Ford Motor Company

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Operator: Good morning and welcome to the broadcast of the Ford Motor Company's Annual Meeting of Shareholders. I now would like to introduce Ford's Chairman of the Board of Directors, Mr. William Clay Ford, Jr.

William Clay Ford, Jr.: Well, good morning and welcome. I'm Bill Ford, Chairman of your Board of Directors, and it's my privilege to call to order our 64th annual meeting of shareholders. Today's live webcast of our virtual annual meeting helps us to better engage you, our shareholders, by making it accessible to you wherever you're located. And thank you to everyone who's joined us today.

And at this time, I'd like to introduce the company officers that are here with me today. I have Jim Hackett, President and CEO and member of our Board of Directors; Jon Osgood, our Corporate Secretary; and Bradley Gayton, Chief Administrative Officer and General Counsel. And as you know, Bob Shanks will step down from the CFO role on June 1st and Tim Stone will assume the role of CFO. We welcome Tim to the Ford team and give our heartfelt thanks to Bob for his tremendous contributions to Ford's success over four decades of service.

In addition to Jim and me, the other board of director nominees are attending today's meeting through this live webcast, and I want to thank the board for the great work they do on our behalf.

Before we get to the business of the meeting, I'd like to speak about the mechanics of our meeting. If you'd like to submit a question during this meeting, you may do so by typing your question in the box located at the bottom left corner of the webcast screen. We'll respond to those questions pertinent to the meeting during the Q&A session immediately following Jim's remarks. And answers to any pertinent questions that we're unable to respond to during the meeting due to time constraint will be posted on our Investor Relations website as soon as practical after the meeting and they'll remain up for one week.

Additionally, if you've not already voted your shares, you may do so by clicking on the Vote Here button at the bottom right of the webcast screen. The polls will remain open until the conclusion of the Q&A period of the meeting.

Okay. Now let's get to the business of the meeting. The agenda is shown at the top right corner of the webcast and we'll start with the matters to be voted on today.

Shareholders who have a proposal on our proxy statement will be given three minutes to speak in support of their proposal. Representatives of Broadridge Financial Services have been employed as Inspectors of Election for this meeting.

Proposal one, election of directors. The first item to be voted on is the election of our directors. The 13 director nominees who have been nominated by the Board of Directors as candidates for election are shown in the proxy statement. We are all members of the current board.

Jon, will you make the nomination, please?

Jon Osgood: Sure. I nominate as directors the 13 nominees named in our proxy statement.

William Clay Ford, Jr.: Thank you. Let's move on to proposal two. The next item of business is proposal two in the proxy statement, ratifying the selection by the audit committee of PricewaterhouseCoopers as the independent registered public accounting firm to audit the company's books for 2019. Joining us today is Saverio Fato, PwC's 2019 Global Audit Engagement Partner for Ford. Thank you for joining us.

Jon, will you please move proposal two?

Jon Osgood: I move the adoption of the resolution in the proxy statement relating to ratifying the selection of the independent registered public accounting firm.

William Clay Ford, Jr.: Thank you. The Board of Directors recommends a vote for this proposal.

We'll now proceed to proposal three, which relates to a shareholder advisory vote to approve the compensation of the named executives as disclosed in the proxy statement. We seek to closely align the interests of our executives with yours. Our compensation programs are designed to award our executives for the achievement of short- and long-term strategic and operational goals while avoiding unnecessary risk taking. Our more detailed reasons in support of this proposal are set out in our proxy statement.

And Jon, will you please move proposal three?

Jon Osgood: I move the adoption of the resolution in the proxy statement related to the approval on an advisory basis of the compensation of the named executives as disclosed in the company's proxy.

William Clay Ford, Jr.: Thank you, Jon. The Board of Directors recommends a vote for this proposal.

We now move on to proposal four, which relates to the approval of the company's tax benefit preservation plan. We're seeking your approval for this proposal to help protect the company's tax assets. You initially approved of the tax benefit preservation plan at the 2010 annual meeting and again at the 2013 and 2016 annual meetings. The Board of Directors approved an extension of the plan until September 30th, 2021 in order to protect the company's tax assets. Through year-end 2018 we had tax attributes that would offset more than $40 billion of taxable income. Our use of these valuable tax assets could be substantially limited if there were to be an ownership change as defined by IRS rules and this plan reduces that risk. Our more detailed reasons for this proposal are set out in our proxy statement.

And Jon, will you please move this proposal?

Jon Osgood: Sure. I move the adoption of the resolution in the proxy statement related to approval of the tax benefit preservation plan.

William Clay Ford, Jr.: Thank you, Jon. The Board of Directors recommends a vote for this proposal.

Proposal five. We will now proceed to proposal five which requests that the board take steps to adopt a recapitalization plan to provide for all of the company stock to have one vote per share. The board recommends a vote against proposal five for the reasons set forth in our proxy statement.

I've asked the operator to open a line so that Mr. John Chevedden (ph) may present the proposal at this time. Mr. Chevedden, welcome and please proceed.

John Chevedden: Yes, this is proposal five, equal voting rights for each share. Can you hear me?

William Clay Ford, Jr.: Yes, we can. Thank you.

John Chevedden: And is William Kennard available to respond to this proposal?

William Clay Ford, Jr.: Is who available?

John Chevedden: William Kennard.

William Clay Ford, Jr.: I don't—I mean he may be on the line. I don't know if he can speak, but I can handle it.

John Chevedden: Well, he's the person that's responsible. He should be—

William Clay Ford, Jr.: John—

John Chevedden: Available—

William Clay Ford, Jr.: John, please present the proposal.

John Chevedden: Shareholders request that our board take steps to ensure that all our company's outstanding stock has an equal one vote per share. Ford family shares have 36 votes per share compared to the tiny 1 vote per share for regular shareholders. This dual class voting stock reduces accountability by allowing corporate control to be retained by Ford family insiders disproportionate to their money at risk. Plus, the onerous Ford requirement for 30% of shares to call a special meeting of shareholders further compounds this. This is when state law allows 10% of shares to call a special shareholder meeting and scores of Fortune 500 companies with equal voting rights for each share allow 10%.

Ford took away our right to an in-person annual meeting. This sends a message that Ford management considers in-person management contact with Ford shareholders a nuisance. An obligation to explain management's successes and failures during the past year before a live audience is a great incentive plan for management. Ford is now depriving its shareholders of the benefits of an important incentive for management. An in-person annual meeting is a motivator of good performance by management and directors. Who wants to stand in front of a live audience and explain shrinking sales, epic recalls, and loss of market share? It's so much easier to explain it to a microphone.

The equal voting rights for each share topic has received more than 51% of the independent vote of the non-family Ford stock in each year since 2011. In spite of such consistent support from non-family Ford shareholders, Ford management has done absolutely nothing to address this serious issue; not even one baby step. It is time that the 63-year practice of disenfranchising Ford public shareholders is changed for the common benefit of all shareholders. It is time for shareholders to vote against William Kennard who chairs the Ford Governance Committee for doing nothing to address this.

Corporate governance advocates, as well as many investors and index managers, have pushed back on the Ford-type dual-class structure. Last year, S&P Dow Jones Indices said that companies with multiple classes of shares would be barred from entering its flagship S&P 500 Index.

As an example for Ford, social and mobile game maker Zynga announced moving to a single class share structure in 2018. Zynga executives said in a letter to its shareholders that a single class share structure gives parity to shareholders. In its 2018 Annual Report, Zynga said its old multi-class share system would limit the ability of its other shareholders to influence the company and could negatively impact its share price.

A transition to equal voting rights for each share could help Ford stock stay above $10 a share. Please vote yes, equal voting rights for each share, proposal five.

William Clay Ford, Jr.: Thank you, Mr. Chevedden.

We'll now proceed to proposal six, which relates to the disclosure of the company's lobbying activities and expenditures. The board recommends a vote against proposal six for the reasons set out in our proxy statement.

I ask the operator to please open the line so that Miss Millicent Budhai (ph) may present the proposal at this time. Welcome, Miss Budhai, and please proceed.

Millicent Budhai: Thank you. Good morning. I hereby move proposal number six on behalf of the co-lead filers, the Unitarian Universalist Association and New York City Comptroller Scott M. Stringer and the relevant New York City pension funds, and also on behalf of all the co-filers.

The proposal asks that Ford disclose its direct and indirect lobbying activities and the board's oversight and rationale for making these payments. The filers and co-filers are part of the Climate 100 initiative that has over 300 investors managing over $33.4 trillion in assets and which seeks to work with high-GHG-emitting companies such as Ford to address the systemic risks and opportunities of climate change.

One of the three pillars of the initiative is to implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change. This involves asking companies to align their lobbying activities with the goals of the Paris Agreement. Despite Ford's articulated public support for the Paris Agreement, in our view Ford's current disclosures on lobbying are not best practices, do not align with the goals of the Paris Agreement, and could be strengthened in a number of ways, including providing for explicit board oversight and listing its membership in trade associations and the amount of its dues that these associations use for lobbying purposes.

Ford is a member of organizations that have spent billions of dollars on lobbying various issues over time. Some are issues that we believe are inimical to the interests of Ford and its shareholders. For example, Ford is a member of the Alliance for Automobile

Manufacturers, which questions the validity of climate science and has lobbied the U.S. government and the EPA to lower the CAFE of fuel economy standards for cars and light trucks. We believe this is inconsistent with achieving the goals of the Paris Agreement, and also with Ford's publicly stated position on climate. We also don't know how much of Ford's membership dues was used for this lobbying.

Ford is also on the board of the Chamber of Commerce which opposes the Paris Agreement. We understand that these organizations help to further Ford's agenda in many ways. However, we also need to know whether the company's payments to these organizations are used to pursue positions and activities that undermine those of the company's as such misalignment could cause serious reputational risk to the company.

The disclosures the proponents are asking for would, according to ISS, help shareholders better assess the risks and benefits associated with the company's participation in the public policies debate. We urge you to support our proposal. Thank you.

William Clay Ford, Jr.: Thank you very much.

We will now proceed to proposal seven which relates to the disclosure of the company's political activities and expenditures. The board recommends a vote against proposal seven for the reasons set out in our proxy statement.

Could the operator please open the line so that Mr. Dan Carroll may present the proposal at this time. Mr. Carroll, welcome.

Dan Carroll: Thank you. Good morning, Mr. Chairman, members of the Board, fellow shareholders. My name is Dan Carroll, representing Mercy Investment Services, and I'm here to move proposal seven, seeking to establish greater accountability and transparency in our company's political spending.

The sponsors of this proposal, together with numerous other mainstream investors, consider disclosure of political expenditures made with corporate funds and payments to third-party groups to be an important board accountability issue and a new standard in good governance.

As everyone in this room is well aware, public attention and scrutiny of corporate political contributions has reached a new level of intensity in this country. FEC data shows that outside groups spend $1.42 billion on political campaigns in the 2016 cycle, and $1.1 billion in the 2018 cycle, significant increases since $310 million was spent by these groups in the 2010 cycle.

An article from the Conference Board Review noted the rise of dark money spending and a new threat of extortion by some of these groups. The article said these groups are run by political operatives who have close ties with elected officials and who very likely share with them how companies are responding to requests for contributions. By engaging in the political process, companies can find themselves in a risky environment. A 2013 survey of businesses confirms this idea. According to the poll by The Committee for Economic Development, about 85% of business executives believe that the campaign finance systems is in poor shape or broken. 90% supported reforms that disclose all individual, corporate and labor contributions to political organizations, and 89% wanted limits on how much money individuals, corporations and labor can give to political candidates.

There is an effective solution to this lack of accountability and that is disclosure. Supreme Court Justice Anthony Kennedy supported this idea in his 2010 Citizens United opinion. Through disclosure, he said shareholders can determine whether their corporation's political speech advances the corporation's interest in making profits and citizens can see whether elected officials are in the pocket of so-called monied interests.

We acknowledge that our company offers a policy on corporate political spending on its website, but we think this is insufficient because the company does not disclose all of its spending, including payments to trade associations that could be used to support election-related activity, payments to other nonprofit entities such as 501(c)(4) groups that engage in political activity, contributions to support or oppose ballot measures, and independent expenditures funded by corporate treasury dollars.

It's virtually impossible to obtain a full accounting of corporate political spendings from public sources. The only way to get a full picture of Ford's contributions is for the company to disclose them. As of September 2018, 294 S&P 500 companies have adopted disclosure of their political spend and 127 require robust board oversight. The leading companies include Ford's peers, United Technologies, Boeing, Microsoft and Coca-Cola, among many others.

Disclosure of political spending from corporate funds has become a common corporate governance practice. We are asking Ford to disclose all of its corporate political spending so that shareholders and our board can appropriately evaluate and mitigate potential risks. Ford's board of directors have a fiduciary duty to ensure that the company's assets are being used to further the long-term interests of the firm.

When Ford helps to finance the political activity of a trade association or other political organization or uses company funds for political contributions, it is appropriate for the board to question what policy positions are being furthered and whether they are in line with the company's best interests. Without an effective system of reporting and strong accountability policies in place, our board cannot assess whether these expenditures present unacceptable risks.

Fellow shareholders, as you know, our company is a large and complicated enterprise. At a time when the trend among large companies is to be more open about their political spending and their policies regarding dark money vehicles, it doesn't behoove or benefit Ford to be secretive if it has nothing to hide. If you agree, please vote in favor of proposal number seven. Thank you.

William Clay Ford, Jr.: Thank you, Mr. Carroll.

Okay. We've covered each of the proposals listed in the proxy. Before I offer comments on our business, I want to remind you that the polls are still open. If you mailed in a proxy or if you voted over the telephone or online, you don't need to vote at this time unless you want to change your vote. And to vote your shares online, please click on the Vote Here button in the bottom right corner of the webcast.

Okay. I want to thank all of you again for taking the time to join us today and thank you to everyone who presented a proposal. And now, I'd like to report on the state of the business.

In 2018 we achieved our 9th consecutive year of solid earnings and positive cash flow. Our profits enabled us to distribute $3.1 billion to our shareholders last year raising the total distributed since 2012 to $18.4 billion. Our overall results in 2018 weren't what we wanted, but we made great progress in our efforts to restructure, refocus and reimagine our business for the future.

In the past year we did something we've never done before. We mapped out a fundamental redesign of our entire company. We did it to ensure that we could strengthen our core business while making investments that we need to lead as the auto industry undergoes enormous disruption. The tough choices we made laid the foundation for a more profitable, resilient and dynamic business.

To improve returns in the nearer term, we're reducing costs, improving operating efficiencies and focusing on vehicles that better meet our customers' needs. By the end of 2020 we'll have shifted 90% of our North American vehicle lineup to sport utility, crossovers, trucks and commercial vehicles. This product shift builds on our strength as the best-selling truck and van brand in the world, and it's building a global wave of new products in the fastest growing and most profitable market segments, including more than 20 new Ford and Lincoln vehicles for North America over the next 24 months, and that includes the introduction of an all-new Ford Ranger, Escape and Explorer this year.

We got off to a strong start in our first quarter. We're freeing up capital to invest in the new products and businesses that are transforming our industry. We want to lead the world into a new era of smart, sustainable mobility. And to do that, we're pursuing leadership positions in electrification, autonomous vehicles and mobility solutions.

We're investing $11 billion in electrification, including an all-electric version of the best-selling F150 and a Mustang-inspired performance vehicle. In addition, last month we announced an equity investment of $500 million in Rivian, an electric vehicle company, and we'll work together to develop an all new, next-generation battery electric vehicle. And Ford and Rivian share a common goal of creating a sustainable future through innovation and our partnership will bring us both a fresh approach.

Our EV efforts will help us reach our goal of delivering CO2 reductions consistent with the Paris Climate Accord. We're also investing $4 billion in AVs through 2023, including our investment in Argo AI. As we invest in these advanced technologies, we're reimaging what mobility will look like beyond privately owned vehicles. When smart cars are integrated into smart transportation systems, new mobility services and new business models will begin to emerge. These new forms of mobility will have a tremendous impact on cities by reducing congestion and giving more people access to sustainable transportation. They also have the potential for tremendous profitable growth.

And to help us reinvent transportation for the cities of tomorrow, last year we acquired the Michigan Central Station in Detroit's historic Corktown neighborhood. Our Corktown development will serve as a magnet for talent and a catalyst for change as we develop EVs, AVs, and mobility solutions there.

Building a better world isn't something new to us. This year marks the 20th anniversary of our first sustainability report which outlined our efforts to improve the economic, social and environmental impact of our business. For the past 20 years we've challenged ourselves to keep getting better and today, thanks to advances in technology, we're on the cusp of a quantum leap forward.

For more than 115 years people have trusted Ford to get them where they want to go, and as we create the future, we're determined to continue to earn that trust. Our board of directors, leadership team and employees are all passionately committed to delivering great results, creating lasting value, and improving people's lives around the world. We're excited about the future and, as always, we thank you for your continued support.

And now, I'm going to ask our President and CEO, Jim Hackett, to elaborate on our plans and progress in more detail. Jim?

Jim Hackett: Yes. Thank you, Bill, and I thank you all for joining us. It's a real privilege to speak with you today and to be sitting here with Bill Ford as our Chairman.

I come to today's meeting with optimism for the future of the Ford Motor Company. This optimism has grown over the past two years as our team has worked hard to leverage the greatness of Ford's legacy and to stare right into the toughest challenges and build a better path forward for the company.

Since Ford was founded, we've been motivated by the idea that the freedom of movement drives human progress. What's wonderful about this belief is the notion that being in service of people guarantees a future for Ford. And we feel we have ample opportunity to capture their passions in the evolving realm of transportation and mobility.

We know the future can only be realized if it's built on a solid base of performance. Hence, during the last year we have focused on making the difficult changes that will allow us to continue serving our founding purpose. Today, I'm excited to share the progress we've made in building the path toward improved prosperity. Momentum was instigated by retooling our investments, refocusing our business, and recalibrating our strategy for the future.

By many measures beyond just a share price, our company is showing evidence of success which I'll share in a moment, but we aren't just stopping there. I know we can become an even healthier and more competitive company to win in the longer term. And ironically, working in our favor is a world where cities' populations have soared, congestion has exploded, and consumers will do most anything to alleviate the tyranny of lost time with being tied up in traffic. We're learning with regard to transportation they want more environmentally friendly options and more freedom across various transportation platforms, from owning the vehicle to using ridesharing or mass transit. These congestion problems are wicked problems that optimize what Ford can do for the world. We do not have to cede that better future to anyone.

This is what our plan of smart vehicles for a smart world is about. It's about producing increasingly intelligent transportation options that can understand where someone wants to go and think about the best way to get them there and connecting those vehicles with the intelligence of the world around them to help. It's ultimately about creating a global community that is more efficient and more connected to the people and the things our customers do care about.

To plant the foundation for winning in the future, we had to redesign our existing business to succeed today while pushing ourselves to thrive tomorrow. 2018 was a pivotal year to do just that. As Bill said, we redesigned the entire company, allowing us to simultaneously strengthen our core business while making the necessary investments to be a relevant player in the future as our industry enters a period of profound disruption and reinvention. That work last year has positioned us to take action, move decisively and build momentum in 2019, a year of action for all of us as we target sustained improvement across all of our key metrics, including growth, profitability, cash flow and returns.

Let me focus for a moment on some of the key enablers. Let's start with the winning portfolio. We're creating a more targeted vehicle portfolio that can compete and win in every market we enter. We just released our all new Ford Ranger, expanded our Ford transit commercial franchise, and launched the all new Focus and Escort in China. And by the end of 2020, we will have replaced 75% of our current product lineup in the United States.

We're committed to new propulsion systems that offer cleaner fuel without sacrificing performance, including a unique Ford approach to electric vehicles that takes advantage of our strongest nameplates. We're adding hybrid electrics to high-volume profitable vehicles like Explorer and the new exciting Bronco. We're also setting the stage for a battery electric vehicle rollout in 2020 and 16 battery electric vehicles by 2022. And as we started last year, we're phasing out vehicles that cannot grow and don't deliver a strong return. These actions already are driving higher average transaction prices and better margins.

In terms of our fitness, which we think of as a state of the ability to compete, we are improving operating leverage. We are lowering our breakeven and we reallocated capital to higher return investments. For example, over our five-year plan period, globally we now expect to dedicate 91% of our capital to trucks and utilities, and we'll achieve this will also lowering the capital intensity of our whole business. We expect these actions to drive higher operating cash flow which will, of course, be led by our automotive business.

An essential part of Ford – excuse me, essential part of fitness for Ford is partnership and to this end we have advanced our alliances both with Volkswagen, Mahindra, and the recent strategic partnership that Bill just talked about that we announced with Rivian where we're developing an all new next-generation battery electric vehicle for Ford's growing EV portfolio.

And, we're accelerating our global redesign that you've heard about. Our recent announcements in Western Europe, Russia and South America, as well as the redesign of our global management structure, show how we are actively rationalizing our cost structure. We're improving the portfolio and the footprint to ensure the company overall and each of our regions drive sustainable, profitable growth.

All of this work allows us to accelerate our continued efforts to create a better transportation system that improves lives, like only Ford can do. To this end, we are doubling down on our mobility experiences. We're expanding beyond traditional vehicles to focus on transportation solutions that can improve our customer lives while delivering recurring profitable revenue. We're connecting every new Ford vehicle to the transportation mobility cloud and soon these vehicles will be able to talk to the world around them. And last month we announced a global agreement with Amazon Web Services for that cloud to be powered by Amazon. This expands the availability of cloud connectivity services and connected car application development services for the whole transportation industry including Ford.

We're focused on developing a profitable autonomous vehicle service that offers the most human-centered approach to safely move people and to move goods. We formed Ford Autonomous Vehicles LLC to encompass all aspects of our self-driving vehicle business and we set up operations in both Miami, Florida and Washington D.C. to design and test our AV services, and we're on the cusp of announcing a third city for business operations and commercial deployment later this year.

Finally, if you look at our latest results from the first quarter, needless to say, we're pleased with a good performance, consistent with our view that we will deliver better company results in 2019 versus last year, helping to position us to deliver upon what I just outlined. And I want to remind you this was against a tough quarterly year-over-year comparison. Company adjusted EBIT and margin increased despite a decline in wholesales and revenue while increasing investments for future opportunities in mobility.

On an adjusted basis, we grew EBIT by 12% to $2.4 billion. Margin increased 90 basis points to 6.1%, which was led by the 8.7 EBIT margin in North America. We're very proud of that. We also delivered EPS of $0.44 which was also up year over year. And we have more work to do. These results clearly demonstrate the benefit though of the fitness actions that we've told you we've been spending time on, the portfolio decisions that we took pains to get right, and the business' redesign that has all been announced.

We generated $1.9 billion in adjusted operating cash flow and ended the quarter above our cash and liquidity target with $24.2 billion in cash and $35.2 billion in total liquidity.

Two years ago it was clear to Bill and I that we had challenges ahead and we spent time working through how to build resilience in the design of Ford so that we can be here for a very, very long time. This work wasn't moving too slowly, nor was it too futuristic. Rather, we just worked hard in understanding the key drivers to improving our returns on invested capital, building great products, and imagining a future where our employees all over the world would be so proud to work at Ford Motor Company. And we knew that to retain the confidence of our shareholders we'd have to demonstrate results to you. That's why we're very encouraged by the strong start to the year and excited about the work ahead.

Our choices over the next few years will determine how far our business can really advance. But at this moment of industry upheaval, we have the ability to take our place once again as a leader of transformational innovation and architect for the progress of all. With the right team in place and through the hard work of the women and men who've always driven this company forward, I am certain that we can meet this moment, lead this revolution, and build the future that our employees, our customers, and of course our shareholders need and deserve.

I want to thank you again for joining us and for your continued support for our efforts. Bill?

William Clay Ford, Jr.: Thank you so much, Jim.

And we'd now like to share with you a video showing some of our recent accomplishments and areas of focus at Ford over the past year. So this video might take a few seconds to load so please give us just a few minutes, please. But whenever the team is ready, we're ready to run the video.

(Video begins)

Unidentified Participant: (Inaudible) for over 10 years now have been trending this way and now almost 7 out of 10 vehicles sold in the U.S. are trucks or SUVs. They want utility, they want fuel economy. We can give it now, like a hybrid version of our Explorer. And we've light-weighted all these vehicles around new platforms and they have hybrid versions or plug-in hybrid versions to be able to get the fuel economy people want.

Unidentified Participant: Well, we've doubled down on electric cars. We've committed to spending $11 billion. We have more than 15 models coming to China, all electric. Maybe a little different than other companies, we also bet on hybrid. The new Explorer comes with a hybrid. We've announced all of our U.S. SUVs will come with a hybrid.

Unidentified Participant: At a time when Lincoln is building momentum in the United States and China, we are reaffirming our commitment to doing what we do best. Because at Lincoln, we know who we are. We are American luxury.

Unidentified Participant: With the moves we've been making these past few years, there's no company better positioned than Ford to lead that change in a way that you can trust. We're not built on bailouts or hype. We're built Ford proud and we're built forever.

Unidentified Participant: It's my history to take some time, not too much time, to be very thoughtful about a very powerful way that Ford's going to win. We are through that phase. This is a year that we start execution.

Unidentified Participant: So I'm glad you could join us for one of the most significant moments in Ford of Europe's recent history. Today we'll share our vision of electrification and how it fits into our broader vision of smart vehicles in a smart world. We'll show you how we are making this vision a reality and reveal several new products that not only move the game on, but we believe redefine the rules. Today we're announcing 16 electrified vehicles, 8 of which will be on the road by the end of this year.

Unidentified Participant: (Spoken in foreign language - Chinese)

Unidentified Participant: With this cloud-based structure – I want to emphasize it again – it's something that hasn't been here. And what it allows us to do is the vehicle in the city can now have a connection. It's why the tech companies are so interested in our business, because it's a systems play of the smart technology, the vehicle and the environment coming together.

Unidentified Participant: The first and last mile problem is real in urban settings and challenges on campuses, too, and we think scooters very uniquely address that problem.

Unidentified Participant: The vehicles in the future get ever more intelligent, ever more fun to drive; so intelligent they could drive themselves.

Unidentified Participant: This station is a symbol, but Ford's investment in Corktown is anything but symbolic. We're making a big bet on our future. What Highland Park, Willow Run, and the Rouge were to the American economy in the 20th century, we hope Corktown will be to the American economy in the 21st century.

(Video ends)

William Clay Ford, Jr.: Well, I hope you enjoyed that video. It kind of shows you the things we had going on this past year.

So now I'd like to move to the Q&A part of the session. So we'll answer your questions as you're submitting them, and also some of the ones that have come in before. I'll remind you that the polls will remain open until the conclusion of the Q&A period.

So one that has come in I think I'll read because it wouldn't be annual meeting at Ford without a statement from Jane Garcia, who's been a very loyal shareholder, and who I think has attended every annual meeting certainly that I've been part of and I've been part of far too many, I think. So this is from Jane.

Buenos Dias, Mr. Chairman, President Hackett, Honorable Board of Directors and Shareholders. I am Jane C. Garcia from the comeback city of Detroit, Michigan. I'd like to express my gratitude for what Ford Motor Company and the Ford Fund continue to do in so many communities. A special thanks to Jim Vella and his team especially for continuing to support the people of Puerto Rico.

We in Southwest Detroit are energized by the changes that are taking place in our community with the new projects and the continued partnership of the Ford Resource and Engagement Center. I'd like to express my appreciation to Dave Dubensky and the Ford land team for the investment in the Detroit Train Station and commitment to Southwest Detroit.

Mr. Chairman, over 100 years ago, Ford Motor Company put America on wheels and established the middle class of this great country by producing an automobile that was within reach of the average American. Today, Ford is once again at the helm of innovative industry changes that will revolutionize transportation globally. Some people express concerns that this dramatic change of product focus to electric and AV vehicles will eliminate affordable cars. As a long-time shareholder, I'm confident that as the company evolves a plan will be developed to meet everyone's needs and Ford Motor Company will continue to be number one.

Muchas gracias. Jane C. Garcia.

So Jane, if you're listening, thank you for your commitment to our community. I mean i's – you're a whirlwind and you are tireless and we're just proud to be associated with you. So Jane, thank you so much.

Okay, so there have been a number of questions about stock performance. So rather than read all of them, I'll try and summarize them, saying when are you going to get the stock price back to where it belongs. And I guess I would say that 2018 was clearly a transition year for our company. And Jim and I have outlined all the changes that took place in 2018 and I think our stock price kind of languished as a result of us slogging through some very necessary but difficult change.

It was also rewarded to see, though, that when our first quarter results were announced that our stock price responded as well. And actually, year to date we're up over 40% in total returns and that greatly outperforms every category of the S&P 500 and also our peer group, which was up about 8%. So, we're not where we're going to be, we know that, but we're very pleased that the results of a lot of the hard work that took place in 2018 are starting to show in 2019, and also that our stock price is responding.

And actually, in addition, we also recently announced some things that I think are making our investors take notice. One was the investment in Rivian. I think that was something that certainly caught people's interest. And the other was our announcement with Amazon. And both of those happened in quite close proximity to our first quarter announcement. And again, I think our stock price has responded really well. So our goal, though, is to continue to build the business, do the right things for the business, and the expectation and the hope is that the stock price will respond accordingly.

So thank you for those questions and it's something that's on every executive's mind and something we talk about a lot at Ford.

There also are a number of product questions, but I'll read one of them. So it just says, I want to know if the company plans to halt production of midsized cars. These are extremely popular cars, the bread and butter of Ford over the last decade, and why was this decision made?

So I think, Jim, maybe I'll toss this one over to you.

Jim Hackett: You bet, Bill. And Jane, let me sneak in a thank you for the asset that you are to our community and to me personally. And to link really the reference you made to this one, which is connected in this way.

The sedans that a year ago we took action on had been in a steady decline, or what we called a decay curve, and these are just the sales got less and less. I'm fond of saying that when you wonder why that happened, it's for a couple of reasons. First of all, lower fuel prices tell you what people choose and they would like. They opt for a higher ride height, more space, greater versatility. In fact, over time, Bill, these vehicles have gotten more fuel efficient so there's not a big discount, I guess, in fuel performance between the sedans and the larger silhouettes.

So, that kind of explains our actions. But I want you to know we intend to keep these customers long term. For example, we just launched our new Escape and Kuga and these products were hailed by the press having more of a car-like feel and delivering these other benefits that I just mentioned.

And Jane, then to your question. It's our intent to keep these great value buyers. Ford has a product in our EcoSport right now that's at a price point that we think is attractive to those early buyers. And I want to assure you we have new things in the pipeline that kind of wrap together the opportunity of different kinds of propulsion, larger silhouettes, better ride height, etc., and could appeal to these kind of car buyers.

William Clay Ford, Jr.: Yeah, I think that's right, Jim. I think affordability is something that Jane raised and it's on everybody's mind. We do have products coming that we think are very affordable. And you mentioned the EcoSport, which is already available. And so it's something that we talk about every day because that is the heritage of our company. Thank you for that question.

So we also have a question that says, what's the future strategy with regard to developing cutting edge electric vehicles and automation technology? Are you considering more dramatic style changes? So I'll take the first part of that and, Jim, maybe I'll toss you the second one.

So yeah, we've announced a big investment in electrification, $11 billion through 2022, and that really includes a number of types of electrification; hybrids, which we're very committed to and we think provide great value to our customers; plug-in hybrids, and battery electric vehicles, and we think all of them have a place in our portfolio and a place for our customers. And then we – and you mentioned automation technology. Yeah, we've also committed to having a level four AV vehicle, and that'll be a hybrid vehicle, coming in 2021 and that'll be built at our Flat Rock plant.

So, a lot coming. I mean this is a big shift for us. We've got a big commitment to EVs and a big commitment to AVs, because it's really important that Ford remain a leader in developing the technologies that really are going to improve people's lives around the world and so watch this space. But we believe also that a portfolio of electrified vehicles, hybrids, plug-ins and batter electric, is really the best way to address all the customer needs that we see out there.

And Jim, there was a question also about the styling changes that might come. You want to handle that?

Jim Hackett: I would. And just to build on your last point, the portfolio gives our customers choice, which we think is always a safe place to be. The uptake of electric vehicles as a percent of total sales is a still amount, but we have data that says one in five younger buyers say they would consider buying an EV in the future. So this is like the truth that in my business group, Bill, that I've seen when there's new technologies it takes a while and then there's a tipping point when it happens, and you want to be there. So I'm really proud of the company's rational work here to have this portfolio available as you just described.

But what's really exciting is that as we stare at the evolution of the EVs to the listeners today, the earliest products that came out were designed around the fact that you took a gasoline engine out and you put a battery in. And the evolution of the design of the vehicle we didn't think went far enough. So what we've done is we've reconceptualized with all this extra space that you actually retrieve using battery electric into a very, very unique vehicle that takes advantage of some inspiration from our Mustang brand. That's as far as I want to go about it, Bill, because there's a lot of intrigue around this product and we're going to be telling our community more about it, but it's going to be a great story about Ford.

William Clay Ford, Jr.: Great. Thank you.

So here's a question on market share. In 2018 Ford lost market share in all market, in particular a large market share decline in China to a very small market share in the largest and fastest growing market in the world. Also, a slow and steady decline in the U.S. and Europe and other markets. What is the board and the company management doing to immediately reverse this course of very serious market share decline? This was disappointing and scary to see.

Jim, you want to take that?

Jim Hackett: You bet. And I want to confirm to the shareholder who's asked this question that management was totally in tune with this. Our analysts would ask us about these markets that were underperforming when I first started, and we got posthaste after the problem.

A couple of things to consider as I explain to you where we are. The product portfolios that you have in these markets take more than two to three years to get put in place. So think about, as we started to make pivots here, we have to get the products right. What I can report to you today, in all of these markets in our redesign, not only are we getting the footprint of the cost right, but we're getting the product portfolio right.

A second thing that we had to work on was how do we tie together now the advantage of partnerships in China with what Ford does really well. At the very beginning we built a structure, a cost structure, that kind of shadowed our Chinese partners. And as the trust and competency was proven there, we've been able to fold more of that together. So you're going to see cost improvements in China because of the power of what time there has meant to us.

And then a third things is, is in the redesign, Bill, that we have started, we actually are starting to see with the first quarter early impacts. And we're not done. This is a multiyear effort that we have told Wall Street that we've accelerated the plans to do this. There was some question whether we'd have the cash position to do it. We've proven that we will and so we're able to move this up. And so you're going to start to see improvement in these markets quicker than maybe shareholders thought.

William Clay Ford, Jr.: Yeah. Thanks, Jim. And I think the other thing, of course, is that we've announced partnerships with VW and Mahindra which will help us really extend our reach into markets that perhaps haven't been as strong for us in the past.

Jim Hackett: That's right. And people wonder are we just trading our brand to those folks. It's not that at all.

William Clay Ford, Jr.: Right.

Jim Hackett: It's the things that are hidden where you can get cost and scale advantage.

William Clay Ford, Jr.: Exactly. Exactly.

So okay, here's one. Why is it taking so long to cut costs? Shareholders have been shafted. So I suppose – I don't know if you or Bob want to handle that? You want to take a shot at that?

Jim Hackett: Well, I want to take a shot and ask Bob to help. First of all, in all seriousness, the shareholders matter to me and my management team as much as you would expect, because we're shareholders and so your cause and our cause are the same. Taking time to do this – I'll let Bob observe in his 40 years how fast we actually have moved, but what I want to tell you is our structural costs over the previous five years were growing, Bill, at a step function that wasn't right. They increased $1.7 billion each year in that five years on average. So what we were able to do is not only stop that, but flatten it, and of course you're hearing that it's starting to shrink a little bit. So I am actually with this questioner certain that if they had been sitting with me, they'd say, no, you guys have been doing the right thing. But Bob, do you want to add anything to our efforts here?

Bob Shanks: Well, I think the point you made on structural costs is very important because that does allow much greater operating leverage. So the improvements that we're seeing in mix, the improvements we're seeing in net pricing, and that does come with a little bit of an increase in product costs related to new content, but it's margin positive. It allows that therefore to flow through more so to the bottom line. And that's one of the reasons – in fact, that's the key reason – that we got the favorable improvement in operating margin that was touched on of 6.1% in the quarter.

So, we've guided this year on structural costs once again – what you said about last year being flat – once again this year we expect it to be about flat. And that's with pension income which is within that is actually declining. So against that headwind we're still going to deliver essential flat structural costs.

William Clay Ford, Jr.: Okay, great. Thank you, Bob, and thanks, Jim.

Okay. A couple that have just come in recently. It's a long question, but I'll summarize it. Basically, will Ford commit to the Paris Accord on climate change? And the answer to that is yes. And we absolutely are committed to the Paris Accord glide path on CO2. I think we're one of the very few automakers that have actually come out and said, yes, we are committing to the Paris Accord. And it's important to us as a company. It's important to the ethics that we have, the values we have, and so the answer to that question is absolutely we are committing to it.

Jim Hackett: Bill, I would just say, without embarrassing you, you've been a leader in this realm for more than a decade. When I was running Steelcase, I felt very strongly about this and I would turn to others and say look at what Bill Ford's doing before anyone thought this was possible, for an industrial company to lead with environmental conscience in a way that was profitable. So this opportunity for us to redesign the business and to be CO2 neutral, unlike any time in history, is right in front of us. And so we have a shared vision here that it's the coincidence of the arrival of these better propulsion systems plus the way the vehicles are getting so intelligent that we can now navigate through some of the problems that previous generations couldn't deal with. So, I actually think the more that we get our story out there about how this will evolve we will – it will be less controversial that is a for or against thing. It's just the better design for our world.

William Clay Ford, Jr.: Yeah. I agree with that. Thank you, Jim. Thanks very much.

So here's one that just came in. Recently Jim Hackett in an interview has made the statement that, "When the U.S. eventually hits a recession Ford will be ready." Jim, once the smart design and cost cuts really begin to take effect in 2021, what's your expectation of the level of U.S. SAR that Ford will be able to break even? Will it be possible that Ford is actually probably during the complete cycle, including the recession phase? Gentlemen, thank you for taking my question. Keep up the good work.

Jim Hackett: So I'm going to tag team with Bob on this so that you have the exact data, but it's as the spirit of the questioner's asked, which is we've been thinking about the design of our business such that it doesn't only make money in great times and then it barely makes money in the bad times, that we have to be a vital and vibrant business through all cycles.

And so Bob, I know this is something you and I have talked about in terms of our breakeven and maybe you can share the data we're seeing.

Bob Shanks: Yeah. So that's a great question because, as the cyclical – managing the downturns is extremely important. So yes, we would expect to be probably in a downturn. The first year is always the most challenging because we have the destocking that takes place on top of just lower volumes that we have to manage. But we're targeting to get to $11 million on a U.S. dollar basis. And just for everyone's sakes, to put that into context, at the low point in the Great Recession it was $10.6 million. So effectively at about that level we want to be breakeven. And we would expect this year, by the time the year's over, we're at about $11.5 million, $11.7 million.

Jim Hackett: And today in a thriving SAR it's 17?

Bob Shanks: Yeah. Today – the SAR today, our expectation is in the low 17s.

Jim Hackett: Yeah.

Bob Shanks: So you can imagine getting all the way down to 11, it gives us a lot of flexibility in terms of the degree of the decline. In fact, most typical recessions would be about a 20% decline peak to trough, so that gives us even more room.

Jim Hackett: Great. Thank you.

William Clay Ford, Jr.: Okay, here's one. Income before taxes fell from $8.2 billion in 2017 to $4.3 billion in 2018 because of negative results in Europe, South America and Asia Pacific. What specifically is management doing to address this issue and when do you expect profitability to return? Bob, do you want to take a crack at this?

Bob Shanks: Yeah, I will. I don't recognize the numbers so first, just for context, our company adjusted EBIT went from $9.6 billion in 2017 to $7 billion last year, which was our low point since coming out of the Great Recession, for all the reasons that you touched on earlier in your comments.

But for context, since coming out of the Great Recession, the company's been consistently and solidly profitable. We've seen revenue grow. We've generated tens of billions of dollars of operating cash flow. That's given us the ability to pay down our debt to a very healthy level today, to pay the $18.4 billion of distributions that you mentioned earlier. Our funded pension plans globally now are fully funded, which certainly wasn't the state if you go back 10 years ago. And of course we have a very, very strong balance sheet which, Jim, you touched on in your comments, which is very important for a cyclical company for the reasons we just mentioned in the last question.

But having said that, after getting the first- and second-best results since 2015 and 2016, we have come off those levels and it's for all the reasons that both Jim and Bill mentioned. And so over the last two years we've been focusing on the fitness of the company. We've been focusing on getting a winning portfolio, including electrification that Bill touched on. And then of course within all those results I touched on, it really was driven by North America and Ford Credit, and much of Ford Credit's results driven by the North American business.

So, we've been working to redesign the businesses particularly outside of North America and getting North America back on a positive margin trajectory, which we demonstrated in the first quarter. We've announced in January the redesign of Europe. We announced in February the first action in the redesign of South America with the closure of Sao

Bernardo. We are presently in play in terms of redesigning our whole global management structure, which is going to give us flatter, faster, more empowered organization. And so we feel like all the hard work of those two-and-a-half years is starting to pay off and they were demonstrated in the results that both of you touched on in terms of the first quarter.

So, it was a very constructive quarter. We're seeing the proof points of the work that's underway. The business is turning, but we have a huge work statement ahead of us. But so far, we're off to a good start and we have much more to do, but certainly moving in the right direction.

Jim Hackett: And Bill, just to sneak in what happens now, when you get a flywheel effect where, as Bob described, all the hard work to imagine how to fix it, to actually start to get it in place, to start to see results. And you only imagine the morale and the spirit of our people.

William Clay Ford, Jr.: Yeah.

Jim Hackett: So I've noticed in the two years in Europe, in South America and Asia-Pacific the momentum is improving the morale and the positive feelings there. So this just builds on itself and it's a way that I wanted to allude to optimism, that the optimism in the company is higher now. Even though this questioner is looking back and saying, well, it looks like it's gotten worse, it's not true. We've turned that corner.

William Clay Ford, Jr.: Got it. Thank you.

So here's a question. Are there any plans for the company to purchase their own stock? Well, obviously that's a topic that we talk about a lot internally and we have had an antidilutive program to offset shares being issued for compensation and that's been in place for a number of years. We're going to continue that for 2019. I think that usually runs between $150 million to $200 million annually. But beyond that, no, we don't have any plans for a major repurchase.

We do plan to continue our dividend policy and that's very important to us, it's important to our shareholders, but it's something that we'll continue to revisit, actually quite frequently as we start to think about the best uses of our cash. Obviously, there are lots of calls on our cash and you as our shareholders understand those calls. And so it's something that management and the board will continue to look at as we think about the best ways to reward our shareholders and to use our cash to build a stronger and better company going forward. But thank you for that question.

There was sort of a – I guess a sister question, if you will, on the dividend. And basically, we plan to continue the dividend policy as we have been. Currently, that's $0.15 each quarter. And then in the past, if we felt like we had excess cash, if you will, we've paid special dividends and that's something that we'll also consider in the future as we go forward.

There's a question here on board composition. What actions are board members taking to encourage and present more women to join the board? And then a question right after that that says we'd like to see at least two women on your board.

So to answer the last question, unfortunately Ellen Marram, who's been a terrific board member of ours—

Jim Hackett: 30 years.

William Clay Ford, Jr.: Yeah. I mean Ellen has just retired, and she's been our lead director for the past few years as well. We still have Kim Casiano and Lynn Vojvodich on our board and they're both great contributors. But board diversity in general is a topic that is of great interest to us and we are spending a lot of time on that. And while we have nothing to announce today, we expect that through the course of business you'll be hearing more from us on this topic. So thank you for that. It's a very important topic for us and one which we will be addressing.

Okay, let's see. We have one on dealers. So, will the company require its dealers to provide excellent service after a sale, or just let the dealers be mediocre and nonresponsive? Well, I mean, I actually argue with the premise of that question, but I'll turn it over to, Jim, because I actually don't think that represents most of our dealers.

Jim Hackett: No, not at all. And in fact, let me just share as I get to the specifies that, generally, one of the biggest and most positive things about my arrival is the ability to meet and fall in love with our dealers. We have an extraordinary group of business people that own our dealerships. And it's amazing to me the level of competency that I see. I've come, again, from a business that had dealers, really good ones, so I have some experience here. So I want to assure shareholders that we're in good shape here. It's one of our big advantages.

Secondly, we've initiated, Bill, an effort to actually think about the customer experience in a much more intense way. There's news in the last 10 days in the press – if you want to Google Elena Ford, who I asked to take a bigger role in the customer experience – where we've announced a number of things to tighten and improve the end-to-end experience. And this goes back to the smart vehicle, smart world. The more intelligent the vehicle is and its ability to tell us about its health, the more the dealers can kind of anticipate customer problems. So, look for more to come there.

We're measuring quite intensely dealers' quality measures, and all those are improving. And I'll just sneak in here this is one of the reasons that's motivating to us to get our quality right. Because a lot of times, if there's a vehicle problem, Bill, it falls on the dealer's shoulders to get that right. And sometimes they can't get parts and customers think that the dealers aren't being responsive and they're just trying to deal with our supply chain. All of these things in our fitness work are things that we're addressing to make the total customer experience much better.

William Clay Ford, Jr.: Thanks, Jim.

Okay. I'll take one more question and then we'll get to the voting results. It's on smart mobility. And basically – it's a long question so I'll summarize it, but asking if we're considering spinning off our smart mobility business as a separate business and separating it from the core auto business. And then also as part of this question, they're asking if we're committing to AVs in 2021 as we have announced.

So the short answer is, no, we're not considering spinning off our smart mobility group and I would say this. Part of it is because it's so undeveloped and so new and will take so many twists and turns before it really becomes a full thriving business. We're very optimistic about it. As you all know as shareholders, we're committing significant resources, both monetary and people, to developing this business. But it's early days yet and I think it'll be early days for some time.

So, is that something that is always an option to us? Yes, it is. And will it be something that we will continue to have in our minds and discuss internally? Yes, of course we will. But at this time, no, we don't have any plans to spin it off and I think it would be premature for us to do so, even if we thought it was the right idea. But it is something that we will continue to look at. And in terms of 2021 for AVs, yeah, we've committed to that and that's something that we're still on track for.

So, we do have other questions that have come in. Some are perhaps not of general interest; they're very specific. But nonetheless, as we said, we will get these up on our website and get answers to you on them. So thank you very much for all of you who submitted questions. They were really great questions and sorry we couldn't get to them all but, as I say, we will post our responses to you.

So because the Q&A period is over, I declare the polls now closed. So at this time I'd like to hear the voting results of all of our voting questions. And so Jon, could you please give us those?

Jon Osgood: Sure, Bill. Only a small percentage of the total vote remains to be counted, but it won't significantly affect the overall results.

With respect to proposal one, the election of directors, each of the director nominees received at least 95.1% of the votes.

The vote on the remaining proposals was as follows:

On proposal two relating to the ratification of the selection of the independent registered public account firm, 97.7% of the vote was cast for in favor.

On proposal three relating to approval on an advisory basis of the compensation of the named executives, 95.6% of the votes cast were in favor.

On proposal four relating to approval of the tax benefit preservation plan, 97.7% of the votes cast were in favor.

On proposal five relating to consideration of the recapitalization plan to provide that all company stock have one vote per share, 65.7% of the votes cast were against.

On proposal relating to disclosure of the company's lobbying activities and expenditures, 83.5% of the votes cast were against.

Finally, on proposal seven relating to disclosure of the company's political activities and expenditures, 81.2% of the votes cast were against.

William Clay Ford, Jr.: Thank you, Jon.

In view of the results, I declare that each of the nominees for director in the proxy statement have been duly elected a director of the company. Proposals two, three and four have been adopted, and proposals five, six and seven have been defeated. And that takes care of the business of the meeting and the meeting is adjourned. And thank you all very much for joining us.