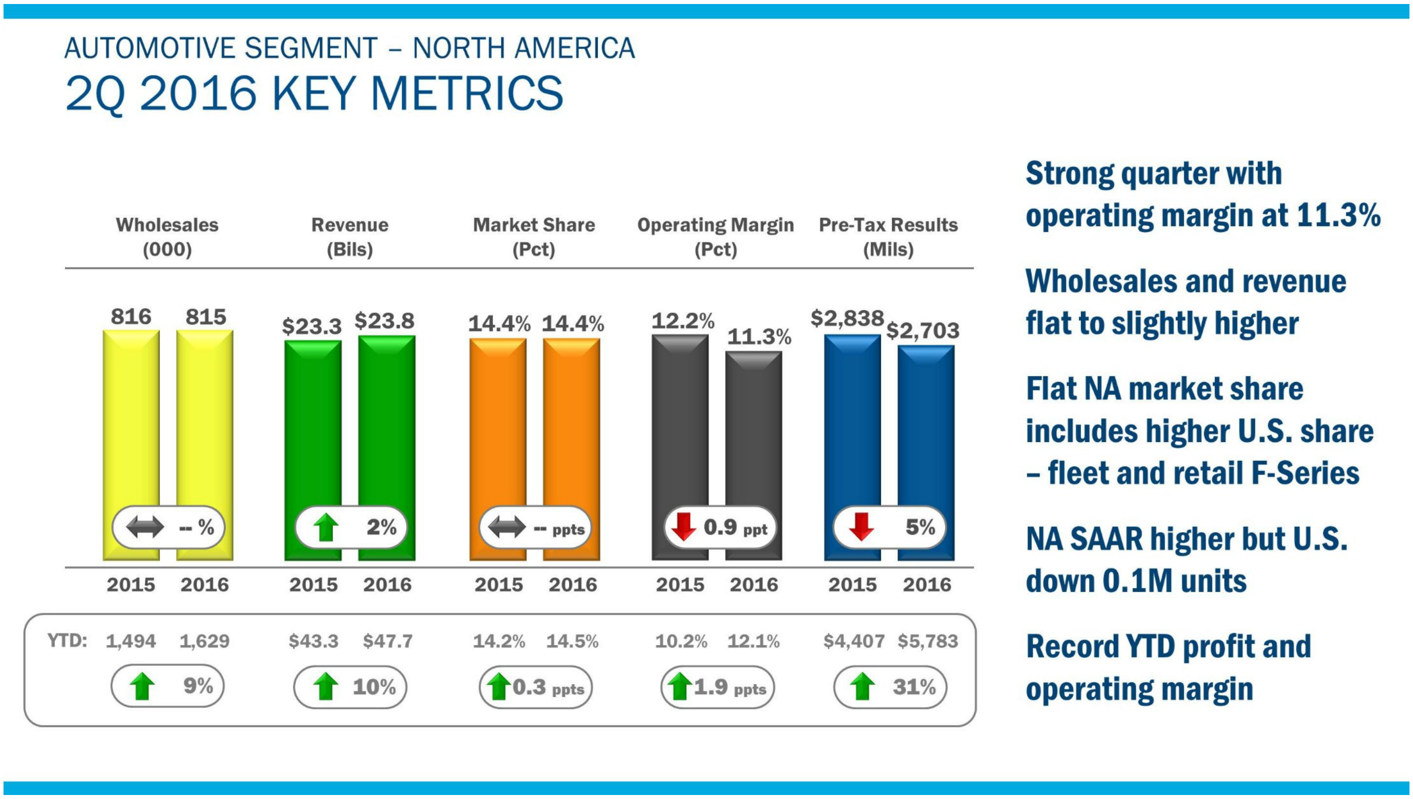
Automotive segment operating margin and pre-tax profit, at 7.7% and $2.8 billion, respectively, were both strong but lower than a year ago. First half 2016 key metrics also were strong, with all metrics, except global market share, higher than 2015.




As shown above, our second quarter Automotive segment pre-tax profit was down $130 million from a year ago, driven by unfavorable exchange and market factors; improved cost performance was a partial offset. Mix was favorable in all regions, except South America, reflecting the strength of our portfolio and the success of new product introductions and higher series offerings. Other primarily was a gain on the sale of an equity investment in North America.

*Cost of sales* and *Selling, administrative, and other expenses* for the second quarter of 2016 and 2015 were $35 billion and $32.9 billion, respectively, a difference of $2.1 billion. *Cost of sales* and *Selling, administrative, and other expenses* for the first half of 2016 and 2015 were $67.8 billion and $63.8 billion, respectively, a difference of $4 billion. The detail for the second quarter and first half of 2016 change is shown below (in billions):

| | 2016 Lower/(Higher) 2015 | |
|---|---|---|
| | Second Quarter | First Half |
| Volume and mix, exchange, and other | $ (2.1) | $ (4.2) |
| Contribution costs | | |
| Material excluding commodities | 0.1 | 0.5 |
| Commodities | 0.4 | 0.9 |
| Warranty | (0.2) | (0.2) |
| Freight and other | 0.1 | 0.1 |
| Structural costs | (0.3) | (0.8) |
| Special items | (0.1) | (0.3) |
| Total | $ (2.1) | $ (4.0) |



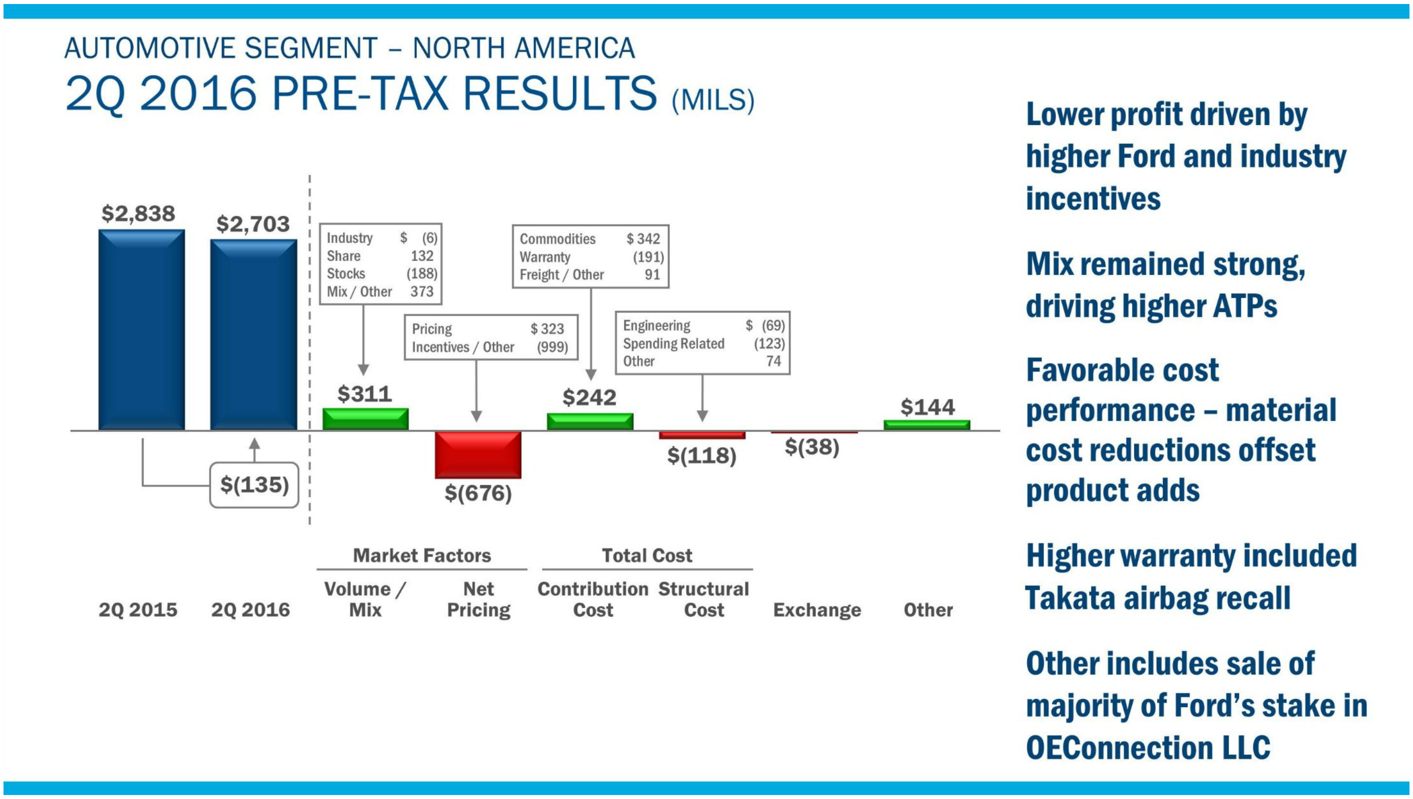

Shown above are the second quarter 2016 key metrics for the North America business unit, which were strong but mixed compared with a year ago.

For the second quarter of 2016, wholesale volume was flat while revenue was up 2% from a year ago. Our North America market share was flat with U.S. share increasing by three-tenths of a percentage point to 15.3%. The improvement was driven by strong fleet sales, mainly SUVs and Transit, along with strong F-series retail performance.

North America SAAR, at 21.5 million units, was up 400,000 units compared with the second quarter of 2015. U.S. SAAR, at 17.5 million units, was down 100,000 units. While the U.S. industry remains at healthy levels overall, the competitive environment has increased as growth has slowed and the retail industry demand has weakened. This has resulted in higher industry incentives, with a retail industry sales rate that has declined in three out of the last four months. We have seen a tougher pricing environment in the second quarter, with the car segment the most impacted as various competitors look to protect share.

Our operating margin was strong at 11.3%, though down nine-tenths of a percentage point from last year. Pre-tax profit also was strong at $2.7 billion, but down $135 million from 2015.

As shown below the chart, each of North America's key metrics improved in the first half from a year ago with record first half pre-tax profit and operating margin.

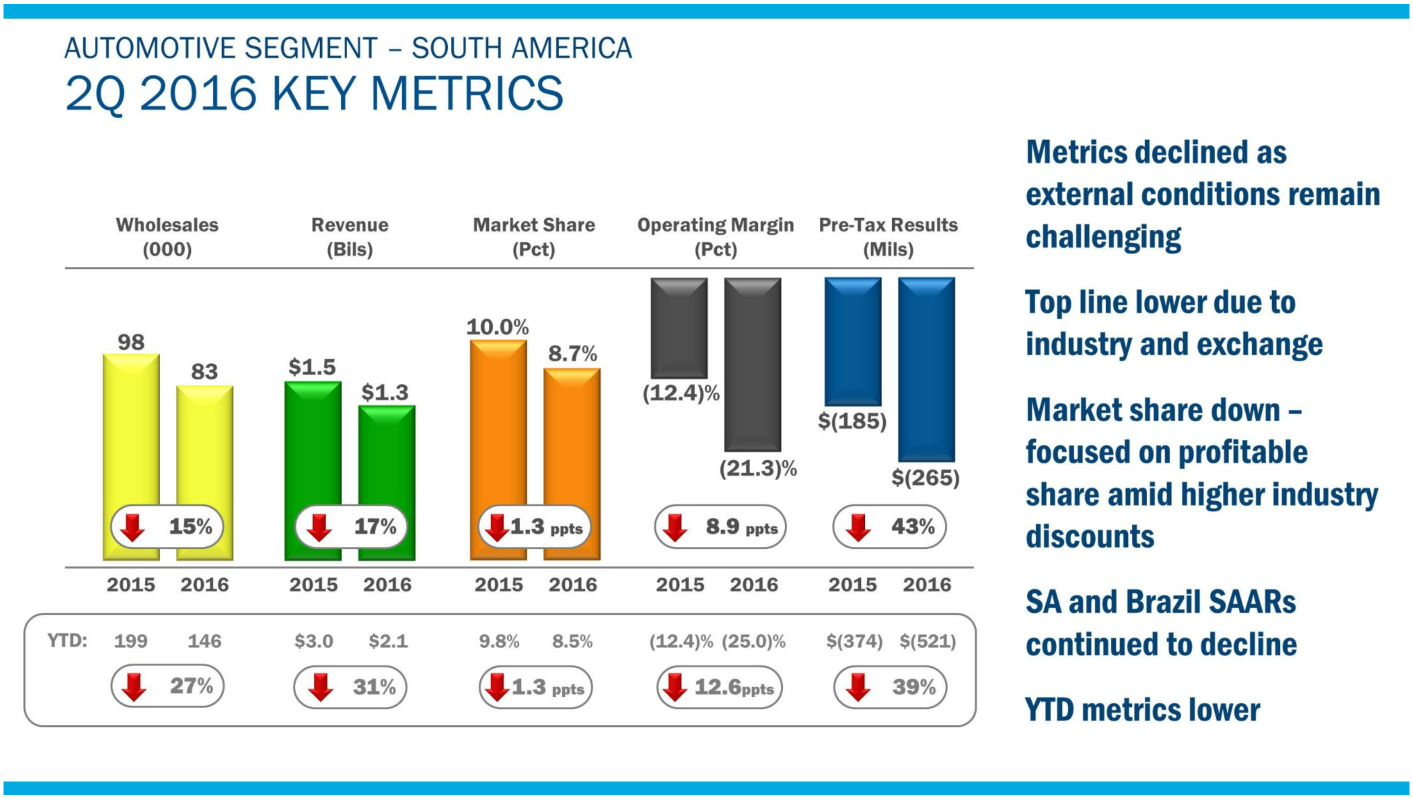



Unfavorable market factors, driven by higher Ford and industry incentives, explain North America's lower pre-tax profit for the second quarter of 2016. The lower net pricing reflects an increase in incentives for us that was generally in line with the industry change.

While net pricing was lower in the second quarter of 2016, mix remained strong, driving our average U.S. retail transaction prices (ATPs) $1,300 per vehicle higher compared to a year ago; this was $550 per vehicle above the industry average.

Improved cost performance includes favorable commodities, offset partially by higher warranty costs which includes the impact of the safety recall issued in the second quarter of 2016 concerning Takata airbag inflators. Material cost reductions in the second quarter offset product cost increases.

Other includes the sale of the majority of our equity stake in OEConnection LLC.



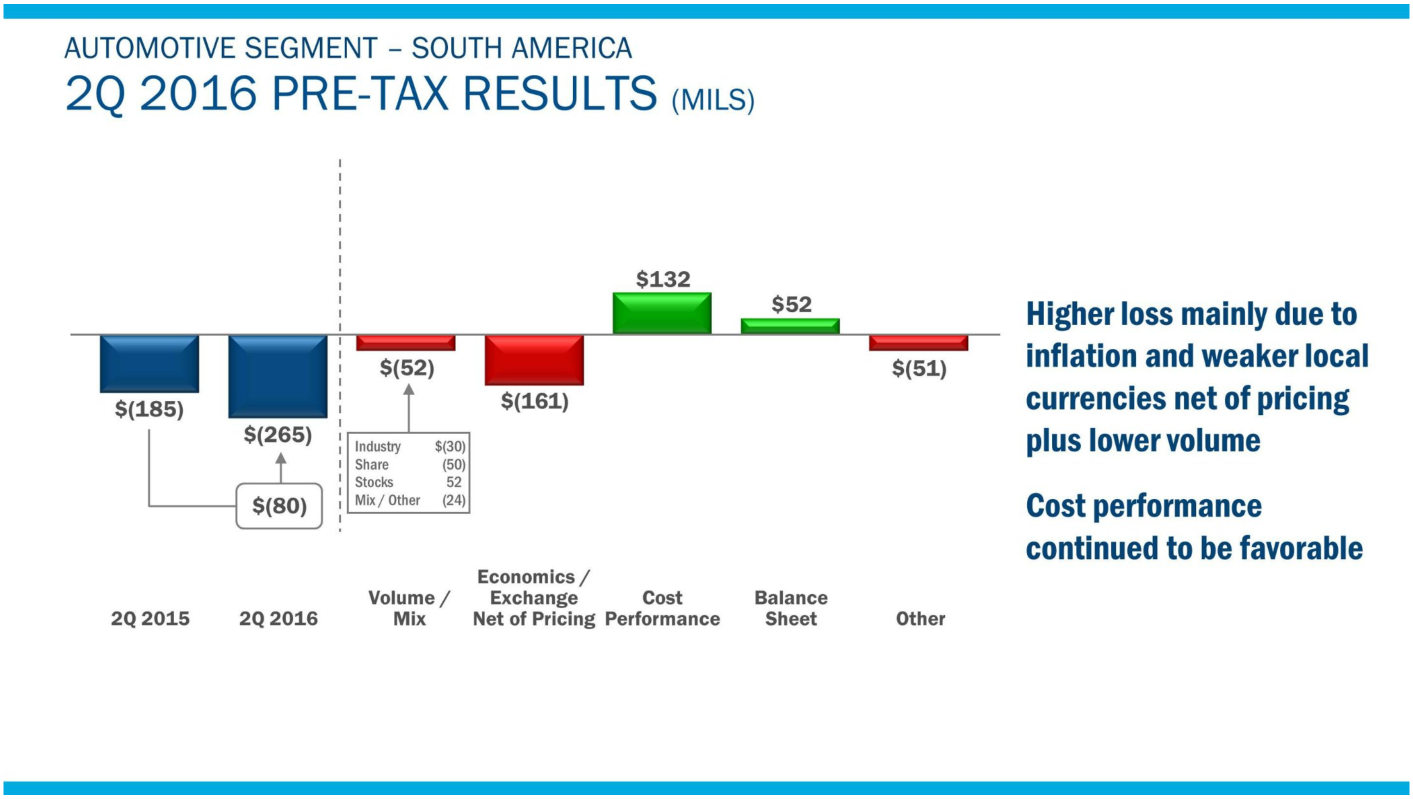

In South America, our results were negatively impacted by the continued difficult external conditions, particularly in Brazil where the economy continued to contract and industry volume in the second quarter of 2016 declined 22% compared to prior year.

All of our key metrics deteriorated in the second quarter of 2016 compared to 2015. The top line was lower with wholesales down 15% and revenue down 17% – almost all of this was driven by weaker exchange.

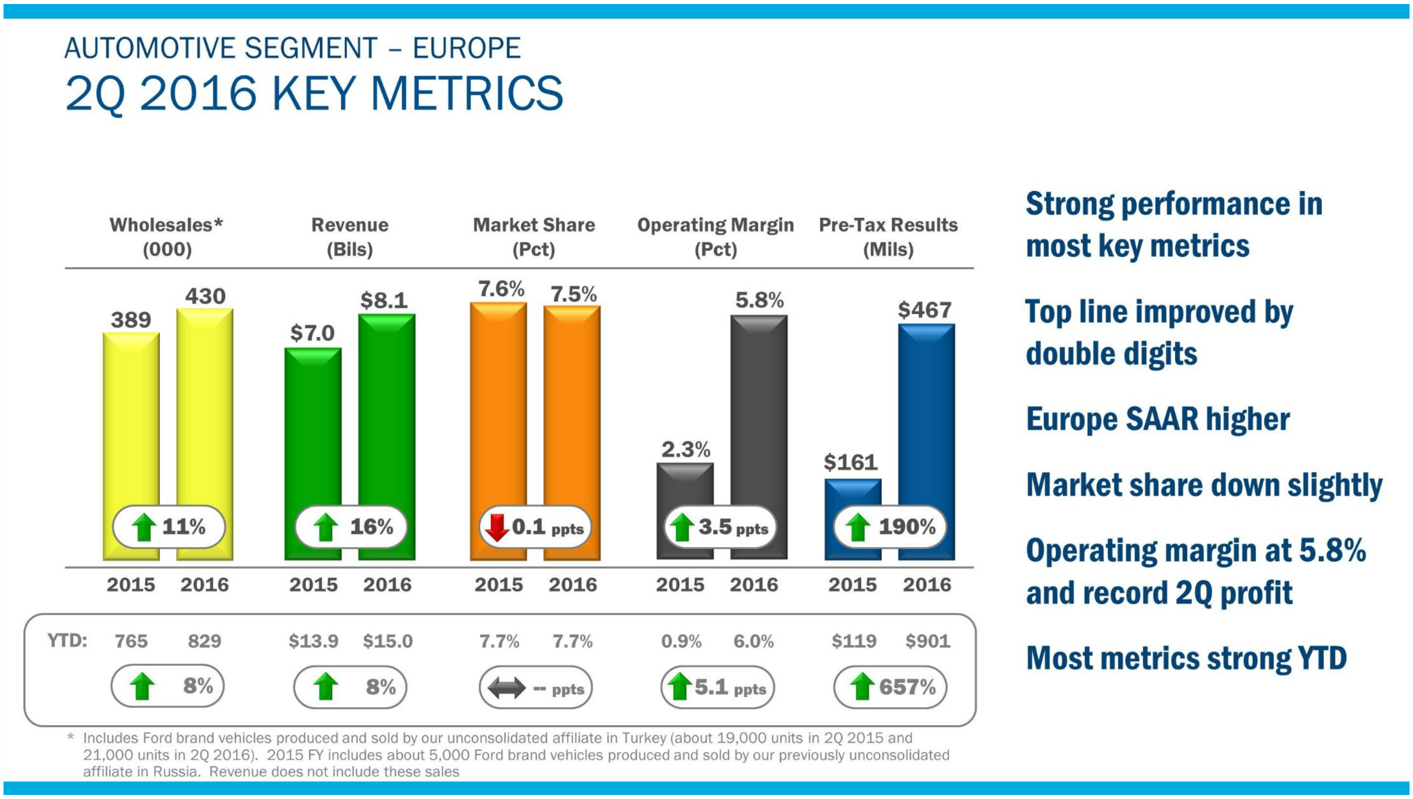
Industry SAAR for the region, at 3.6 million units, was 600,000 units lower than in the second quarter of 2015, mostly due to Brazil. Our market share for the region, at 8.7%, was down 1.3 percentage points, as we continued to focus on optimizing more profitable share amid high industry discounting.

In the second quarter of 2016, our operating margin and pre-tax results for the region were both lower than a year ago.

As shown below the chart, each of South America's key metrics in the first half were lower than a year ago.




As shown above, the higher loss in South America in the second quarter of 2016 was more than explained by high local inflation and weaker local currencies, net of higher pricing. This was offset partially by our continued efforts to reduce costs, including actions we have taken to reduce our personnel and overhead costs as well as the elimination of the third crew at our Camacari plant in March of 2016. Our team is continuing its work to further improve the cost structure of the business and identify further revenue opportunities.

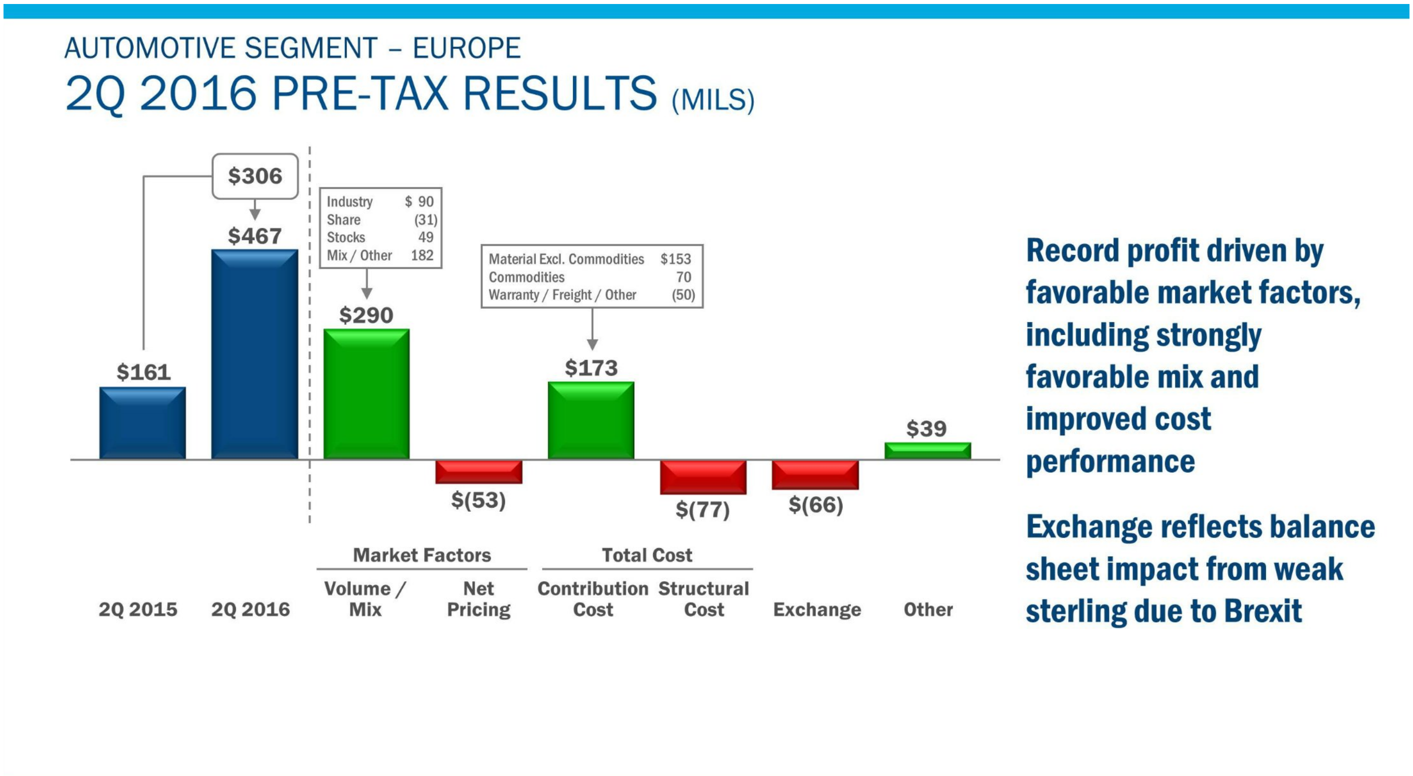



Shown above are the key metrics for Europe, where our Transformation Strategy continued to deliver. All metrics, excluding market share, improved sharply in the second quarter of 2016. Top-line growth was strong, with wholesale volume up 11% and revenue up 16%. Our market share in Europe, at 7.5%, was down one-tenth of a percentage point in the second quarter of 2016, reflecting market mix, with stronger industry growth in southern Europe and continued focus on profitable share as we chose not to participate in the growth of lower-margin demonstrator and fleet channels.

Europe SAAR, at 19.7 million units, was 4% higher than the second quarter of 2015.

Our operating margin at 5.8% and pre-tax profits at $467 million both improved significantly from a year ago.

As shown below the chart, each of Europe's key metrics in the first half of 2016 improved, except market share which was flat; operating margin and pre-tax profit were up significantly.




As shown above, our second quarter 2016 pre-tax profit in Europe nearly tripled compared to a year ago.

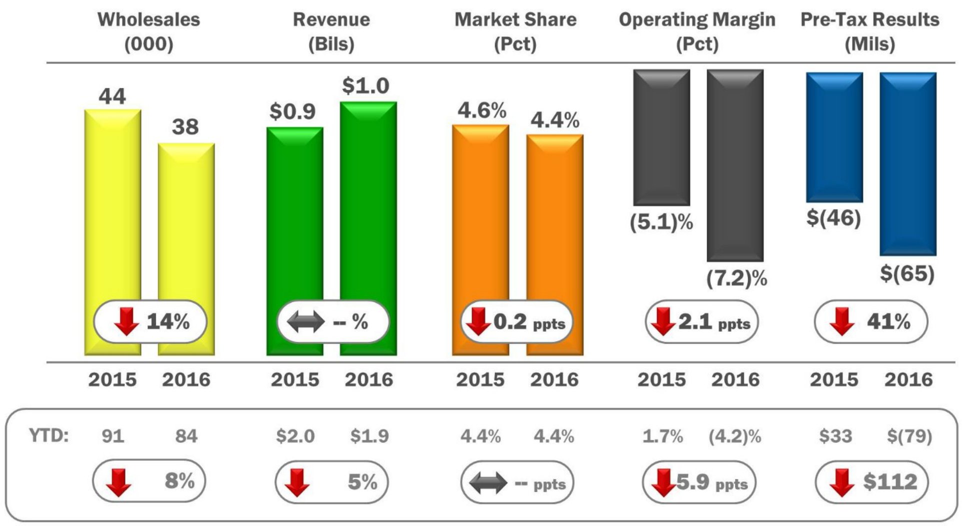
Favorable market factors, including strong mix and improved cost performance reflecting material cost reductions drove Europe's improved profit. On mix, we have seen strong consumer acceptance of our new products, including the all-new S-Max and Galaxy, and increasing demand for our higher trim series across all major vehicle lines.

Unfavorable exchange, reflecting the balance sheet impact of the weak sterling due to Brexit, was a partial offset.

Our operations in Russia also contributed meaningfully to Europe's improved results in the second quarter.

AUTOMOTIVE SEGMENT – MIDDLE EAST & AFRICA

## 2Q 2016 KEY METRICS




**Weaker external environment – low oil prices, weak currencies, political strife – drove key metrics lower**

**Share decline due to market mix; no Ford presence in Iran industry**

**Lower operating margin and profit due to lower industry volume and unfavorable exchange**

**Most YTD metrics worse**

Shown above are key metrics for the Middle East & Africa region, where the business was impacted adversely by low oil prices, weak local currencies, and political strife. Revenue was flat in the second quarter of 2016 compared to a year ago while all other key metrics were down.

SAAR for the region, at 3.9 million units, was down 300,000 units from the second quarter of 2015. Within this, the closed markets where we do not participate, Iran being the largest, grew by 300,000 units. Our market share for the region was 4.4%, down two-tenths of a percentage point due to industry growth in Iran. In markets where we participate, our market share was up six-tenth of a percentage point, reflecting the strength of our products, including Taurus, EcoSport, and Ranger.

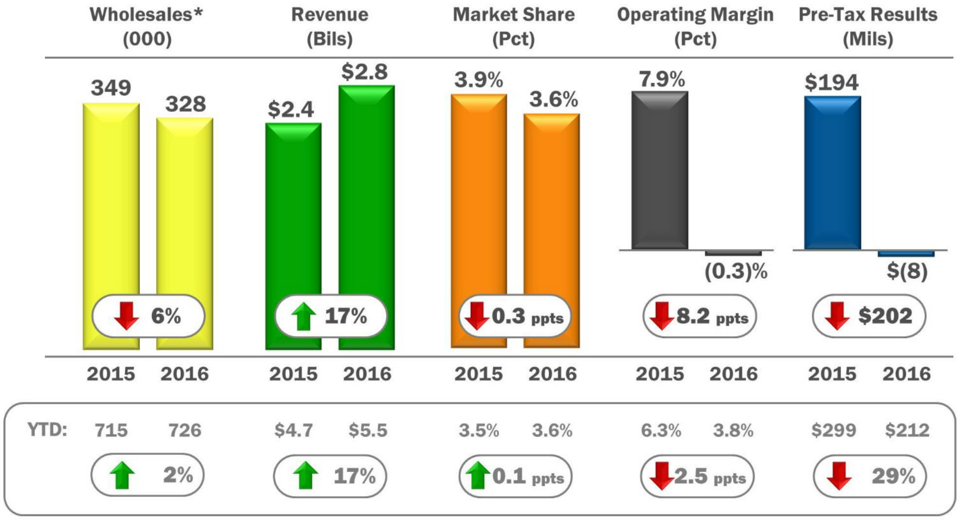
Middle East & Africa operating margin in the second quarter of 2016 was negative 7.2%, down 2.1 percentage points from 2015, reflecting lower industry volume and unfavorable exchange, primarily the South African rand.

As shown below the chart, each of the key metrics in the first half of 2016, except market share, declined compared with a year ago.

Our team in the region has focused on achieving cost efficiencies across the business to offset, in part, the deteriorating conditions in the region.

AUTOMOTIVE SEGMENT – ASIA PACIFIC

## 2Q 2016 KEY METRICS




* Wholesales include Ford brand and Jiangling Motors Corporation (JMC) brand vehicles produced and sold in China by our unconsolidated affiliates (about 273,000 units in 2Q 2015 and 231,000 units in 2Q 2016); revenue does not include these sales

**Loss due to lower China market performance, higher cost and weaker yuan**

**Wholesales lower due to planned 8 week shutdown of Chongqing #1; revenue up 17%**

**Market share lower, driven by China; AP and China SAARs up**

**China JVs at $296M, down 28%; margin at 16.1%**

**YTD metrics mixed**

In Asia Pacific, our second quarter loss was driven mainly by market performance in China, higher costs to support future growth, and the weaker yuan. All key metrics, excluding revenue, deteriorated in the second quarter of 2016 compared to a year ago. Wholesale volume declined 6% reflecting the planned eight-week shutdown at our Chongqing #1 plant in China for facility upgrades, resulting in 40,000 units of lost production, as well as the non-repeat of dealer stock increases a year ago. Revenue from consolidated operations improved 17%.

Asia Pacific second quarter 2016 SAAR was 42.5 million units, up 5.3 million units from 2015, mostly explained by a 4.6 million unit increase in China SAAR, estimated at 26.6 million units for the second quarter.

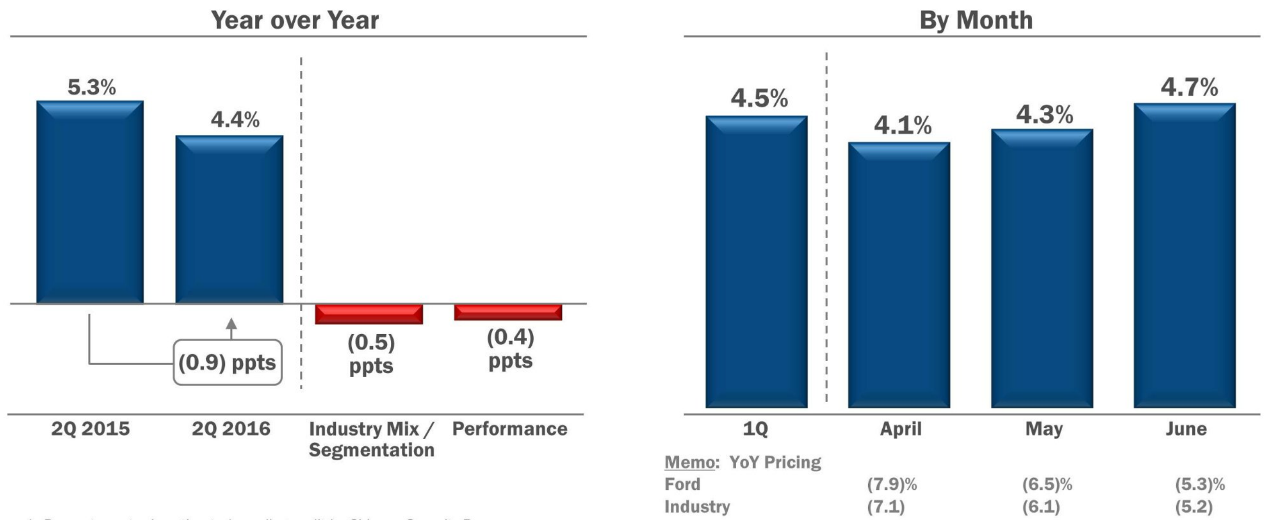
Asia Pacific market share was 3.6%, down three-tenths of a percentage point, more than explained by China.

Asia Pacific operating margin was negative 0.3%, down 8.2 percentage points from 2015, and the pre-tax loss was $8 million, down $202 million. Our China joint ventures contributed $296 million to pre-tax profit, reflecting our equity share of the JVs’ after-tax earnings, which was $115 million lower than last year. The net income margin at our China joint ventures was 16.1%, down 1.2 percentage points.

As shown below the chart, our 2016 year-to-date metrics were mixed.

AUTOMOTIVE SEGMENT – ASIA PACIFIC

## 2Q 2016 CHINA MARKET SHARE*




* Present quarter is estimated pending audit by Chinese Security Bureau

**Lower China Share Due To Industry Mix / Segmentation And Performance; Share Improved Through The Second Quarter Due To Recovery Actions**

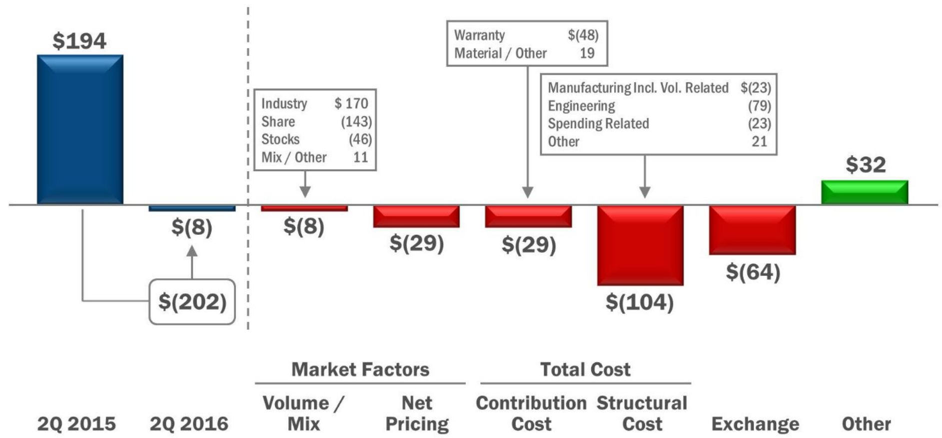
As shown above, China market share in the second quarter of 2016 was 4.4%, down nine-tenths of a percentage point from 2015. This decline was driven by industry mix, higher passenger and lower commercial vehicles, and adverse segmentation.

Additionally, our performance in the market was worse, reflecting intensified competition from domestic car manufacturers in the C-car and small SUV segments, offset partially by our continued strong performance in the medium and larger car and SUV segments. Our mix of these more profitable segments now account for about 40% of our sales, up 5 percentage points compared with last year.

Our share improved each month within the second quarter as we implemented recovery actions. We expect further improvement in the balance of the year, particularly in the fourth quarter which should benefit from important new product launches – Taurus 1.5L, Kuga, Mondeo, MKZ, and Continental.

AUTOMOTIVE SEGMENT – ASIA PACIFIC

## 2Q 2016 PRE-TAX RESULTS (MILS)




**Most factors unfavorable YOY**

**Total cost increase due to investments for future growth**

**Adverse exchange due to weaker yuan**

As shown above, most profit drivers in Asia Pacific were unfavorable compared with 2015. Volume and mix were down slightly as lower market share and the non-repeat of a dealer stock increase in China a year ago were mostly offset by higher industry volume. The planned eight-week shutdown of Chongqing #1 was a factor in the overall volume decline.

The rate of negative pricing in China continued to slow since the fourth quarter of 2015, but we now expect 2016 full-year negative pricing for us and the industry to be about 6% — at the high end of our previous assumption of 5% - 6%.

Unfavorable cost performance was driven by continued investment for future growth and includes the carry-over impact of our 2015 plant launches. Unfavorable exchange reflects mainly the impact of the weaker yuan. The Company has a substantial net revenue exposure to yuan.

## FINANCIAL SERVICES SEGMENT

In general, we measure year-over-year changes in Ford Credit's pre-tax results 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 vehicle sales and leases, the extent to which Ford Credit purchases retail installment sale and 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 for the purchase of retail installment sale and lease contracts and to provide wholesale financing
  - 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 and by country or 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

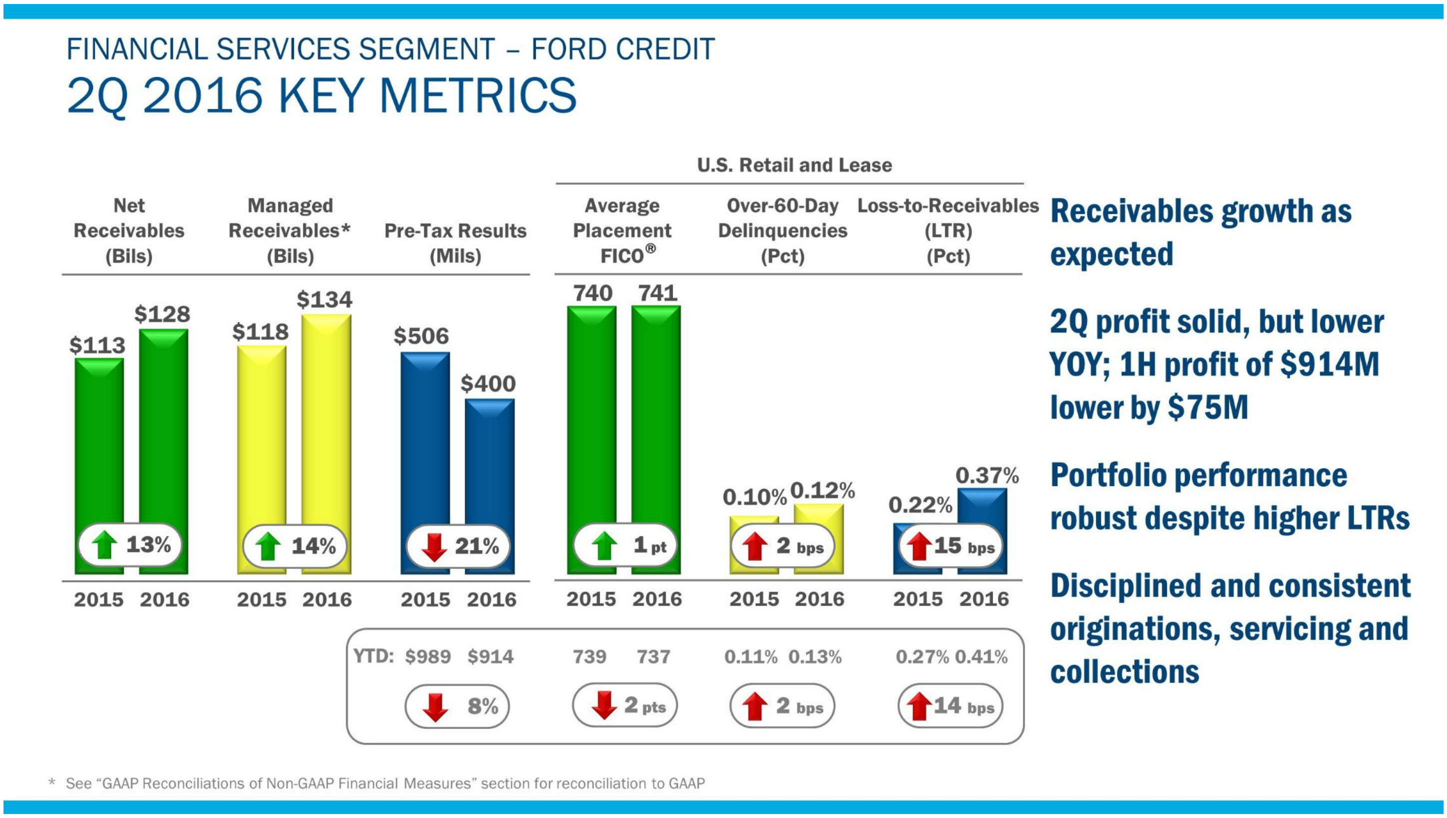
- *Credit Loss:*
  - Credit loss is the change in the provision for credit losses at prior period exchange rates. For analysis purposes, management splits the provision for credit losses into net charge-offs and the change in the allowance for credit losses
  - Net charge-off changes are primarily driven 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 economic conditions. For additional information on the allowance for credit losses, refer to the "Critical Accounting Estimates - Allowance for Credit Losses" section of Item 7 of Part II of our 2015 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 of the vehicles sold. Changes in accumulated supplemental depreciation are primarily driven by changes in Ford Credit's estimate of the number of vehicles that will be returned to it and sold, and changes in the estimate of the expected auction value at the end of the lease term. For additional information on accumulated supplemental depreciation, refer to the "Critical Accounting Estimates - Accumulated Depreciation on Vehicles Subject to Operating Leases" section of Item 7 of Part II of our 2015 Form 10-K Report

- *Exchange:*
  - Reflects changes in pre-tax results driven by the effects of converting functional currency income to U.S. dollars

- *Other:*
  - Primarily includes operating expenses, other revenue, and insurance expenses 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 revenue 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

*Ford Credit.* The chart below details the key metrics for Ford Credit for second quarter of 2016.

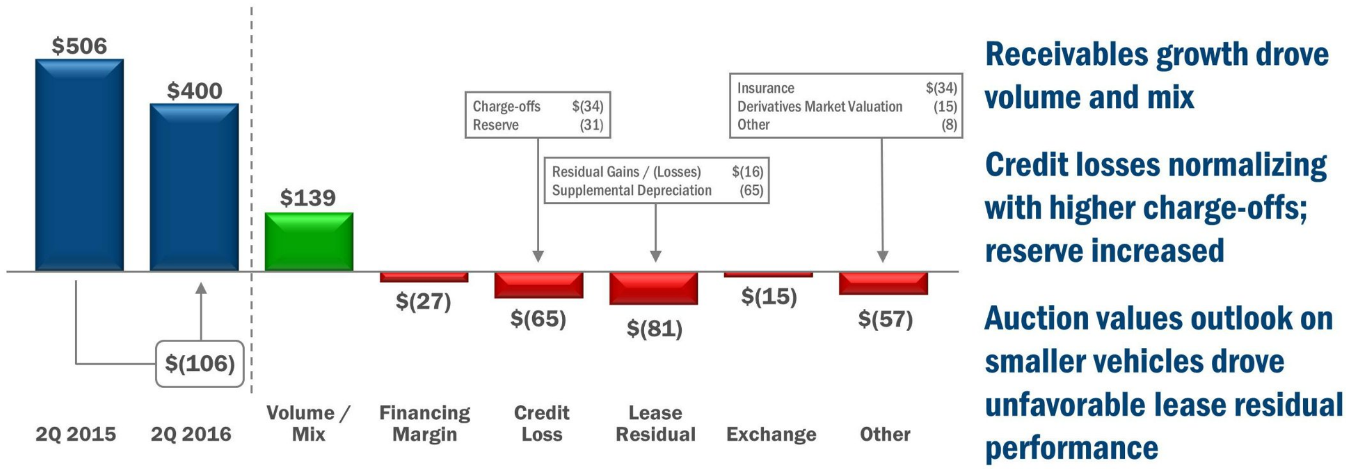



In the second quarter of 2016, Ford Credit's pre-tax profit remained solid but lower than a year ago. Receivables were up from last year, as the portfolio continued to grow in line with expectations. Portfolio performance remained robust. FICO scores remained consistent. The over-60-day delinquency ratio of 12 basis points in the second quarter of 2016 continued at the low end of Ford Credit's historical experience. The loss-to-receivables ratio of 37 basis points was up 15 basis points, below but approaching Ford Credit's historical experience. Originations, servicing, and collections practices remained disciplined and consistent.

As shown below the chart, each of Ford Credit's first-half key metrics were unfavorable compared with a year ago.

FINANCIAL SERVICES SEGMENT – FORD CREDIT

## 2Q 2016 PRE-TAX RESULTS (MILS)

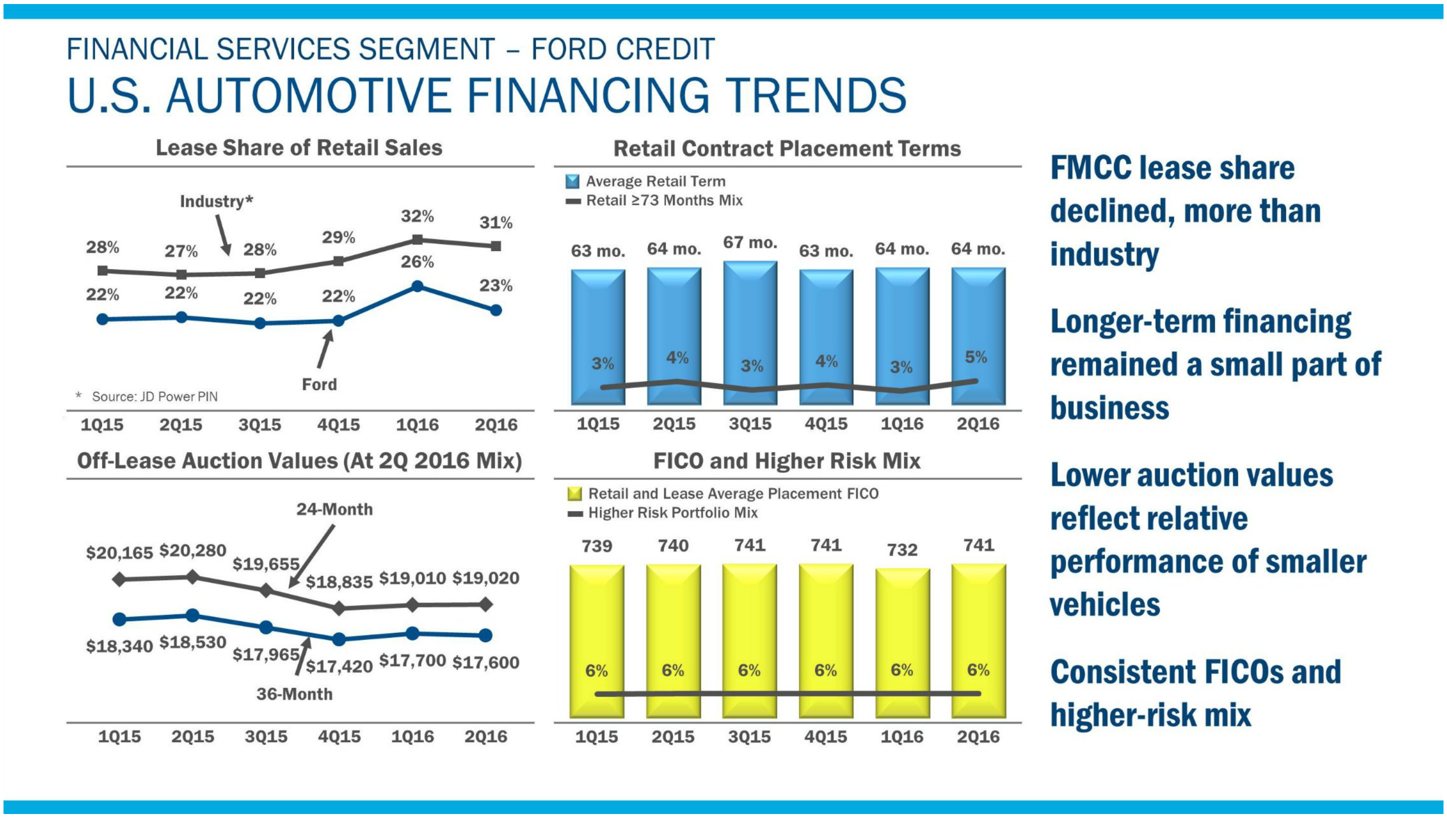



As shown above, Ford Credit's lower second quarter profit of $400 million reflects unfavorable lease residual performance, higher provision for credit losses, and other factors. Volume and mix were partial offsets as Ford Credit continues to grow around the world.

Lease residual performance primarily reflects higher depreciation expense on smaller vehicles in the North America lease portfolio. Ford Credit records depreciation expense on leased vehicles over the life of the contracts and depreciates them to projected lease-end auction values. We assess auction values quarterly and adjust depreciation accordingly. Against the backdrop of lower fuel prices and more vehicles coming off lease across the industry, our auction value outlook for smaller vehicles is lower.

Credit loss performance reflects higher charge-offs and an increase in the credit loss reserve. Higher charge-offs resulted from higher default rates and higher loss severities. The increase in reserves reflects these factors as well as growth in receivables. Credit losses have been at historically low levels for quite some time, and we are starting to see credit losses increase toward more normal levels.

Other primarily reflects higher storm-related insurance losses and unfavorable derivative market valuation following the Brexit vote.




Ford Credit and Ford continue to work together under a One Ford lease strategy that considers share, term, model mix, geography, and other factors. Ford Credit continues to expect full-year lease share to be lower than the first quarter of 2016, reflecting the parameters of our strategy.

Ford Credit's used vehicle auction values in the second quarter of 2016 were lower than a year ago and about flat versus the prior quarter. Although Manheim reported increases in used vehicle prices in the quarter, Ford Credit's results reflect a larger mix of two- and three-year-old smaller vehicles which have had lower auction values.

On longer-term financing, Ford Credit's average retail term remains largely consistent with recent periods and lower than the industry. Retail contracts of 73 months and longer continued to be a relatively small part of Ford Credit's business.

Finally, the average placement FICO score was up from first quarter and remained consistent with recent periods. Ford Credit uses proprietary credit scoring models, with underwriting practices that have been consistent for years. Higher risk business, as classified at contract inception, consistently represents 5% - 6% of Ford Credit's portfolio and has been stable for over 10 years.

**ALL OTHER**

All Other is a combination of operating segments that did not meet the quantitative thresholds in this reporting period to qualify as reportable segments. All Other consists of our Central Treasury Operations (formerly Other Automotive) and Ford Smart Mobility LLC.

The Central Treasury Operations segment is primarily engaged in decision making for investments, risk management activities, and providing financing for the Automotive segment. Interest income, interest expense, gains and losses on cash equivalents and marketable securities, and foreign exchange derivatives associated with intercompany lending are included in the results of Central Treasury Operations. The underlying assets and liabilities, primarily cash and cash equivalents, marketable securities, debt, and derivatives, remain with the Automotive segment.

Ford Smart Mobility LLC is a new subsidiary formed to design, build, grow, and invest in emerging mobility services. Designed to compete like a start-up company, Ford Smart Mobility LLC will design and build mobility services on its own, and collaborate with start-ups and tech companies.

Our second quarter 2016 All Other pre-tax results were a loss of $224 million, a $57 million higher loss compared with a year ago. This increase primarily reflects higher net interest expense.

**SPECIAL ITEMS**

As detailed in Note 3 of the Notes to the Financial Statements, we allocate special items to a separate reconciling item, as opposed to allocating them among the Automotive segment, Financial Services segment, and All Other. 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.

Our pre-tax and tax special items were as follows:

TOTAL COMPANY

## SPECIAL ITEMS

| *(Mils, except amounts per share data)* | 2Q | | YTD | | Memo: |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2015 | 2016 | FY 2015 |
| **Pre-tax Special Items** | | | | | |
| Separation-related actions | $ – | $ (102) | $ – | $ (276) | $ – |
| Japan / Indonesia market closure | – | (5) | – | (17) | – |
| Nemak IPO | – | – | – | – | 150 |
| Pension & OPEB remeasurement gains / (losses) | – | (11) | – | (11) | (698) |
| Total Pre-tax special items | $ – | $ (118) | $ – | $ (304) | $ (548) |
| **Tax Special Items** | | | | | |
| Net tax effect of Pre-tax special items | $ – | $ 42 | $ – | $ 107 | $ 205 |
| Tax expense of entity restructurings | – | (43) | – | (174) | – |
| Total tax special items | $ – | $ (1) | $ – | $ (67) | $ 205 |
| **Memo:** | | | | | |
| Special items impact on earnings per share | $ – | $ (0.03) | $ – | $ (0.09) | $ (0.09) |

**TAXES**

Our tax provision in the second quarter and first half of 2016 was $903 million and $2.1 billion, respectively, resulting in a GAAP effective tax rate of 31.4% and 32.2%, respectively.

Our second quarter and first half 2016 adjusted effective tax rate, which excludes special items, was 30.1% and 29.8%, respectively, 4.1 and 4.8 percentage points lower than a year ago.  The lower adjusted effective tax rates through the first half of 2016 reflect tax benefits from legislation enacted December 18, 2015 making permanent the U.S. research and development tax credit.

## LIQUIDITY AND CAPITAL RESOURCES

### Automotive Segment

Our Automotive liquidity strategy includes ensuring that we have sufficient liquidity available with a high degree of certainty throughout the business cycle by generating cash from operations and maintaining access to other sources of funding. We target to have an average ongoing Automotive cash balance of about $20 billion. We expect to have periods when we will be above or below this amount due to (i) future cash flow expectations such as for pension contributions, debt maturities, capital investments, or restructuring requirements, (ii) short-term timing differences, and (iii) changes in the global economic environment. In addition, we also target to maintain a revolving credit facility for our Automotive business of about $10 billion to protect against exogenous shocks. Our revolving credit facility is discussed below.

We assess the appropriate long-term target for total Automotive liquidity, comprised of Automotive cash and the revolving credit facility, to be about $30 billion, which is an amount we believe is sufficient to support our business priorities and to protect our business. Our Automotive cash and Automotive liquidity targets could be reduced over time based on improved operating performance and changes in our risk profile.

For a discussion of risks to our liquidity, see "Item 1A. Risk Factors," in our 2015 Form 10-K Report, as well as Note 16 of the Notes to the Financial Statements, regarding commitments and contingencies that could impact our liquidity.

Our key liquidity metrics are Automotive cash, Automotive liquidity, and operating cash flow (which best represents the ability of our Automotive operations to generate cash).

Automotive cash is detailed below as of the dates shown (in billions):

| | June 30, 2016 | March 31, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|---|
| Cash and cash equivalents | $ 9.5 | $ 5.6 | $ 5.4 | $ 6.1 |
| Marketable securities | 17.7 | 18.7 | 18.2 | 14.6 |
| Automotive cash | $ 27.2 | $ 24.3 | $ 23.6 | $ 20.7 |

Our cash, cash equivalents, and marketable securities are held primarily in highly liquid investments, which provide for anticipated and unanticipated cash needs. Our cash, cash equivalents, and marketable securities primarily include U.S. Department of Treasury obligations, federal agency securities, bank time deposits with investment-grade institutions, corporate investment-grade securities, commercial paper rated A-1/P-1 or higher, 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 ranges from about 90 days to up to about one year, and is adjusted based on market conditions and liquidity needs. We monitor our cash levels and average maturity on a daily basis. At June 30, 2016, consolidated entities domiciled in the United States held 80% of our total Automotive cash.

Automotive cash and liquidity as of the dates shown were as follows (in billions):

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Automotive cash | $ 27.2 | $ 23.6 | $ 20.7 |
| Available credit lines | | | |
| Revolving credit facility, unutilized portion | 10.3 | 10.3 | 10.4 |
| Local lines available to foreign affiliates, unutilized portion | 0.7 | 0.6 | 0.6 |
| Automotive liquidity | $ 38.2 | $ 34.5 | $ 31.7 |

In managing our business, we classify changes in Automotive cash into operating and other items (which includes the impact of certain special items, contributions to funded pension plans, certain tax-related transactions, acquisitions and divestitures, capital transactions with other segments, dividends paid to shareholders, and other—primarily financing-related).

Changes in Automotive cash are summarized below (in billions):

| | Second Quarter 2016 | Second Quarter 2015 | First Half 2016 | First Half 2015 |
|---|---|---|---|---|
| Cash at end of period | $ 27.2 | $ 20.7 | $ 27.2 | $ 20.7 |
| Cash at beginning of period | 24.3 | 19.5 | 23.6 | 21.7 |
| Change in cash | $ 2.9 | $ 1.2 | $ 3.6 | $ (1.0) |
| | | | | |
| Automotive segment pre-tax profits | $ 2.8 | $ 3.0 | $ 6.3 | $ 4.5 |
| Capital spending | (1.7) | (1.7) | (3.2) | (3.5) |
| Depreciation and tooling amortization | 1.1 | 1.0 | 2.2 | 2.1 |
| Changes in working capital (a) | 1.3 | (0.6) | 1.3 | 0.2 |
| All Other and timing differences (b) | 0.7 | 0.2 | 0.3 | (0.9) |
| Automotive operating cash flows | 4.2 | 1.9 | 6.9 | 2.4 |
| | | | | |
| Separation payments | (0.2) | (0.1) | (0.2) | (0.5) |
| Net receipts from other segments (c) | — | — | — | — |
| Other, including acquisitions and divestitures | (0.2) | — | — | (0.3) |
| Cash flow before other actions | 3.8 | 1.8 | 6.7 | 1.6 |
| | | | | |
| Changes in debt | (0.1) | 0.2 | (0.2) | (0.4) |
| Funded pension contributions | (0.2) | (0.1) | (0.6) | (0.9) |
| Dividends/Other items | (0.6) | (0.7) | (2.3) | (1.3) |
| Change in cash | $ 2.9 | $ 1.2 | $ 3.6 | $ (1.0) |

__________
(a) Working capital is comprised of changes in receivables, inventory, and trade payables.
(b) Primarily expense and payment timing differences for items such as pension and OPEB, compensation, marketing, warranty, and timing differences between unconsolidated affiliate profits and dividends received. Also includes other factors, such as the impact of tax payments and vehicle financing activities between Automotive and Financial Services.
(c) Primarily distributions from Ford Holdings (Ford Credit's parent) and tax payments received from Ford Credit.

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 sale of vehicles to dealers, which generally occurs at the time the vehicles are gate-released shortly after being produced. In addition, our inventories are lean because we build to order, not for inventory. In contrast, our Automotive trade payables are based primarily on industry-standard production supplier payment terms generally ranging between 30 days to 45 days. As a result, our cash flow tends to improve as wholesale volumes increase, but can deteriorate significantly when wholesale volumes drop sharply. 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.

*Credit Agreement*. Our Third Amended and Restated Credit Agreement dated as of April 30, 2015 was amended as of April 29, 2016 (the "revolving credit facility") to extend the maturities by one year. Lenders under the revolving credit facility have commitments to us totaling $13.4 billion, with 75% of the commitments maturing on April 30, 2021 and 25% of the commitments maturing on April 30, 2019. We have allocated $3 billion of commitments to Ford Credit on an irrevocable and exclusive basis to support its growth and liquidity. Any borrowings by Ford Credit under the revolving credit facility would be guaranteed by us.

The revolving 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. The revolving 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 revolving credit facility. If our senior, unsecured, long-term debt does not maintain at least two investment grade ratings from Fitch, Moody's, and S&P (each as defined under "Credit Ratings" below), the guarantees of certain subsidiaries will be required.

At June 30, 2016, the utilized portion of the revolving credit facility was about $40 million, representing amounts utilized for letters of credit.

*Other Automotive Credit Facilities.* At June 30, 2016, we had about $1.6 billion of local credit facilities available to non-U.S. Automotive affiliates, of which about $900 million had been utilized.

*Net Cash.* Our Automotive net cash calculation as of the dates shown was as follows (in billions):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Automotive cash | $ 27.2 | $ 23.6 |
| Less: | | |
| Long-term debt | 10.7 | 11.0 |
| Debt payable within one year | 2.4 | 1.8 |
| Total debt | 13.1 | 12.8 |
| Net cash | $ 14.1 | $ 10.8 |

Total Automotive debt at June 30, 2016 was about $300 million higher than it was at December 31, 2015. The increase primarily reflects local funding in international markets and foreign currency exchange, offset partially by debt repayments.

*Pension Plans.* Our pension underfunded status as of the dates shown was as follows (in billions):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| U.S. pension | $ 3.3 | $ 3.7 |
| Non-U.S. pension | 4.1 | 4.5 |
| Total global pension | $ 7.4 | $ 8.2 |
| Memo: | | |
| Total unfunded OPEB | $ 5.8 | $ 5.7 |

The balances shown for June 30, 2016 reflect the net underfunded balances for December 31, 2015 updated for service and interest cost, expected return on assets, separation expense, actual benefit payments, and cash contributions. The discount rate and rate of expected return assumptions are unchanged from year-end 2015, and the reported number does not reflect the impact from the recent decline in interest rates.

As a result of our pension de-risking strategy, the sensitivity of our funded status to changes in interest rates has been significantly reduced, especially in the United States. Based on our planning assumptions for asset returns, discount rates, and contributions we do not presently expect a significant change in our year-end 2016 funded status.

*Leverage.* We manage Automotive debt levels with a leverage framework to maintain strong, investment grade credit ratings through a normal business cycle. The leverage framework includes a ratio of Automotive debt, underfunded pension liabilities, operating leases, and other adjustments, divided by Automotive income before income tax, adjusted for depreciation, amortization, interest expense on Automotive debt, and other adjustments. Ford Credit's leverage is calculated as a separate business as described in the Liquidity - Financial Services section of Item 2. Ford Credit is self-funding and its debt, which is used to fund its operations, is separate from our Automotive debt.

*Liquidity Sufficiency*. One of our key priorities is to finance our plan and maintain a strong balance sheet, while at the same time having resources available to grow our business. Based on our planning assumptions, we believe that we have sufficient liquidity and capital resources to continue to invest in new products and services that customers want and value, transform and grow our business, pay our debts and obligations as and when they come due, pay a sustainable dividend, and provide protection within an uncertain global economic environment.

Based on expected cash flows and the identification of additional opportunities for profitable growth, the ongoing amount of capital spending to support product development, growth, restructuring, and infrastructure is expected to increase to about $9 billion annually by 2020. Our capital spending was $7.1 billion and $7.4 billion in 2015 and 2014, respectively, and is now expected to be about $7 billion in 2016.

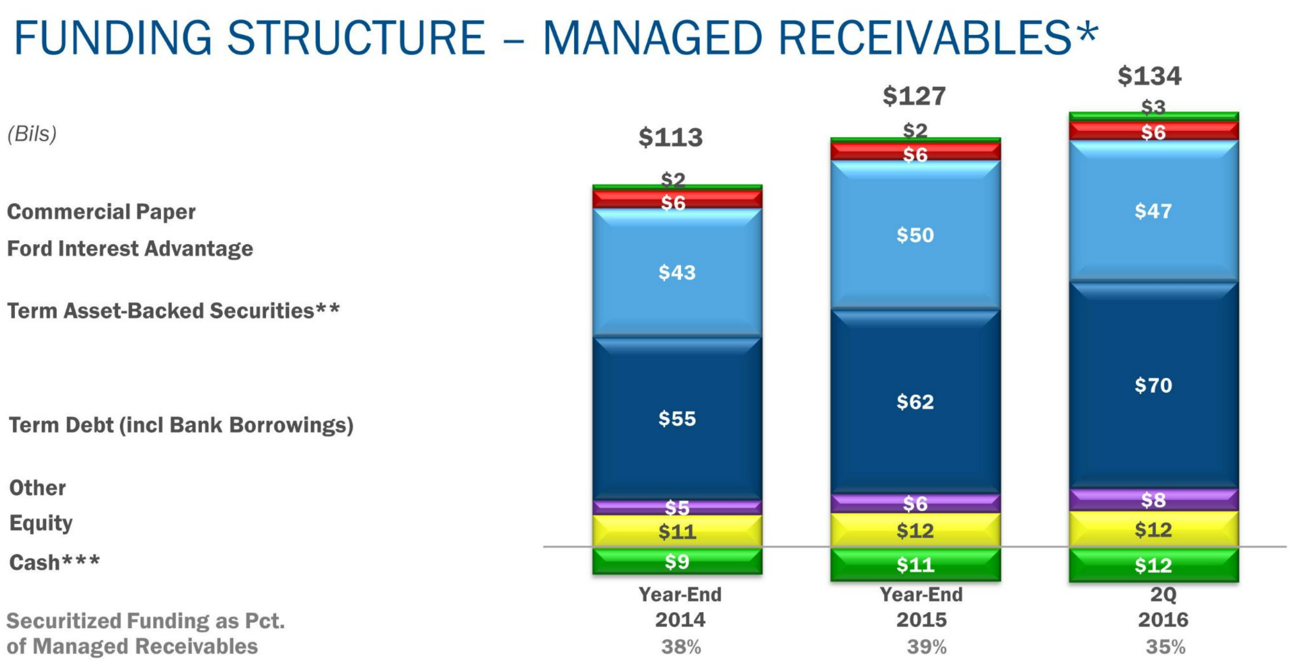
**Financial Services Segment**

***Ford Credit***

*Funding Overview.* Ford Credit's primary funding and liquidity objective is to maintain a strong investment grade balance sheet with ample liquidity to support its financing activities and growth under a variety of market conditions, including short-term and long-term market disruptions. Ford Credit's funding strategy remains focused on diversification, and it plans to continue accessing a variety of markets, channels, and investors.

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 continues to meet its financial obligations through economic cycles.

The following chart shows the trends in funding for Ford Credit's managed receivables:




* See "GAAP Reconciliations of Non-GAAP Financial Measures" section for reconciliation to GAAP
** Obligations issued in securitization transactions that are payable only out of collections on the underlying securitized assets and related enhancements
*** Cash, cash equivalents, and marketable securities (excludes marketable securities related to insurance activities)

Ford Credit's managed receivables of $134 billion at the end of the second quarter of 2016 were funded primarily with term debt and term asset-backed securities. Securitized funding as a percent of managed receivables was 35%.

Ford Credit expects the mix of securitized funding to trend lower over time. The calendarization of the funding plan may result in quarterly fluctuations of the securitized funding percentage.

*Public Term Funding Plan.* The following table shows Ford Credit's planned issuances for full-year 2016 and its global public term funding issuances through July 27, 2016, full-year 2015, and full-year 2014 (in billions), excluding short-term funding programs:

| | Public Term Funding Plan | | | |
|---|---|---|---|---|
| | 2016 | | | |
| | Full-Year Forecast | Through July 27 | Full-Year 2015 | Full-Year 2014 |
| Unsecured | $ 15-19 | $ 13 | $ 17 | $ 13 |
| Securitizations (a) | 12-14 | 9 | 13 | 15 |
| Total | $ 27-33 | $ 22 | $ 30 | $ 28 |

(a) Includes Rule 144A offerings.

For 2016, Ford Credit projects full-year public term funding in the range of $27 billion to $33 billion. Both the amount and composition of Ford Credit's full-year funding plan are consistent with its issuance in 2015. Through July 27, 2016, Ford Credit has completed $22 billion of public term issuance.

*Liquidity.* The following chart shows Ford Credit's liquidity sources and utilization:

## LIQUIDITY SOURCES

| *(Bils)* | Dec. 31, 2015 | Mar. 31, 2016 | Jun. 30, 2016 | |
|---|---|---|---|---|
| **Liquidity Sources** | | | | |
| Cash* | $11.2 | $14.9 | $11.6 | |
| Committed ABS facilities** | 33.2 | 36.4 | 36.0 | Committed Capacity $41.7 billion |
| Other unsecured credit facilities | 2.3 | 2.5 | 2.7 | |
| Ford revolving credit facility allocation | 3.0 | 3.0 | 3.0 | |
| Total liquidity sources | $49.7 | $56.8 | $53.3 | |
| **Utilization of Liquidity** | | | | |
| Securitization cash*** | $(4.3) | $(3.0) | $(2.7) | |
| Committed ABS facilities | (20.6) | (18.2) | (16.2) | |
| Other unsecured credit facilities | (0.8) | (0.5) | (0.7) | |
| Ford revolving credit facility allocation | - | - | - | |
| Total utilization of liquidity | $(25.7) | $(21.7) | $(19.6) | |
| Gross liquidity | $24.0 | $35.1 | $33.7 | |
| Adjustments**** | (0.5) | - | 0.1 | |
| Net liquidity available for use | $23.5 | $35.1 | $33.8 | |

* Cash, cash equivalents, and marketable securities (excludes marketable securities related to insurance activities)
** Committed asset-backed security ("ABS") facilities are subject to availability of sufficient assets, ability to obtain derivatives to manage interest rate risk, and exclude FCE access to the Bank of England's Discount Window Facility
*** Used only to support on-balance sheet securitization transactions
**** Adjustments include other committed ABS facilities in excess of eligible receivables and certain cash within FordREV available through future sales of receivables

Ford Credit's liquidity available for use will fluctuate quarterly based on factors including near-term debt maturities, receivable growth, and timing of funding transactions. Ford Credit has a target of at least $25 billion. As of June 30, 2016, Ford Credit's liquidity available for use was up $10.3 billion from year-end 2015 and down $1.3 billion from first quarter of 2016.

As of June 30, 2016, Ford Credit's liquidity remained strong at $33.8 billion. Its sources of liquidity include cash, committed asset-backed facilities, unsecured credit facilities, and the corporate revolver allocation. As of June 30, 2016, Ford Credit's liquidity sources, including cash, totaled $53.3 billion, up $3.6 billion from year end.

*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 following chart shows the calculation of Ford Credit's financial statement leverage and managed leverage (in billions, except for ratios):

## LEVERAGE

| *(Bils)* | Dec. 31, 2015 | Mar. 31, 2016 | Jun. 30, 2016 |
|---|---|---|---|
| **Leverage Calculation** | | | |
| **Total debt*** | **$119.6** | **$127.4** | **$126.3** |
| **Adjustments for cash**** | **(11.2)** | **(14.9)** | **(11.6)** |
| **Adjustments for derivative accounting***** | **(0.5)** | **(1.0)** | **(1.3)** |
| **Total adjusted debt** | **$107.9** | **$111.5** | **$113.4** |
| **Equity****** | **$11.7** | **$12.2** | **$12.4** |
| **Adjustments for derivative accounting***** | **(0.3)** | **(0.3)** | **(0.4)** |
| **Total adjusted equity** | **$11.4** | **$11.9** | **$12.0** |
| **Financial statement leverage (to 1) (GAAP)** | **10.2** | **10.4** | **10.2** |
| **Managed leverage (to 1) (Non-GAAP)** | **9.5** | **9.4** | **9.4** |

* Includes debt issued in securitization transactions 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

** Cash, cash equivalents, and marketable securities (excludes marketable securities related to insurance activities)

*** Primarily related 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

**** Shareholder's interest reported on Ford Credit's balance sheet

Ford Credit plans its managed leverage by considering prevailing market conditions and the risk characteristics of its business. At June 30, 2016, financial statement leverage was 10.2:1, and managed leverage was 9.4:1. Ford Credit targets managed leverage in the range of 8:1 to 9:1. Managed leverage is above the targeted range reflecting recent growth in receivables and the continued impact of a strong U.S. dollar.

## 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 Limited ("DBRS");
- Fitch, Inc. ("Fitch");
- Moody's Investors Service, Inc. ("Moody's"); and
- Standard & Poor's Ratings Services, a division of McGraw Hill Financial ("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 assigned to us from all of the NRSROs are closely associated with their opinions on Ford. 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 have been taken by these NRSROs since the filing of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016:

- On May 27, 2016, Fitch upgraded Ford and Ford Credit's long-term ratings to BBB from BBB- and short-term ratings from F2 from F3, with a stable outlook.

The following chart 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 | BBB | BBB | Stable | BBB | R-2M | Stable | BBB (low) |
| Fitch | BBB | BBB | Stable | BBB | F2 | Stable | BBB- |
| Moody's | N/A | Baa2 | Stable | Baa2 | P-2 | Stable | Baa3 |
| S&P | BBB | BBB | Stable | BBB | A-2 | Stable | BBB- |

## PRODUCTION VOLUMES (a)

Our second quarter 2016 production volumes and third quarter 2016 projected production volumes are as follows (in thousands):

| | 2016 | | | |
|---|---|---|---|---|
| | Second Quarter Actual | | Third Quarter Forecast | |
| | Units | O/(U) 2015 | Units | O/(U) 2015 |
| North America | 843 | 28 | 690 | (102) |
| South America | 79 | (15) | 87 | 2 |
| Europe | 432 | 29 | 295 | (82) |
| Middle East & Africa | 18 | (5) | 28 | 6 |
| Asia Pacific | 342 | (20) | 420 | 79 |
| Total | 1,714 | 17 | 1,520 | (97) |

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(a) Includes Ford brand and JMC brand vehicles produced by our unconsolidated affiliates.

## OUTLOOK

### Business Environment

Looking at the global business environment, elevated economic uncertainty is restraining business investment, with downside risk to global growth. Financial markets continue to assess the outcome of Brexit, with the sterling and euro facing downward pressure and global interest rates reverting to recent lows. U.S. growth is improving after a weak start to the year but with signs of a maturing recovery. We expect continued growth in China – supported by government stimulus measures, but with some increased pressure on margins. While conditions in Brazil remain difficult, Russia is showing some signs of stabilization.

The risks we are facing in the second half of 2016 are generally around lower pricing or higher incentives than expected in the United States and China; a softer, though still strong, U.S. retail industry; the effects of Brexit on our operations in Europe; a more difficult external environment across many of the markets in which we participate in the Middle East & Africa; a weaker yuan; and lower-than-expected auction values for smaller vehicles leased in the United States.

### 2016 Planning Assumptions and Key Metrics

Based on the current economic environment, our industry and GDP planning assumptions for 2016 include the following:

## INDUSTRY AND GDP PLANNING ASSUMPTIONS

| | GDP Growth (Pct) | | | Industry (Mils) | | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | H / (L) Prior | 2015 | 2016 | H / (L) Prior |
| Global | 3.0%* | 2.9 – 3.3%* | ↓ | 88.2 | 90.0 – 92.0 | ↑ |
| U.S. | 2.4% | 1.9 – 2.3% | ↓ | 17.8 | 17.4 – 17.9 | ↓ |
| Brazil | (3.8)% | (3.0) – (4.0)% | ↔ | 2.6 | 1.9 – 2.3 | ↓ |
| Europe | 1.0% | 1.0 – 1.5% | ↓ | 19.2 | 19.4 – 19.9 | ↑ |
| China | 6.9% | 6.5 – 7.0% | ↔ | 23.5 | 25.0 – 26.0 | ↑ |

**Global industry volume gains in 2016 driven by China and Europe**

**Outlook for industry volume revised from prior guidance in all major markets**

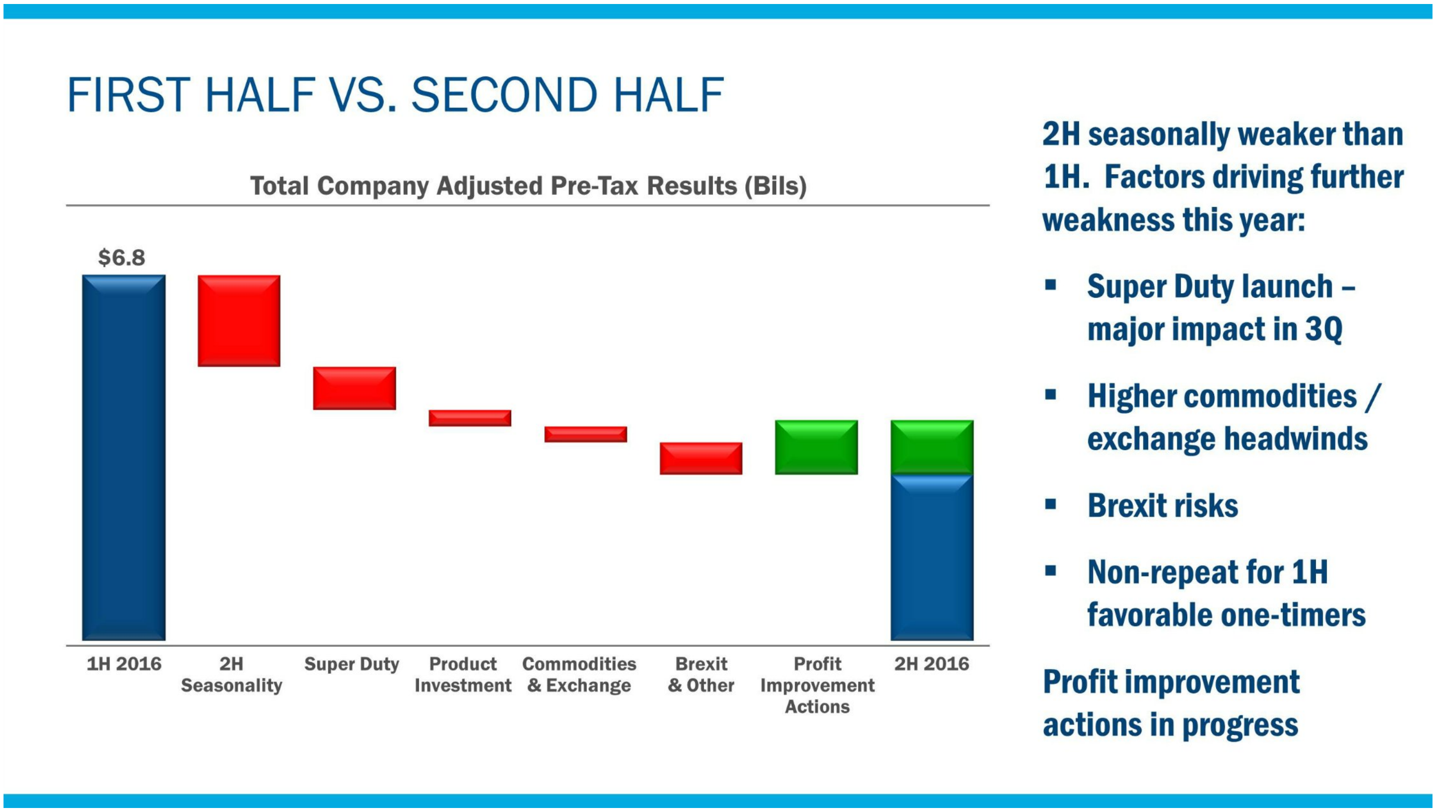
**Global GDP updated for U.S. and Europe**

* Global GDP growth measured at purchasing power parity (PPP) rates using latest World Bank weighting

Expectations for full-year industry sales have been adjusted for all major markets, reflecting year-to-date performance. In the United States, first-half sales remained at high levels, but were below our expectations, notably on the retail side. First-half sales in Brazil were also in the lower end of our range, which has been adjusted downward. In Europe, the change reflects strong year-to-date sales across the region, despite expected weaker conditions in the United Kingdom following Brexit. China sales continue to be supported by the purchase tax reduction on small engines.

**Full-Year Outlook and Guidance**

The following chart shows a comparison of first half of 2016 versus second half.




We see a weaker-than-normal 2016 second half total Company adjusted pre-tax profit, with the third quarter being particularly weak this year. Much of this was anticipated in our full year 2016 Company guidance. This includes the launch of Super Duty – the first all-new Super Duty in 19 years and one that will sustain and drive our leadership position in the over 8,500 lbs segment over the next decade. This will have a material impact on the third quarter of 2016 due to the major nature of the launch and will carry on, to some extent, into the balance of the year, including lower – though still very high – contribution margins.

We also will see higher than normal product-related investment, mainly engineering and supporting activities, as we ramp up our efforts over the next several years in both our core business to support major all-new platforms and regulatory-related actions, but also emerging opportunities. This includes electrification, connectivity, mobility solutions, autonomous vehicles, and data and analytics.

We also expect to see headwinds from commodities net of exchange, along with the effects of the Brexit vote. In addition, we had several one-time gains in the first half of 2016 that will not repeat, and in the case of portfolio gains on our treasury portfolio, a portion of these are expected to reverse. Finally, we see risks, mainly due to market factors in the United States and China that we have already been working to offset and will continue to do so in the second half of 2016.

## FULL YEAR OUTLOOK

| Business Unit | Outlook | Comments |
|---|---|---|
| North America | ↓ | Higher Ford and industry incentives; lower U.S. retail industry |
| South America | ↔ | On track |
| Europe | ↑ | Improved cost performance net of Brexit |
| Middle East & Africa | ↓ | Lower industry volume and related stock changes |
| Asia Pacific | ↓ | Lower net pricing and weaker exchange |
| Ford Credit | ↓ | Weaker U.S. auction values |

**Risks Vs. Expectations Generally Reflect Lower Net Pricing, External Factors – U.S. Retail Industry Volume, Exchange and Brexit – And Lower U.S. Auction Values**

## 2016 BUSINESS UNIT GUIDANCE

| | 2015 FY | 2016 FY | | Memo: |
|---|---|---|---|---|
| | Results | Guidance | Status | 2016 1H Results |
| Automotive | | | | |
| North America | $9,345M | ≈ 2015 | Risk | $5,783M |
| Operating Margin | 10.2% | 9.5% or Higher | Risk | 12.1% |
| South America | $(832)M | Loss > 2015 | On Track | $(521)M |
| Europe | 259M | > 2015 | Opportunity | 901M |
| Middle East & Africa | 31M | ≥ 2015 | Risk | (79)M |
| Asia Pacific | 765M | > 2015 | Risk | 212M |
| Ford Credit | 2,086M | ≥ 2015 | Lower | 914M |
| All Other | (796)M | ≈ $(800)M | On Track | (350)M |

**Business Unit Outlook Mixed**

The two charts above show 2016 full-year outlook and guidance for our Automotive segment business units and Ford Credit. In the United States, we already have seen our incentives slowly increase in line with the same trend across the industry. While pricing discipline continues to be fairly good, the plateauing of industry volume and the so-called car recession are having an effect on incentive levels overall that goes beyond what we had expected. This is combined with an overall industry level in the United States that we now believe will be lower than we had planned, driven by lower retail sales. As a result, we now expect to see lower industry volume in the second half of 2016 compared with 2015.

In Middle East & Africa, we are countering the headwinds of large industry declines, weak currencies, political strife, and labor disruptions. These efforts are challenged, however, to offset the full adverse consequences of the changes in the external environment taking place across the markets in which we participate.

In China, we now anticipate negative pricing to be at the higher end of the planned range, combined with a weaker currency, in part due to adjustments China is making relative to a basket of currencies that has been affected by Brexit.

At Ford Credit, we have lowered our expectation of residual values, mainly for smaller lease vehicles. This is resulting in larger lease depreciation expense and higher credit losses. Our outlook for Ford Credit's pre-tax profit is now lower than last year, with second half results being about in line with first half.

Finally, while we see substantial upside opportunity for Europe compared to our original expectations, this is mitigated somewhat by Brexit effects.

These issues have put our Company full-year 2016 guidance at risk. We already have been working to mitigate these risks, achieving strongly favorable cost performance in the first half of the year versus our plan. But we need to do more, and we will.

## 2016 COMPANY GUIDANCE

| | 2015 FY | 2016 FY | | Memo: |
|---|---|---|---|---|
| | Results | Guidance | Status | 2016 1H Results |
| Total Company Adjusted Pre-Tax Results* | $10.8B | ≥ 2015 | Net Risks | $6.8B |
| Adjusted EPS* | $1.93 | ≥ 2015 | | $1.20 |
| Automotive Segment Revenue | $140.6B | ≥ 2015 | | $72.2B |
| Automotive Segment Operating Margin | 6.8% | ≥ 2015 | | 8.7% |
| Automotive Segment Operating Cash Flow | $7.3B | Strong, but < 2015 | On Track | $6.9B |
| Adjusted Effective Tax Rate* (Pct) | 28.6% | Low 30s | On Track | 29.8% |

* Excluding special items; see "GAAP Reconciliations of Non-GAAP Financial Measures" section for reconciliation to GAAP

**Committed to 2016 Guidance But With Net Risks; Working To Mitigate Risks**

Shown above is our 2016 Company Guidance, including guidance for total Company adjusted pre-tax results. We do not provide guidance on our net income. Full-year net income will include potentially significant special items that have not yet occurred and are difficult to quantify prior to year end, specifically pension and OPEB remeasurement gains and losses.

For full-year 2016, we expect another strong year of results. We remain committed to our full year guidance of total Company adjusted pre-tax profit and Automotive segment operating margin equal to or better than 2015, but we now see a number of risks that are challenging us to achieve our guidance in the second half.

**Profit Improvement Actions**

We are finding improvement actions to mitigate these risks, leverage opportunities, and build on the record results we delivered last year. We have several profit improvement actions that are already under way, including the following:

- Matching production to demand which will reduce manufacturing cost
- Implementing an aggressive, company-wide attack plan on costs. We are building on the considerable cost progress we achieved in the first half of 2016, with $1.6 billion in cost improvements delivered versus our plan. We are looking at everything from material costs and marketing and selling efficiencies to freight and administrative cost reductions
- Implementing improved go-to-market plans in the United States and China to deliver even more revenue and cost opportunities
- Utilizing our data and analytics team to pinpoint immediate areas of improvement in market factors, including better volume, mix, and pricing, which will drive revenue
- Challenging each team to deliver even more revenue and cost opportunities for a number of significant vehicle launches around the world this year

**GAAP RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES**

The following charts show GAAP reconciliations of our Non-GAAP financial measures for: Adjusted Pre-Tax Profit, Adjusted Earnings Per Share, Adjusted Effective Tax Rate, and Ford Credit Managed Receivables. The GAAP reconciliation for Ford Credit Managed Leverage can be found in the Financial Services Segment section of "Liquidity and Capital Resources."

TOTAL COMPANY

## NET INCOME RECONCILIATION TO ADJUSTED PRE-TAX PROFIT

| *(Mils)* | 2Q | | YTD | | Memo: |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2015 | 2016 | FY 2015 |
| Net income / (loss) attributable to Ford (GAAP) | $ 2,160 | $ 1,970 | $ 3,313 | $ 4,422 | $ 7,373 |
| Income / (Loss) attributable to non-controlling interests | 1 | 2 | 2 | 5 | (2) |
| Net income | $ 2,161 | $ 1,972 | $ 3,315 | $ 4,427 | $ 7,371 |
| Less: (Provision for) / Benefit from income taxes | (1,125) | (903) | (1,750) | (2,099) | (2,881) |
| Income before income taxes | $ 3,286 | $ 2,875 | $ 5,065 | $ 6,526 | $ 10,252 |
| Less: Special items pre-tax | – | (118) | – | (304) | (548) |
| Adjusted pre-tax profit / (loss) (Non-GAAP) | $ 3,286 | $ 2,993 | $ 5,065 | $ 6,830 | $ 10,800 |

TOTAL COMPANY

## EARNINGS PER SHARE RECONCILIATION TO ADJUSTED EARNINGS PER SHARE

| | 2016 | |
|---|---|---|
| | 2Q | YTD |
| Diluted After-Tax Results (Mils) | | |
| Diluted After-tax results (GAAP) | $ 1,970 | $ 4,422 |
| Less: Impact of Pre-tax and tax special items | (119) | (371) |
| Adjusted Net Income (Non-GAAP) | $ 2,089 | $ 4,793 |
| | | |
| Basic and Diluted Shares (Mils) | | |
| Basic shares (Average shares outstanding) | 3,973 | 3,972 |
| Net dilutive options and unvested restricted stock units | 24 | 24 |
| Adjusted Diluted shares | 3,997 | 3,996 |
| | | |
| Earnings Per Share – Diluted (GAAP) | $ 0.49 | $ 1.11 |
| Net impact of adjustments | 0.03 | 0.09 |
| Adjusted Earnings Per Share – Diluted (Non-GAAP) | $ 0.52 | $ 1.20 |

TOTAL COMPANY

## EFFECTIVE TAX RATE RECONCILIATION TO ADJUSTED EFFECTIVE TAX RATE

| | 2016 | | Memo: |
|---|---|---|---|
| | 2Q | YTD | FY 2015 |
| **Pre-Tax Results (Mils)** | | | |
| Pre-tax results (GAAP) | $ 2,875 | $ 6,526 | $ 10,252 |
| Less: Impact of special items | (118) | (304) | (548) |
| Adjusted Pre-tax results (Non-GAAP) | $ 2,993 | $ 6,830 | $ 10,800 |
| **Taxes (Mils)** | | | |
| (Provision for) / Benefit from income taxes (GAAP) | $ (903) | $ (2,099) | $ (2,881) |
| Less: Impact of special items | (1) | (67) | 205 |
| Adjusted (Provision for) / Benefit from income taxes (Non-GAAP) | $ (902) | $ (2,032) | $ (3,086) |
| Effective Tax Rate (GAAP) | 31.4% | 32.2% | 28.1% |
| Adjusted Effective Tax Rate (Non-GAAP) | 30.1 | 29.8 | 28.6 |

FINANCIAL SERVICES SEGMENT – FORD CREDIT

## TOTAL NET RECEIVABLES RECONCILIATION TO MANAGED RECEIVABLES

| *(Bils)* | Dec. 31, 2014 | Jun. 30, 2015 | Dec. 31, 2015 | Jun. 30, 2016 |
|---|---|---|---|---|
| Finance receivables, net | $ 86.9 | $ 89.5 | $ 96.8 | $ 101.3 |
| Net investment in operating leases | 21.5 | 23.4 | 25.1 | 26.8 |
| Total net receivables* (GAAP) | $ 108.4 | $ 112.9 | $ 121.9 | $ 128.1 |
| Unearned interest supplements and residual support | 3.9 | 4.0 | 4.5 | 5.0 |
| Allowance for credit losses | 0.4 | 0.4 | 0.4 | 0.5 |
| Other, primarily accumulated supplemental depreciation | 0.1 | 0.3 | 0.4 | 0.6 |
| Total managed receivables (Non-GAAP) | $ 112.8 | $ 117.6 | $ 127.2 | $ 134.2 |

* 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 sheet 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

**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 liquidity or financial condition;
- Worse-than-assumed economic and demographic experience for postretirement benefit plans (e.g., discount rates or investment returns);
- Restriction on use of tax attributes from tax law "ownership change;"
- The discovery of defects in vehicles resulting in delays in new model launches, recall campaigns, or increased warranty costs;
- Increased safety, emissions, fuel economy, or other regulations resulting in higher costs, cash expenditures, and/or sales restrictions;
- Unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise;
- A change in requirements under long-term supply arrangements committing Ford to purchase minimum or fixed quantities of certain parts, or to pay a minimum amount to the seller ("take-or-pay" contracts);
- Adverse effects on results from a decrease in or cessation or clawback of government incentives related to investments;
- Inherent limitations of internal controls impacting financial statements and safeguarding of assets;
- Cybersecurity risks to operational systems, security systems, or infrastructure owned by Ford, Ford Credit, or a third-party vendor or supplier;
- Failure of financial institutions to fulfill commitments under committed credit and liquidity facilities;
- Inability of Ford Credit to access debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts, due to credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;
- Higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Increased competition from banks, financial institutions, or other third parties seeking to increase their share of financing Ford vehicles; and
- New or increased credit regulations, consumer, or data protection regulations, or other regulations resulting in higher costs and/or additional financing restrictions.

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

## ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Financial Accounting Standards Board ("FASB") has issued the following standards, which are not expected to have a material impact (with the exception of standards 2016-02, 2016-09, and 2016-13) to our financial statements or financial statement disclosures:

| Standard | | Effective Date (a) |
|---|---|---|
| 2014-15 | Going Concern - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern | December 31, 2016 |
| 2016-09 | Stock Compensation - Improvements to Employee Share-Based Payment Accounting | January 1, 2017 (b) |
| 2016-07 | Equity Method and Joint Ventures - Simplifying the Transition to the Equity Method of Accounting | January 1, 2017 |
| 2016-06 | Derivatives and Hedging - Contingent Put and Call Options in Debt Instruments | January 1, 2017 |
| 2016-05 | Derivatives and Hedging - Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships | January 1, 2017 |
| 2016-04 | Extinguishments of Liabilities - Recognition of Breakage for Certain Prepaid Stored-Value Products | January 1, 2018 |
| 2016-01 | Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities | January 1, 2018 |
| 2014-09 | Revenue - Revenue from Contracts with Customers | January 1, 2018 (b) (c) |
| 2016-02 | Leases | January 1, 2019 (b) |
| 2016-13 | Credit Losses - Measurement of Credit Losses on Financial Instruments | January 1, 2020 (b) |

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(a) Early adoption for each of the standards, except standard 2016-01, is permitted.
(b) For additional information, see Note 2 of the Notes to the Financial Statements.
(c) The FASB has issued the following updates to the Revenue from Contracts with Customers standard: Accounting Standard Update ("ASU") 2015-14 (Deferral of the Effective Date), ASU 2016-08 (Principal versus Agent Considerations (Reporting Revenue Gross versus Net)), ASU 2016-10 (Identifying Performance Obligations and Licensing), and ASU 2016-12 (Narrow-Scope Improvements and Practical Expedients).

## OTHER FINANCIAL INFORMATION

The interim financial information included in this Quarterly Report on Form 10-Q for the periods ended June 30, 2016 and 2015 has not been audited by PricewaterhouseCoopers LLP ("PwC"). In reviewing such information, PwC has applied limited procedures in accordance with professional standards for reviews of interim financial information. Readers should restrict reliance on PwC's reports on such information accordingly. PwC is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for its reports on interim financial information, because such reports do not constitute "reports" or "parts" of registration statements prepared or certified by PwC within the meaning of Sections 7 and 11 of the Securities Act of 1933.

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

### Automotive

*Foreign Currency Risk.* The net fair value of foreign exchange forward contracts (including adjustments for credit risk), as of June 30, 2016, was an asset of $701 million compared with an asset of $322 million as of December 31, 2015. The potential decrease in fair value from a 10% adverse change in the underlying exchange rates, in U.S. dollar terms, would be $2.4 billion at June 30, 2016, compared with $2.2 billion at December 31, 2015.

*Commodity Price Risk.* The net fair value of commodity forward contracts (including adjustments for credit risk) as of June 30, 2016 was an asset of $9 million, compared with a liability of $24 million as of December 31, 2015. The potential decrease in fair value from a 10% adverse change in the underlying commodity prices, in U.S. dollar terms, would be $56 million at June 30, 2016, compared with $62 million at December 31, 2015.

### Financial Services

*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 June 30, 2016, all else constant, such an increase in interest rates would increase its pre-tax cash flow by $53 million over the next 12 months, compared with an increase of $7 million at December 31, 2015. 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.

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

*Evaluation of Disclosure Controls and Procedures.* Mark Fields, our Chief Executive Officer ("CEO"), and Bob Shanks, 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 June 30, 2016, 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 June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1A. *Risk Factors.*

The risk factor "***Adverse effects resulting from economic, geopolitical, or other events***" included in Item 1A of our 2015 Form 10-K report is revised as follows:

***Adverse effects resulting from economic, geopolitical, or other events.*** With the increasing interconnectedness of global economic and financial systems, a financial crisis, natural disaster, geopolitical crisis, or other significant event in one area of the world can have an immediate and devastating impact on markets around the world. For example, the financial crisis that began in the United States in 2008 quickly spread to other markets; natural disasters in Japan and Thailand during 2011 caused production interruptions and delays not just in Asia Pacific but other regions around the world; and episodes of increased geopolitical tensions or acts of terrorism have at times caused adverse reactions that may spread to economies around the globe.

Concerns regarding the overall stability of the European Union, given the diverse economic and political circumstances of individual European currency area countries ("euro area"), have been exacerbated by the decision by the U.K. electorate on June 23, 2016 to leave the European Union. The exit process and future relationship between the United Kingdom and the European Union, including trade relations, will have to be negotiated within a two-year window following an official declaration of intent to exit by the U.K. government. The U.K. vote to leave the European Union resulted in a weaker sterling versus U.S. dollar and euro. We have a sterling revenue exposure and a euro cost exposure; a sustained weakening of sterling against euro may have an adverse effect on our profitability. Further, the United Kingdom may be at risk of losing access to free trade agreements with the European Union and other countries, such as Turkey and South Africa, with which the European Union currently has free trade agreements. Such loss may result in increased tariffs on U.K. imports and exports, which could also have an adverse effect on our profitability.

In addition, these developments have introduced an elevated level of economic and policy uncertainty, which could cause financial and capital markets within and outside Europe to constrict, thereby negatively impacting our ability to finance our business. It also could cause a substantial dip in consumer and business confidence and spending that could negatively impact sales of vehicles. Any one of these impacts could have a substantial adverse effect on our financial condition and results of operations.

These recent events highlight potential longer-term risks regarding the sustainability of the euro area. If a country within the euro area were to default on its debt or withdraw from the euro currency, or – in a more extreme circumstance – the euro currency were to be dissolved entirely, the impact on markets around the world, and on Ford's global business, could be immediate and significant.

In addition, we have operations in various markets with volatile economic or political environments and are pursuing growth opportunities in a number of newly developed and emerging markets. These investments may expose us to heightened risks of economic, geopolitical, or other events, including governmental takeover (i.e., nationalization) of our manufacturing facilities or intellectual property, restrictive exchange or import controls, disruption of operations as a result of systemic political or economic instability, outbreak of war or expansion of hostilities, and acts of terrorism, each of which could have a substantial adverse effect on our financial condition and results of operations. Further, the U.S. government, other governments, and international organizations could impose additional sanctions that could restrict us from doing business directly or indirectly in or with certain countries or parties, which could include affiliates.

### ITEM 6. *Exhibits.*

Please see exhibit index below.

## 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/ John Lawler |
| | John Lawler, Vice President and Controller<br>(principal accounting officer) |
| Date: | July 28, 2016 |

## EXHIBIT INDEX

| Designation | Description | Method of Filing |
|---|---|---|
| Exhibit 12 | Calculation of Ratio of Earnings to Fixed Charges. | Filed with this Report. |
| Exhibit 15 | Letter of PricewaterhouseCoopers LLP, dated July 28, 2016, relating to financial information. | Filed with this Report. |
| Exhibit 31.1 | Rule 15d-14(a) Certification of CEO. | Filed with this Report. |
| Exhibit 31.2 | Rule 15d-14(a) Certification of CFO. | Filed with this Report. |
| Exhibit 32.1 | Section 1350 Certification of CEO. | Furnished with this Report. |
| Exhibit 32.2 | Section 1350 Certification of CFO. | Furnished with this Report. |
| Exhibit 101.INS | XBRL Instance Document. | * |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema Document. | * |
| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | * |
| Exhibit 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | * |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | * |
| Exhibit 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | * |

* Submitted electronically with this Report in accordance with the provisions of Regulation S-T.

**Exhibit 12**

## FORD MOTOR COMPANY AND SUBSIDIARIES
## CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES
## (in millions)

| | First Half 2016 |
|---|---|
| **Earnings** | |
| Income before income taxes | $ 6,526 |
| Add/(Deduct): | |
| Equity in net income of affiliated companies | (939) |
| Dividends from affiliated companies | 827 |
| Fixed charges excluding capitalized interest | 1,848 |
| Amortization of capitalized interest | 19 |
| Earnings | $ 8,281 |
| | |
| **Fixed Charges** | |
| Interest expense | $ 1,770 |
| Interest portion of rental expense (a) | 78 |
| Capitalized interest | 15 |
| Total fixed charges | $ 1,863 |
| | |
| **Ratios** | |
| Ratio of earnings to fixed charges | 4.4 |

(a) One-third of all rental expense is deemed to be interest.

**Exhibit 15**

July 28, 2016

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Ford Motor Company Registration Statement Nos. 33-62227, 333-02735, 333-20725, 333-31466, 333-47733, 333-56660, 333-57596, 333-65703, 333-71380, 333-74313, 333-85138, 333-87619, 333-104063, 333-113584, 333-123251, 333-138819, 333-138821, 333-149453, 333-149456, 333-153815, 333-153816, 333-156630, 333-156631, 333-157584, 333-162992, 333-162993, 333-165100, 333-172491, 333-179624, 333-186730, 333-193999, 333-194000, 333-203697, and 333-210978 on Form S-8 and 333-194060 on Form S-3.

Commissioners:

We are aware that our report dated July 28, 2016 on our review of interim financial information of Ford Motor Company (the "Company") for the three and six month periods ended June 30, 2016 and June 30, 2015 and included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2016 is incorporated by reference in the aforementioned Registration Statements.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan

**Exhibit 31.1**

## CERTIFICATION

I, Mark Fields, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2016 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: July 28, 2016

/s/ Mark Fields

Mark Fields
President and Chief Executive Officer

**Exhibit 31.2**

# CERTIFICATION

I, Bob Shanks, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2016 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: July 28, 2016

/s/ Bob Shanks

Bob Shanks
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mark Fields, 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 June 30, 2016, 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: July 28, 2016

/s/ Mark Fields
Mark Fields
President and Chief Executive Officer

**Exhibit 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Bob Shanks, Executive Vice President and 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 June 30, 2016, 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: July 28, 2016

/s/ Bob Shanks
Bob Shanks
Executive Vice President and
Chief Financial Officer