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Ford Restructures Russian Joint Venture to Grow Commercial Vehicle Business; Exiting Passenger Vehicle Market in Russia

- Supporting Ford's global redesign strategy to strengthen its leadership in commercial vehicles and growth in Europe, Ford and its partner, Sollers PJSC, confirm the restructuring of their Russian joint venture
- A restructured Ford Sollers will build on Ford Transit strength as Russia's top-selling, non-domestic commercial vehicle nameplate and maintains a strong brand presence in the country
- The joint venture will discontinue its passenger vehicle portfolio in Russia to help deliver a more competitive and sustainably profitable business going forward and support the company's commitment to exit less profitable segments
- Passenger vehicle production to cease by end June 2019, with closure of two vehicle assembly plants – Naberezhnye Chelny and St. Petersburg – and an engine plant in Elabuga

COLOGNE, Germany, Mar. 27, 2019 – Ford Motor Company has signed a memorandum of understanding (MOU) on a significant restructuring of its Ford Sollers joint venture in Russia, focusing exclusively on growing its commercial vehicle business moving forward.

The MOU follows a strategic review of Ford Sollers by Ford and its partner, Sollers PJSC, to improve the joint venture's near-term profitability and investment efficiency in a challenging business environment. The MOU is expected to be finalized in the following months.

"This represents an important step towards Ford's target to deliver improved profitability and a more competitive business for our stakeholders," said Steven Armstrong, president, Ford of Europe. "The new Ford Sollers structure supports Ford's global redesign strategy to expand our leadership in commercial vehicles and to grow the business in Europe in those market segments that offer better returns on invested capital."

The Russian passenger vehicle market has been under significant pressure in recent years, with recovery slower than expected and a shift to lower priced passenger vehicle segments. This has resulted in the underutilization of the Ford Sollers manufacturing plants and inadequate returns on invested capital. By contrast, sales of the Ford Transit 2.0 tonne commercial vehicle in Russia continue to grow, with the Ford Transit acclaimed as Russia's top-selling, non-domestic commercial vehicle nameplate with a segment market share of 15 percent.

In the agreed new structure for Ford Sollers, Ford and Sollers PJSC continue in partnership, with Sollers PJSC taking a 51 percent controlling interest in the restructured joint venture.

"We look forward to starting the next chapter of our long-term partnership with Ford in Russia," said Vadim Shvetsov, CEO Sollers. "We believe our decision to focus on the Russian light commercial vehicle market will result in a stronger performing joint venture, and enables us to benefit from future market growth in this segment."

As part of the planned restructuring action, Ford Sollers passenger vehicle production will cease by the end of June 2019, with the closure of vehicle assembly plants in Naberezhnye Chelny and St. Petersburg, and an engine plant in Elabuga. Significant employee separations are required and will be delivered through voluntary programs to the fullest extent possible.

"While the actions we are announcing today are difficult, they are critical to ensure the long-term viability of the Ford Sollers business. The Ford Transit line-up is the leader among foreign commercial vehicle brands in Russia, and has tremendous potential for further profitable growth in the years ahead," said Adil Shirinov, CEO Ford Sollers.

Ford Sollers also confirmed it would continue to meet warranty and service requirements for existing and future owners of all Ford branded vehicles purchased in Russia.

In connection with today's announcement, Ford currently expects to record pre-tax special item charges of about $450 million to $500 million. The charges will include approximately $250 million to $300 million of non-cash charges, primarily for accelerated depreciation and amortization, inventory and deconsolidation adjustments.The remaining charges of about $200 million will be paid in cash and are primarily attributable to separation and termination payments for employees and suppliers. Most of these pre-tax special item charges and cash outflows will be recorded in 2019, and are part of the previously announced $11 billion in EBIT charges with cash-related effects of $7 billion Ford expects to take in the redesign of its global business.

This latest action in Russia is part of Ford's new strategy to create a more efficient and focused business in Europe. Other key actions already underway include:

- Near-term actions to improve profitability and reduce structural costs. Parallel longer term redesign initiatives to include a more targeted vehicle line up within three customer-focused business groups
- New all-electric vehicles and electrified options to be offered for all models
- Leveraging relationships, including an alliance with Volkswagen AG, to support commercial vehicle growth
- Improving or exiting less profitable vehicle lines, with formal discussions ongoing to end production of the C-MAX and Grand C-MAX at the Saarlouis Body and Assembly Plant in Germany as the compact MPV segment shrinks in Europe
- Ending production at the Ford Aquitaine Industries plant in Bordeaux, France, which manufactures small automatic transmissions, in August 2019
- Improving structural costs — both salaried and hourly — through a redesign of its global management workforce and by offering widespread voluntary separation programs for employees throughout Europe
- Planned consolidation of Ford's U.K. headquarters and Ford Credit Europe's headquarters at the Ford Dunton Technical Center in Essex, U.K., to create a customer-centric technical hub and improve business fitness

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