



Importance of an Investment Grade Credit Rating

Anyone who has ever tried to buy a house knows the importance of having good credit. A good credit rating allows you to borrow money cheaply; a bad credit rating makes borrowing more expensive. Having too much debt drags down your credit rating, making it even harder to borrow. It can be a vicious cycle.

The same holds true for companies, which can borrow at the lowest interest rates only if their bonds are rated investment-grade. Ford Motor Co. lost its investment-grade rating in 2005, at a time when market share was continuing to decline and retirement and health-care costs were soaring.

Ford has a plan to get its investment-grade rating back; doing so is critical to the long-term success of the company.

Why is it so important? An investment-grade rating will better equip us to:

- Have more certain and lower cost access to liquidity from banks and investors without having to pledge our assets as security
- Invest in new products and plants, thereby creating jobs
- Fund pensions for our workers and dividends for our stockholders
- Finance customers' vehicle purchases at lower, more competitive rates

A key priority of our One Ford plan is to finance our plan and improve the balance sheet, which coupled with a profitable and growing business will lead to a return to investment grade ratings. Currently, our unsecured, long-term debt is rated Ba3 by Moody's Investors Service and BB- by Standard & Poor's – each three notches below investment grade.

The good news is that our credit ratings have been steadily improving, and both Moody's and Standard and Poor's have Ford on "positive" outlook for a potential upgrade. A number of the rating agencies, however, have made it clear that in considering whether to upgrade our debt they will look at multiple factors, including the labor costs negotiated in our 2011 agreement with the United Auto Workers and the progress we make in reducing our existing Automotive debt.

In late 2006, Ford made a decision that helped the company avoid bankruptcy and the need for a federal bailout. We borrowed \$23.6 billion, using our plants, patents, real estate – even the Blue Oval trademark – as collateral for much of that debt. That move proved to be prescient. We prepared ourselves for the economic storm that soon hit, enabling us to reshape our product line, and continue to invest for the future. At the time, Ford chief executive Alan Mulally called it "the world's largest home equity loan." We agree with outside observers who say it was essential to Ford's resurgence.



Although the interest costs associated with our “home equity loan” debt may have put Ford at a temporary disadvantage compared to our U.S.-based competitors, whose debts were largely eliminated in bankruptcy court, we have since the end of 2009 been able to repay over \$20 billion of that debt. We’ve been able to do this because of the positive cash flow generated from our operations, which has resulted from having restructured our business and investing in new products that are best-in-class or among the best-in-class in quality, fuel economy, safety and innovative features.

While we have certainly come a long way since late 2006, we recognize that there is still more work to be done. An investment grade rating will further enhance our competitive position, allowing us to invest more in future products and global expansion, and more competitively finance the purchase of our products by our customers.