Ford Motor Company
STARTING OUR SECOND CENTURY
2002 Annual Report

2002 ANNUAL REPORT

Ford Motor Company™
100 YEARS

STARTING OUR SECOND CENTURY

In the 20th century, no company had a greater impact on the lives of everyday people than Ford. Ford Motor Company put the world on wheels with such great products as the Model T, and brought freedom and prosperity to millions with innovations that included the moving assembly line and the “$5 day.” In this, our centennial year, we honor our past, but embrace

our future. The historic timeline and extended family photo album in this report celebrate a century of success. The editorial sections outlining our business today, from product development and manufacturing to financing and dealer sales and service, point to where we're going next. It's been a great first century, but we plan to have an even greater impact in the next 100 years.

contents

On the cover: Inside our official Centennial logo is the Ford script on the front of one of six Model T's replicated for the company's 100-year celebration.

Inside front cover: Bill Ford, chairman and CEO, and great-grandson of Henry Ford, with the Ford Mustang Concept Car coupe. In the background are (from left) company founder Henry Ford, his son, Edsel Ford, and grandson Henry Ford II.

operating highlights

Financial Results	2002	2001
Worldwide vehicle unit sales of cars and trucks (in thousands)		
■ North America	4,402	4,292
■ Outside North America	2,571	2,716
Total	6,973	7,008
Sales and revenues (in billions)		
■ Automotive	$ 134.4	$ 130.8
■ Financial Services	28.2	29.9
Total	$ 162.6	$ 160.7
Automotive Capital Expenditures		
■ Amount (in billions)	$ 6.8	$ 6.3
■ As a percentage of sales	5.1%	4.8%
Automotive cash, marketable securities and assets held in a VEBA trust at year end (in billions) a/		
■ Gross	$ 25.3	$ 17.7
■ Net of automotive debt	11.1	3.9
Income/(loss) from continuing operations (in billions)	$ 0.3	$ (5.3)
Basic net loss per share of Common and Class B stock	$ (0.55)	$ (3.02)
Financial Returns		
After-tax Automotive return on sales		
■ North American Automotive	(0.3)%	(6.0)%
■ Total Automotive	(0.7)%	(4.7)%
Shareholder Value		
■ Dividends per share	$ 0.40	$ 1.05
■ Total shareholder returns b/	(39)%	(30)%

a/ Voluntary Employee Beneficiary Association trust, in which $2.7 billion of financial assets were held at the end of 2002 and 2001 to fund certain future employee benefit obligations in the near term.

b/ Total Shareholder Return is from Bloomberg Total Return Analysis assuming dividends are reinvested in Ford stock.

2001 data have been reclassified for discontinued and held-for-sale operations.

Starting Our Second Century

For 100 years Ford Motor Company has been an integral part of the automotive industry and the lives of people around the world. The dedication and talent of our employees, dealers and suppliers, and outstanding leadership spanning generations has enabled us to accomplish great things.

I believe that no company has had as profound an impact on people's lives around the world over the past years as Ford. From Henry Ford and his original vision to Henry Ford II and the Whiz Kids and then to the strong leadership of the 1980s and 1990s, Ford has stayed true to the idea of building great cars and trucks with high quality at an affordable price.

All companies experience their share of triumphs and setbacks, especially those who have been in the business for a century. The last few years have been difficult. But we articulated a plan to revitalize our business, and we made solid progress on that plan in 2002.

We are proud of what we've accomplished so far but not satisfied. Our progress to date has not been reflected in our stock price. We are accelerating our efforts so that we can continue to improve our results.

Last year we substantially narrowed our net loss to $980 million from $5.45 billion in 2001. Revenue for 2002 was $162.6 billion, up more than one percent from the previous year. Full-year automotive cash flow was positive. And liquidity was strong at year-end, with $25 billion of automotive gross cash and marketable securities, including $2.7 billion of financial assets held in a trust to fund future employee benefit obligations.

These improvements were the early results of a plan I outlined in January 2002 aimed at revitalizing the company. Our plan focuses on the fundamentals that drive success in our business: great products built with high quality at a low cost and strong relationships with employees, suppliers and dealers. For the year we exceeded nearly all the commitments of our plan and put ourselves on track to reach our mid-decade target of an annual $7 billion pre-tax profit.

Our successes in 2002 included improving our capacity utilization in North America by 10 percent, reducing our non-product costs by $2 billion and divesting nearly $1 billion in non-core assets. The only plan milestones for the year that we didn't meet or exceed were in Europe and South America, where because of difficult market conditions we improved our operations but did not meet our targets.

In addition to our achievements in reducing costs, we had notable successes in improving quality in 2002. In the J.D. Power and Associates Initial Quality Study, Ford was up 12 percent, outpacing the industry average of 10 percent. In their APEAL survey, which measures customer satisfaction, we won the most awards of any manufacturer with five segment-leading products.

We also did well improving our quality in non-product areas. Ford Credit won two top awards in the J.D. Power and Associates Consumer Finance Satisfaction study, and Ford Financial brands were rated first in eight of the 10 categories in the survey. And Ford Motor Company dealers improved significantly in the Sales Satisfaction Index, outpacing the industry average and moving into a virtual tie for first place.

To fulfill our commitment to delivering great products, we began the biggest wave of new vehicle introductions in our history in 2002. That included a new Ford Crown Victoria and Expedition, Mercury Grand Marquis, Lincoln Navigator and Town Car, Volvo XC90, Land Rover Range Rover and, in

Chairman and CEO Bill Ford with the new F-150 inside the Dearborn Truck Plant at the Rouge Center

Europe, Ford Fiesta. These new and improved vehicles joined a lineup that already featured the best-selling car, truck and sport utility vehicle in the world — Ford Focus, F-Series and Explorer.

An example of our drive for product leadership is the Lincoln brand, which a year ago had the oldest lineup in its history and today has the newest.

In the year after our revitalization plan was launched, we removed the distractions of our recent past and built a solid foundation for success. But given the uncertainty in the world and the fierce competition in our industry, we know we have to accelerate our efforts. Investors are looking for continuing signs of progress and ongoing improvement of results. To do that we are expanding a number of proven initiatives and systematically identifying and eliminating roadblocks to progress.

One of the processes we are expanding to accelerate cost reduction and quality improvement is Consumer Driven 6-Sigma, a data-driven methodology that uses statistical tools to reduce waste and variability. Companies such as GE and Motorola have applied 6-Sigma successfully to their operations. Ford is the first and only automaker to deploy 6-Sigma throughout all of its operations. Our 6-Sigma projects have saved us more than $675 million worldwide since we began using it in 2000. Last year alone, it saved us $200 million in North America and was responsible for a significant portion of our quality improvement. For 2003 we are asking our team leaders to double the number of 6-Sigma projects they initiate.

Another process that we will expand in 2003 is Team Value Management (TVM). TVM brings our engineering, purchasing, manufacturing and finance areas together with our suppliers in commodity-focused teams to improve value while maximizing quality. Following its very successful deployment in Europe we launched it in North America late last year. By April 2003, 59 TVM teams will be in place in North America representing 70 percent of our global purchasing buy. TVM is a key component in achieving our financial objectives for the year.

In January 2003 we added a new process aimed exclusively at systematically accelerating our cost cutting. Our leadership team identified cost-reduction bottlenecks in two broad categories, global and operational, and assigned a cross-functional team led by a high-ranking executive to every issue. The teams and their leaders are responsible for finding faster and better ways to reach our cost reduction goals, and will report their progress to senior management on a monthly basis.

We are committed to improving our overall automotive cost performance by at least $500 million in 2003 at constant volume and mix, and our quality performance in every region. We also intend to improve our market share around the world by capitalizing on the first full year of sales for many of our recently launched products and introducing more new products, such as Ford F-150 and Jaguar XJ. We expect our results for the year to include break-even performance in our automotive operations and improved cash contributions at Ford Credit. We project that the end result will be estimated earnings of 70 cents a share.

In 2003 we will honor our past as we celebrate our centennial year. At the same time we will embrace our future by building on our traditional strengths and redefining them for the 21st century. Examples of the innovative new approaches we are taking can be found in our products and processes around the world.

To build the new F-Series truck, we are transforming the Ford Rouge Center — the icon of 20th century manufacturing — into a model of 21st century lean, flexible, and sustainable manufacturing. The Dearborn Truck Plant at the Rouge, which begins production mid-year, will be the flagship of Ford's next generation of lean and flexible plants, capable of building up to nine different models from three vehicle platforms. It will set world-class standards for efficient and environmentally friendly manufacturing processes.

At the end of the year we will begin producing the industry's first no-compromise SUV with a full hybrid-electric powertrain. The Ford Escape Hybrid is designed to be the cleanest and most fuel-efficient SUV in the world, achieving between 35 and 40 miles per gallon in city driving with no trade-offs in acceleration or cargo capacity. In addition to the Escape Hybrid, we also plan to begin selling a fuel cell-powered version of the Ford Focus in limited volumes for commercial applications next year.

In total, we will introduce more than 65 new Ford, Lincoln and Mercury products in North America during the next five years. And we're on track to deliver 45 new products in five years in Europe. Our premium brands will introduce 35 new models globally in the next five years. And Mazda will introduce eight new products in Japan, seven in North America and four in Europe in the next two years.

We're taking advantage of the massive changeover needed for this huge wave of new products to bring all of our manufacturing systems up to new levels of quality, efficiency and flexibility.

By mid-decade, half of our North American and all of our European assembly plants will have fully flexible body shops. Our plants around the world will be lean, flexible and cost-efficient. We also are working to share platforms and components across vehicle lines in areas where the customer won't notice or mind, which enables us to improve quality and lower costs.

The bottom line for us is that this transformation will cut waste and improve quality and efficiency. It will allow our plants to change the mix of products as the market dictates and convert to new products with minimal investment and changeover losses.

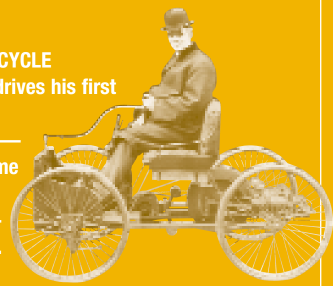
The company's senior management team at a financial analyst meeting in January 2003. (From left) Carl Reichardt, Jim Padilla, David Thursfield, Bill Ford, Nick Scheele and Allan Gilmour.

To guide our decisions and actions globally as we move forward with our product-led recovery we have adopted a set of Business Principles for our next 100 years. These principles reflect the values of our past and the hopes of our future — where we've been and where we want to go. They set high standards for economic, environmental and social performance. We will use them to guide our actions so that we continue to earn the trust and respect of our investors, customers, employees, business partners and society.

Our Business Principles start with a commitment to creating value for our shareholders over the long term. We intend to deliver on that commitment.

As we observe our 100th anniversary, our goal is to have an even greater impact on people's lives in the next 100 years. We're going to build great products, a strong business and a better world.

William Clay Ford, Jr.
Chairman and CEO
March 13, 2003



THE QUADRICYCLE
Henry Ford drives his first vehicle, the Quadricycle — a buggy frame mounted on four bicycle-type wheels.

1896

IT STARTED WITH RACING
Henry Ford overtakes and beats the auto-racing champion of the day, Alexander Winton, in a high-profile race in Grosse Pointe, Mich. His win gives him the credibility and financial backing to start Ford Motor Company.

1901

COMPANY FOUNDED
June 16, 1903. Henry Ford and 11 original investors sign incorporation papers in Michigan.

FIRST DEALER
The first Ford dealership, William Hughson Co., Inc., opens in San Francisco.

1903

imagine it.

In 1903, a Midwestern engineer had a vision.

Henry Ford imagined a world in which a dependable automobile could expand horizons and the average person could afford one. Within five years of founding Ford Motor Company, he turned that vision into reality with the Ford Model T, a car that would be known not for novelty but for affordability and reliability.

Vision and imagination have helped us expand Ford's dream with remarkable and innovative products throughout our history: the Model A, the V-8 engine, the 1949 Ford, and the Ford F-Series family of trucks.

Today, that tradition continues. Ford Mustang not only invented its own class, it thrives while imitators have fallen by the wayside. Ford Explorer introduced the world to SUVs. Volvo continues to pioneer and perfect innovations in automotive safety. From the go-anywhere distinction of a Land Rover, to the luxury of Aston Martin, Jaguar and Lincoln, to the smartly done difference of Mercury, Ford Motor Company products have character as distinctive as the customers who drive them.

That's no accident. The 21st century Ford Motor Company is poised to embrace Henry Ford's vision of not only giving people what they want today, but giving them what they are going to want and need tomorrow.

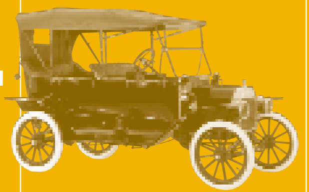
Ford Model U Concept

Patrick Schiavone, design director for truck, brings a new idea to light at Ford's Design Center in Dearborn, Mich.

MODEL A
1,700 early Model A's roll out of Ford's first factory on Mack Avenue in Detroit.

EXPANSION WITHIN NORTH AMERICA
Ford of Canada is incorporated.

1904



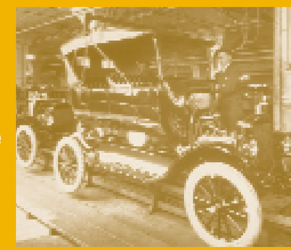
MODEL T INTRODUCED
More than 15 million Model T's are produced between 1908 and 1927.

1908

EXPANSION IN EUROPE
Ford's first factory outside of North America opens in Manchester, England. Offices and assembly plants later are established in Denmark and in Germany.

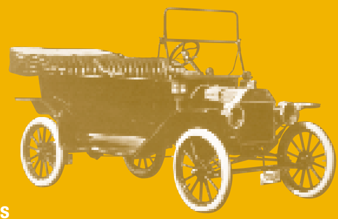
1911

MOVING AUTOMOTIVE ASSEMBLY LINE IS BORN
Installed at the Highland Park (Mich.) plant, it makes assembly almost eight times faster.



1913

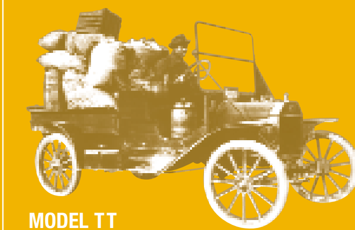
MODEL T
The 1914 model is the first to be built on Henry Ford's moving assembly line. Eventually, a new Model T rolls off the line every ten seconds of every working day.



1914

$5 WORKDAY
Henry Ford announces that the company's minimum wage would be $5 a day — more than double the existing rate.


'GOLD RUSH' IS STARTED BY FORD'S $5 OFFER



MODEL TT
Moving and transporting goods becomes easier with the Model TT, the first Ford truck.

1917

ROUGE COMPLEX GROUNDBREAKING
Construction begins on the massive automotive manufacturing complex, allowing for the complete production of vehicles from raw materials processing to final assembly.

1918

imagine it.

Today, creating a new car or truck is a company-wide endeavor.

It involves everyone from the designers in the studios, to the customers who inspire them, the suppliers who produce components, to the people who will assemble the vehicle in the plant, and the dealers who will sell them.

Everything begins with customers. We ask questions ... Who are they? How do they see themselves? What are their preferences — not only in terms of vehicles and services, but in terms of lifestyles, fashion, entertainment and culture? That's why you'll see Ford marketing people at auto shows, as well as amusement parks, boat shows and other lifestyle activities.

We study the connection customers have with each of our brands and determine those elements that make each brand unique and distinctive. Then we create a vehicle that honors that legacy in new and exciting ways.

We also understand that customers expect value. So, high-quality components that the customer does not see, hear, touch or smell — things such as switch mechanisms, wiper motors, or blowers — can be commonized across many vehicles. This allows us to act economically by buying in quantity.

It's a living, breathing way of making new cars and trucks. And it starts exactly as Henry Ford started 100 years ago — with imagination and a better idea.

Volvo Versatility Concept Car

At Volvo Car Corporation's Design Studios in Gothenburg, Sweden, Robin Lock, senior designer (center), and José Diaz de la Vega, creative director, strategic design (right), review a clay model of the Versatility Concept car, as Carl Ringquist, designer, completes vehicle details at the drawing table.

EDSEL FORD SUCCEEDS HENRY FORD AS COMPANY PRESIDENT.

1919

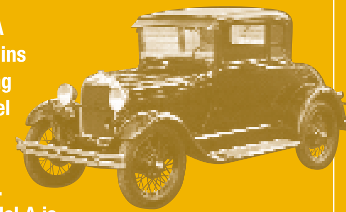
LINCOLN PURCHASED
Ford buys the Lincoln Motor Company for $8 million to enter the luxury auto market.

1922

THE FORD TRI-MOTOR
Ford builds the first of 196 Ford Tri-Motor Airplanes, which are later used by America's first commercial airlines.

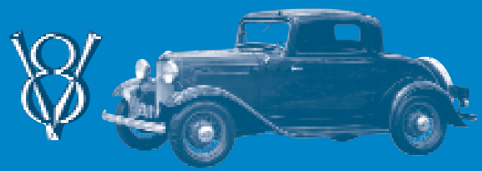
1925

EXPANSION WITHIN NORTH AMERICA
Ford of Mexico is established.



MODEL A
Ford begins producing the Model A at the Rouge complex. This Model A is more powerful, more luxurious, and equipped with more features than its predecessor.

1927



V-8 INTRODUCED
Ford is the first company in history to successfully cast a V-8 block in one piece. Henry Ford personally oversees the design and manufacturing of the V-8 engine.

1932

1936 LINCOLN ZEPHYR
The Zephyr is the first mid-priced car for this brand, costing half that of previous Lincolns.

1936

MERCURY DIVISION FORMED
The Mercury line is introduced to fill the gap between economical Fords and luxury Lincolns.

MERCURY EIGHT
The Mercury Eight is the first effort of Ford's new in-house design department, and the first car developed from full-size clay models.

1938

build it.

In 1913, Henry Ford changed automaking forever.

With a winch and a rope, he adapted a proven principle — the moving assembly line — to automotive manufacturing. Ford knew then, as Ford Motor Company knows now, that if you want to change the world, you have to step up from business-as-usual. Working closely with various unions, Ford plants are being rejuvenated around the world.

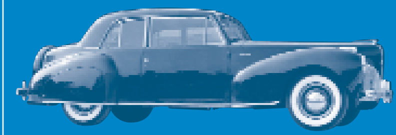
Look in a Ford plant today and you will find systems that incorporate the most recent thinking in safety, ergonomics, environmental sustainability, flexible and lean manufacturing, that produce quality products at low cost in terms of both money and time.

We're rolling out the biggest wave of new products in our history, and using this changeover to bring all our manufacturing systems to new levels of quality. We will incorporate the newest flexible manufacturing processes and commonize platforms and components across vehicle lines. This transformation will allow our plants to change the mix of products as the market dictates, and convert to new products with minimal downtime.

Fittingly enough, one of our most flexible facilities will be the new Dearborn Truck Plant, at the historic Ford Rouge Center, capable of producing nine different models. The renovated Rouge, Ford's oldest existing manufacturing complex, will be a physical testament to Ford's centennial philosophy—honoring our heritage, but focusing on our future.

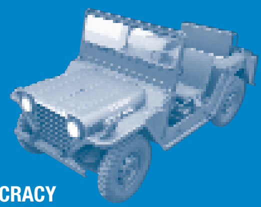
Ford Freestyle FX Concept

Norfolk (Va.) Assembly Plant leads the North American launch of a new flexible manufacturing system with the introduction of the 2004 Ford F-Series pickup. The system divides the body shop into 16 different cells, such as this underbody ladder turntable, operated by Annie Ruth Chatman. Flexible manufacturing is expected to save Ford up to $2 billion in North America by 2010.



LINCOLN CONTINENTAL
The 1941 Continental becomes a status symbol of the 1940s, praised by celebrities from author John Steinbeck to architect Frank Lloyd Wright.

1941

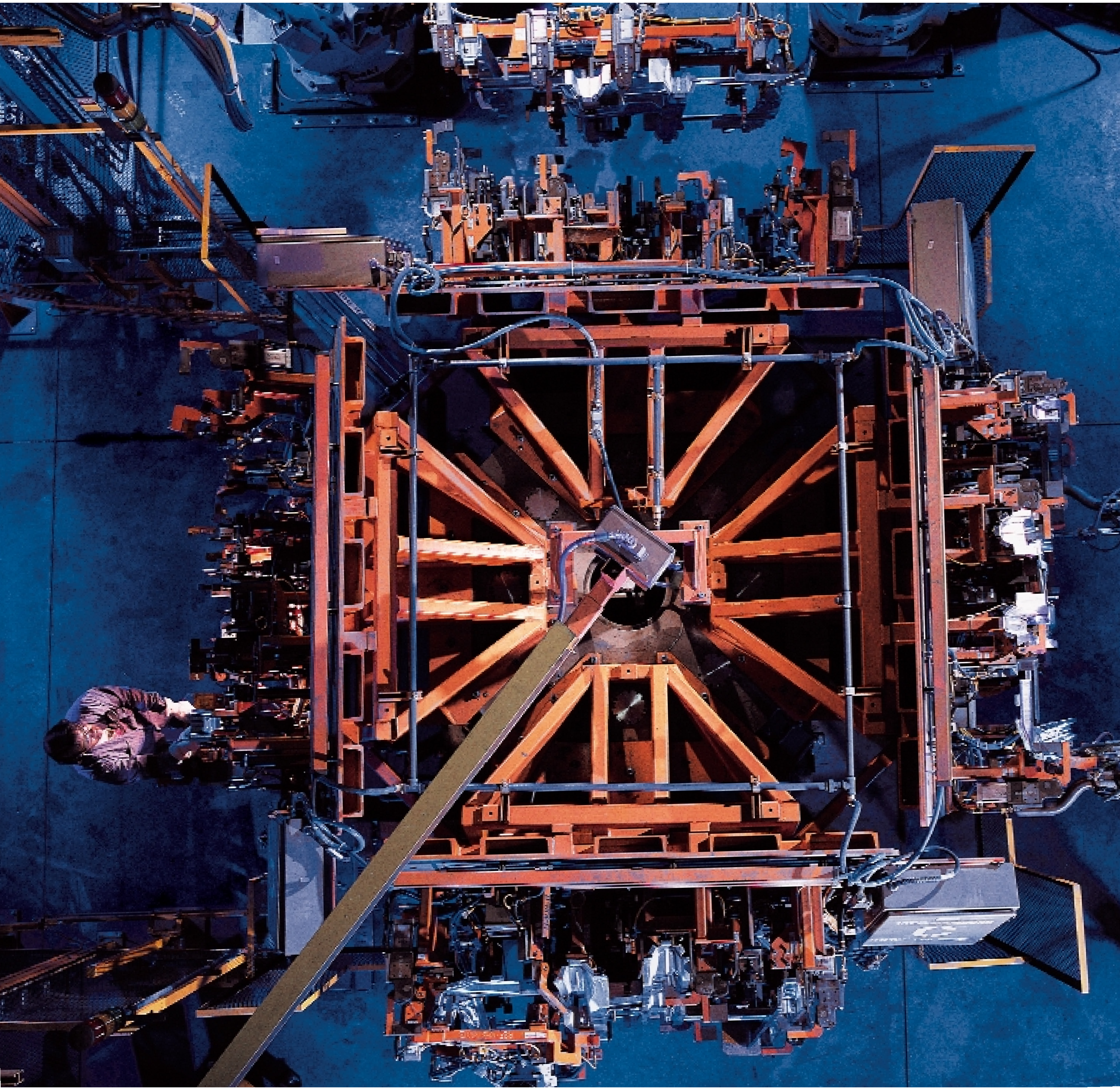


ARSENAL OF DEMOCRACY
Ford builds its first general-purpose vehicle (jeep) for the military.

FIRST UAW-FORD LABOR AGREEMENT
Ford Motor Company signs its first labor agreement with UAW-CIO, covering employees in North America.

MILITARY PRODUCTION
The company halts production of civilian vehicles to dedicate itself to the war effort, turning out B-24 bombers and engines, as well as tanks and other military vehicles.

1942



HENRY FORD RESUMES PRESIDENCY
Edsel Ford dies at age 49; Henry Ford resumes the presidency of Ford Motor Company through the end of World War II.

1943

HENRY FORD II NAMED PRESIDENT
Henry Ford's eldest grandson becomes president. Henry II's brothers, Benson and William Clay, also contribute significantly when they join the company later.

1945

THE WHIZ KIDS
Henry Ford II hires young former U.S. Air Force officers, nicknamed the Whiz Kids (pictured in the front row), to revitalize the company.

1946

build it.

We're not just building better vehicles — we're building a better planet.

Our project to transform the historic Ford Rouge Center into our most modern facility is a dramatic embodiment of Ford's commitment to build vehicles and components in an environmentally conscientious manner, and to be a good citizen wherever we conduct business.

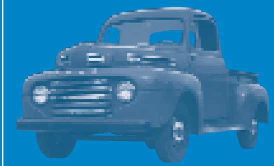
Rather than creating a new "greenfield" plant, our "brownfield" renovation of the Rouge minimizes industrial expansion. And we are caring for the environment in ways that are kind to our bottom line. The Rouge's "living roof" of plant life, for instance, will not only help control water runoff; it will help passively control the building's temperature, and dramatically extend roof life.

We're building wisely in terms of vehicle materials as well. To help reduce landfill volume, our vehicles use a remarkable amount of recycled materials — from computer cases (recycled into vehicle grilles), to blue jeans (used as a component of under-hood insulation), to metals, to tires.

We don't keep these facts to ourselves. Studies show that, all other things being equal, customers prefer to deal with a company that is a good corporate citizen, so we continually strive to be that company.

All-New Jaguar XJ

The flexible manufacturing system in place at the Cologne (Germany) Assembly Plant allows body shop operators, such as Hans Georg, simply to reprogram computers, welding and other robots, and change specific tooling to accommodate model changeovers quickly.

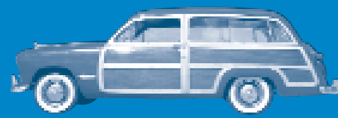


F-1 TRUCK INTRODUCED
Ford F-1 is Ford's first all-new vehicle after the war. F-Series is the most successful vehicle line in automotive history.

1948

1949 FORD
The '49 Ford, designed by a new team assembled by Henry Ford II, marks the beginning of a new era of product leadership for Ford.

1949



THE WOODIE
The only station wagons available in 1949 are this striking wood-bodied two-door and a Mercury version.

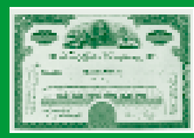
MERCURY
The 1950 Mercury is popular with young car enthusiasts. A Mercury convertible is the 1950 Indy 500 pace car, driven by Benson Ford.

1950

FORD THUNDERBIRD INTRODUCED
This innovative two-seater sports car with a powerful V-8 engine launches the personal luxury car segment in the U.S.

1954

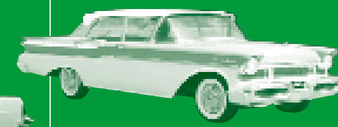
SAFETY FIRST
Ford conducts its first crash test.



FORD GOES PUBLIC
First shares of Ford Motor Company common stock are offered.

1956

CONTINENTAL MARK II
Only 3,000 of these exclusive vehicles are built. At nearly $10,000 it is the most expensive American car on the market.



1957 MERCURY TURNPIKE CRUISER
This all-new car is Ford's first product to offer push-button transmission controls.

1957

deliver it.

Henry Ford's world-changing vision included a hometown presence.

Ford Motor Company dealerships began to open in 1903 — the same year that the company was founded.

Today, approximately 28,000 dealers worldwide sell one or more of Ford's eight automotive brands. Whether customers begin their shopping by walking into a showroom or logging onto the Internet, Ford Motor Company dealers remain the company's principal means of contact and service to customers — a corps of Ford Motor Company ambassadors that circles the globe.

Many dealers carry Ford's tradition of corporate citizenship into their home communities. They are involved in civic affairs and local charities, with activities that range from disaster relief to mentoring students. Each year, we honor dealers who are especially active in this regard with Ford's Salute to Dealers award.

And because dealers are such important eyes and ears to the world around us, Ford uses dealer councils to streamline feedback from a variety of audiences. An international, multi-brand dealer board — the Ford President's Circle — convenes quarterly by webcast and in face-to-face meetings, for personal updates from senior management.

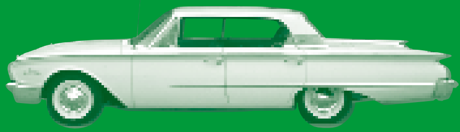
Knowing our customers is critical to our success. And that's why you'll undoubtedly find a Ford Motor Company dealership not too far from your home — because building relationships is a person-to-person process.

Ford Ranger Extreme, built in Thailand

The 2003 Lincoln Aviator, a midsize luxury SUV, joins the family of distinguished vehicles at Holman Lincoln Mercury in Maple Shade, N.J. This well-respected dealership exemplifies the excellence in sales and service, and involvement in the community, that customers expect from Ford Motor Company's network of dealers worldwide.

FORD CREDIT FORMED
Ford Credit helps dealers provide competitive financing to individuals and businesses.

1959



1960 FORD GALAXIE
Safety features on this family car include a deep-dish Lifeguard steering wheel and Lifeguard Junior Rear Door Safety Locks.

1960

FORD FALCON
The Ford Falcon enters the fast-growing field of compact cars and becomes a bestseller in its first year.

FORD PARTS DIVISION FORMED
Motorcraft supplies premium quality automotive parts for Ford, Lincoln and Mercury vehicles.

1961

FORD CORTINA
Promoted as "The Small Car with the Big Difference," Ford of Britain's Cortina quickly proves a huge success with consumers.

1962

1964½ FORD MUSTANG INTRODUCED
Mustang mania sweeps the U.S., as the much-publicized sports car captures the hearts of postwar Baby Boomers. One million units are sold by 1966.

1964

GT40 MARK II INTRODUCED
The GT40 Mark II is introduced, then takes the top three places in Le Mans in 1966.

FORD OF EUROPE
To coordinate the development, manufacturing and sale of cars and trucks in Europe and Africa, Ford of Europe is established.

1967

deliver it.

It's not just a car or truck—it's a commitment.

Our dealers' attention to customers includes on-site financing available through Ford Credit — the world's largest automotive finance company. Each year, Ford Credit helps more than four million customers realize the dream of owning a new vehicle. Ford Credit's innovative and flexible leasing program has provided millions of people with an alternative to traditional finance products.

Our dealership personnel are trained to show product features on the sales floor, and to familiarize new owners with their vehicles at the time of delivery.

That attention to detail continues after the sale with quality in-dealership service, genuine original-equipment parts, and a comprehensive line of exciting vehicle accessories. Extended service plans are also available to help guard against the cost of unexpected repairs. Our dealerships offer an after-sales experience that includes competitive prices, convenience and expert service and repairs.

For millions of our customers, scheduling routine vehicle service and maintenance is now a matter of 24/7 simplicity, thanks to a dealer Web site scheduling service known as Virtual Service Advisor. Our factory-trained technicians use the latest technology and state-of-the-art equipment, and keep their skills sharp with ongoing training through Ford facilities and the FordStar satellite network.

Outstanding dealerships and quality vehicles are why, for so many loyal customers, Ford has been their choice, generation after generation.

Mercury Messenger Concept

Ford Credit not only provides quality financial services, it delivers on its commitment to the community. Ford Credit in Franklin, Tenn., is a major supporter of local charities and community projects, including the refurbishment of the Harvey McLemore House, the 1880 home of an ex-slave. Ford Credit employee Celeste Murry (left) is a descendent of McLemore. Doris McMillan (center) and Mary Mills, both with the African-American Heritage Society, have spearheaded the project.

FORD ESCORT
Produced in both Germany and England, the 1968 Ford Escort is the first new model to emerge from the new Ford of Europe organization.

1968

MERCURY MARAUDER
The late 1960s trend toward full-size specialty cars helps inspire the performance, luxury, and safety features of the 1969 Mercury Marauder.

1969

ASIA PACIFIC OPERATIONS ESTABLISHED
Asia Pacific Operations is established to reflect the region's growing importance to Ford's global business.

1970

SAFETY
The retractable safety belt restraint system, a new industry standard, is placed in the Mercury Bobcat.

1976

Ford acquires a 25 percent equity stake in Mazda.

1979

NORTH AMERICAN ESCORT
Designed to be a "world car," the '81 Ford Escort becomes an immediate success.

1981

UAW-FORD AGREEMENT
Ford and UAW reach a historic agreement encompassing innovative labor-management concepts.

1982

FORD TAURUS AND MERCURY SABLE DEBUT
The Taurus, with its revolutionary aero-dynamic styling, goes on to be the best-selling U.S. car from 1992 to 1996.

1985

Ford acquires a majority interest in Aston Martin Lagonda, Ltd., the famous British maker of prestigious automobiles.

Ford acquires a stake in Hertz Rental Car Company, and makes Hertz a wholly-owned subsidiary in 1994.

1987

love it.

"A million of anything is a great many."

That was the entire text of the speech Henry Ford made in 1915 at the banquet honoring production of the one millionth Ford automobile.

Today, Ford has made, sold, and been admired for "a great many" of a great many things.

Consider… in 2002 alone, we celebrated the five millionth Ford Taurus, the six millionth Ford Explorer, and the 150 millionth Ford-brand vehicle. In 2002, Jaguar had its fifth record-breaking sales year in a row. And later in 2003, Ford Motor Company will manufacture its 300 millionth vehicle.

Ford products are well-loved. Pick one — from the Ford Model T to Ford F-150, or the Jaguar XKE to the Land Rover Defender — and you will find bodies of enthusiasts devoted to the study and preservation of the company's vehicles. We are proud to create products that have become central to so many people's lifestyles.

And Ford performance is a veritable world unto itself, with legions of fans supporting Ford Focus in World Rally competition, Jaguar in Formula One racing, and the NASCAR Winston Cup, where Ford won seven of the top 10 places in 2002.

Land Rover Freelander SE3

The all-new 2004 Ford F-150 pickup creates a bold first impression as it extends Ford's tradition as America's Tough Truck leader. The F-150 Lariat (pictured) is one of five distinct series, each with new attributes, comfort and capability created to meet the needs of key customer segments.

Ford acquires Jaguar, increasing its presence in the global luxury market.

1989

MAZDA MIATA
The automotive press raves about Mazda's MX-5 Miata when the sports car is unveiled.

1990

FORD EXPLORER
In the early 1990s the Ford Explorer helps make SUV—sport utility vehicle—a household term.

1991

SAFETY FIRST
Ford is first to have dual air bags as standard equipment in most cars.

1993

ISO 14001
Ford becomes the first and only auto company to certify all of its plants (in 26 countries) under ISO 14001, the world environmental standard.

1996

BILL FORD BECOMES CHAIRMAN.

1999

VOLVO

Ford adds Volvo to its family of vehicles for its quality, safety and care for the environment.

LEV
Ford announces that all pickup trucks will be low emission vehicles (LEV), starting with F-Series trucks in the 2000 model year, adding Ranger for 2001.

CAR OF THE YEAR
Ford Focus is the first vehicle to receive both North American Car of the Year and European Car of the Year awards in the same year.

2000

LAND ROVER
Ford takes ownership of Land Rover from the BMW Group.

love it.

The Ford blue oval is one of the world's best-recognized trademarks.

Our Ford brand has come to represent value, reliability and trustworthiness to millions of customers all over the world. It's the brand that many people associate with the milestones of their lives: graduations, honeymoons, and bringing their firstborn home from the hospital. It's a brand that many people identify as their very first car or truck — as well as their current one.

That is why today, 100 years after the founding of Ford Motor Company and 95 years after the production of the first Model T, we place such emphasis on the brand that bears our founder's name. All of our brands are important to Ford Motor Company, and are well loved and well known by people in all walks of life.

We use that customer loyalty daily to help bolster our business. It's a large part of the reason why more people finance their cars and trucks with Ford Credit, a recognized leader in both customer and dealer satisfaction. And, to many people around the world, Hertz is synonymous with car rental.

The Ford brand is the cornerstone of our business. And caring for all the people who love our brands — by offering them products, services and attention that will leave them coming back for more — is how Ford is going to build on that cornerstone in our second century of business.

Ford 427 Concept

The two-seat Mustang GT Concept car features bright Redline Red paint and a long hood reminiscent of the 1967 models. It communicates the soul of a Mustang — a classic, cool and quintessentially American muscle car — but also is a strong indicator of the next-generation Mustang's design direction.

ROUGE REVITALIZED
Ford begins transformation of the entire Ford Rouge Center, which will include a new vehicle assembly plant as part of the nation's largest industrial redevelopment project.

FORD THUNDERBIRD
Ford Thunderbird is named *Motor Trend's* Car of the Year for an unprecedented fourth time.

2001

Ford Motor Company
100 YEARS

100th ANNIVERSARY
June 16, 2003

2003

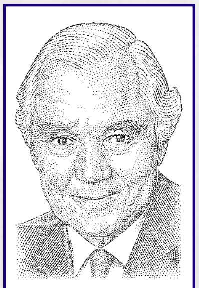
A global overview

	AUTOMOTIVE CORE BRANDS				PREMIER AUTOMOTIVE GROUP	
Primary Brands	Ford	Lincoln American Luxury	Mercury	Mazda	Aston Martin	Jaguar
Dealers, Customers and Competitors	• Approximately 13,000 dealers worldwide • 137 markets worldwide • Major competitors: DaimlerChrysler, Fiat, General Motors, Honda, Nissan, Toyota, Volkswagen, Hyundai/Kia • Major customers: Hewlett-Packard, Phillip Morris International, GlaxoSmithKline, Astra Merck, CNF Logistics, GE, Budget, other commercial accounts, governments, and millions of individuals	• 1,561 dealers worldwide • 38 markets worldwide • Major competitors: General Motors, DaimlerChrysler, Toyota, Nissan, Honda, BMW • Major customers: Hertz, Budget, Hewlett-Packard, CNA, Carey Limousine, Boston Coach, other commercial accounts, and thousands of individuals	• 2,141 dealers worldwide • 15 markets worldwide • Major competitors: DaimlerChrysler, General Motors, Honda, Nissan, Toyota, Volkswagen • Major customers: McDonald's, Hertz, Budget, Hewlett-Packard, CNA, GE, other commercial accounts, and thousands of individuals	• 6,131 dealers worldwide • 145 markets worldwide • Major competitors: Toyota, Nissan, Honda, Mitsubishi, General Motors, DaimlerChrysler, Volkswagen • Major customers: Sekisui House, LDS Church, AstraZeneca, Hertz, other commercial vehicle accounts, and thousands of individuals	• 100 dealers worldwide • 25 markets worldwide • Major competitors: Lamborghini, Ferrari, Porsche • Major customers: individuals	• 787 dealers worldwide • 66 markets worldwide • Major competitors: DaimlerChrysler (Mercedes), BMW, Toyota (Lexus), Porsche • Major customers: Johnson & Johnson, GE, BP, Hertz, other commercial accounts, and thousands of individuals
2002 Highlights	• 5,457,445 vehicle retail sales worldwide • Sales mix: 62% North America 29% Europe 5% Asia-Pacific 3% South America 1% Rest-of-World	• 159,651 vehicle retail sales worldwide • Sales mix: 99% North America 1% Rest-of-World	• 274,875 vehicle retail sales worldwide • Sales mix: 98% North America 2% Rest-of-World	• 964,800 vehicle retail sales worldwide** • Sales mix: 39% Asia-Pacific 36% North America 20% Europe 5% Rest-of-World	• 1,551 vehicle retail sales worldwide • Sales mix: 30% North America 30% Europe 30% UK 10% Rest-of-World	• 130,330 vehicle retail sales worldwide • Sales mix: 50% North America 41% Europe 7% Asia-Pacific 2% Rest-of-World
Customer Assistance	www.fordvehicles.com 1-800-392-3673 E-mail form at: www.ford.com	www.lincolnvehicles.com 1-800-521-4140 E-mail form at: www.ford.com	www.mercuryvehicles.com 1-800-521-4040 E-mail form at: www.ford.com	www.mazdausa.com 1-800-222-5500 International contact: Mazda Motor Corporation Hiroshima, Japan 001-81-82-282-11 11 customerassistance@ mazdausa.com	www.astonmartin.com +44 1908 610620 E-mail: enquiry@ astonmartin.com	www.jaguar.com 1-800-452-4827 E-mail: jaguarowner@jaguar.com
New Products/ Services for 2002/2003	Streetka Sportka Focus C-MAX Concept Everest Falcon Bantam EcoSport	Aviator Navigator LS Town Car	Monterey Marauder	MAZDA6/Atenza Mazda RX-8 MAZDA2/Demio MAZDASPEED	AMV8 Vantage Concept DB AR1 Opening of new production facility at Gaydon, Warwickshire	XJ Saloon

** As an unconsolidated subsidiary, Mazda sales are not consolidated into Ford Motor Company vehicle unit sales. Only vehicles built by Ford for Mazda are included in total Ford vehicle unit sales summaries.

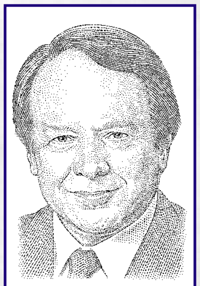
		FINANCIAL SERVICES		CUSTOMER SERVICES		
VOLVO	LAND ROVER	Ford Credit	Hertz	QualityCare Auto Service	Motorcraft ACCESSORIES	EXTENDED SERVICE PLAN
• 2,500 dealers worldwide • 100 markets worldwide • Major competitors: BMW, Mercedes-Benz, Audi, Lexus • Major customers: GlaxoSmithKline, Johnson & Johnson, Hertz, Coca-Cola, other commercial accounts, and thousands of individuals	• 1,808 dealers worldwide • 142 markets worldwide • Major competitors: Toyota, Nissan, General Motors, DaimlerChrysler, BMW • Major customers: Enterprise Rent-A-Car, BP, Hertz, and thousands of individuals	• Operations in 36 countries • Nearly 300 locations worldwide • 12,500 dealerships worldwide use Ford Credit financing • More than 11 million customers • Major competitors: major banks and credit unions • Major customers: dealers, automotive loan and lease customers, and commercial accounts	• Hertz and its affiliates, associates and independent licensees represent what the company believes is the largest worldwide general used car rental brand, based upon revenues, and one of the largest industrial and construction equipment rental businesses in North America, based upon revenues • Operations in more than 150 countries and jurisdictions • Approximately 7,000 worldwide locations • Major competitors: Alamo, Avis, Budget, Dollar, Thrifty, Enterprise Rent-A-Car, Europcar, National • Major customers: commercial accounts including numerous Fortune 500 companies, as well as millions of individual customers worldwide	• Quality service in Ford, Lincoln and Mercury dealerships worldwide • Major competitors: Pep Boys, Penske, Midas, Goodyear, Jiffy Lube, Firestone, Master Care • Major customers: Ford, Lincoln and Mercury owners as well as large and small commercial accounts with fleets of Ford Motor Company branded vehicles	**Motorcraft** • Available in Ford, Lincoln and Mercury franchised dealers worldwide, Ford Authorized Distributors, and select major retail accounts • Major U.S. competitors: NAPA, Dana, Moog • Major customers: Ford, Lincoln and Mercury vehicle owners **Genuine Ford Accessories** • Available in Ford, Lincoln and Mercury franchised dealers, Ford Authorized Distributors • Major competitors: Small aftermarket companies and installers in dealers' selling area • Major customers: Ford, Lincoln and Mercury vehicle owners	**ESP** • 5,000 Ford Lincoln Mercury dealers • Major customers: Ford, Lincoln and Mercury dealership customers, commercial accounts, fleets of Ford Motor Company branded vehicles **APCO** • Volvo, Land Rover, Mazda and competitive make dealers • Major customers: Volvo, Land Rover, Mazda and competitive make dealership customers **ESP & APCO** • Major competitors: Independent Service Contract providers
• 406,695 vehicle retail sales worldwide • Sales mix: 60% Europe 30% North America 10% Rest-of-World	• 174,593 vehicle retail sales worldwide • Sales mix: 61% Europe 25% North America 14% Rest-of-World	• Nearly $198 billion in assets managed • More than 4 million vehicle financing contracts	• 75% Revenue from U.S. • 25% Revenue from Rest-of-World • $5 billion revenue	• Over 25 million customers served	**Motorcraft** • Expanded line of remanufactured engines and transmissions **Genuine Ford Accessories** • Growing lineup of electronics equipment: DVD players, alarms and remote starts, dealership lot protection	**ESP & APCO** • Over 2 million vehicle service contracts
www.volvocars.com 1-800-458-1552 E-mail: customerservice @volvocars.com	www.landrover.com 1-800-637-6837 E-mail: lrowner relations@ landroverna.com	www.fordcredit.com 1-800-727-7000 E-mail form at: www.fordcredit.com	www.hertz.com 1-800-654-3131 E-mail form at: www.hertz.com	www. qualitycareservice.com Ford 1-800-392-3673 Lincoln/Mercury 1-800-521-4140	**Motorcraft** www.motorcraft.com 1-800-444-4503 **Genuine Ford Accessories** www.fordaccessoriesstore.com www.lincolnaccessories.com www.mercuryaccessories.com	**ESP** Ford 1-800-392-3673 Lincoln/Mercury 1-800-521-4140 **APCO** 1-800-458-7070
Volvo S60R Volvo V70R Four-C Technology	Range Rover	Ford Motor Company Vehicle Insurance Program • Personal auto and home insurance • Several leading insurance companies • One of the largest independent insurance platforms 1-877-367-3847 www.fordvip.com	• Expanded to over 800 off-airport locations in the U.S. • Introduced Sirius Satellite Radio in select U.S. markets • Introduced a redesigned Website at hertz.com • Introduced Hertz Prestige Collection in Europe • Began car rental operations in China	New Quality Care Service campaign • Highlights advantages of dealership service • Better positions our dealerships against independent vehicle service competitors • Features aggressive first-time service offers such as four tires for $99 or less	**Motorcraft** • Launch fuel pumps, chassis parts and Super Duty friction brake parts • Sponsor #21 Taurus NASCAR Racecar driven by Ricky Rudd **Genuine Ford Accessories** • Support new model launches with full accessories lineup	**ESP** • Basic maintenance plan designed to assist dealers in generating retail parts and service traffic **APCO** • Warranty Advantage Limited Warranty program on new vehicles designed to give dealers competitive marketing advantage with longer powertrain options

board of directors *(as of April 1, 2003)*



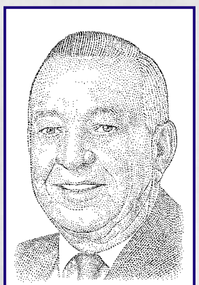
John R. H. Bond ***2, 3, 5***

John R. H. Bond, 61, is group chairman, HSBC Holdings plc, London, United Kingdom. He joined the Hongkong and Shanghai Banking Corporation in 1961 and served as its executive director from 1988–1992. From 1991–1993, he was president and chief executive officer of Marine Midland Bank, Inc., now known as HSBC USA, Inc. He served as group chief executive of HSBC Holdings from 1993–1998 before being named its group chairman in 1998. He joined Ford's board in 2000.



Edsel B. Ford II ***3, 4***

Edsel B. Ford II, 54, is a retired vice president of Ford Motor Company and former president and chief operating officer of Ford Credit. He joined Ford in 1974 and was elected to its board of directors in 1988. Mr. Ford held numerous positions in the company's Ford and Lincoln-Mercury divisions and served in Ford Australia before being named to the Ford Credit post in 1991. Mr. Ford presently is a consultant to the company and is also a board director of the Detroit Branch of the Chicago Federal Reserve Bank and the Skillman Foundation.

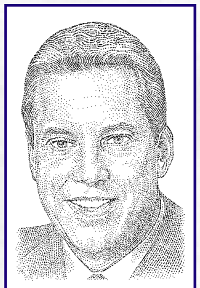


William Clay Ford ***4***

William Clay Ford, 78, is the retired chairman of Ford's Finance Committee and owner and chairman of The Detroit Lions, Inc. He was elected a Ford director in 1948 and began his employment with the company in 1949. Throughout his career at Ford, Mr. Ford held numerous executive positions and in 1978 became chairman of the board's Executive Committee and was named a member of the Office of the Chief Executive. In 1980, Mr. Ford was elected vice chairman of the board and in 1987, he was elected chairman of the Finance Committee. Mr. Ford retired from his post as vice chairman in 1989 and as chairman of the Finance Committee in1995.

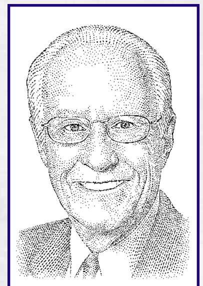
Committee Memberships:

1) Audit
2) Compensation
3) Environmental and Public Policy
4) Finance
5) Nominating and Governance



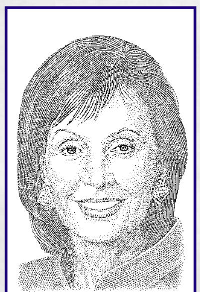
William Clay Ford, Jr. ***3, 4***

William Clay Ford, Jr., 45, is chairman of the board and chief executive officer of Ford Motor Company. He also is vice chairman of The Detroit Lions, Inc. Mr. Ford began his employment with the company in 1979 and was elected a company director in 1988. He held a number of management positions at Ford, including international assignments, culminating in vice president, Commercial Truck Vehicle Center in 1994–1995. In 1995, he became chairman of the board's Finance Committee, a position he held until becoming chief executive officer of the company. He was named chairman of the board's Environmental and Public Policy Committee in 1997. Mr. Ford became chairman of the Board of Directors January 1, 1999. He was named chief executive officer October 30, 2001.



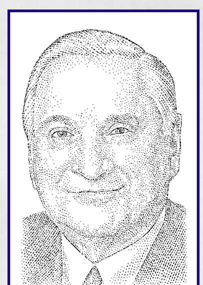
Irvine O. Hockaday, Jr. ***1, 5***

Irvine O. Hockaday, Jr., 66, is retired president and chief executive officer of Hallmark Cards, Inc. He joined Hallmark in 1983 as its executive vice president and was named to his former post in 1986. Mr. Hockaday was elected a Hallmark director in 1978 and is also a director of Crown Media Holdings, Inc. He was elected a Ford director in 1987 and chairs the board's Audit Committee.



Marie-Josée Kravis ***2, 5***

Marie-Josée Kravis, 53, is a senior fellow of the Hudson Institute Inc., a position she has held since 1994. Prior to that and since 1978, Ms. Kravis served as the executive director of the Hudson Institute of Canada. From 1973–1976 she was an economist with the Hudson Institute (USA). Ms. Kravis joined the Ford board of directors in 1995. She chairs the board's Compensation Committee.



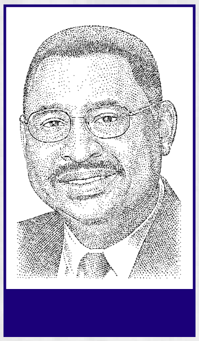
Richard A. Manoogian ***2, 5***

Richard A. Manoogian, 66, is chairman of the board and chief executive officer of Masco Corporation, a leading manufacturer of home improvement products. Mr. Manoogian joined Masco in 1958 and was elected vice president and director in 1964. He was named president in 1968 and has served as chairman and chief executive officer since 1985. Mr. Manoogian joined Ford's board in 2001.

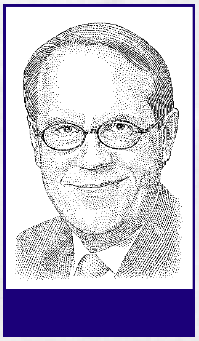
Ellen R. Marram *1, 3, 5*

Ellen R. Marram, 56, is managing director of North Castle Partners, LLC, a private equity firm. Most recently she served as president and chief executive officer of efdex, Inc. Prior to that, Ms. Marram served as president and chief executive officer of The Tropicana Beverage Group from 1997–1998, and was president of the group from 1993–1997. Ms. Marram served as senior vice president of the Nabisco Foods Group and president and chief executive officer of Nabisco Biscuit Company 1988–1993. She was president of the Nabisco Grocery Division from 1987–1988. Ms. Marram was elected a Ford director in 1988. She chairs the Nominating and Governance Committee.

Dr. Homer A. Neal *3, 4, 5*

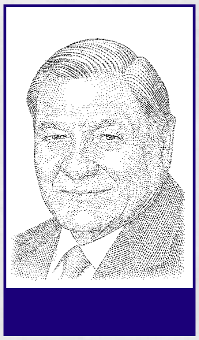


Dr. Homer A. Neal, 60, is director, University of Michigan ATLAS Project, Samuel A. Goudsmit Distinguished University Professor of Physics, and interim president emeritus of the University of Michigan. He joined the University as chairman of its physics department in 1987 and in 1993 was named vice president for research. Dr. Neal has served as a member of the U.S. National Science Board and of the Advisory Board of the Oak Ridge National Laboratory. He is also Regent Emeritus of the Smithsonian Institution. Dr. Neal is currently a director of the Covanta Energy Corporation and a member of the Board of Trustees of the Center for the Study of the Presidency. He joined Ford's board in 1997.



Jorma Ollila *1, 3, 5*

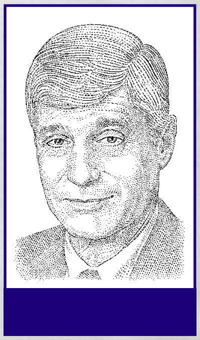
Jorma Ollila, 52, is chairman of the board, chief executive officer and chairman of the group executive board of Nokia Corporation, Finland. Mr. Ollila joined Nokia in 1985 and has been chairman and CEO since 1999 and a member of Nokia's board of directors since 1995. Prior to joining Nokia, he held a number of positions with Citibank Oy and Citibank NA from 1978–1985. Mr. Ollila joined Ford's board in 2000.



Carl E. Reichardt *4*

Carl E. Reichardt, 71, is vice chairman of Ford Motor Company. He retired in 1994 as chairman and chief executive officer of Wells Fargo & Company. He joined Wells Fargo in 1970 and was elected president in 1978 and chief operating officer in 1981. He served as chairman and chief executive officer from 1983 until his retirement in 1994. Mr. Reichardt was elected a Ford director in 1986. He was named vice chairman of Ford Motor Company October 30, 2001, and chairs the board's Finance Committee.

Robert E. Rubin *2, 4, 5*

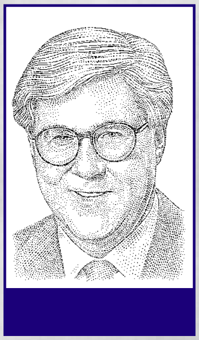


Robert E. Rubin, 64, is director, chairman of the executive committee and member of the Office of the Chairman, Citigroup, Inc. He served as U.S. Secretary of Treasury from 1995–1999. Prior to that, he served in the White House as Assistant to the President for Economic Policy from 1993–1995. Mr. Rubin previously served 26 years at Goldman, Sachs & Co. He joined Goldman, Sachs & Co. in 1966 as an associate and held numerous executive positions including co-senior partner and co-chairman from 1990–1992. Mr. Rubin joined the Ford board in 2000.

Nicholas V. Scheele

Nicholas V. Scheele, 59, was named president and chief operating officer of the company on October 30, 2001. Prior to this appointment, he was chairman, Ford of Europe. Mr. Scheele's career at Ford began in 1966 where he held several successive purchasing appointments in Ford's British and European Operations. In 1988, he became president of Ford of Mexico. From 1992–1999, he was chairman and chief executive officer of Jaguar Cars Ltd. Mr. Scheele joined the Ford board of directors in 2001.

John L. Thornton *4, 5*



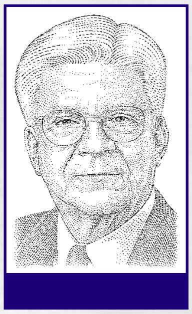
John L. Thornton, 49, is president and co-chief operating officer of The Goldman Sachs Group, Inc. He is also a member of the firm's board of directors and its management committee. Mr. Thornton was chairman of Goldman Sachs-Asia from 1996–1998 and served previously as co-chief executive of Goldman Sachs International, the firm's business in Europe, the Middle East and Africa. Mr. Thornton joined Goldman Sachs in 1980 and was named a partner in 1988. He was elected to the Ford board of directors in 1996.

executive officers group *(as of April 1, 2003)*

William Clay Ford, Jr.*
Chairman of the Board and Chief Executive Officer

Nicholas V. Scheele*
President and Chief Operating Officer

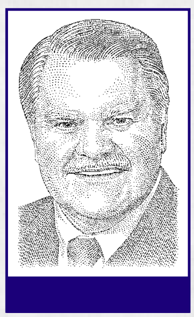
Carl E. Reichardt*
Vice Chairman



Allan D. Gilmour
Vice Chairman and Chief Financial Officer

Mr. Gilmour, 68, rejoined the company in this role on May 20, 2002. Previously, Mr. Gilmour had retired from the company after serving as vice chairman of the company, and member of the Office of the Chief Executive and the company's Board of Directors. He first joined Ford in 1960 as a Finance Staff financial analyst and later was supervisor of Financial Presentations. Mr. Gilmour was assistant to the executive vice president of Finance before joining Ford Credit as executive vice president of Administration. During his 34-year career, he served in a variety of roles including vice chairman, chief financial officer, vice president and controller, and president of Ford Motor Credit Company. Other previous assignments include president of the Ford Automotive Group and executive vice president, International Automotive Operations.

James J. Padilla
Executive Vice President and President, North America

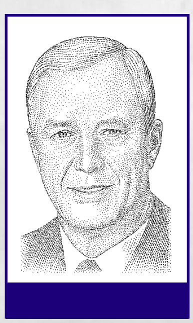


Mr. Padilla, 56, assumed his present position in December 2002. Previously, he was group vice president, North America. Prior to that, Mr. Padilla was group vice president, Global Manufacturing and Quality. From January 1999 through July 2001, he was group vice president, Global Manufacturing. Mr. Padilla served as president of South American Operations from November 1996 to December 1998. Joining Ford in 1966, he has held management positions in product engineering and manufacturing. Mr. Padilla also worked as director, Small Car Segment, Car Product Development. From 1992 until 1994, Mr. Padilla served as director of Engineering and Manufacturing, Jaguar Cars, Ltd. He later became director of performance luxury vehicle lines.

John M. Rintamaki
Chief of Staff

Mr. Rintamaki, 61, assumed his present position in January 2000. Prior to that, he served as vice president — General Counsel and Secretary. Mr. Rintamaki joined Ford in 1973 as an attorney and has served in various legal positions. Mr. Rintamaki was appointed assistant secretary and assistant general counsel — SEC and Corporate Matters in 1991. He was assistant general counsel from 1993 to 1999 and corporate secretary from 1993 through March 2003.

David W. Thursfield
Executive Vice President International Operations and Global Purchasing



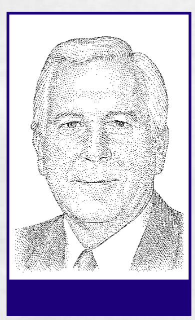
Mr.Thursfield, 57, assumed his present position in December 2002. Previously, he was group vice president, International Operations and Global Purchasing. Prior to this assignment, Mr. Thursfield served as chairman, chief executive officer and president of Ford of Europe. Before becoming president, he held the position of vice president, Vehicle Operations, Ford Automotive Operations, a role he assumed in January 1998. Mr. Thursfield came to Ford in 1979 as a plant manager. From 1984 to 1992, he worked as general manufacturing manager and general operations manager in various locations in Europe. Mr. Thursfield later became director, Body and Assembly Operations, Ford of Europe. In 1996, he moved to the United States and began working as Vehicle Operations manager for Ford Automotive Operations. Mr. Thursfield was appointed a group vice president in November 2001.

Mark Fields
Group Vice President, Premier Automotive Group

Mr. Fields, 42, assumed his present position in July 2002. Previously, he was representative director and president of Mazda Motor Company. Mr. Fields joined Ford Motor Company in 1989 and served in a variety of sales and marketing positions. In 1997, he was appointed managing director of Ford Argentina. In 1998, Mr. Fields joined Mazda Motor Corporation, working first as senior adviser and then as senior managing director of Marketing, Sales and Customer Service.

Roman J. Krygier
Group Vice President, Manufacturing and Quality

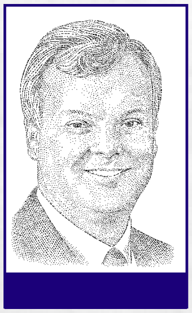
Mr. Krygier, 60, assumed his present position in November 2001. Prior to this appointment, he was vice president, Powertrain Operations from 1999 to 2001, and Advanced Manufacturing Engineering, Ford Automotive Operations from 1997 to 1998. Mr. Krygier joined Ford in 1964 and held a variety of positions at the Chicago Stamping Plant. In 1974, he was named assistant to the plant operations manager at the Metal Stamping Division's General Office. Mr. Krygier held several other positions within manufacturing and was appointed plant manager of the Buffalo Stamping Plant in 1977. From 1983 to 1994, he held several management positions within Body & Assembly Operations and in 1994, he was named executive director of Advanced Manufacturing Engineering and Process Leadership, Ford Automotive Operations.



James G. O'Connor
Group Vice President, North America Marketing, Sales and Service

Mr. O'Connor, 60, assumed his present position in May 2002. Prior to this appointment, he was Ford Motor Company vice president and president of Ford Division. Mr. O'Connor joined Ford in 1964 and progressed through a series of sales and marketing positions with Ford, Lincoln Mercury and Ford Parts and Service divisions. He was named vice president, Sales and Marketing, Ford of Canada in 1984, a position Mr. O'Connor held until 1986, when he returned to the United States as executive director, Marketing Staff. In 1988, Mr. O'Connor was appointed executive director, North American Automotive Operations, Marketing. He became general sales and marketing manager of the Ford Parts and Service Division in 1989. In 1990, he returned to Ford of Canada and was elected president. In October 1992, Mr. O'Connor was elected chief executive officer, Ford Motor Company of Canada. In February 1994, he was appointed executive director, Marketing Operations, Ford Automotive Operations. Mr. O'Connor was named a vice president of Ford Motor Company and president of Lincoln Mercury Division in April 1996.

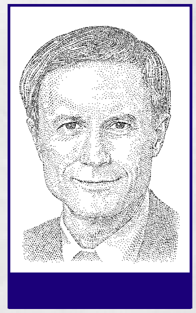
***Portraits and biographies of Messrs. Ford, Reichardt and Scheele appear on pages 26-27.**



Richard Parry-Jones

Group Vice President, Product Development and Chief Technical Officer

Mr. Parry-Jones, 51, has held his present position since August 1, 2001. Prior to this appointment, he was group vice president of Global Product Development and Quality. Previously, Mr. Parry-Jones was vice president of the European Vehicle Center from 1994 to 1998. He joined Ford's European Product Development Group in 1969 as an apprentice and, upon graduating, held a variety of positions in product planning, engineering and manufacturing operations, including international assignments.



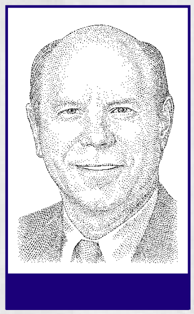
Donat R. Leclair

Vice President and Controller

Mr. Leclair, 51, assumed his present position in November 2001. Prior to this appointment, he was controller for Ford's North America Consumer Business Group. He also held positions of controller, Global Product Development and Manufacturing, and controller of Ford Australia. Mr. Leclair joined Ford in 1976 as a financial analyst at the Lorain (Ohio) Assembly Plant. He held various finance leadership positions in Product Development, Manufacturing, and Finance Staff.

Greg C. Smith

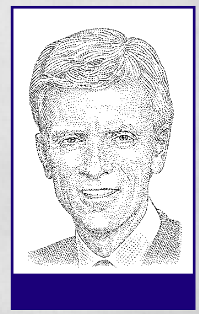
Group Vice President, Chairman, President and Chief Executive Officer Ford Motor Credit Company



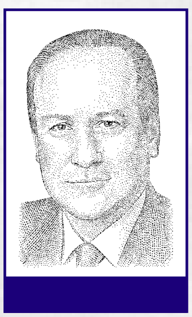
Mr. Smith, 51, assumed his present position in October 2002. Prior to this appointment, he served as president and chief operating officer of Ford Credit and a vice president of Ford Motor Company. Mr. Smith joined Ford in 1973 as an engineer with Truck Operations. He subsequently held a number of engineering and product planning positions within Truck Operations. In 1985, Mr. Smith became Truck and Powertrain Marketing Plans manager of Ford Division. From 1987 to 1989, he held management positions in Ford Division and Lincoln-Mercury Division. Mr. Smith was named director, Strategy and Advanced Planning for Car Product Development in 1990. In 1993, he was appointed executive director, Strategic Planning and External Affairs for Ford Credit. In 1994, Mr. Smith was named vice president, New Business Development for Ford Credit's Diversified Operations. In 1995, he was appointed executive vice president, International Financing Operations.

Dennis E. Ross

Vice President and General Counsel



Mr. Ross, 52, has held his present position since October 2000. Prior to this appointment, he served as vice president, chief tax officer. Mr. Ross joined Ford in May 1995. Prior to coming to Ford, Mr. Ross was a partner at the law firm of Davis Polk and Wardwell in New York from 1989 to 1995. He also served as tax legislative counsel and later deputy assistant secretary in the U.S. Treasury Department's Office of Tax Policy from 1986 to 1989.



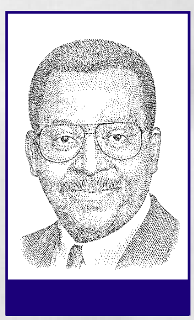
Martin B. Zimmerman

Group Vice President, Corporate Affairs

Mr. Zimmerman, 56, was appointed to his present position in November 2001. He was previously vice president, Governmental Affairs. Prior to this, Mr. Zimmerman was executive director, Governmental Relations and Corporate Economics. He joined Ford in 1987 as the company's chief economist. Before joining Ford, he was a professor and chairman of the Business Economics Department at the University of Michigan's Graduate School of Business Administration.

Joe W. Laymon

Vice President, Corporate Human Resources



Mr. Laymon, 50, assumed his present position in November 2001. He joined Ford in March 2000 as executive director, Human Resources Business Operations. Prior to joining Ford, Mr. Laymon worked for the U.S. State Department with assignments in Zaire and Washington D.C. He joined Xerox Corporation in 1979 serving in a number of senior human resources positions, including chief labor negotiator. Mr. Laymon then went to Kodak Company where he held positions as a director and a vice president within human resources.

other vice presidents

Marvin W. Adams
Chief Information Officer

William W. Boddie Jr.
North America Engineering

Lewis W. K. Booth
Vice President

Thomas K. Brown
Global Purchasing

Mei Wei Cheng
President, Ford Motor (China) Ltd.

Dennis Cirbes
Labor Affairs

Susan M. Cischke
Environmental and Safety Engineering

Robert A. Dover
President, Jaguar and Land Rover

John Fleming
Vice President, Manufacturing, Ford of Europe

Bennie W. Fowler
Jaguar and Land Rover Operations

Barbara L. Gasper
Investor Relations

Louise K. Goeser
Quality

Joseph Greenwell
Marketing and Operations

Janet M. Grissom
Washington Affairs

Lloyd E. Hansen
Revenue Management

Darryl B. Hazel
President, Lincoln and Mercury

Earl J. Hesterberg
Vice President, Marketing, Sales and Service, Ford of Europe

Derrick M. Kuzak
Vice President, Product Development, Ford of Europe

Martin Leach
President and COO, Ford of Europe

Kathleen A. Ligocki
Ford Customer Service Division

Stephen G. Lyons
President, Ford Division

Malcolm S. Macdonald
Finance and Treasurer

Philip R. Martens
Vehicle Product Development and Engineering

J C. Mays
Design

Timothy J. O'Brien
Corporate Relations

Hans-Olov Olsson
President, Volvo Cars

Shamel T. Rushwin
Vice President

Gerhard Schmidt
Research & Advanced Engineering

Mark A. Schulz
Ford Asia Pacific and South America Operations

Anne Stevens
North America Vehicle Operations

David T. Szczupak
Powertrain Operations

Chris P. Theodore
North America Product Development

Janet E. Valentic
Global Marketing

James G. Vella
Public Affairs

Alex P. Ver
Advanced Manufacturing Engineering

glossary

Brand
The identity of a consumer product or service that satisfies both tangible needs and emotional desires. Consumers exhibit brand loyalty more often than they exhibit manufacturer loyalty.

Brand marketing
Marketing in a manner that capitalizes on consumer image and identity, as opposed to product features alone.

Brownfield construction
Constructing a plant or company facility on land previously used by industry.

Consumer Driven 6-Sigma
Application of the Consumer Driven 6-Sigma statistical methodology is used to reduce process variability and waste for improved customer satisfaction. If a process is operating at 6-Sigma levels, it is producing just 3.4 defects per million opportunities. Problems are solved using the five distinct phases of Define, Measure, Analyze, Improve and Control. Approaching Consumer Driven 6-Sigma projects with this customer focus allows Ford Motor Company and its brands to realize significant improvements in customer satisfaction and bottom-line profitability.

Flexible manufacturing
A manufacturing system that allows Ford to match production capability with customer demand by equipping plants to change swiftly from one model to another with a minimum of downtime and physical retooling. The key is a standardized manufacturing process, along with common parts and common vehicle platforms. This means Ford can significantly reduce manufacturing costs and deliver new products to our customers faster.

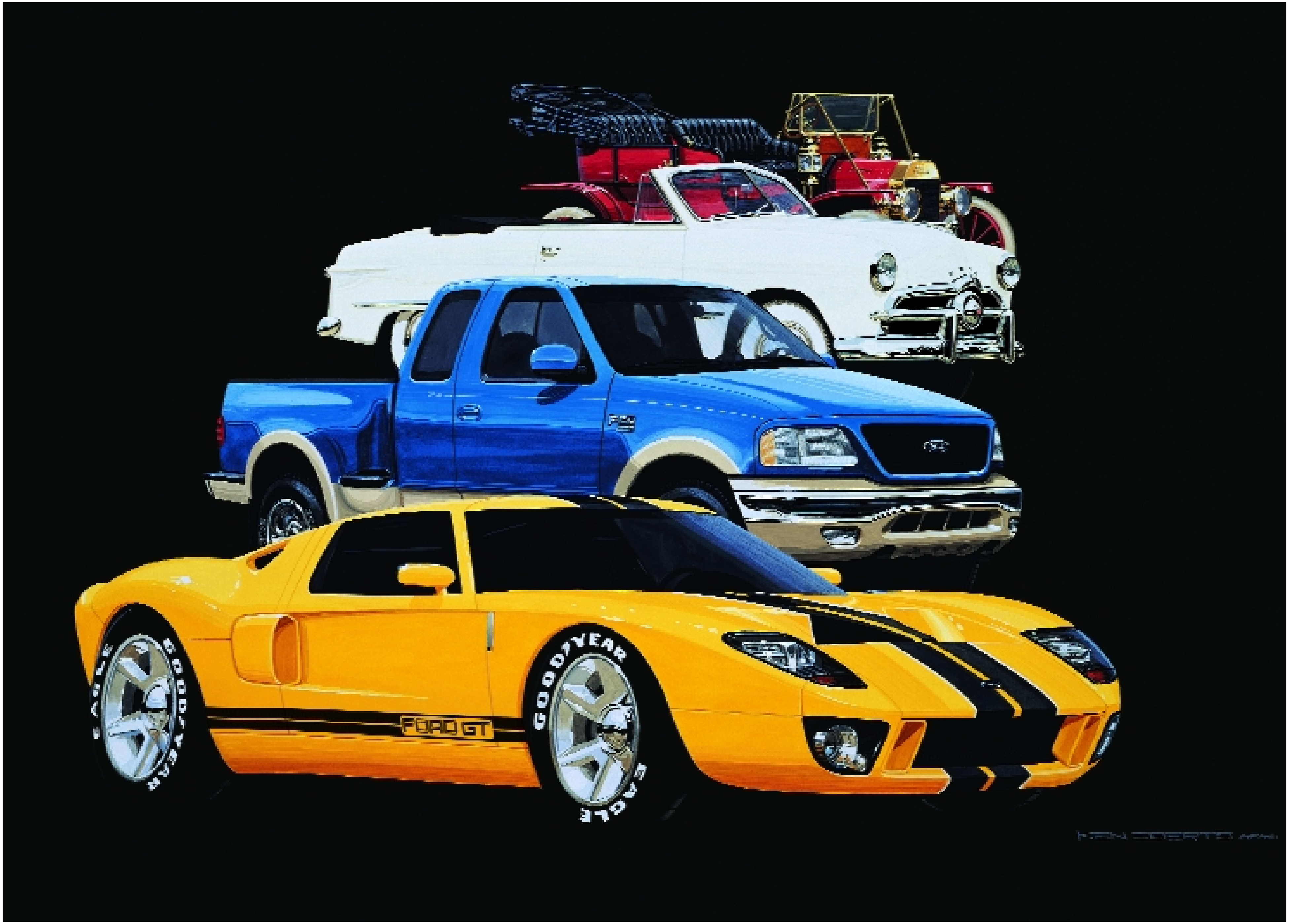
Fuel cell
Ford currently has several highly successful development vehicles that deliver performance comparable to internal combustion engine (ICE) vehicles, but are powered by electric motors running on current generated through permeable electron membrane (PEM) hydrogen fuel cells. In these vehicles gaseous hydrogen is not burned, as it would be in a hydrogen internal-combustion engine. Rather, hydrogen and oxygen molecules undergo electronic exchange on either side of a membrane, and this process creates electricity to power a motor. When the fuel used is gaseous hydrogen in combination with oxygen derived from the air, the only by-product is water, making fuel-cell technology a true zero-emission process.

Greenfield construction
Constructing a plant or facility on vacant land previously unused for industrial purposes.

Hybrid
A hybrid vehicle derives its propulsion from a combination of two or more separate powertrains. Ford is concentrating on hybrids using internal-combustion engines supplemented by electric motors. These motors run on batteries recharged as the vehicle operates, and the assistance of the electric motors greatly enhances the vehicle's range, performance and fuel economy. Our first production hybrid vehicle will be the 2005 Ford Escape Hybrid, which will also be the world's first hybrid SUV.

Lean manufacturing
The application of a number of proven manufacturing principles to improve efficiency and reduce the time it takes to go from raw materials and basic components to a finished product. This reduces the time it takes to put a finished product into the hands of the consumer.

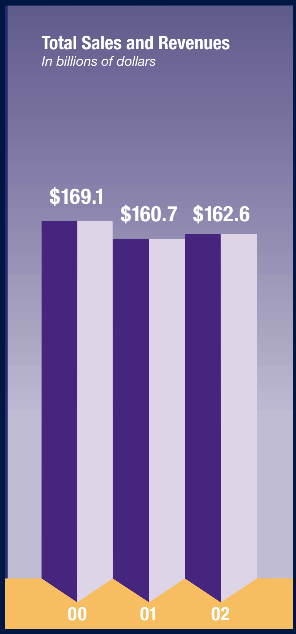
Team Value Management
A philosophy under which Ford's purchasing, engineering, manufacturing and finance staffs are effectively integrated with suppliers in commodity-focused teams to identify waste in the entire value chain and work together to achieve better-value products and further quality improvements. Team Value Management (TVM) is a total-process approach to achieve higher quality at the best possible cost, without adversely affecting the profitability of valued suppliers.



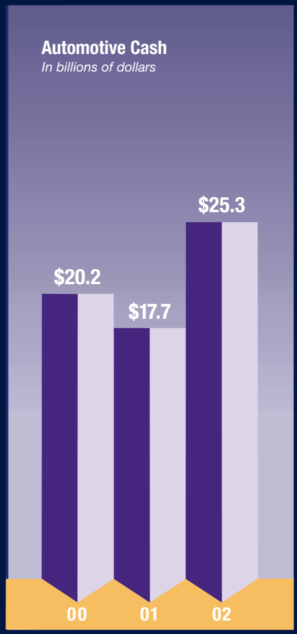
Ford Motor Company Centennial Series *1903–2003* by Ken Eberts

Ford Motor Company
100 YEARS

Financial Contents

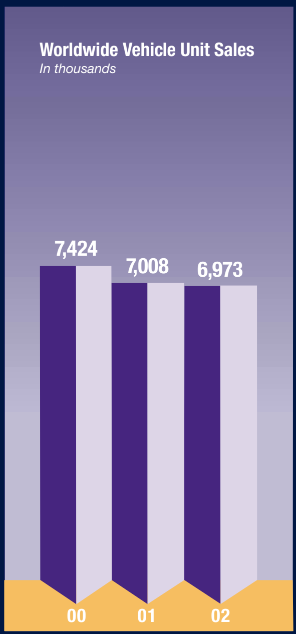


Total company sales revenue was $162.6 billion in 2002, up 1.1% from $160.7 billion in 2001 — but down 3.8% from the 2000 sales record.

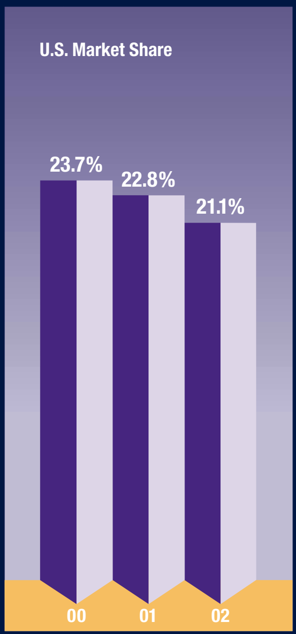


Ford ended the year with automotive gross cash, marketable securities and assets held in a VEBA trust of $25.3 billion, up $7.6 billion from 2001.

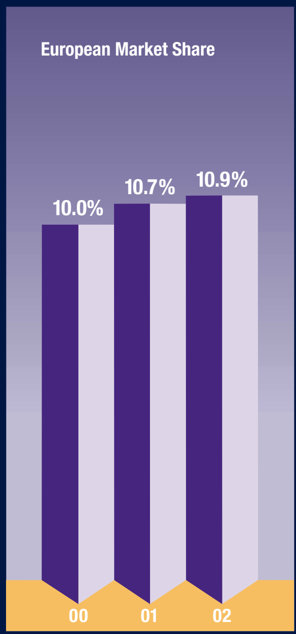
Automotive capital spending in 2002 was $6.8 billion, up $475 million from 2001.



Worldwide vehicle unit sales in 2002 were down 35,000 units from 2001.



Ford ranks second in the U.S. market with a combined car and truck market share of 21.1%.



Ford ranks fourth in the European market with a combined car and truck market share of 10.9%.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The presentation below, consistent with our prior periodic reports, provides a geographical split of our Automotive operations, reflecting the results of our various automotive affiliates grouped by legal domicile.

The results of our continuing operations exclude the results of discontinued and held-for-sale operations, which are described in Note 3 of the Notes to our Financial Statements.

FOURTH QUARTER 2002 RESULTS OF OPERATIONS

Our worldwide losses were $130 million in the fourth quarter of 2002, or $0.07 per diluted share of Common and Class B Stock. In the fourth quarter of 2001, losses were $5,068 million, including charges of $4,106 million primarily related to our Revitalization Plan, or $2.81 per diluted share. Worldwide sales and revenues were $41.6 billion in the fourth quarter of 2002, up $869 million, reflecting primarily improvement in net pricing and mix. Unit sales of cars and trucks were 1,791,000, down 21,000 units, due to reduced U.S. and European industry volume, and reduced U.S. market share, partially offset by a fourth quarter 2002 increase in U.S. dealer inventories (23,000 units) and the non-recurrence of a reduction in U.S. dealer inventories in the fourth quarter of 2001 (101,000 units).

Results of our operations by business sector for the fourth quarter of 2002 and 2001 are shown below (in millions):

	Fourth Quarter Net Income/(Loss)		
	2002	2001	2002 Over/(Under) 2001
Automotive sector	**$ (342)**	$ (4,667)	$ 4,325
Financial Services sector	**331**	(364)	695
Income/(loss) from continuing operations	**(11)**	(5,031)	5,020
Income/(loss) from discontinued and held-for-sale operations*	**(15)**	(37)	22
Loss on disposal of discontinued and held-for-sale operations*	**(104)**	-	(104)
Total Company net income/(loss)	**$ (130)**	$ (5,068)	$ 4,938

* *See Note 3 of the Notes to our Financial Statements for a discussion of these discontinued and held-for-sale operations.*

AUTOMOTIVE SECTOR

Worldwide losses for our Automotive sector were $342 million in the fourth quarter of 2002 on sales of $34.7 billion. Losses in the fourth quarter of 2001 were $4,667 million on sales of $33.6 billion.

Details of our geographic Automotive sector operations for the fourth quarter of 2002 and 2001 are shown below (in millions):

	Fourth Quarter Income/(Loss) from Continuing Operations		
	2002	2001	2002 Over/(Under) 2001
North American Automotive	**$ (49)**	$ (4,024)	$ 3,975
Automotive Outside North America			
Europe	**(363)**	59	(422)
South America	**(11)**	(598)	587
Rest of World	**81**	(104)	185
Total Automotive Outside North America	**(293)**	(643)	350
Total Automotive sector	**$ (342)**	$ (4,667)	$ 4,325

The improved fourth quarter results in our North American automotive operations reflected primarily the non-recurrence of the 2001 asset impairments and other one-time charges that were primarily related to our Revitalization Plan, as well as improvements in cost performance (primarily lower costs related to warranty coverages and additional service actions), net revenue and vehicle mix. These were offset partially by lower unit sales volume in 2002 due primarily to lower U.S. industry demand (down 400,000 units to 17.1 million units on a seasonally adjusted annual basis) and lower market share (down 1.6 percentage points to 21.2%) for Ford, Lincoln and Mercury brand vehicles, compared with 2001 levels.

The decrease in fourth quarter results in Europe reflected charges related to restructuring actions involving our Ford-brand Europe and Premier Automotive Group operations, as well as a less favorable vehicle mix and lower production for dealer inventories. These were partially offset by a higher European market share (up 0.6 percentage points to 10.6%) for all vehicle brands.

The fourth quarter restructuring charges in Europe discussed above totaled $117 million for Ford-brand operations and $106 million for Premier Automotive Group operations, with each primarily reflecting employee separation costs. In the case of Ford-brand operations, the employee separation costs were incurred primarily in preparation for the planned transfer of production of the Transit vehicle from our Genk, Belgium facility to a facility owned by an unconsolidated joint venture in Turkey–Ford Otosan–in which we have a 41% equity interest.

Our Automotive sector losses in South America were $11 million from operations in the fourth quarter of 2002, compared with a loss of $598 million for the same period one year ago. The improvement reflected primarily the non-recurrence of the 2001 asset impairments and other restructuring charges that were largely related to our Revitalization Plan and the reversal of accruals related to trade tariffs as a result of the settlement between Brazil and Argentina of MERCOSUR trade balance rules. The results also reflected improved operating fundamentals, partially offset by lower industry volumes. The earnings improvement of $185 million in Rest of World reflected primarily the non-recurrence of a Mazda pension-related charge in the fourth quarter of 2001.

FINANCIAL SERVICES SECTOR
Details of our Financial Services sector earnings from continuing operations are shown below (in millions):

	Fourth Quarter Income/(Loss) from Continuing Operations		
	2002	2001	2002 Over/(Under) 2001
Ford Credit	**$ 372**	$ (301)	$ 673
Hertz	**16**	(58)	74
Minority interests and other	**(57)**	(5)	(52)
Total Financial Services sector	**$ 331**	$ (364)	$ 695

Ford Credit's consolidated income from continuing operations in the fourth quarter of 2002 was $372 million, compared with a loss of $301 million in 2001, which included charges associated with the Revitalization Plan ($204 million). Apart from the non-recurrence of last year's Revitalization Plan charges, the improvement reflected a lower provision for credit losses, lower charges from hedging activities, and the net favorable impact of receivables sales, offset partially by lower net financing margins.

Earnings at Hertz in the fourth quarter of 2002 were $16 million, compared with a loss of $58 million a year ago. The profit increase was primarily due to improved worldwide car rental volume and pricing, the continued recovery from the adverse impact the terrorist attacks of September 11, 2001 had on business travel during the fourth quarter of 2001, and cost reductions.

Included in the $57 million loss for "minority interests and other" within the Financial Services sector incurred in the fourth quarter of 2002 is an after-tax charge related to our equity interest in a partnership that holds diversified financing assets. This partnership owns leased assets, primarily leveraged leases involving aircraft, power generation, rail, shipping, and telecommunications equipment. These are assets that we retained in connection with our sale of the assets of USL Capital Corporation in 1996. The charge, totaling $40 million after-tax, is specifically related to aircraft leases to United Airlines (twelve aircraft), which is in bankruptcy.

FULL-YEAR 2002 RESULTS OF OPERATIONS

Our worldwide sales and revenues were $162.6 billion in 2002, up $1.8 billion from 2001. The increase is explained by higher Automotive revenues, reflecting higher unit sales volume and improved vehicle mix in North America, partially offset by lower financial services revenues resulting from increased sales of receivables. We sold 6,973,000 cars and trucks in 2002, down 35,000 units from 2001.

Results of our operations by business sector for 2002, 2001, and 2000 are shown below (in millions):

	Automotive Sector			Financial Services Sector			Total		
	2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Income/(loss) from continuing operations	**$ (987)**	$ (6,155)	$ 3,664	**$ 1,271**	$ 806	$ 1,792	**$ 284**	$ (5,349)	$ 5,456
Income/(loss) from discontinued and held-for-sale operations	**(93)**	(112)	269	**30**	8	(6)	**(63)**	(104)	263
Loss on disposal of discontinued and held-for-sale operations	**(168)**	-	(2,252)	**(31)**	-	-	**(199)**	-	(2,252)
Cumulative effect of change in accounting principle*	**(708)**	-	-	**(294)**	-	-	**(1,002)**	-	-
Total Company net income/(loss)	**$ (1,956)**	$ (6,267)	$ 1,681	**$ 976**	$ 814	$ 1,786	**$ (980)**	$ (5,453)	$ 3,467

* *See Note 7 of the Notes to our Financial Statements for a discussion of impairment of goodwill pursuant to the adoption of SFAS No. 142, to which this relates.*

The following unusual items were included in our 2002, 2001, and 2000 income from continuing operations (in millions):

	Automotive Sector					
	North America	Europe	South America	Rest of World	Total Auto Sector	Financial Services Sector
2002						
Derivative instruments (SFAS No. 133) ongoing effects	**$ (57)**				**$ (57)**	**$ (141)**
Interest income on U.S. federal tax refund	**142**				**142**	
Loss on sale of Kwik-Fit and other businesses	**(15)**	**$ (510)**			**(525)**	
European end-of-life accrual		**(46)**			**(46)**	
Europe and PAG restructuring		**(223)**			**(223)**	
Total 2002 unusual items	**$ 70**	**$ (779)**	**$ -**	**$ -**	**$ (709)**	**$ (141)**
2001						
Derivative instruments (SFAS No. 133) transition adjustment and ongoing effects	$ (95)				$ (95)	$ (157)
Mazda restructuring actions in the second quarter				$ (114)	(114)	
Write-down of E-commerce and Automotive-related ventures in the third quarter	(199)				(199)	
Revitalization Plan and other fourth quarter charges*	(3,149)		$ (552)	(201)	(3,902)	(204)
Total 2001 unusual items	$ (3,443)	$ -	$ (552)	$ (315)	$ (4,310)	$ (361)
2000						
Asset impairment and restructuring costs for Ford-brand operations in Europe in the second quarter		$ (1,019)			$ (1,019)	
Inventory-related profit reduction for Land Rover in the third quarter	$ (13)	(76)		$ (17)	(106)	
Write-down of assets associated with the Nemak joint venture in the fourth quarter	(133)				(133)	
Total 2000 unusual items	$ (146)	$ (1,095)	$ -	$ (17)	$ (1,258)	$ -

* *Included pre-tax charges for fixed-asset impairments in our North American and South American Automotive operations ($3.1 billion and $700 million, respectively), precious metals impairment ($1.0 billion), employee separation charges ($600 million) and other charges ($300 million)*

We established and communicated the financial milestones for 2002. Our results against these milestones, excluding the unusual items described above, are listed below.

	2002 Milestone	Achieved
Restructuring Priorities		
Communicate/implement plans	Report on progress	Yes
Quality (U.S.)	Improve J.D. Power Initial Quality Survey	Yes
Capacity utilization (North America)	Improve by 10%	Yes
Non-product-related cost	Reduce by $2 billion	Yes
Divest non-core operations	$1 billion cash realization	Yes*
Financial Results		
Corporate		
Pre-tax earnings	Positive	Yes
Capital spending	$7 billion	Yes
Europe	Improve results	No
South America	Improve results	No

** In 2002, we received about $930 million in cash proceeds and entered into commitments from third parties to receive the balance in 2003.*

AUTOMOTIVE SECTOR RESULTS OF OPERATIONS

Details of our Automotive sector geographic earnings from continuing operations for 2002, 2001, and 2000 are shown below (in millions):

	Income/(Loss) from Continuing Operations		
	2002	2001	2000
North American Automotive	**$ (278)**	$ (5,488)	$ 4,909
Automotive Outside North America			
Europe	**(725)**	268	(1,115)
South America	**(295)**	(776)	(236)
Rest of World	**311**	(159)	106
Total Automotive Outside North America	**(709)**	(667)	(1,245)
Total Automotive sector	**$ (987)**	$ (6,155)	$ 3,664

2002 COMPARED WITH 2001

Worldwide losses from continuing operations for our Automotive sector were $987 million in 2002 on sales of $134.4 billion, compared with losses of $6,155 million in 2001 on sales of $130.8 billion.

Our automotive sector losses from continuing operations in North America were $278 million in 2002 on sales of $94.1 billion, compared with losses of $5,488 million in 2001 on sales of $90.8 billion. The improvement in earnings reflected primarily the non-recurrence of the 2001 asset impairments and other one-time charges largely related to our Revitalization Plan, as well as the non-recurrence of costs related to our 2001 Firestone tire replacement action (about $2 billion). Additionally, profits improved due to achievement of our 2002 milestone to reduce non-product costs by $2 billion and the replenishment of dealer inventories in the U.S., which were unusually low at year-end 2001. These improvements were partially offset by increased product-related costs and lower market share. Net pricing (per vehicle, at constant mix) was about the same as 2001 levels, with pricing improvements being offset by higher variable marketing costs.

In 2002, approximately 17.1 million new cars and trucks were sold in the United States, down from 17.5 million units in 2001. Our share of those unit sales was 21.1% in 2002, down 1.7 percentage points from a year ago. The decline in market share reflected a number of factors, including an increase in the number of new competitive product offerings and our discontinuation of four vehicle lines (Mercury Cougar, Mercury Villager, Lincoln Continental and most models of the Ford Escort). Marketing costs for our Ford, Lincoln and Mercury brands increased to 15.8% of sales of those brands, up from 14.7% a year ago, reflecting continuing competitive pressures in the United States.

Our automotive sector losses in Europe were $725 million from continuing operations in 2002, compared with earnings of $268 million a year ago. The decrease reflected primarily the loss related to our sale of Kwik-Fit, charges related to restructuring actions involving our Ford-brand Europe and Premier Automotive Group operations (discussed above), as well as a less favorable vehicle mix primarily at Jaguar and lower production to reduce dealer inventories.

In 2002, approximately 17.2 million new cars and trucks were sold in our nineteen primary European markets, down from 17.8 million units in 2001. Our share of those unit sales was 10.9% in 2002, up 0.3 percentage points from a year ago, due primarily to share improvement for Ford-brand vehicles (up 0.1 percentage points to 8.7%), Jaguar brand vehicles (up 0.1 percentage points to 0.3%) and Volvo brand vehicles (up 0.1 percentage points to 1.4%).

Our Automotive sector losses from continuing operations in South America were $295 million in 2002, compared with losses of $776 million in 2001. The improvement reflected primarily the non-recurrence of the 2001 asset impairments and other one-time charges largely related to our Revitalization Plan. The results also reflected the adverse effects of currency devaluation, partially offset by continuing improvement in operating fundamentals.

In 2002, approximately 1.5 million new cars and trucks were sold in Brazil, compared with 1.6 million in 2001. Our share of those unit sales was 10.3% in 2002, up 2.1 percentage points from a year ago. The increase in market share reflected market acceptance of our new Ford Fiesta model and strong sales performance.

Automotive sector earnings from continuing operations outside North America, Europe, and South America ("Rest of World") were $311 million in 2002, compared with losses of $159 million in 2001. The improvement reflected primarily the non-recurrence of the 2001 pension and restructuring related charges at Mazda, as well as net revenue and volume improvements throughout our Asia Pacific operations and operating improvements at Mazda.

New car and truck sales in Australia, our largest market in Rest of World, were approximately 824,000 units in 2002, up about 51,000 units from a year ago. In 2002, our combined car and truck market share in Australia was 14.3%, down 0.8 percentage points from 2001, reflecting primarily strong competitive pressures in the small car segment and the truck segment.

2001 COMPARED WITH 2000

Worldwide losses from continuing operations for our Automotive sector were $6,155 million in 2001 on sales of $130.8 billion, compared with earnings of $3,664 million in 2000 on sales of $140.8 billion. Adjusted for constant volume and mix and excluding unusual items and costs related to our Firestone tire replacement action, our total costs in the Automotive sector increased $1.0 billion compared with 2000.

Our Automotive sector losses from continuing operations in North America were $5,488 million in 2001 on sales of $90.8 billion, compared with earnings of $4,909 million in 2000 on sales of $103.8 billion. The earnings deterioration reflected primarily lower vehicle unit sales volumes, the charges associated with the Revitalization Plan and the other charges outlined above, significantly increased marketing costs, costs associated with the Firestone tire replacement action and increased costs associated with warranty and additional service actions.

In 2001, approximately 17.5 million new cars and trucks were sold in the United States, down from 17.8 million units in 2000. Our share of those unit sales was 22.8% in 2001, down 0.9 percentage points from a year ago, due primarily to increased competition resulting from new model entrants into the truck and sport utility vehicle segments, as well as the continued weakness of the Japanese yen, which creates favorable pricing opportunities for our Japanese competitors. Marketing costs for our Ford, Lincoln and Mercury brands increased to 14.7% of sales of those brands, up from 11.1% a year ago, reflecting increased competitive pricing in the form of subsidized financing and leasing programs (such as 0.0% financing during the fourth quarter), cash rebates and other incentive programs.

Our Automotive sector earnings in Europe were $268 million from continuing operations in 2001, compared with losses of $1,115 million a year ago. The increase reflected the non-recurrence of the 2000 charge related to asset impairments and restructuring, as well as increased vehicle unit sales and the effect on depreciation from last year's asset impairment and restructuring actions.

In 2001, approximately 17.8 million new cars and trucks were sold in our nineteen primary European markets, down from 17.9 million units in 2000. Our share of those unit sales was 10.7% in 2001, up 0.7 percentage points from a year ago, reflecting increased sales of new Ford-brand Mondeo and Transit models and our acquisition of Land Rover.

Our Automotive sector losses in South America were $776 million from continuing operations in 2001, compared with a loss of $236 million in 2000. The decrease is more than explained by asset impairment charges and the devaluation of the Argentine peso.

In 2001, approximately 1.6 million new cars and trucks were sold in Brazil, compared with 1.5 million in 2000. Our share of those unit sales was 8.2% in 2001, down 1.4 percentage points compared with 2000. The decline in market share reflected new and existing manufacturers who are aggressively competing for market share.

Automotive sector losses from continuing operations outside North America, Europe, and South America ("Rest of World") were $159 million in 2001, compared with earnings of $106 million in 2000. The earnings deterioration reflected Ford's share of a non-cash charge relating to Mazda's pension expenses and other restructuring actions at Mazda.

New car and truck sales in Australia, our largest market in Rest of World, were approximately 773,000 units in 2001, down about 14,000 units from a year ago. In 2001, our combined car and truck market share in Australia was 15.1%, down 0.6 percentage points from 2000, reflecting primarily share deterioration in the full-size car segment due to continued aggressive competition.

FINANCIAL SERVICES SECTOR RESULTS OF OPERATIONS

Our Financial Services sector consists primarily of two segments, Ford Credit and Hertz. Details of our Financial Services sector earnings from continuing operations for 2002, 2001, and 2000 are shown below (in millions):

	Income/(Loss)from Continuing Operations		
	2002	2001	2000
Ford Credit	**$ 1,235**	$ 831	$ 1,542
Hertz	**127**	23	358
Minority interests and other	**(91)**	(48)	(108)
Total Financial Services sector	**$ 1,271**	$ 806	$ 1,792

2002 COMPARED WITH 2001

Ford Credit's consolidated income from continuing operations was $1,235 million, up $404 million from 2001. Apart from the non-recurrence of last year's Revitalization Plan charges, the improvement in earnings reflected primarily a lower provision for credit losses, offset partially by the net unfavorable impact of receivable sales and lower net financing margins.

Revenue from the sale of finance receivables includes the gain on sales of finance receivables through securitizations and whole-loan sale transactions and servicing fee income from sold receivables that Ford Credit continues to service. Gains or losses on sales of receivables are recognized in the period in which they are sold. In addition, the sale of finance receivables through securitization transactions provides revenue from the interest earned on securities sold by the securitization entity that Ford Credit retains, our undivided interest in wholesale receivables, and other income related to interest-only assets. Interest-only assets, also referred to as excess spread, represent Ford Credit's right to receive collections on sold receivables that are in excess of the amount needed to pay principal and interest payments to investors and servicing fees.

As shown below, total revenue related to receivables sales was $2,610 million in 2002, compared with $1,433 million and $557 million in 2001 and 2000, respectively. The increase in 2002 resulted from the growth in Ford Credit's outstanding sold receivables balances over the last two years. Gains on sales of receivables in 2002 were about the same as those in 2001, reflecting lower gains per dollar of retail receivables sold (about 1.9% in 2002, compared with 2.2% in 2001).

Ford Thunderbird

Sales of receivables reduce Ford Credit's financing revenues in the year the receivables are sold, as well as in future years, compared with what they otherwise would be if Ford Credit continued to own the receivables. These foregone revenues can reduce financing margins and offset any positive impact associated with the gain on sales of receivables. The net impact of securitizations on Ford Credit's revenues and earnings in a given year will vary depending on the amount, type of receivable and timing of securitizations in the current year and the preceding two to three year period, as well as the interest rate environment at the times the finance receivables were originated and securitized. The following table shows the estimated after-tax impact of sales of receivables through securitizations and whole-loan sale transactions for the years indicated, net of the effect of reduced financing margins resulting from the foregone revenue attributable to the sold receivables (in millions):

	2002	2001	2000
Gain on sales of receivables	**$ 728**	$ 739	$ 14
SFAS No. 133 fair value basis adjustment	**(199)**	(327)	-
Net gain on sales of receivables	**$ 529**	$ 412	$ 14
Servicing fees	**700**	456	190
Interest income from retained securities	**606**	379	152
Excess spread and other	**775**	186	201
Total revenue related to receivables sales	**$ 2,610**	$ 1,433	$ 557
Reduction in financing margin from current-year securitizations*	**(968)**	(1,059)	(243)
Reduction in financing margin from prior-year securitizations*	**(1,967)**	(611)	(521)
Pre-tax impact of receivable sales	**(325)**	(237)	(207)
Tax	**120**	88	77
After-tax impact of receivable sales	**$ (205)**	$ (149)	$ (130)
Memo:			
After-tax impact of sales of receivables excluding SFAS No. 133	**$ (79)**	$ 57	$ (130)

** Calculated on a basis using a borrowing cost equal to the actual financing rate paid to securitization investors, which was significantly lower than Ford Credit's average borrowing cost for unsecured debt for the years presented. If calculated on a basis using Ford Credit's average borrowing cost for unsecured debt, thereduction in financing margin from securitization would be significantly lower and the estimated after-tax impact of receivable sales would be significantly higher than the amounts shown.*

Earnings at Hertz in 2002, before the cumulative effect of a change in accounting principle, were $127 million. The Hertz results shown here include amortization of intangibles at Ford FSG, Inc., Hertz' parent company, which is not applicable to Hertz' financial statements. Results for Hertz in 2002 included a $294 million non-cash charge related to impairment of goodwill in Hertz' industrial and construction equipment rental business in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. In 2001, Hertz had earnings of $23 million. The increase in earnings, before the change in accounting principle, was principally due to an improved car rental pricing environment and lower costs.

Included in the $91 million loss for "minority interests and other" within the Financial Services sector for 2002 is an after-tax charge related to our equity interest in a partnership that holds diversified financing assets. These are assets that we retained in connection with our sale of the assets of USL Capital Corporation in 1996. The charge, totaling $95 million after-tax, is specifically related to aircraft leases to United Airlines (twelve aircraft) and US Airways (five aircraft) which are in bankruptcy, and telecommunications equipment leases to a WorldCom subsidiary. In all, the partnership has leased 69 aircraft to 11 lessees, primarily to U.S.-based airlines; our share of the partnership's remaining investment in aircraft leases is about $350 million.

2001 COMPARED WITH 2000

Ford Credit's consolidated income from continuing operations in 2001 was $831 million, down $711 million or 46% from 2000. Excluding Ford Credit's share of the charges associated with the Revitalization Plan, net income was about $1 billion, down $507 million compared with 2000, due primarily to a higher provision for credit losses and the net unfavorable impact of SFAS No. 133 from hedging activity, offset partially by favorable earnings effects related to securitization transactions, higher financing volumes of finance receivables and operating leases and improved financing margins.

Earnings at Hertz in 2001 were $23 million. In 2000, Hertz had earnings of $358 million. The decrease in earnings was primarily due to lower car rental volume in the United States, reflecting the adverse impact on business travel and downward pricing pressure due to the slowdown in the United States economy and the adverse impact of the terrorist attacks.

LIQUIDITY AND CAPITAL RESOURCES

AUTOMOTIVE SECTOR

For the Automotive sector, liquidity and capital resources include gross cash balances, cash generated from operations, our ability to raise funds in capital markets and committed credit lines.

Gross Cash–Automotive gross cash includes cash and marketable securities and assets contained in a Voluntary Employee Beneficiary Association ("VEBA") trust, which are financial assets available to fund certain future employee benefit obligations in the near term, as summarized below (in billions):

	December 31,		
	2002	2001	2000
Cash and cash equivalents	**$ 5.2**	$ 4.1	$ 3.4
Marketable securities	**17.4**	10.9	13.1
VEBA	**2.7**	2.7	3.7
Gross cash	**$ 25.3**	$ 17.7	$ 20.2

In managing our business, we classify changes in gross cash in three categories: operating (including capital expenditures and capital transactions with the Financial Services sector), acquisitions and divestitures, and financing. Changes for the last three years are summarized below (in billions):

	December 31,		
	2002	2001	2000
Gross cash at end of period	**$ 25.3**	$ 17.7	$ 20.2
Gross cash at beginning of period	**17.7**	20.2	25.4
Total change in gross cash	**$ 7.6**	$ (2.5)	$ (5.2)
Operating related cash flows			
Automotive net income/(loss)	**$ (2.0)**	$ (6.3)	$ 1.7
Non-cash, one-time charges	**1.7**	4.3	3.5
Depreciation and special tools amortization	**4.9**	5.0	5.1
Changes in receivables, inventory and trade payables	**(1.8)**	4.4	(0.5)
Other – primarily expense and payment timing differences	**3.8**	(0.1)	3.7
Capital transactions with Financial Services sector*	**0.4**	0.4	0.7
Capital expenditures	**(6.8)**	(6.3)	(7.4)
Total operating related cash flows before tax refunds	**0.2**	1.4	6.8
Tax refunds	**2.6**	-	-
Total operating related cash flows	**2.8**	1.4	6.8
Divestitures and asset sales	**0.9**	0.4	-
Acquisitions and capital contributions	**(0.3)**	(2.7)	(2.7)
Financing related cash flows			
Convertible trust preferred securities	**4.9**	-	-
Value Enhancement Plan	**-**	-	(5.6)
Dividends to shareholders	**(0.7)**	(1.9)	(2.8)
Net issuance/(purchase) of stock	**0.1**	(1.4)	(1.2)
Changes in total Automotive sector debt	**(0.1)**	1.7	0.3
Total financing related cash flows	**4.2**	(1.6)	(9.3)
Total change in gross cash	**$ 7.6**	$ (2.5)	$ (5.2)

* *Includes the net of capital contributions, dividends, loans and loan repayments.*

In 2002, we had non-cash one-time charges of $1.7 billion, reflecting primarily impairment of goodwill and other intangible assets under SFAS 142, *Goodwill and Other Intangible Assets* (which eliminates amortization of goodwill and certain other intangible assets, but requires annual testing for impairment), losses on the sales of Kwik-Fit and other businesses, and restructuring charges in our Ford-brand European Automotive operations and Premier Automotive Group operations.

Timing differences between the recognition of certain expenses or revenue reductions and their corresponding cash payments are recognized in operating related cash flows. In 2002, these differences and other miscellaneous items improved our operating related cash flows by $3.8 billion, denoted as "Other" in the table above. These timing differences arise primarily from accrual of health care, marketing, warranty and additional service action costs before the corresponding cash payments are required to be made.

In 2002, we spent $6.8 billion for Automotive sector capital goods, such as machinery, equipment, tooling and facilities. This was up $500 million from 2001, reflecting primarily increased spending on new products consistent with our product-led revitalization. Capital expenditures were 5.0% of sales in 2002, up 0.2 percentage points from a year ago.

During 2002, we received $4.9 billion of net proceeds from the issuance of our 6.5% Cumulative Convertible Trust Preferred Securities and about $2.6 billion of income tax refunds. These two factors alone explain substantially all of the $7.6 billion increase in our gross cash balances during 2002.

Capital transactions with the Financial Services sector improved cash flow by $400 million, reflecting primarily dividends from Ford Credit, net of a $700 million cash contribution from Ford indirectly to Ford Credit in January 2002.

Shown in the table below is a reconciliation between operating related cash flow above and financial statement cash flows from operating activities before securities trading (in billions):

	Full Year	
	2002	2001
Operating related cash flows	**$ 2.8**	$ 1.4
Items Ford includes in operating related cash flow		
Capital transactions with Financial Services sector	**(0.4)**	(0.4)
Capital expenditures	**6.8**	6.3
Net transactions between Automotive and Financial Services sectors*	**0.1**	(0.6)
Other, primarily exclusion of cash in-flows from VEBA draw-down	**0.2**	0.8
Total reconciling items	**6.7**	6.1
Cash flows from operating activities before securities trading	**$ 9.5**	$ 7.5

** Primarily payables and receivables between the sectors in the normal course of business, as shown in our sector statement of cash flows.*

Debt and Net Cash–At December 31, 2002, our Automotive sector had total debt of $14.2 billion, up $400 million from a year ago. The weighted average maturity of our long-term debt, substantially all of which is fixed-rate debt, is approximately 27 years with about $1.1 billion maturing by December 31, 2007. The weighted average maturity of total debt (long-term and short-term) is approximately 26 years. At December 31, 2002, our Automotive sector had net cash (defined as gross cash less total debt) of $11.1 billion, compared with $3.9 billion and $8.1 billion at the end of 2001 and 2000, respectively.

Credit Facilities–At December 31, 2002, the Automotive sector had $7.8 billion of contractually committed credit agreements with various banks; eighty-eight percent of the total facilities are committed through June 30, 2007. Ford has the ability to transfer on a non-guaranteed basis $7.2 billion of these credit lines to Ford Credit or FCE Bank, plc, Ford Credit's European operation ("FCE"). All of our global credit facilities are free of material adverse change clauses and restrictive financial covenants (for example, debt-to-equity limitations, minimum net worth requirements and credit rating triggers that would limit out ability to borrow). Approximately $100 million of these facilities were in use at December 31, 2002.

Other Securities–Ford Motor Company Capital Trust I and Ford Motor Company Capital Trust II together have outstanding an aggregate $5.7 billion of trust preferred securities as described in Note 14 of the Notes to our Financial Statements. These securities are not included in the total debt amounts discussed above. In addition, during the fourth quarter of 2002, we redeemed our Series B Cumulative Preferred Stock for an aggregate redemption price of $177 million.

FINANCIAL SERVICES SECTOR

Ford Credit

Debt and Cash–Ford Credit's total debt was $140.3 billion at December 31, 2002, down $5.5 billion compared with a year ago. Ford Credit's outstanding commercial paper (not including commercial paper issued to affiliates) at December 31, 2002 totaled $8.2 billion. The average remaining maturity of Ford Credit's commercial paper in North America and Europe was 34 days. At December 31, 2002, Ford Credit had cash and cash equivalents of $6.8 billion. In the normal course of its funding activities, Ford Credit may generate more proceeds than are necessary for its immediate funding needs. This excess funding is referred to as "overborrowings." Of the $6.8 billion of cash and cash equivalents, $5 billion represented overborrowings, while the remaining $1.8 billion was employed in operating activities.

Funding–Ford Credit requires substantial funding in the normal course of business. Ford Credit's funding requirements are driven mainly by the need to (i) purchase retail installment sale contracts and vehicle leases to support the sale of Ford products, which to a large extent are influenced by Ford-sponsored special financing and leasing programs that are available exclusively through Ford Credit, (ii) provide vehicle inventory and capital financing for Ford dealers, and (iii) repay its debt obligations.

Funding sources for Ford Credit include the sale of commercial paper, issuance of term debt, the sale of receivables in securitization transactions and, in the case of FCE, the issuance of certificates of deposit. These funds are obtained from investors in various markets.

Ford Credit's commercial paper issuances are used to meet short-term funding needs. Ford Credit has commercial paper programs in the United States, Europe, Canada and other international markets. It reduced the amount of its outstanding global unsecured commercial paper from $15.7 billion at the end of 2001 to $8.2 billion ($3.4 billion net of overborrowings and including commercial paper sold to other Ford affiliates) at December 31, 2002 by replacing such funding with term-debt and proceeds from the sale of receivables. During 2003, Ford Credit plans to have commercial paper outstanding at levels of around $5 billion to $7 billion, net of overborrowings. Ford Credit also obtains short-term funding through the issuance of variable denomination, floating rate demand notes through its Ford Money Market Account program. At December 31, 2002, $5.1 billion of such notes were outstanding. Bank borrowings are an additional source of short-term funding in certain international markets.

Long-term funding requirements for Ford Credit are met through the issuance of a variety of debt securities in both the United States and international capital markets. During 2002, Ford Credit issued approximately $13.5 billion of term debt with maturities ranging between one and thirty years. During 2003, Ford Credit plans to raise $7 billion to $10 billion through term debt issuances and $12 billion to $15 billion through public term securitization transactions, which are discussed below. Other sources of funds include bank borrowings, mainly in countries where capital markets are less developed.

During 2002, Ford Credit continued to meet a significant portion of its funding requirements by selling finance receivables in securitizations because of the stability of investor appetite for asset-backed securities, their lower relative cost (as described below), and the diversification of funding sources that they provide. Ford Credit also developed or expanded additional funding sources, including retail unsecured bond issuances, new asset-backed commercial paper programs and international securitization programs. In addition, Ford Credit launched a whole-loan sale program that will reduce future funding requirements. Under the whole-loan sale program, Ford Credit sells retail loans without holding any retained interests in such loans and receives fee income as it continues to service those loans. Ford Credit sold $5 billion of retail loans through this program in the fourth quarter of 2002, and expects to complete further sales in 2003. Because Ford Credit does not have retained interests in receivables sold through its whole-loan program, it does not have contractual or economic risk of loss associated with those retained interests with respect to whole-loan sales of receivables. Accordingly, Ford Credit does not treat such receivables as "managed receivables" and whole-loan sales of receivables are excluded from the discussion of securitization transactions below.

As a result of Ford Credit's expanded securitization sources and other actions, the decline in debt ratings Ford Credit experienced in 2002 and 2001 did not have a material impact on its ability to fund operations and maintain liquidity. Any further lowering of Ford Credit's debt ratings would increase its borrowing costs and potentially constrain certain funding availability from the capital markets. This in turn likely would cause Ford Credit to rely more heavily on funding through securitization transactions, or to reduce its assets and liabilities. Ford Credit's ability to sell its receivables may be affected by the following factors: the amount and credit quality of receivables available to sell, the performance of receivables sold in previous transactions, general demand for the type of receivables Ford Credit offers, market capacity for Ford Credit-sponsored investments, market disruption and Ford Credit's debt ratings. If as a result of any of these or other factors, the cost of securitized funding significantly increased or securitized funding were no longer available to Ford Credit, its liquidity would be adversely impacted.

The cost of both unsecured term debt and funding through securitization transactions is based on the margin (or spread) over a benchmark interest rate, such as the London Interbank Offered Rate or interest rates paid on U.S. Treasury securities of similar maturities. Spreads are typically measured in basis points, where one basis point equals one one-hundredth of one percent (0.01%). Since 1998, the three-year fixed rate spread on Ford Credit's securitized funding has been at a level between 38 and 110 basis points above comparable U.S. Treasury securities, while Ford Credit's unsecured term-debt spreads have fluctuated between 46 basis points and 662 basis points above comparable U.S. Treasury securities. In 2002, Ford Credit's unsecured term-debt spreads fluctuated between 195 and 662 basis points above comparable U.S. Treasury securities, with an average spread of 357 basis points and a year-end spread of 375 basis points above comparable U.S. Treasury securities.

Ford Credit's worldwide proceeds from the sale of retail and wholesale finance receivables through securtizations and whole-loan sales are shown below for the years ended December 31 (in billions):

	2002	2001	2000
Receivable Type			
Retail	**$ 36.5**	$ 32.0	$ 19.2
Wholesale	**4.8**	8.8	0.3
Net Proceeds	**$ 41.3**	$ 40.8	$ 19.5

For additional funding and to maintain liquidity, Ford Credit has contractually committed credit facilities with financial institutions that totaled $13.9 billion at December 31, 2002, including $5.3 billion available for FCE. The majority of these facilities are available through June 30, 2007 and $900 million was in use at December 31, 2002 (primarily by affiliates outside of the United States and Europe). In addition, banks provide $13.6 billion of contractually committed liquidity facilities to support Ford Credit's asset-backed commercial paper programs. All of Ford Credit's global credit facilities are free of material adverse change clauses and restrictive financial covenants (for example, debt-to-equity limitations, minimum net worth requirements and credit rating triggers that would limit its ability to borrow).

Ford Credit also has entered into agreements with several bank-sponsored, commercial paper issuers (conduits) under which such issuers are contractually committed to purchase from Ford Credit or hold, at Ford Credit's option, up to an aggregate of $12.6 billion of receivables. These agreements have varying maturity dates between March 31, 2003 and October 31, 2003. As of December 31, 2002, approximately $5.2 billion of these commitments were used. These programs do not contain restrictive financial covenants (for example, debt-to-equity limitations or minimum net worth requirements) or material adverse change clauses that could preclude selling receivables, but do contain provisions that would terminate those commitments if the performance of the sold receivables deteriorates beyond specified levels. None of these arrangements may be terminated based on a change in our credit rating. For a discussion of the impact of Financial Accounting Standards Board ("FASB") Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46") on the cost and availability of these conduit facilities, see "Off-Balance Sheet Arrangements — Variable Interest Entities", below.

At December 31, 2002, Ford Credit's debt-to-equity ratio was 12.8 to 1 on a managed basis (excluding the effect of Axus, our all-makes vehicle fleet leasing operation, that was held for sale), down from 14.8 to 1 at December 31, 2001. In calculating its managed leverage, Ford Credit adds outstanding securitized receivables (but not receivables sold in whole-loan sale transactions) to debt, and nets against this amount its retained interests in securitized receivables and its cash, including overborrowings. Ford Credit also adjusts both debt and equity for effects of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, in the calculation of managed leverage because SFAS No. 133 adjustments vary over the term of the underlying debt and securitized funding obligations based on changes in market rates and we generally repay our debt as it matures.

Hertz

Hertz requires funding for the acquisition of revenue earning equipment, which consists of vehicles and industrial and construction equipment. Hertz purchases this equipment in accordance with the terms of agreements negotiated with automobile and equipment manufacturers. The financing requirements of Hertz are seasonal and are mainly explained by the seasonality of the travel industry. Hertz' fleet size, and its related financing requirements, generally peak in the months of June and July, and decline during the months of December and January. Hertz accesses the global capital markets to meet its funding needs.

Hertz maintains unsecured domestic and foreign commercial paper programs and a secured domestic commercial paper program to cover short-term funding needs, and also draws from bank lines, as a normal business practice, to fund international needs. Hertz also is active in the domestic medium-term and long-term debt markets.

During 2002, Hertz launched an asset-backed securitization program for its domestic car rental fleet to reduce its borrowing costs and enhance its financing resources. As of December 31, 2002, $514 million was outstanding under this program.

At December 31, 2002, Hertz had committed credit facilities totaling $3.0 billion. Of this amount, $1.4 billion represented global and other committed credit facilities ($0.9 billion of which are available through June 30, 2007 and $0.5 billion of which have various maturities of up to four years); $500 million consisted of a revolving credit line provided by Ford, which currently expires in June 2004; $215 million consisted of asset backed Letters of Credit, and $928 million consisted of 364-day asset backed commercial paper facilities.

TOTAL COMPANY

Stockholders' Equity — Our stockholders' equity was $5.6 billion at December 31, 2002, down $2.2 billion compared with December 31, 2001. As described below, changes in the funded status of our pension funds adversely impacted stockholders' equity by $5.3 billion, which was partially offset by favorable foreign currency translation adjustments of $2.9 billion. Our stockholders' equity also was reduced in 2002 by net losses of $980 million and dividend payments of $743 million.

Post Retirement Obligations — We sponsor defined benefit pension plans whose pension fund assets consist principally of investments in equities and in government and other fixed income securities. For our major U.S. pension funds, the target asset allocation is 70% equities and 30% fixed income securities. On December 31, 2002, the market value of our U.S. pension fund assets was less than the projected benefit obligations (calculated using a discount rate of 6.75%, which is reduced from 7.25% used at year-end 2001) by $7.3 billion for our U.S. plans. For non-U.S. plans, the shortfall as of December 31, 2002, was $8.3 billion, for a total worldwide shortfall of $15.6 billion. Our stockholders' equity was reduced by $5.3 billion at December 31, 2002 because of increased pension under funding. Pension funding obligations and strategies are highly dependent on investment returns, discount rates, actuarial assumptions, and benefit levels (which can be contractually specified, such as those under the Ford-UAW Retirement Plan that is subject to negotiation in 2003). If these assumptions were to remain unchanged, we project that we would not have a legal requirement to fund our major U.S. pension plans before 2007. However, we review our pension assumptions regularly and we do from time to time make contributions beyond those legally required. For example, in January 2003 we contributed $500 million in cash to the U.S. pension funds and, depending on a determination that it will be deductible for U.S. income tax purposes, expect to contribute an additional $500 million by June 2003. Further, after giving effect to these contributions, based on current interest rates and on our return assumptions and assuming no additional contributions, we do not expect to be required to pay any variable-rate premiums to the Pension Benefit Guaranty Corporation before 2005.

We sponsor post retirement health care plans, primarily in the U.S. We partially fund these obligations through a VEBA trust, which is invested in short-term fixed income investments.

Debt Ratings — Our short- and long-term debt are rated by three nationally-recognized statistical rating organizations: Fitch, Inc. ("Fitch"); Moody's Investors Service, Inc. ("Moody's"); and Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc. ("S&P"). In addition to these three rating agencies, we also are rated in several local markets by locally recognized rating agencies. Debt ratings reflect an assessment by the rating agencies of the credit risk associated with particular securities we issue, and are based on information provided by us or other sources. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. Long- and short-term debt ratings of BBB- and F3 or higher by Fitch, Baa3 and P-3 or higher by Moody's and BBB- and A3 or higher by S&P are considered "investment grade." However, debt 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 in evaluating the risk associated to a company, and therefore ratings should be evaluated independently for each rating agency.

Fitch Ratings — On January 11, 2002, Fitch lowered the long-term debt ratings of Ford, Ford Credit and Hertz from A- to BBB+, confirmed Ford Credit's and Hertz' short-term debt rating at F2, and confirmed the rating outlook for all three companies as negative. On October 31, 2002, Fitch affirmed the long-term debt ratings of Ford, Ford Credit and Hertz at BBB+, short-term debt ratings at F2 and its rating outlook as negative.

Moody's Ratings — On January 16, 2002, Moody's lowered Ford's long-term debt rating from A3 to Baa1, lowered Ford Credit's long- and short-term debt ratings from A2 to A3 and from Prime-1 to Prime-2, respectively, and confirmed the rating outlook of both companies as negative. Moody's also lowered Hertz' long-term debt rating from Baa1 to Baa2, confirmed its short-term debt rating at Prime-2 and confirmed its rating outlook as negative. On December 10, 2002, Moody's confirmed Hertz' long-term debt rating at Baa2, short-term debt rating at Prime-2 and its rating outlook is negative. On March 7, 2003, Moody's affirmed the long-term debt rating of Ford at Baa1 and long- and short-term debt ratings of Ford Credit at A3 and Prime-2, respectively, and confirmed the rating outlook of both companies as negative.

S&P Ratings — On January 11, 2002, S&P changed the rating outlook for Ford, Ford Credit and Hertz to negative. On October 16, 2002, S&P placed Ford, Ford Credit and Hertz's long-term debt ratings on CreditWatch with negative implications. The short-term debt rating of Ford Credit was reaffirmed at A2. On October 25, 2002, S&P lowered the long-term debt ratings of Ford and Ford Credit from BBB+ to BBB. It affirmed the short-term debt ratings of Ford Credit at A2. S&P stated that its rating outlook on us was negative and that is was concerned that the benefits of our Revitalization Plan could eventually be offset by decreasing industry demand in North America, industry wide price competition and Ford's market share weakness. S&P also indicated that its ratings on Ford could be lowered further if it comes to doubt Ford's ability to sustain earnings improvement, including the achievement of at least breakeven pre-tax earnings in our Automotive operations in 2003. On October 30, 2002, S&P affirmed Hertz' long-term debt rating at BBB and its short-term debt rating at A2. On March 7, 2003, S&P affirmed the long-term debt ratings of Ford and Ford Credit at BBB and the short-term debt rating of Ford Credit at A2. The outlook for all companies is negative.

OFF-BALANCE SHEET ARRANGEMENTS

We have entered into various arrangements not reflected on our balance sheet that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. These include guarantees, sales of receivables by Ford Credit, and variable interest entities, each of which is discussed below.

GUARANTEES (SEE ALSO NOTE 24 OF THE NOTES TO OUR FINANCIAL STATEMENTS)

Occasionally, we guarantee debt and lease obligations of joint venture entities and other third parties with which we do business to support their growth. As of December 31, 2002, our maximum potential exposure under these guarantees was $486 million.

In the ordinary course of business, we also execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction. These indemnifications include claims for any of the following: environmental, tax, and shareholder matters; intellectual property rights; governmental regulations and employment-related matters; financial matters; and dealer, supplier, and other commercial contractual relationships. Performance under these indemnities would generally be triggered by a breach of terms of the contract or by a third party claim.

SALES OF RECEIVABLES BY FORD CREDIT

Securitizations

Ford Credit regularly uses securitization to fund its operations. Ford Credit securitizes its receivables because the highly-liquid and efficient market provides Ford Credit with a cost-effective source of funding. Ford Credit most frequently securitizes retail installment sale contracts. Ford Credit also securitizes receivables from Ford-franchised dealers and non-Ford dealers representing loans used to finance their automobile floorplan inventories, generally referred to as wholesale receivables or floorplan receivables. Ford Credit occasionally engages in securitization of operating leases. In 2002, Ford Credit significantly expanded securitization of finance receivables by foreign subsidiaries.

In a typical securitization, Ford Credit sells a pool of finance receivables to a wholly-owned, bankruptcy-remote special purpose subsidiary that establishes a separate special purpose trust or entity ("SPE") and transfers the receivables to the SPE in exchange for the proceeds from securities issued by the SPE. Following the transfer of the sold receivables to the SPE, the receivables are no longer assets of Ford Credit and the sold receivables no longer appear on our balance sheet. The SPE issues interest-bearing securities, usually notes or certificates of various maturities and interest rates, which are paid by the SPE from future collections on the receivables it owns. These securities, commonly referred to as asset-backed securities, are structured into senior and subordinated classes. The senior classes have priority over the subordinated classes in receiving collections from the receivables and may also benefit from other enhancements such as over-collateralization, excess spread and cash reserve funds. These securities generally are rated by independent rating agencies and sold in public offerings or in private transactions.

Volvo XC90

Ford Credit uses SPEs in securitization transactions to achieve isolation of the sold receivables for the benefit of securitization investors. Assuming, accounting rules are met, the sold receivables are removed from our balance sheet. The use of SPEs in this way allows the SPE to issue senior securities (typically with a higher debt rating than Ford Credit's debt securities) in a highly-liquid and efficient market, thereby providing Ford Credit with a cost-effective source of funding. The two-tiered sale of receivables to a wholly-owned subsidiary and then to the SPE is conventional in the asset backed securitization market. Most of the SPEs used in Ford Credit's securitization transactions are classified as qualifying special purpose entities consistent with the requirements of SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, because of the nature of the assets held by these entities and the limited nature of their activities. Ford Credit also sponsors one securitization SPE, FCAR Owner Trust ("FCAR"), that is not a qualifying SPE under SFAS No. 140 because its permitted activities are not sufficiently limited. However, because FCAR maintains substantive third-party equity, this entity is not required to be consolidated in our financial statements at December 31, 2002 under applicable accounting rules. However, see "-Variable Interest Entities" below and Note 13 of the Notes to our Financial Statements for a further discussion of the impact of FIN 46 on Ford Credit's FCAR securitization structure and on other securitization structures utilized by Ford Credit. None of our or Ford Credit's officers, directors or employees holds any equity interest in the SPEs or receives any direct or indirect compensation from the SPEs. The SPEs do not own stock in either Ford or Ford Credit or any of their affiliates.

Ford Credit or its affiliates often retain interests in the securitized receivables. The retained interests may include senior and subordinated securities, undivided interests in wholesale receivables, restricted cash held for the benefit of the SPEs and interest-only strips. Subordinated securities represent lower rated classes of securities issued by the SPEs. Restricted cash is funded initially by a small portion of proceeds from the sale of receivables that may be used to pay principal and interest to SPE investors and, after investors are fully paid, remaining cash is returned to Ford Credit. Interest-only strips, also referred to as excess spread, represent the right to receive collections on the sold finance receivables in excess of amounts needed by the SPE to pay interest and principal to investors, servicing fees and other required payments. The subordinated securities, restricted cash, interest-only strips, and a portion of the undivided interest in wholesale receivables serve as credit enhancements to the holders of the more senior securities issued by the SPEs.

At December 31, 2002 and 2001, the total outstanding principal amount of receivables sold by Ford Credit in securitizations was $71.3 billion and $58.7 billion, respectively. At those dates, Ford Credit's retained interests in such sold receivables were $17.6 billion and $12.5 billion, respectively.

Ford Credit has no obligation to repurchase any sold receivable that becomes delinquent in payment or otherwise is in default. The holders of the asset-backed securities have no recourse to Ford Credit or its other assets for credit losses on the sold receivables and have no ability to require Ford Credit to repurchase their securities. Ford Credit does not guarantee any securities issued by SPEs. However, as is customary in asset-backed securitization transactions, Ford Credit, as the seller of the finance receivables to the SPE and servicer of such receivables, is obligated to provide certain kinds of support. These support obligations include indemnification of the SPE and its trustees, the requirement to repurchase receivables that do not meet eligibility criteria or that have been materially modified by the servicer, the obligation to sell additional receivables in certain transactions and the advancing of interest payment short falls. Based on its experience, Ford Credit does not expect to make any indemnification payments. In 2002, Ford Credit was not required to repurchase any sold receivables due to their failure to meet eligibility criteria and the principal amount of receivables repurchased due to servicer modifications was about $340 million for all retail securitization programs.

Whole-loan Sales

In the fourth quarter of 2002, Ford Credit sold about $5 billion of retail installment sale contracts in two whole-loan sale transactions. In addition, Ford Credit is contractually committed to sell an additional $2 billion of retail installment sale contract receivables in the first quarter of 2003 through a whole-loan sale transaction. Ford Credit generally has the same indemnification, repurchase and other obligations in whole-loan sale transactions as it does in securitization transactions. These continuing obligations are discussed above. Ford Credit retains servicing rights and obligations with respect to the receivables sold in whole-loan sale transactions and earns a servicing fee. Unlike securitizations, however, whole-loan sale transactions involve the sale of receivables without Ford Credit or one of its affiliates retaining any interest in the sold receivables. Because Ford Credit does not have retained interests in receivables sold through its whole-loan program, it does not have contractual or economic risk of loss associated with those retained interests with respect to whole-loan sales of receivables. No SPEs are used in Ford Credit's whole-loan sale program.

Risks to Future Sales of Receivables

Some of Ford Credit's securitization programs contain structural features that could prevent further funding if the credit losses or delinquencies on a pool of sold receivables or on Ford Credit's overall managed portfolio exceed specified levels or if payment rates on or amounts of wholesale receivables are lower than specified levels. Ford Credit does not expect that any of these features will have a material adverse impact on its ability to securitize receivables. In addition, Ford Credit's ability to sell its receivables may be affected by the following factors: the amount and credit quality of receivables available to sell, the performance of receivables sold in previous transactions, general demand for the type of receivables Ford Credit offers, market capacity for Ford Credit-sponsored investments, market disruption and Ford Credit's debt ratings. If as a result of any of these or other factors, the cost of securitized funding significantly increased or securitized funding were no longer available to Ford Credit, its liquidity would be adversely impacted.

VARIABLE INTEREST ENTITIES (SEE NOTE 13 OF THE NOTES TO OUR FINANCIAL STATEMENTS)

Automotive

Our Automotive sector has invested in several joint ventures that are reported as equity investments. In many cases, we have contracted with these joint ventures to manufacture and/or assemble vehicles or components. We have invested and contracted with these entities to obtain low cost, high quality parts and vehicles, world-class niche product development capabilities and the ability to leverage the technical expertise of our joint venture partners. These investments may involve a transfer of assets in exchange for an equity interest. In some cases, we have agreed to guarantee the debt of the entity; in others we have unconditional supply arrangements that are used by the entity to secure financing. In many cases, labor used by the joint ventures are Ford employees, the cost of which we are reimbursed; however, failing reimbursement we are ultimately responsible for the costs of these employees. The terms of these supply arrangements are a result of arms-length negotiation. For a discussion of the impact of FIN 46 on our accounting for these joint ventures, see Note 13 of the Notes to our Financial Statements.

Financial Services

It is reasonably possible that FCAR, in its existing structure, may be consolidated in our financial results in compliance with FIN 46. Our equity investment and retained beneficial interest related to FCAR is approximately $1.7 billion, which is reflected on our consolidated balance sheet. At December 31, 2002, FCAR had gross assets of $12.2 billion and gross liabilities of $11.8 billion. We continue to assess structures that would maintain FCAR as an unconsolidated entity under FIN 46. We are continuing to analyze the impact on our financial statements of FIN 46 and its impact on FCAR. In addition, Ford Credit also sells receivables to bank-sponsored asset-backed commercial paper issuers that are SPEs of the sponsor bank. FIN 46 might also require the sponsor banks to consolidate the assets and liabilities of the SPEs into their financial results. If this occurs, the sponsor banks may increase the program fees for Ford Credit's use of these SPEs or fail to renew their commitment to purchase additional receivables from Ford Credit. At December 31, 2002, about $6 billion of retail installment sale contracts Ford Credit originated were held by these SPEs. We believe we would not be required to consolidate any portion of these SPEs in our financial results. We are continuing to evaluate the impact of FIN 46 on the bank sponsors of these SPEs and on the continued availability and costs of this program. We believe bank sponsors will not terminate their SPEs or reduce their purchase of receivables.

AGGREGATE CONTRACTUAL OBLIGATIONS

We are party to many contractual obligations involving commitments to make payments to third parties. Most of these are debt obligations incurred by our Financial Services sector. In addition, as part of our normal business practices, we enter into contracts with suppliers for purchases of certain raw materials, components and services. These arrangements may contain fixed or minimum quantity purchase requirements. We enter into such arrangements to facilitate adequate supply of these materials and services. Many of these obligations are recorded; others are disclosed in various notes to the financial statements. Some obligations are executory contracts and therefore are not recognized as liabilities until the occurrence of a future event.

In order to provide information about our short- and long- term liquidity needs, a disclosure of selected obligations is displayed below (in millions):

	Payments Due by Period				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Debt obligations	$ 162,222	$ 42,086	$ 56,655	$ 23,858	$ 39,623
Capital lease obligations	284	45	48	37	154
Operating lease obligations	3,294	856	1,125	603	710
Total	$ 165,800	$ 42,987	$ 57,828	$ 24,498	$ 40,487

CRITICAL ACCOUNTING ESTIMATES

We consider an accounting estimate to be critical if: 1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and 2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors and the Audit Committee has reviewed the foregoing disclosure. In addition, there are other items within our financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements.

WARRANTY AND ADDITIONAL SERVICE ACTIONS

See Notes 1 and 24 of the Notes to our Financial Statements for more information regarding costs and assumptions for warranties and additional service actions.

Nature of Estimates Required: The estimated warranty and additional service action costs for each vehicle sold by us are accrued at the time the vehicle is sold to a dealer. Included in the accruals are the costs for both basic warranty and additional service action on vehicles we sell. Estimates are principally based on assumptions regarding the lifetime warranty costs of each vehicle line and each model year of that vehicle line, where little or no claims experience may exist. In addition, the number and magnitude of additional service actions expected to be approved, and policies related to additional service actions, are taken into consideration. Due to the uncertainty and potential volatility of these estimated factors, changes in our assumptions could materially affect net income.

Assumptions and Approach Used: Our estimate of warranty and additional service action obligations is reevaluated on a quarterly basis. Experience has shown that initial data for any given model year can be volatile; therefore, our process relies upon long-term historical averages until sufficient data are available. As actual experience becomes available, it is used to modify the historical averages to ensure that the forecast is within the range of likely outcomes. Resulting balances are then compared with present spending rates to ensure that the accruals are adequate to meet expected future obligations.

PENSION

See Note 20 of the Notes to our Financial Statements for more information regarding costs and assumptions for employee retirement benefits.

Nature of Estimates Required: The measurement of our pension obligations, costs and liabilities is dependent on a variety of assumptions used by our actuaries. These assumptions include estimates of the present value of projected future pension payments to all plan participants, taking into consideration the likelihood of potential future events such as salary increases and demographic experience. These assumptions may have an effect on the amount and timing of future contributions. The plan trustee conducts an independent valuation of the fair value of pension plan assets.

Assumptions and Approach Used: The assumptions used in developing the required estimates include the following key factors:

- Discount rates
- Salary growth
- Retirement rates
- Inflation
- Expected return on plan assets
- Mortality rates

We base the discount rate assumption on investment yields available at year-end on corporate long-term bonds rated AA. Our inflation assumption is based on an evaluation of external market indicators. The salary growth assumptions reflect our long-term actual experience, the near-term outlook and assumed inflation. The expected return on plan assets reflects asset allocations, investment strategy and the views of investment managers and other large pension plan sponsors. Retirement and mortality rates are based primarily on actual plan experience. The effects of actual results differing from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expense in such future periods.

Sensitivity Analysis: The effect of the indicated decrease in the selected assumptions is shown below, assuming no changes in benefit levels and no amortization of gains or losses for our major plans in 2003 (in millions):

		Effect on U.S. Plans:		
		December 31, 2002		
Assumption	Percentage Point Change	Decline in Funded Status	Reduction in Equity	Higher 2003 Expense
Discount rate	-0.5 pts.	$ 1,800	$ 1,100	$ 10
Expected return on assets	-0.5 pts.	-	-	175

OTHER POST RETIREMENT BENEFITS (RETIREE HEALTH CARE AND LIFE INSURANCE)

See Note 20 of the Notes to our Financial Statements for more information regarding costs and assumptions for other post retirement benefits.

Nature of Estimates Required: The measurement of our obligations, costs and liabilities associated with other post retirement benefits (e.g., retiree health care) requires that we make use of estimates of the present value of the projected future payments to all participants, taking into consideration the likelihood of potential future events such as health care cost increases, salary increases and demographic experience, which may have an effect on the amount and timing of future payments.

Assumptions and Approach Used: The assumptions used in developing the required estimates include the following key factors:

- Health care cost trends
- Discount rates
- Salary growth
- Retirement rates
- Inflation
- Expected return on plan assets
- Mortality rates

Our health care cost trend assumptions are developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends. We base the discount rate assumption on investment yields available at year-end on corporate long-term bonds rated AA. Our inflation assumption is based on an evaluation of external market indicators. The salary growth assumptions reflect our long-term actual experience, the near-term outlook and assumed inflation. The expected return on plan assets reflects history and asset allocation. Retirement and mortality rates are based primarily on actual plan experience. The effects of actual results differing from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expense in such future periods.

Sensitivity Analysis: The effect of the indicated increase/decrease in the selected assumptions is shown below (assuming no changes in benefit levels); the 2003 expense effect includes the impact on service cost and interest cost as well as amortization of gains or losses (in millions):

		Effect on U.S. and Canadian Plans:	
Assumption	Percentage Point Change	December 31, 2002 Obligation Higher/(Lower)	2003 Expense Higher/(Lower)
Discount rate	+/- 0.5 pts.	$(1,700)/$1,700	$(130)/$130
Health care cost trend	+/- 1.0 pts.	3,900/(3,300)	560/(460)

ALLOWANCE FOR CREDIT LOSSES

See Note 10 of the Notes to our Financial Statements for more information regarding our allowance for credit losses.

The allowance for credit losses is our estimate of the probable credit losses related to impaired finance receivables and operating leases as of the date of the financial statements. Significant judgment is required in estimating this amount because credit losses vary substantially over time, and estimating probable losses requires a number of assumptions about matters which are uncertain.

Nature of Estimates Required: We estimate the probable credit losses related to impaired finance receivables and operating leases by evaluating several different factors with econometric models. These factors include historical credit loss trends, the credit quality of our present portfolio, trends in historical and projected used vehicle values, and general economic measures.

Assumptions and Approach Used: The factors listed above result in a projection of two key assumptions:

- Frequency – the percentage of finance receivables and operating leases that we expect to default over a period of time, which is measured principally by the repossession rate (the ratio of the number of vehicles repossessed in a time period divided by the average number of accounts outstanding in the same time period).
- Loss severity – the difference between the amount a customer owes us when we charge off the finance contract and the amount we receive, net of expenses, from selling the repossessed vehicle, including any recoveries from the customer.

We estimate the expected frequency and loss severity with econometric models. We monitor credit loss performance monthly and assess the adequacy of our allowance for credit losses quarterly.

Sensitivity Analysis: We believe the present level of our allowance for credit losses is adequate to cover the probable losses related to impaired finance receivables and operating leases; however, changes in the assumptions to derive frequency and severity would have an impact on the allowance for credit losses. Over the past three years, repossession rates for our U.S. retail and lease portfolio have varied between 2% and 3%.

The effect of the indicated increase/decrease in the assumptions is shown below for retail and lease receivables that finance Ford, Lincoln, and Mercury vehicles in the United States (in millions):

		Effect on:	
Assumption	Percentage Point Change	December 31, 2002 Allowance for Credit Losses Higher/(Lower)	2002 Provision for Credit Losses Higher/(Lower)
Repossession rates	+/- 0.1 pts.	$80/$(80)	$80/$(80)
Loss severity	+/- 1.0 pts.	25/(25)	25/(25)

Changes in our assumptions affect the provision for credit losses on our income statement and the allowance for credit and insurance losses on our balance sheet.

ACCUMULATED DEPRECIATION ON OPERATING LEASES

Accumulated depreciation on operating leases reflects the cumulative amount of depreciation that has been recorded to date, reducing the value of the vehicles in our operating lease portfolio from their original acquisition value to their projected residual value at the end of the lease term.

Nature of Estimates Required: Each operating lease in our portfolio represents a vehicle we own that has been leased to a customer. At the origination of the lease, we establish an estimated residual value for the vehicle at lease end. Significant judgment is required in estimating the expected lease-end residual value because future market values of used vehicles are difficult to predict. We depreciate leased vehicles on a straight-line basis to estimated residual value.

We monitor residual value performance by vehicle line monthly. We review the adequacy of our accumulated depreciation on a quarterly basis. If we believe that the residual values for our vehicles have decreased, we revise depreciation for the affected vehicles to ensure that the book value (our net investment in the operating lease, equal to our acquisition value of the vehicles less accumulated depreciation) will be reduced to our revised estimate of residual value at the end of the lease term. Such adjustments to depreciation expense are recorded over the remaining term of the contracts of affected vehicles in our portfolio on a straight-line basis.

Each lease retail customer has the option to buy the leased vehicle at the end of the lease or to return the vehicle to the dealer. In the latter case, the dealer then has the option to purchase the vehicle at the contractual lease-end value or return it to us. For returned vehicles, we face a potential risk that the book value of the vehicle will exceed the auction value. Over the last five years, about 60% to 70% of retail leased vehicles have been returned to us.

Assumptions and Approach Used: Our accumulated depreciation on operating leases is based on the following assumptions:

- Auction value: the expected market value of the vehicle at the end of the lease.
- Return rates: the expected percentage of vehicles that will be returned at the end of the lease.

We estimate expected auction values and return rates with econometric models. These models use historical auction values, historical return rates for our leased vehicles, industry-wide used vehicle prices, our marketing plans and vehicle quality data.

Sensitivity Analysis: The largest impact of changes in assumptions is on Ford Credit's U.S. retail operating leases of Ford, Lincoln and Mercury brand vehicles. If future auction values for all of the Ford, Lincoln, and Mercury vehicles in our U.S. operating lease portfolio at year-end 2002 were to decrease by $100 per unit from our present estimates, we would increase our depreciation on these vehicles by a cumulative amount of about $70 million in the 2003 through 2005 period to cause the book value at the end of the lease term for these vehicles to be equal to the revised residual value. Similarly, if future return rates for our existing portfolio of Ford, Lincoln and Mercury vehicles in the U.S. were to increase by one percentage point from our present estimates, we would increase our depreciation on these vehicles by about $15 million in the 2003 through 2005 period. Changes in the amount of accumulated depreciation on operating leases will be reflected on our balance sheet in "Net investment in operating leases" and on the income statement in the "Depreciation" line of the Financial Services sector.

NEW ACCOUNTING STANDARDS

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation–Transition and Disclosure–an amendment of FASB Statement No. 123*. This Statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Effective January 1, 2003, we adopted the fair value recognition provisions of SFAS No. 123 prospectively to all unvested employee awards as of January 1, 2003, and all new awards granted to employees after January 1, 2003 using the modified prospective method of adoption under the provisions of SFAS No. 148.

The FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, in June 2002. This Statement requires obligations associated with disposing of operations to be recognized and measured at fair value when certain liabilities are incurred. The current accounting guidance allows for recognition of liabilities on the commitment date of a disposal or exit plan. We adopted this Statement on January 1, 2003 and plant closures related to our Revitalization Plan will follow SFAS No. 146 accounting guidelines. We do not expect adoption of this Statement to have a material impact on our consolidated financial position or results of operations.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This Statement superseded SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and addresses financial accounting and reporting for impairment of long-lived assets to be held and used, and long-lived assets and components of an entity to be disposed of. We adopted this Statement on January 1, 2002.

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*, which requires entities to establish liabilities for legal obligations associated with the retirement of tangible long-lived assets. We adopted the Statement on January 1, 2003 and do not expect a material impact on our consolidated financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 clarifies the requirements of SFAS No. 5, *Accounting for Contingencies*, relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. For certain guarantees issued after December 31, 2002, FIN 45 requires a guarantor to recognize, upon issuance of a guarantee, a liability for the fair value of the obligations it assumes under the guarantee. Guarantees issued prior to January 1, 2003, are not subject to liability recognition, but are subject to expanded disclosure requirements. We do not believe that the adoption of this Interpretation will have a material impact on our consolidated financial position or statement of operations. For further discussion, see Note 24 of the Notes to our Financial Statements.

In January 2003, FASB issued FIN 46, an interpretation of Accounting Research Bulletin No. 51. Under FIN 46, which requires us to consolidate variable interest entities for which we are deemed to be the primary beneficiary and disclose information about variable interest entities in which we have a significant variable interest. FIN 46 became effective immediately for variable interest entities formed after January 31, 2003 and will become effective in the third quarter of 2003 for any variable interest entities formed prior to February 1, 2003. We are adopting FIN 46 as it becomes effective, which could materially impact our financial statements. For further discussion of FIN 46, see "Off-Balance Sheet Arrangements-Variable Interest Entities" above and Note 13 of the Notes to our Financial Statements.

OUTLOOK

2003 FINANCIAL MILESTONES

We have set and communicated certain financial milestones for 2003. The financial milestones for 2003 are as follows:

Planning Assumptions	
Industry Volume	
U.S.	16.5 million units
Europe	17.0 million units
Net Pricing	
U.S.	Zero
Europe	1%
Physicals	**Milestone**
Quality	Improve in all regions
Market Share	Improve in all regions
Automotive:	
Cost Performance (at constant volume and mix)	Improve by at least $500 million
Capital Spending	$8 billion
Financial Results	
Automotive	
Income Before Taxes	Breakeven
Operating Cash Flow*	Breakeven
Ford Credit	Improve cash contribution to Parent Maintain managed leverage in low end of 13–14 to 1 range**

* *Consistent with operating cash flow calculation under "Liquidity and Capital Resources – Automotive Sector" above.*

** *Consistent with definition of leverage under "Liquidity and Capital Resources – Financial Services Sector" above.*

Based on the planning assumptions set forth above and achievement of the foregoing milestones, we expect 2003 fully diluted earnings to be about 70 cents per share for the full-year and 20 cents per share for the first quarter. For the full-year, we expect the Automotive sector to break even and the Financial Services sector to provide improved cash contributions to the parent company.

REVITALIZATION PLAN UPDATE

In January 2002, we announced our Revitalization Plan, which is expected to improve our pre-tax income to $7 billion by mid-decade. Excluding unusual items, our pre-tax earnings in 2002 were well in excess of the breakeven target we set when we announced the Revitalization Plan last year. We also made improvements to our cost structure consistent with the Revitalization Plan. With the progress made on costs in 2002, coupled with the acceleration of cost reductions planned for this year, we expect profits to be ahead of the original plan this year as well. This expectation is reflected in our full year earnings target of 70 cents per share.

PENSION AND HEALTH CARE EXPENSES

We sponsor defined benefit pension plans throughout the world and post retirement health care plans, primarily in the United States. We also provide health care coverage for our active employees, primarily in the United States. Pursuant to our collective bargaining agreement with the UAW, under which most of our U.S. hourly employees are covered, we are contractually committed to provide specified levels of pension and health care benefits to both employees and retirees covered by the contract. These obligations give rise to significant expenses that are highly dependent on assumptions discussed in Note 20 of the Notes to our Financial Statements and under "Critical Accounting Estimates" above.

Based on present assumptions and benefit agreements, we expect our 2003 U.S. pre-tax pension expense to be about $270 million, which is about $460 million higher than it was in 2002.

In 2002, our health care costs for United States employees was $2.8 billion, with about $1.9 billion attributable to retirees and $900 million attributable to active employees. Our health care costs in the United States have been rising at about 16% a year over the last two years. The cost of prescription drugs, which rose about 15% in 2002 compared with 2001, is the fastest growing segment of our health care costs and now accounts for approximately 30% of our total United States health care costs. Although we have taken measures to have salaried employees and retirees bear a higher portion of the costs of their health care benefits, we expect these trends to continue over the next several years.

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. These statements involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- greater price competition in the U.S. and Europe resulting from currency fluctuations, industry overcapacity or other factors;
- a significant decline in industry sales, particularly in the U.S. or Europe, resulting from slowing economic growth, geo-political events or other factors;
- lower-than-anticipated market acceptance of new or existing products;
- work stoppages at key Ford or supplier facilities or other interruptions of supplies;
- 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 regulation resulting in higher costs and/or sales restrictions;
- unusual or significant litigation or governmental investigations arising out of alleged defects in our products or otherwise;
- worse-than-assumed economic and demographic experience for our post retirement benefit plans (e.g., investment returns, interest rates, health care cost trends, benefit improvements);
- currency or commodity price fluctuations;
- a market shift from truck sales in the U.S.;
- economic difficulties in South America or Asia;
- reduced availability of or higher prices for fuel;
- labor or other constraints on our ability to restructure our business;
- a change in our requirements under long-term supply arrangements under which we are obligated to purchase minimum quantities or pay minimum amounts;
- a further credit rating downgrade;
- inability to access debt or securitization markets around the world at competitive rates or in sufficient amounts;
- higher-than-expected credit losses;
- lower-than-anticipated residual values for leased vehicles;
- increased price competition in the rental car industry and/or a general decline in business or leisure travel due to terrorist attacks, act of war or measures taken by governments in response thereto that negatively affect the travel industry; and
- our inability to implement the Revitalization Plan.

Quantitative and Qualitative Disclosures About Market Risk

OVERVIEW

We are exposed to a variety of market and other risks, including the effects of changes in foreign currency exchange rates, commodity prices, interest rates, as well as risks to availability of funding sources, hazard events, and specific asset risks.

These risks affect our Automotive and Financial Services sectors differently. We monitor and manage these exposures as an integral part of our overall risk management program, which includes regular reports to a central management committee, the Global Risk Management Committee ("GRMC"). The GRMC is responsible for developing our overall risk management objectives and reviewing performance against these objectives. The GRMC is chaired by our Chief Financial Officer, and its members include our Treasurer, our Controller, and the Chief Financial Officer of Ford Credit.

Our Automotive and Financial Services sectors are exposed to liquidity risk, or the possibility of having to curtail their businesses or being unable to meet present and future financial obligations as they come due because funding sources may be reduced or become unavailable. We, and particularly Ford Credit, which comprises substantially all of our Financial Services sector, maintain plans for sources of funding to ensure liquidity through a variety of economic or business cycles. Our funding sources include commercial paper, term debt, sale of receivables through securitization transactions, committed lines of credit from major banks, and other sources.

We are exposed to a variety of insurable risks, such as loss or damage to property, liability claims, and employee injury. We protect against these risks through a combination of self-insurance and the purchase of commercial insurance designed to protect against events that could generate significant losses.

Direct responsibility for the execution of our market risk management strategies resides with our Treasurer's Office and is governed by written polices and procedures. Separation of duties is maintained between the development and authorization of derivative trades, the transaction of derivatives, and the settlement of cash flows. Regular audits are conducted to ensure that appropriate controls are in place and that they remain effective. In addition, our market risk exposures and our use of derivatives to manage these exposures are reviewed by the GRMC and the Audit Committee of our Board of Directors. For additional information on our derivatives, see Note 17 of our Notes to Financial Statements.

The market and counterparty risks of our Automotive sector and Ford Credit are discussed and quantified below. The quantitative disclosures presented are independent of any adjustments related to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities.

AUTOMOTIVE MARKET AND COUNTERPARTY RISK

Our Automotive sector frequently has expenditures and receipts denominated in foreign currencies, including the following: purchases and sales of finished vehicles and production parts, debt and other payables, subsidiary dividends, and investments in foreign operations. These expenditures and receipts create exposures to changes in exchange rates. We also are exposed to changes in prices of commodities used in our Automotive sector and changes in interest rates.

Foreign currency risk and commodity risk are measured and quantified using a model to calculate the changes in the value of currency and commodity derivative instruments along with the underlying exposure being hedged. Beginning with this report, we have changed our risk disclosure methodology to an earnings at risk ("EaR") model from a value at risk ("VaR"). VaR is a valuation of the existing hedge portfolio and projects the potential change in the portfolio's liquidation value. EaR provides the potential impact to pre-tax earnings related to foreign currency and commodity price exposure and is a more meaningful metric to an ongoing business than VaR. The model to calculate EaR combines current market data with historical data on volatilities and correlations of the underlying currencies and commodity prices. EaR includes hedging derivatives as well as the underlying exposures over a twelve month period.

FOREIGN CURRENCY RISK

Foreign currency risk is the possibility that our financial results could be better or worse than planned because of changes in foreign currency exchange rates. We use derivative instruments to hedge assets, liabilities, investments in foreign operations, and firm commitments denominated in foreign currencies. In our hedging actions, we use primarily instruments commonly used by corporations to reduce foreign exchange risk (e.g., forward contracts and options).

Our EaR is based on transaction exposure, which is the foreign currency exposure that results from cross border cash flows from specific transactions, and our related hedging activity. At December 31, 2002, the EaR from foreign currency exchange movements over the next twelve months is less than $390 million, within a 95% confidence level, which is approximately $60 million higher than the EaR projection for 2002 calculated as of December 31, 2001. The increased exposure results primarily from less diversification benefit due to higher correlation among major currency pairings.

COMMODITY PRICE RISK

Commodity price risk is the possibility of higher or lower costs due to changes in the prices of commodities, such as non-ferrous (e.g., aluminum) and precious metals (e.g., palladium, platinum and rhodium), ferrous alloys (e.g., steel), energy (e.g., natural gas and electricity), and plastics/resins (e.g., polypropylene), which we use in the production of motor vehicles. We use derivative instruments to hedge the price risk associated with the purchase of those commodities that we can economically hedge. In our hedging actions, we primarily use instruments commonly used by corporations to reduce commodity price risk (e.g., financially settled forward contracts, swaps, and options).

Based on our financial hedging activities with derivatives and the associated underlying exposures (e.g., precious metals, aluminum, copper, natural gas, and unleaded gas), at December 31, 2002, the EaR from commodity price movements over the next twelve months is less than $59 million, within a 95% confidence level, which is approximately $25 million lower than the EaR projection for 2002 calculated as of December 31, 2001. The decreased exposure results primarily from declining consumption exposures and a lower cost basis.

In addition to these price-hedging activities, our procurement activities ensure that we have adequate supplies of raw materials used in our business. These procurement activities utilize forward purchase contracts, long-term supply contracts, and stockpiles. Any price-hedging inherent in our procurement activities is approved by the GRMC.

INTEREST RATE RISK

Interest rate risk relates to the gain or loss we could incur to our investment portfolio in the event of a change in interest rates. We have $25.3 billion in cash (including assets contained in a VEBA trust), which we invest in securities of various types and maturities. Many of these securities are interest sensitive. These securities are generally classified as Trading or Available for Sale. The Trading portfolio gains and losses (unrealized and realized) are reported in the income statement. The Available for Sale portfolio realized gains or losses are reported in the income statement, and unrealized gains and losses are reported in the Consolidated Statement of Stockholders' Equity in other comprehensive income. The investment strategy is based on clearly defined risk and liquidity guidelines to maintain liquidity, minimize risk, and earn a reasonable return on the short-term investment.

At any time, a rise in interest rates could have a material adverse impact on the fair value of our Trading and our Available for Sale portfolios. As of December 31, 2002, the value of our Trading portfolio was $18.5 billion (including assets contained in a VEBA trust), the value of our Available for Sale portfolio was $1.6 billion, and the value of our cash and cash equivalents was $5.2 billion.

Assuming a hypothetical, instantaneous increase in interest rates of one percentage point, the value of our Available for Sale and Trading portfolios would be reduced by $185 million and $27 million, respectively. While this is our best estimate of the impact of the specified interest rate scenario, actual results could differ from those projected. The sensitivity analysis presented assumes interest rate changes are instantaneous, parallel shifts in the yield curve. In reality, interest rate changes are rarely instantaneous or parallel.

COUNTERPARTY RISK

Counterparty risk relates to the loss we could incur if an obligor or counterparty defaulted on an investment or a derivative contract. Exposures primarily relate to investments in fixed-income instruments and derivative contracts used for managing interest rate, currency and commodity risk. We, together with Ford Credit, establish exposure limits for each counterparty to minimize risk and provide counterparty diversification. Our exposures are monitored on a regular basis and are included in monthly reporting to the GRMC.

Our approach to managing counterparty risk is forward-looking and proactive, allowing us to take risk mitigation actions. We establish exposure limits for both mark-to-market and future potential exposure, based on our overall risk tolerance and ratings-based historical default probabilities. The exposure limits are lower for lower-rated counterparties and for longer-dated exposures. We use a Monte Carlo simulation technique to assess our potential exposure by tenor, defined at a 95% confidence level.

Substantially all of our counterparty and obligor exposures are with counterparties and obligors that are rated single-A or better.

FORD CREDIT MARKET RISKS

OVERVIEW

Ford Credit is exposed to risks in the normal course of its business activities. In addition to counterparty risk discussed above, Ford Credit is subject to the following additional types of risks that it seeks to identify, assess, monitor and manage, in accordance with defined policies and procedures:

- Market risk— the possibility that changes in future market interest and currency exchange rates or prices will have an adverse impact on operating results.
- Credit risk — the possibility of loss from a customer's failure to make payments according to contract terms.
- Residual risk — the possibility that the actual proceeds received by Ford Credit upon the sale of returned lease vehicles at lease termination will be lower than its internal forecast of residual values.
- Liquidity risk — the possibility of being unable to meet all current and future obligations in a timely manner.

Each form of risk is uniquely managed in the context of its contribution to Ford Credit's overall global risk. Business decisions are evaluated on a risk-adjusted basis and products are priced consistent with these risks. Credit and residual risks are discussed above under the caption "Critical Accounting Estimates" and liquidity risk is discussed above under the caption "Liquidity and Capital Resources — Financial Services Sector — Ford Credit" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations." The following discusses Ford Credit's market risks:

Foreign Currency Risk. To meet funding objectives, Ford Credit issues debt or, for its international affiliates, draws on local credit lines in a variety of currencies. Ford Credit faces exposure to currency exchange rates if a mismatch exists between the currency of its receivables and the currency of the debt funding those receivables. When possible, receivables are funded with debt in the same currency, minimizing exposure to exchange rate movements. When a different currency is used, Ford Credit seeks to minimize the impact of currency exchange rates on operating results by executing foreign currency derivatives. These derivatives convert substantially all of its foreign currency debt obligations to the local country currency of the receivables. As a result, Ford Credit's market risk exposure relating to currency exchange rates is believed to be immaterial.

Interest Rate Risk. Interest rate risk is the primary market risk to which Ford Credit is exposed and consists principally of "re-pricing risk" or differences in the re-pricing characteristics of assets and liabilities. An instrument's re-pricing period is a term used by financial institutions to describe how an interest rate-sensitive instrument responds to changes in interest rates. It refers to the time it takes an instrument's interest rate to reflect a change in market interest rates. For fixed-rate instruments, the re-pricing period is equal to the maturity for repayment of the instrument's principal because, with a fixed interest rate, the principal is considered to re-price only when re-invested in a new instrument. For a floating-rate instrument, the re-pricing period is the period of time before the interest rate adjusts to the market rate. For instance, a floating-rate loan whose interest rate is reset to a market index annually on December 31st would have a re-pricing period of one year on January 1st, regardless of the instrument's maturity.

Ford Credit's receivables consist primarily of fixed-rate retail installment sale and lease contracts and floating-rate wholesale receivables. Fixed-rate retail installment sale and lease contracts are originated principally with maturities ranging between two and six years and generally require customers to make equal monthly payments over the life of the contract. Ford Credit's funding sources consist primarily of short and long-term unsecured debt and sales of receivables in securitizations. In the case of unsecured term debt, and in an effort to have funds available throughout business cycles, Ford Credit often borrows longer-term, with five to ten year maturities. These debt instruments are principally fixed-rate and require fixed and equal interest payments over the life of the instrument and a single principal payment at maturity.

Ford Credit is exposed to interest rate risk to the extent that a difference exists between the re-pricing profile of its assets and debt. Specifically, without derivatives, Ford Credit's assets would re-price more quickly than its debt.

Ford Credit's interest rate risk management objective is to maximize its financing margin while limiting fluctuations caused by changes in interest rates. Ford Credit achieves this objective by setting an established risk tolerance range and staying within this tolerance range through an interest rate risk management program that includes entering into derivatives commonly known as interest rate swaps.

On a monthly basis, Ford Credit determines the sensitivity of the economic value of its portfolio of interest rate-sensitive assets and liabilities (its economic value) to hypothetical changes in interest rates. Economic value is a measure of the present value of all future expected cash flows, discounted by market interest rates, and is equal to the present value of interest rate-sensitive assets minus the present value of interest rate-sensitive liabilities. Ford Credit then enters into interest rate swaps, effectively converting portions of its floating-rate debt or assets to fixed or its fixed-rate debt or assets to floating, to ensure that the sensitivity of its economic value falls within an established target range. Ford Credit also monitors the sensitivity of its earnings to interest rates using earnings simulation techniques. These simulations calculate the projected earnings of its portfolio of interest rate-sensitive assets and liabilities under various interest rate scenarios, including both parallel and non-parallel shifts in the yield curve. These quantifications of interest rate risk are included in monthly reporting to the GRMC.

The process described above is used to measure and manage the interest rate risk of Ford Credit's operations in the United States and Canada, which together represented approximately 74% of its total owned finance receivables at December 31, 2002. For its international affiliates, Ford Credit uses a technique commonly referred to as "gap analysis," to measure re-pricing mismatch. This process uses re-pricing schedules, which group assets, debt, and swaps into time-bands based on their re-pricing period. Under this process, Ford Credit enters into interest rate swaps, effectively changing the re-pricing profile of its assets and debt, to ensure that any re-pricing mismatch existing in a particular time-band falls within an established tolerance.

As a result of its interest rate risk management process, including derivatives, Ford Credit's debt re-prices slightly faster than its assets. Other things equal, this means that during a period of rising interest rates, the interest rates paid on Ford Credit's debt will increase more rapidly than the interest rates earned on assets, thereby initially reducing Ford Credit's earnings by a small amount. Correspondingly, during a period of falling interest rates, Ford Credit's earnings would be expected to initially increase by a small amount. To provide a quantitative measure of the sensitivity of its earnings to changes in interest rates, Ford Credit uses interest rate scenarios that assume a hypothetical, instantaneous increase or decrease in interest rates of one percentage point across all maturities, as well as a base case that assumes that interest rates remain constant at existing levels. The differences between these scenarios and the base case over a one year horizon represent an estimate of the sensitivity of Ford Credit's pre-tax earnings over the following year. This sensitivity as of year-end 2001 and 2002 is as follows:

	Pre-tax earnings impact given a one percentage point *increase* in interest rates (in millions)	**Pre-tax earnings impact given a one percentage point *decrease* in interest rates (in millions)**
December 31, 2002	$(153)	$156
December 31, 2001	$(120)	$121

While the sensitivity analysis presented is Ford Credit's best estimate of the impacts of specified assumed interest rate scenarios, actual results could differ from those projected. The model used to conduct this analysis is heavily dependent on assumptions, particularly those regarding the reinvestment of maturing asset principal, refinancing of maturing debt, and predicted repayment of sale and lease contracts ahead of contractual maturity.

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MANAGEMENT'S FINANCIAL RESPONSIBILITY

Management is responsible for the preparation of the company's financial statements and the other financial information in this report. This responsibility includes maintaining the integrity and objectivity of financial records and the presentation of the company's financial statements in conformity with generally accepted accounting principles.

The company maintains an internal control structure intended to provide, among other things, reasonable assurance that its records include the transactions of its operations in all material respects and to provide protection against significant misuse or loss of company assets. Management believes that the internal control structure meets these objectives. The internal control structure is supported by careful selection and training of qualified personnel, written policies and procedures that communicate details of the internal control structure to the company's worldwide activities, and by a staff of internal auditors who employ thorough auditing programs.

The company's financial statements have been audited by PricewaterhouseCoopers LLP, independent certified public accountants. Their audit was conducted in accordance with generally accepted auditing standards, which included consideration of the company's internal control structure. The Report of Independent Accountants appears below.

The Board of Directors, acting through its Audit Committee composed solely of directors who are not employees of the company, is responsible for determining that management fulfills its responsibilities in the financial control of operations and the preparation of financial statements. The Audit Committee appoints the independent accountants, subject to ratification by the stockholders. It meets regularly with management, internal auditors, and the independent accountants. The independent accountants and internal auditors have full and free access to the Audit Committee and meet with it to discuss their audit work, the company's internal controls, and financial reporting matters.

William Clay Ford, Jr.
President and Chief Executive Officer

Allan Gilmour
Group Vice President and Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

PRICEWATERHOUSECOOPERS

To the Board of Directors and Stockholders
Ford Motor Company:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Ford Motor Company and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the accompanying sector balance sheet and the related sector statements of income and cash flows, presented for purposes of additional analysis, present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. The consolidated and sector financial statements (collectively, the "financial statements") are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 7 to the consolidated financial statements, on January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which changed the method of accounting for goodwill and other intangible assets. In addition, as discussed in Note 3 to the consolidated financial statements, on January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which changed the method of accounting for discontinued operations. Also, as discussed in Note 17 to the consolidated financial statements, on January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities."

PricewaterhouseCoopers LLP
Detroit, Michigan
January 17, 2003

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2002, 2001 and 2000
(in millions, except per share amounts)

	2002	2001	2000
AUTOMOTIVE			
Sales (Note 1)	$ 134,425	$ 130,827	$ 140,777
Costs and expenses (Note 1)			
Costs of sales	125,137	128,417	125,651
Selling, administrative and other expenses	9,819	9,805	9,838
Total costs and expenses	134,956	138,222	135,489
Operating income/(loss)	(531)	(7,395)	5,288
Interest income	834	765	1,488
Interest expense	1,368	1,376	1,383
Net interest income/(expense)	(534)	(611)	105
Equity in net income/(loss) of affiliated companies	(91)	(856)	(70)
Income/(loss) before income taxes — Automotive	(1,156)	(8,862)	5,323
FINANCIAL SERVICES			
Revenues (Note 1)	28,161	29,927	28,314
Costs and expenses (Note 1)			
Interest expense	7,456	9,441	9,477
Depreciation	10,240	10,164	9,059
Operating and other expenses	5,080	5,221	4,845
Provision for credit and insurance losses	3,276	3,661	1,957
Total costs and expenses	26,052	28,487	25,338
Income/(loss) before income taxes — Financial Services	2,109	1,440	2,976
TOTAL COMPANY			
Income/(loss) before income taxes	953	(7,422)	8,299
Provision for/(benefit from) income taxes (Note 2)	302	(2,097)	2,720
Income/(loss) before minority interests	651	(5,325)	5,579
Minority interests in net income/(loss) of subsidiaries	367	24	123
Income/(loss) from continuing operations	284	(5,349)	5,456
Income/(loss) from discontinued/held-for-sale operations (Note 3)	(63)	(104)	263
Loss on disposal of discontinued/held-for-sale operations (Note 3)	(199)	-	(2,252)
Cumulative effect of change in accounting principle (Note 7)	(1,002)	-	-
Net income/(loss)	$ (980)	$ (5,453)	$ 3,467
Income/(loss) attributable to Common and Class B Stock after Preferred Stock dividends	$ (995)	$ (5,468)	$ 3,452
Average number of shares of Common and Class B Stock outstanding (Note 15)	1,819	1,820	1,483
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK (Note 15)			
Basic income/(loss)			
Income/(loss) from continuing operations	$ 0.15	$ (2.96)	$ 3.69
Income/(loss) from discontinued/held-for-sale operations	(0.04)	(0.06)	0.18
Loss on disposal of discontinued/held-for-sale operations	(0.11)	-	(1.53)
Cumulative effect of change in accounting principle	(0.55)	-	-
Net income/(loss)	$ (0.55)	$ (3.02)	$ 2.34
Diluted income/(loss)			
Income/(loss) from continuing operations	$ 0.15	$ (2.96)	$ 3.62
Income/(loss) from discontinued/held-for-sale operations	(0.03)	(0.06)	0.17
Loss on disposal of discontinued/held-for-sale operations	(0.11)	-	(1.49)
Cumulative effect of change in accounting principle	(0.55)	-	-
Net income/(loss)	$ (0.54)	$ (3.02)	$ 2.30
Cash dividends	$ 0.40	$ 1.05	$ 1.80

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2002, 2001 and 2000
(in millions, except per share amounts)

	2002	2001	2000
Sales (Note 1)	$ 134,425	$ 130,827	$ 140,777
Revenues and other interest income	28,995	30,692	29,802
Total sales and revenues	163,420	161,519	170,579
Costs and expenses			
Costs of sales	125,137	128,417	125,651
Selling, administrative and other expenses	25,150	25,195	23,721
Interest expense	8,824	10,817	10,860
Provision for credit and insurance losses	3,276	3,661	1,957
Total costs and expenses	162,387	168,090	162,189
Equity in net income/(loss) of affiliated companies	(80)	(851)	(91)
Income/(loss) before income taxes	953	(7,422)	8,299
Provision for/(benefit from) income taxes	302	(2,097)	2,720
Income/(loss) before minority interests	651	(5,325)	5,579
Minority interests in net income/(loss) of subsidiaries	367	24	123
Income/(loss) from continuing operations	284	(5,349)	5,456
Income/(loss) from discontinued/held-for-sale operations	(63)	(104)	263
Loss on disposal of discontinued/held-for-sale operations	(199)	-	(2,252)
Cumulative effect of change in accounting principle	(1,002)	-	-
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Income/(loss) attributable to Common and Class B Stock after Preferred Stock dividends	$ (995)	$ (5,468)	$ 3,452
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AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK			
Basic income/(loss)			
Income/(loss) from continuing operations	$ 0.15	$ (2.96)	$ 3.69
Income/(loss) from discontinued/held-for-sale operations	(0.04)	(0.06)	0.18
Loss on disposal of discontinued/held-for-sale operations	(0.11)	-	(1.53)
Cumulative effect of change in accounting principle	(0.55)	-	-
Net income/(loss)	$ (0.55)	$ (3.02)	$ 2.34
Diluted income/(loss)			
Income/(loss) from continuing operations	$ 0.15	$ (2.96)	$ 3.62
Income/(loss) from discontinued/held-for-sale operations	(0.03)	(0.06)	0.17
Loss on disposal of discontinued/held-for-sale operations	(0.11)	-	(1.49)
Cumulative effect of change in accounting principle	(0.55)	-	-
Net income/(loss)	$ (0.54)	$ (3.02)	$ 2.30
Cash dividends	$ 0.40	$ 1.05	$ 1.80

The accompanying notes are part of the financial statements.

Ford Freestar

FORD MOTOR COMPANY AND SUBSIDIARIES
As of December 31, 2002 and 2001
(in millions)

	2002	2001
ASSETS		
Automotive		
Cash and cash equivalents	$ 5,180	$ 4,064
Marketable securities (Note 4)	17,464	10,949
Total cash and marketable securities	22,644	15,013
Receivables, less allowances of $374 and $240	2,065	2,181
Inventories (Note 5)	6,980	6,127
Deferred income taxes	3,462	2,595
Other current assets	4,551	6,153
Current receivable from Financial Services (Note 1)	1,062	938
Total current assets	40,764	33,007
Equity in net assets of affiliated companies	2,470	2,450
Net property (Note 6)	36,364	33,022
Deferred income taxes	11,694	5,981
Goodwill (Note 7)	4,805	5,213
Other intangible assets (Note 7)	812	1,125
Assets of discontinued and held-for-sale operations (Note 3)	98	368
Other assets	10,783	7,153
Total Automotive assets	107,790	88,319
Financial Services		
Cash and cash equivalents	7,070	3,133
Investments in securities (Note 4)	807	628
Finance receivables, net (Notes 8 and 10)	97,030	110,190
Net investment in operating leases (Note 9)	40,055	45,388
Retained interest in sold receivables (Note 8)	17,618	12,548
Goodwill (Note 7)	752	1,042
Other intangible assets (Note 7)	248	265
Assets of discontinued and held-for-sale operations (Note 3)	2,406	2,136
Other assets	16,643	9,182
Receivable from Automotive (Note 1)	4,803	3,712
Total Financial Services assets	187,432	188,224
Total assets	**$ 295,222**	$ 276,543
LIABILITIES AND STOCKHOLDERS' EQUITY		
Automotive		
Trade payables	$ 14,606	$ 15,620
Other payables	2,485	4,224
Accrued liabilities (Note 11)	27,644	24,295
Debt payable within one year (Note 12)	557	302
Total current liabilities	45,292	44,441
Long-term debt (Note 12)	13,607	13,467
Other liabilities (Note 11)	46,886	30,873
Deferred income taxes	303	362
Liabilities of discontinued and held-for-sale operations (Note 3)	138	125
Payable to Financial Services (Note 1)	4,803	3,712
Total Automotive liabilities	111,029	92,980
Financial Services		
Payables	1,890	1,484
Debt (Note 12)	148,058	153,034
Deferred income taxes	11,644	9,686
Other liabilities and deferred income	9,448	9,165
Liabilities of discontinued and held-for-sale operations (Note 3)	831	798
Payable to Automotive (Note 1)	1,062	938
Total Financial Services liabilities	172,933	175,105
Company-obligated mandatorily redeemable preferred securities of a subsidiary trusts holding solely junior subordinated debentures of the company (Note 14)	5,670	672
Stockholders' equity		
Capital stock (Notes 15 and 16)		
Preferred Stock, par value $1.00 per share (aggregate liquidation preference of $177 million at December 31, 2001)	-	*
Common Stock, par value $0.01 per share (1,837 million shares issued)	18	18
Class B Stock, par value $0.01 per share (71 million shares issued)	1	1
Capital in excess of par value of stock	5,420	6,001
Accumulated other comprehensive income/(loss)	(6,531)	(5,913)
Treasury stock	(1,977)	(2,823)
Earnings retained for use in business	8,659	10,502
Total stockholders' equity	5,590	7,786
Total liabilities and stockholders' equity	**$ 295,222**	$ 276,543

**Less than $1 million.*
The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
As of December 31, 2002 and 2001
(in millions)

	2002	2001
ASSETS		
Cash and cash equivalents	$ 12,250	$ 7,197
Marketable securities	18,271	11,577
Receivables, less allowances of $374 and $240	2,065	2,181
Net investment in operating leases	40,055	45,388
Finance receivables, net	97,030	110,190
Retained interest in sold receivables	17,618	12,548
Inventories	6,980	6,127
Equity in net assets of affiliated companies	3,569	3,713
Net property	37,935	34,575
Deferred income taxes	15,213	8,639
Goodwill	5,557	6,255
Other intangible assets	1,060	1,390
Assets of discontinued and held-for-sale operations	2,504	2,504
Other assets	29,250	19,609
Total assets	$ 289,357	$ 271,893
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payables	$ 18,981	$ 21,328
Accrued liabilities	25,088	24,224
Debt	162,222	166,803
Other liabilities and deferred income	56,276	39,812
Deferred income taxes	14,561	10,345
Liabilities of discontinued and held-for-sale operations	969	923
Total liabilities	278,097	263,435
Company-obligated mandatorily redeemable preferred securities of a subsidiary trusts holding solely junior subordinated debentures of the company	5,670	672
Stockholders' equity		
Capital stock		
Preferred Stock, par value $1.00 per share (aggregate liquidation preference of $177 million at December 31, 2001)	-	*
Common Stock, par value $0.01 per share (1,837 million shares issued)	18	18
Class B Stock, par value $0.01 per share (71 million shares issued)	1	1
Capital in excess of par value of stock	5,420	6,001
Accumulated other comprehensive income/(loss)	(6,531)	(5,913)
Treasury stock	(1,977)	(2,823)
Earnings retained for use in business	8,659	10,502
Total stockholders' equity	5,590	7,786
Total liabilities and stockholders' equity	$ 289,357	$ 271,893

**Less than $1 million.*
The accompanying notes are part of the financial statements.

Jaguar S-Type

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2002, 2001 and 2000
(in millions)

	2002		2001		2000	
	Automotive	**Financial Services**	Automotive	Financial Services	Automotive	Financial Services
CASH AND CASH EQUIVALENTS AT JANUARY 1	**$ 4,064**	**$ 3,133**	$ 3,360	$ 1,417	$ 2,793	$ 1,543
Cash flows from operating activities before securities trading (Note 18)	**9,487**	**15,375**	7,456	13,172	12,009	14,378
Net sales/(purchases) of trading securities	**(6,206)**	**(23)**	1,143	120	6,858	122
Net cash flows from operating activities	**3,281**	**15,352**	8,599	13,292	18,867	14,500
Cash flows from investing activities						
Capital expenditures	**(6,776)**	**(502)**	(6,301)	(651)	(7,393)	(955)
Acquisitions of other companies (Note 19)	**(289)**	**-**	(1,998)	(737)	(2,662)	(112)
Acquisitions of receivables and lease investments	**-**	**(81,806)**	-	(94,061)	-	(95,552)
Collections of receivables and lease investments	**-**	**45,777**	-	45,110	-	54,031
Net acquisitions of daily rental vehicles	**-**	**(1,846)**	-	(1,412)	-	(2,107)
Purchases of securities	**(3,446)**	**(609)**	(12,489)	(734)	(6,136)	(564)
Sales and maturities of securities	**3,445**	**479**	13,866	759	5,105	557
Proceeds from sales of receivables and lease investments	**-**	**41,289**	-	41,419	-	19,439
Proceeds from sale of businesses	**257**	**-**	-	-	-	-
Net investing activity with Financial Services	**1,053**	**-**	186	-	645	-
Other	**-**	**407**	367	250	-	(320)
Net cash (used in)/provided by investing activities	**(5,756)**	**3,189**	(6,369)	(10,057)	(10,441)	(25,583)
Cash flows from financing activities						
Cash dividends	**(743)**	**-**	(1,929)	-	(2,751)	-
Net sales/(purchases) of Common Stock	**287**	**-**	(1,385)	-	(1,229)	-
Proceeds from mandatorily redeemable convertible preferred securities (Note 14)	**4,900**	**-**	-	-	-	-
Preferred Stock – Series B redemption	**(177)**	**-**	-	-	-	-
Net changes in short-term debt	**(25)**	**(14,136)**	38	(18,349)	(776)	(6,906)
Proceeds from issuance of other debt	**318**	**15,524**	2,063	44,193	2,363	37,261
Principal payments on other debt	**(859)**	**(15,760)**	(1,122)	(26,193)	(1,277)	(17,250)
Value Enhancement Plan payments (Note 15)	**-**	**-**	-	-	(5,555)	-
Net debt repayments from discontinued operation	**-**	**-**	-	-	650	-
Net cash distribution to discontinued operation	**-**	**-**	-	-	(85)	-
Net financing activity with Automotive	**-**	**(1,053)**	-	(186)	-	(645)
Other	**(23)**	**361**	261	(184)	139	73
Net cash (used in)/provided by financing activities	**3,678**	**(15,064)**	(2,074)	(719)	(8,521)	12,533
Effect of exchange rate changes on cash	**37**	**336**	(101)	(151)	(55)	(859)
Net transactions with Automotive/Financial Services	**(124)**	**124**	649	(649)	717	(717)
Net increase/(decrease) in cash and cash equivalents	**1,116**	**3,937**	704	1,716	567	(126)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**$ 5,180**	**$ 7,070**	$ 4,064	$ 3,133	$ 3,360	$ 1,417

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2002, 2001 and 2000
(in millions)

	2002	2001	2000
CASH AND CASH EQUIVALENTS AT JANUARY 1	**$ 7,197**	$ 4,777	$ 4,336
Cash flows from operating activities before securities trading	**24,862**	20,628	26,387
Net sales/(purchases) of trading securities	**(6,229)**	1,263	6,980
Net cash flows from operating activities	**18,633**	21,891	33,367
Cash flows from investing activities			
Capital expenditures	**(7,278)**	(6,952)	(8,348)
Acquisitions of other companies	**(289)**	(2,735)	(2,774)
Acquisitions of receivables and lease investments	**(81,806)**	(94,061)	(95,552)
Collections of receivables and lease investments	**45,777**	45,110	54,031
Net acquisitions of daily rental vehicles	**(1,846)**	(1,412)	(2,107)
Purchases of securities	**(4,055)**	(13,223)	(6,700)
Sales and maturities of securities	**3,924**	14,625	5,662
Proceeds from sales of receivables and lease investments	**41,289**	41,419	19,439
Proceeds from sale of businesses	**257**	-	-
Other	**407**	617	(320)
Net cash (used in)/provided by investing activities	**(3,620)**	(16,612)	(36,669)
Cash flows from financing activities			
Cash dividends	**(743)**	(1,929)	(2,751)
Net sales/(purchases) of Common Stock	**287**	(1,385)	(1,229)
Proceeds from mandatorily redeemable convertible preferred securities	**4,900**	-	-
Preferred Stock – Series B redemption	**(177)**	-	-
Changes in short-term debt	**(14,161)**	(18,311)	(7,682)
Proceeds from issuance of other debt	**15,842**	46,256	39,624
Principal payments on other debt	**(16,619)**	(27,315)	(18,527)
Value Enhancement Plan payments	**-**	-	(5,555)
Net debt repayments from discontinued operation	**-**	-	650
Net cash distribution to discontinued operation	**-**	-	(85)
Other	**338**	77	212
Net cash (used in)/provided by financing activities	**(10,333)**	(2,607)	4,657
Effect of exchange rate changes on cash	**373**	(252)	(914)
Net increase/(decrease) in cash and cash equivalents	**5,053**	2,420	441
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**$ 12,250**	$ 7,197	$ 4,777

The accompanying notes are part of the financial statements.

Land Rover Range Rover

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2002, 2001 and 2000
(in millions)

	Capital Stock	Capital in Excess of Par Value of Stock	Retained Earnings	Other Comprehensive Income: Foreign Currency Translation	Other Comprehensive Income: Minimum Pension Liability	Other Comprehensive Income: Derivative Instruments and Other	Other	Total
YEAR ENDED DECEMBER 31, 2000								
Balance at beginning of year	$ 1,222	$ 5,049	$ 24,606	$ (1,565)	$ (374)	$ 83	$ (1,417)	$ 27,604
Comprehensive income								
Net income			3,467					3,467
Foreign currency translation				(1,538)				(1,538)
Minimum pension liability (net of tax of $36)					(66)			(66)
Net holding gain (net of tax of $15)						28		28
Comprehensive income								1,891
Common Stock issued for employee benefit plans and other		(78)						(78)
ESOP loan and treasury stock							(618)	(618)
Value Enhancement Plan	(1,203)	1,203	(5,731)					(5,731)
Stock dividend (Spin-off of Visteon)			(1,707)					(1,707)
Cash dividends			(2,751)					(2,751)
Balance at end of year	$ 19	$ 6,174	$ 17,884	$ (3,103)	$ (440)	$ 111	$ (2,035)	$ 18,610
YEAR ENDED DECEMBER 31, 2001								
Balance at beginning of year	$ 19	$ 6,174	$ 17,884	$ (3,103)	$ (440)	$ 111	$ (2,035)	$ 18,610
Comprehensive income								
Net loss			(5,453)					(5,453)
Foreign currency translation				(1,240)				(1,240)
Net loss on derivative instruments (net of tax of $ 592) (Note 17)				129		(1,228)		(1,099)
Minimum pension liability (net of tax of $3)					(5)			(5)
Net holding loss (net of tax of $74)						(137)		(137)
Comprehensive loss								(7,934)
Common Stock issued for employee benefit plans and other		(173)						(173)
ESOP loan and treasury stock							(788)	(788)
Cash dividends			(1,929)					(1,929)
Balance at end of year	$ 19	$ 6,001	$ 10,502	$ (4,214)	$ (445)	$ (1,254)	$ (2,823)	$ 7,786
YEAR ENDED DECEMBER 31, 2002								
Balance at beginning of year	**$ 19**	**$ 6,001**	**$ 10,502**	**$ (4,214)**	**$ (445)**	**$ (1,254)**	**$ (2,823)**	**$ 7,786**
Comprehensive income								
Net loss			**(980)**					**(980)**
Foreign currency translation				**2,938**				**2,938**
Net gain on derivative instruments (net of tax of $822) (Note 17)				**(15)**		**1,541**		**1,526**
Minimum pension liability (net of tax of $2,870)					**(5,331)**			**(5,331)**
Net holding gain (net of tax of $134)						**249**		**249**
Comprehensive loss								**(1,598)**
Common Stock issued for employee benefit plans and other		**(524)**						**(524)**
Preferred Stock — Series B redemption		**(57)**	**(120)**					**(177)**
ESOP loan and treasury stock							**846**	**846**
Cash dividends			**(743)**					**(743)**
Balance at end of year	**$ 19**	**$ 5,420**	**$ 8,659**	**$ (1,291)**	**$ (5,776)**	**$ 536**	**$ (1,977)**	**$ 5,590**

The accompanying notes are part of the financial statements.

Ford Motor Company and Subsidiaries Notes to Financial Statements

NOTE 1. ACCOUNTING POLICIES

PRINCIPLES OF PRESENTATION AND CONSOLIDATION

We present our financial statements on two bases: 1) sector basis for Automotive and Financial Services and 2) consolidated basis. We believe the additional information provided in the sector basis statements enable the reader to understand better the operating performance, financial position, cash flow and liquidity of our two very different businesses.

Our financial statements include consolidated majority-owned subsidiaries. Affiliates that we do not control, but have significant influence over operating and financial policies, are accounted for using the equity method.

Our sector financial statements, consolidated financial statements and notes have all been reclassified to reflect discontinued and held-for-sale operations.

USE OF ESTIMATES

The financial statements are prepared in conformity with generally accepted accounting principles. Management is required to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those assumptions. Estimates and assumptions are periodically reviewed and the effects of any material revisions are reflected in the financial statements in the period that they are determined to be necessary. Certain amounts previously disclosed in our press release and current report on Form 8-K dated January 22, 2003, have been reclassified. In addition, certain reclassifications have been made to prior periods to conform with current reporting.

REVENUE RECOGNITION — AUTOMOTIVE SECTOR

Sales are generally recorded when products are shipped to customers (primarily dealers) and ownership is transferred. Sales to daily rental car companies with a guaranteed repurchase option are accounted for as operating leases. The carrying value of these vehicles, included in other current assets, was $2.0 billion at both December 31, 2002 and 2001.

REVENUE RECOGNITION — FINANCIAL SERVICES SECTOR

Revenue from finance receivables, net of certain deferred loan origination costs that are included as a reduction of financing revenue, is recognized over the term of the receivable using the interest method. Revenue from operating leases, net of certain deferred origination costs, is recognized on a straight-line basis over the term of the lease. The accrual of interest on loans is discontinued at the time the loan is impaired. Subsequent amounts of interest collected are recognized in income only if full recovery of the remaining principal is probable. Interest supplements paid by the Automotive sector are recognized over the term of the receivable or operating lease.

MARKETING INCENTIVES

Automotive marketing incentives, including customer and dealer cash payments and costs for special financing and leasing programs (e.g., interest subsidies paid to the Financial Services sector), are recognized as revenue reductions and are accrued at the later of the date the related vehicle sales are recorded or at the date the incentive program is both approved and communicated. In general, the amount of interest or lease subsidies paid is the difference between the amounts offered to retail customers and a market-based interest or lease rate. Costs for marketing incentives are based on assumptions regarding the number of vehicles that will have a specific incentive applied against them.

WARRANTY AND ADDITIONAL SERVICE ACTIONS

Estimated expenses related to contractual product warranties and additional service actions are accrued at the time vehicles are sold to dealers. Estimates are established using historical information on the nature, frequency, and average cost of warranty claims. Additional service actions include costs related to product recalls and other service actions outside the contractual warranty coverage. Fees or premiums received for the issuance of extended service plans are recognized in income over the contract period in proportion to the costs expected to be incurred in performing services under the contract.

Lincoln LS

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

SELECTED OTHER COSTS

Freight costs are accrued at the time of sale and are included in cost of sales. Advertising and engineering, research and development costs are expensed as incurred and were as follows (in billions):

	2002	2001	2000
Advertising	**$ 2.9**	$ 3.1	$ 3.0
Engineering, research and development	**7.7**	7.3	6.8

SALE OF RECEIVABLES

Ford Credit sells finance receivables to special purpose entities in securitization transactions without recourse and/or discounts. The receivables are removed from the balance sheet at the time they are sold. Sales and transfers that do not meet the criteria for surrender of control are accounted for as borrowings.

Gains or losses from the sale of finance receivables are recognized in the period the sale occurs based on the relative fair value of the portion sold and the portion allocated to retained interests. The retained interests are recorded at fair value estimated by discounting future cash flows using a rate that reflects the credit, interest and prepayment risks associated with similar types of instruments. Changes in fair value are recorded, net of tax, as a component of other comprehensive income.

FOREIGN CURRENCY TRANSLATION

Results of operations and cash flows are, in most cases, translated at average-period exchange rates and assets and liabilities are translated at end-of-period exchange rates. Translation adjustments are included in a separate component of accumulated other comprehensive income. Transaction and translation losses included net income amounted to $87 million, $283 million, and $115 million in 2002, 2001, and 2000 respectively.

DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Property and equipment are stated at cost and depreciated primarily using the straight-line method over the estimated useful life of the asset. Special tools placed in service before January 1, 1999 are amortized using an accelerated method over the estimated life of those tools. Special tools placed in service beginning in 1999 are amortized using the units-of-production method. Maintenance, repairs, and rearrangement costs are expensed as incurred.

IMPAIRMENT OF LONG-LIVED ASSETS

We test for impairment when events and circumstances warrant such a review. We evaluate the carrying value of long-lived assets for potential impairment on a regional operating business unit basis or at the individual asset level, if held for sale, using undiscounted after-tax estimated cash flows.

STOCK OPTIONS

At December 31, 2002, we have stock options outstanding under employee compensation plans that are described more fully in Note 16. We apply the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations in accounting for those plans. Prior to January 1, 2003, no stock-based employee compensation expense has been reflected in net income as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2003, we will adopt the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation* prospectively to all unvested employee awards as of January 1, 2003, and all new awards granted to employees after January 1, 2003, using the modified prospective method of adoption under the provisions of SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure*.

Ford Streetka (Europe)

The following table illustrates the effect on net income and amounts per share if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation in prior years (in millions):

	2002	2001	2000
Income/(loss) attributable to Common and Class B Stock after preferred stock dividends of $15 million in 2002, 2001 and 2000 — as reported	**$ (995)**	$ (5,468)	$ 3,452
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	**(179)**	(162)	(128)
Pro forma net income/(loss)	**$ (1,174)**	$ (5,630)	$ 3,324
Amounts per share:			
Basic — as reported	**$ (0.55)**	$ (3.02)	$ 2.34
Basic — pro forma	**(0.65)**	(3.11)	2.25
Diluted — as reported	**$ (0.54)**	$ (3.02)	$ 2.30
Diluted — pro forma	**(0.64)**	(3.11)	2.22

TRANSACTIONS BETWEEN AUTOMOTIVE AND FINANCIAL SERVICES SECTORS

Intersector transactions occur in the ordinary course of business. The company and Ford Credit formally documented certain long-standing business practices in a 2001 agreement. Additional details on certain transactions and the effect on each sector's balance sheet at December 31 is shown below (in billions):

	2002		2001	
	Automotive	**Financial Services**	Automotive	Financial Services
Finance receivables net *a/*		**$ 3.5**		$ 4.7
Net investment in operating leases *b/*		**4.0**		4.2
Other assets *c/*		**1.5**		0.9
Intersector non-current receivables/(payables) *d/*	**$ (4.8)**	**4.8**	$ (3.7)	3.7
Intersector current receivables/(payables) *e/*	**1.1**	**(1.1)**	0.9	(0.9)

a/ Automotive receivables (generated primarily from vehicle and parts sales to third parties) sold to Ford Credit.
b/ Primarily Ford Credit vehicles leased to employees of the company ($1.0 billion in 2002 and $1.2 billion in 2001) and Automotive vehicles sold to Hertz for rental ($3.0 billion in 2002 and 2001).
c/ Primarily used vehicles purchased by Ford Credit on behalf of the company pursuant to Ford Automotive's obligation to repurchase such vehicles from daily rental car companies, including Hertz. These vehicles are subsequently sold at auction by Ford Credit.
d/ Reflects amounts due Ford Credit from Automotive under a tax sharing agreement.
e/ Net result of all other transactions.

Periodically, Ford Credit receives interest supplements and other support cost payments from Automotive for providing special vehicle financing for low-interest-rate marketing programs. Ford Credit records these transactions as revenue over the life of the contract. Amounts recorded as revenue by the Financial Services sector, and billed to the Automotive sector, were $3.7 billion in 2002, $4.1 billion in 2001, and $3.5 billion in 2000. The Automotive sector records the estimated costs for these sales incentive programs as "Marketing Incentives."

NOTE 2. INCOME TAXES

Components of income taxes, excluding equity in net results of affiliated companies accounted for after-tax:

	2002	2001	2000
Income/(loss) before income taxes (in millions)			
U.S.	$ 1,112	$ (5,785)	$ 9,394
Non-U.S.	(79)	(786)	(1,004)
Total	$ 1,033	$ (6,571)	$ 8,390
Provision for income taxes (in millions)			
Current:			
Federal	$ (423)	$ 22	$ 154
Non-U.S.	548	103	760
State and local	-	-	116
Total Current	125	125	1,030
Deferred:			
Federal	224	(2,072)	2,632
Non-U.S.	(120)	(248)	(1,153)
State and local	73	98	211
Total Deferred	177	(2,222)	1,690
Total	$ 302	$ (2,097)	$ 2,720
Reconciliation of effective tax rate			
U.S. statutory rate	35%	35%	35%
Non-U.S. income taxes	(3)	(2)	(2)
State and local income taxes	5	(1)	3
Deductible dividends	(8)	2	(1)
General business credits	(20)	2	0
Dispositions and restructurings	20	0	1
Other	0	(4)	(4)
Effective Rate	29%	32%	32%

Deferred taxes at December 31 (in millions)

	2002	2001
Deferred tax assets		
Employee benefit plans	$ 8,219	$ 4,900
Dealer and customer allowances and claims	3,132	3,360
Tax credit carryforwards	2,085	718
Allowance for credit losses	1,886	1,533
Other foreign deferred tax assets	2,135	1,680
All other	3,089	3,239
Total deferred tax assets	20,546	15,430
Deferred tax liabilities		
Leasing transactions	8,418	8,213
Depreciation and amortization (excluding leasing transactions)	4,814	3,887
Finance receivables	2,837	2,388
All other	3,825	2,648
Total deferred tax liabilities	19,894	17,136
Net deferred tax assets/(liabilities)	$ 652	$ (1,706)

No provision for deferred taxes has been made on $860 million of unremitted earnings (primarily related to periods prior to 1998) which are considered to be indefinitely invested in non-U.S. subsidiaries. Deferred taxes for these unremitted earnings are not practicable to estimate.

Operating loss carryforwards for tax purposes were $3.6 billion at December 31, 2002. A substantial portion of these losses has an indefinite carryforward period; the remaining losses will begin to expire in 2003. Tax credits available to offset future tax liabilities are $2.1 billion. A substantial portion has an indefinite carryforward period; the remainder begins to expire in 2005. Tax benefits of operating loss and tax credit carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances.

NOTE 3. DISCONTINUED AND HELD-FOR-SALE OPERATIONS

AUTOMOTIVE SECTOR

During 2002, the Automotive sector completed the sale of several of its non-core businesses, including our former automotive recycling business in Canada. Associated with these sales, we recorded an after-tax net loss of $59 million in 2002, reflected in net loss on disposal of discontinued and held-for-sale operations.

During the fourth quarter of 2002, management committed to plans to sell certain other non-core Automotive sector businesses, including our former automotive recycling business in the U.S. and electric vehicle business in Norway. We expect to complete the sale of these businesses during 2003 and have reported these businesses as held-for-sale under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* for all periods shown. We have recognized an after-tax charge of $109 million, on the anticipated loss on sale of these assets, reflected in net loss on disposal of discontinued operations and held-for-sale operations. This amount represents the difference between the anticipated selling price of these assets less costs to sell them, and their recorded book value.

On June 28, 2000, we distributed our 100% ownership interest in Visteon Corporation, our former automotive components subsidiary, by means of a tax-free spin-off in the form of a dividend on Ford Common and Class B Stock. The total market value of the distribution was $2.1 billion, which resulted in an after-tax loss of $2.3 billion. This loss represented the excess of the carrying value of our net investment over the market value on the distribution date.

In connection with the spin-off of Visteon, about 24,000 hourly employees working for Visteon who were represented by the UAW remained Ford employees, with Visteon agreeing to reimburse us for the costs of those employees. The average number of these employees was approximately 19,800 in 2002.

The operating results of the discontinued and held-for-sale Automotive operations are as follows (in millions):

	2002	2001	2000
Sales	**$ 241**	$ 224	$ 1,425
Income/(loss) before income taxes	**$ (143)**	$ (170)	$ 438
(Provision for)/benefit from income taxes	**50**	58	(169)
Net income/(loss) from discontinued/held-for-sale operations	**$ 93**	$ (112)	$ 269

At December 31, 2002 and 2001, inventories associated with discontinued and held-for-sale operations totaled $49 million and $64 million, respectively. At December 31, 2002 and 2001, net property of the entities totaled $28 million and $99 million, respectively.

FINANCIAL SERVICES SECTOR

During the fourth quarter of 2002, we sold our all-makes vehicle fleet leasing operations in New Zealand and Australia. In addition, we completed the sale of the European operation of this business in the first quarter of 2003 and have classified these assets as held-for-sale under SFAS No. 144. Ford Credit has recognized an after-tax charge of $31 million, reflected in net loss on disposal of discontinued operations. This amount represents the difference between the selling price of these assets, less costs to sell them, and their recorded book value.

The operating results of the discontinued and held-for-sale operations are as follows (in millions):

	2002	2001	2000
Revenues	**$ 210**	$ 179	$ 116
Income/(loss) before income taxes	**$ 37**	$ 12	$ (9)
(Provision for)/benefit from income taxes	**(7)**	(4)	3
Net income/(loss) from discontinued/held-for-sale operations	**$ 30**	$ 8	$ (6)

NOTE 4. MARKETABLE AND OTHER SECURITIES

Trading securities are recorded at fair value with unrealized gains and losses included in income. Available-for-sale securities are recorded at fair value with net unrealized holding gains and losses reported, net of tax, in other comprehensive income. Held-to-maturity securities are recorded at amortized cost. Realized gains and losses are accounted for using the specific identification method.

The fair value of substantially all securities is determined by quoted market prices. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market. Equity securities that do not have readily determinable fair values are recorded at cost. Book value approximates fair value for all securities.

Expected maturities of debt securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

On October 2, 2002, we purchased ¥ 20 billion (equivalent of U.S. $164 million) aggregate principal amount of convertible bonds issued by Mazda Motor Corporation. The bonds are accounted for as an available-for-sale security and included in *Equity in net assets of affiliated companies*. As of December 31, 2002, these bonds had a fair value of $161 million.

Investments in securities at December 31 were as follows (in millions):

	2002				2001			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Book/Fair Value**	Amortized Cost	Unrealized Gains	Unrealized Losses	Book/Fair Value
Automotive Sector								
Trading	**$ 15,725**	**$ 145**	**$ 1**	**$ 15,869**	$ 9,374	$ 32	$ 30	$ 9,376
Available-for-sale								
Corporate debt	**1,576**	**21**	**2**	**1,595**	1,557	20	4	1,573
Total	**$ 17,301**	**$ 166**	**$ 3**	**$ 17,464**	$ 10,931	$ 52	$ 34	$ 10,949
Financial Services Sector								
Trading	**$ 143**	**$ -**	**$ -**	**$ 143**	$ 95	$ -	$ -	$ 95
Available-for-sale								
U.S. government and agency	**163**	**9**	**-**	**172**	78	2	1	79
Municipal	**1**	**-**	**-**	**1**	-	-	-	-
Government — non U.S.	**20**	**-**	**-**	**20**	18	1	-	19
Corporate debt	**172**	**10**	**-**	**182**	163	6	1	168
Mortgage-backed	**215**	**9**	**-**	**224**	207	4	2	209
Equity	**46**	**20**	**7**	**59**	29	27	4	52
Total	**617**	**48**	**7**	**658**	495	40	8	527
Held-to-maturity								
U.S. government	**6**	**-**	**-**	**6**	6	-	-	6
Total	**$ 766**	**$ 48**	**$ 7**	**$ 807**	$ 596	$ 40	$ 8	$ 628

The proceeds and gains/(losses) from sales of available-for-sale securities were as follows (in millions):

	Proceeds		**Gains/(Losses)**		
	2002	2001	**2002**	2001	2000
Automotive	**$ 3,445**	$ 12,489	**$ 24**	$ 47	$ 2
Financial Services	**479**	745	**6**	11	3

Ford Coleção Novo Fiesta (Brazil)

The amortized cost and fair value of investments in available-for-sale and held-to-maturity securities by contractual maturity for Automotive and Financial Service sectors were as follows (in millions):

	2002				2001			
	Available-for-sale		**Held-to-maturity**		Available-for-sale		Held-to-maturity	
Contractual Maturity	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value	Amortized Cost	Fair Value
1 year	**$ 297**	**$ 300**	**$ -**	**$ -**	$ 22	$ 22	$ -	$ -
2–5 years	**1,160**	**1,177**	**3**	**3**	1,284	1,302	1	1
6–10 years	**266**	**275**	**1**	**1**	289	292	3	3
11 years and later	**208**	**218**	**2**	**2**	221	223	2	2
Mortgage-backed securities	**216**	**224**	**-**	**-**	207	209	-	-
Equity securities	**46**	**59**	**-**	**-**	29	52	-	-
Total	**$ 2,193**	**$ 2,253**	**$ 6**	**$ 6**	$ 2,052	$ 2,100	$ 6	$ 6

NOTE 5. INVENTORIES — AUTOMOTIVE SECTOR

Inventories at December 31 were as follows (in millions):

	2002	2001
Raw materials, work-in-process and supplies	**$ 3,174**	$ 2,430
Finished products	**4,763**	4,602
Total inventories at FIFO	**7,937**	7,032
Less LIFO adjustment	**(957)**	(905)
Total inventories	**$ 6,980**	$ 6,127

Inventories are stated at lower of cost or market. About one-third of inventories were determined under the last-in, first-out-method.

NOTE 6. NET PROPERTY AND RELATED EXPENSES—AUTOMOTIVE SECTOR

Net property at December 31 was as follows (in millions):

	Average Life (Years)	**2002**	2001
Land	-	**$ 598**	$ 577
Buildings and land improvements	30	**10,337**	9,913
Machinery, equipment and other	14	**39,373**	38,625
Construction in progress	-	**2,688**	2,598
Total land, plant and equipment		**52,996**	51,713
Accumulated depreciation		**(26,571)**	(27,489)
Net land, plant and equipment		**26,425**	24,224
Special tools, net of amortization	5	**9,939**	8,798
Net property		**$ 36,364**	$ 33,022

Property-related expenses were as follows (in millions):

	2002	2001	2000
Depreciation	**$ 2,436**	$ 5,289	$ 3,502
Amortization of special tools	**2,461**	3,265	2,451
Total	**$ 4,897**	$ 8,554*	$ 5,953*
Maintenance and rearrangement	**$ 1,962**	$ 2,035	$ 2,146

** Includes impairment charges of $3,555 million and $866 million in 2001 and 2000, respectively (see Note 19).*

NOTE 7. GOODWILL AND OTHER INTANGIBLES

Effective January 1, 2002, we adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, which eliminates amortization of goodwill and certain other intangible assets, but requires annual testing for impairment (comparison of estimated fair value to carrying value). Fair value is estimated using the present value of expected future cash flows and other valuation measures. The Automotive sector completed the transitional impairment test in the first quarter of 2002 and the Financial Services sector completed the transitional impairment test in the second quarter of 2002. After-tax, non-cash transition charges were taken of $708 million in the Automotive sector, primarily relating to the impairment of goodwill in Kwik-Fit, our former all-makes European vehicle repair business, and $294 million in the Financial Services sector, related to the impairment of goodwill in Hertz' industrial and construction equipment rental business. Our policy is to test annually for impairment during the second quarter.

If SFAS No. 142 had been in effect for the year ended December 31, 2001, our earnings would have been improved due to reduced amortization, as described below (in millions):

	Net Income/ (Loss)	Basic Amounts Per Share	Diluted Amounts Per Share
Income/(loss) attributable to Common and Class B Stock after preferred stock dividends of $15 million — as reported	$ (5,453)	$ (3.02)	$ (3.02)
Add: Amortization, after-tax	259*	0.14	0.14
Adjusted net income/(loss)	$ (5,194)	$ (2.88)	$ (2.88)

** $227 million Automotive and $32 million Financial Services.*

Effective July 1, 2001, we adopted SFAS No. 141, *Business Combinations*, which specifies the types of acquired intangible assets to be reported separately from goodwill and those to be included in goodwill. Certain intangible assets, primarily acquired distribution networks and technology, continue to be amortized over their useful lives, with no significant residual value.

Changes to Automotive sector goodwill and other intangible assets were as follows (in millions):

	Goodwill	Other Intangibles	
		Amortizable	Non-amortizable
December 31, 2001 balance	$ 5,213	$ 1,125	$ -
Impairment (pre-tax)	(939)	-	-
Tradename reclassification	-	(618)	618
Workforce reclassification	126	(126)	-
Currency translation	430	55	49
Amortization and other	(25)	(27)	(264) b/
December 31, 2002 balance	$ 4,805	$ 409 a/	$ 403

a/ Gross balance of $548 million, net of accumulated amortization and other adjustments of $139 million.

b/ Primarily related to balance of non-amortizable intangibles related to the sale of Kwik-Fit (see Note 19).

Changes to Financial Services sector goodwill and other intangible assets were as follows (in millions):

	Goodwill	Other Intangibles	
		Amortizable	Non-amortizable
December 31, 2001 balance	$ 1,042	$ 265	$ -
Impairment (pre-tax)	(294)	-	-
Tradename reclassification	-	(189)	189
Currency translation	11	2	-
Amortization and other	(7)	(19)	-
December 31, 2002 balance	$ 752	$ 59*	$ 189

** Gross balance of $90 million, net of accumulated amortization of $31 million.*

In addition, equity in net assets of affiliated companies included goodwill of $435 million and $465 million at December 31, 2002 and December 31, 2001, respectively. Pre-tax amortization expense for intangible assets, excluding goodwill, for the years ended December 31, 2002 and 2001 was $40 million and $73 million, respectively. Intangible asset amortization is forecasted to range from about $15 to $25 million per year for the next five years.

NOTE 8. FINANCE RECEIVABLES — FINANCIAL SERVICES SECTOR

Net finance receivables at December 31 were as follows (in millions):

	2002	2001
Retail	$ 63,141	$ 78,607
Wholesale	16,827	15,785
Other finance receivables	11,073	10,337
Total finance receivables	91,041	104,729
Allowance for credit losses	(2,630)	(2,283)
Other	314	267
Net finance and other receivables	$ 88,725	$ 102,713

Finance receivables that originated outside the U.S. were $41.5 billion and $41.6 billion at December 31, 2002 and 2001, respectively. Other finance receivables consisted primarily of real estate, commercial, and other collateralized loans and accrued interest. Included in other finance receivables at both December 31, 2002 and 2001 were $1.6 billion of accounts receivable purchased by certain Financial Services sector operations from Automotive sector operations.

Future maturities, exclusive of SFAS No. 133, of total finance receivables are as follows (in millions): 2003 — $54,077; 2004 — $17,912; 2005 — $8,124; thereafter — $10,115. Experience indicates that a substantial portion of the portfolio generally is repaid before the contractual maturity dates.

The Financial Services sector has sold receivables to special purpose entities (SPE). At December 31, 2002, the number of these SPEs and the amount of assets held were as follows (in billions):

	Number of SPEs	2002
Ford Credit		
Retail finance receivables	55	$ 48.9
Wholesale finance receivables	1	22.4
Total Ford Credit	56	71.3
Automotive receivables	1	0.1
Total	57	$ 71.4

Retained interests in sold receivables were as follows (in millions):

	2002	2001
Wholesale receivables sold to securitization entities	$ 12,454	$ 7,586
Subordinated securities	2,845	2,039
Interest-only strips	1,696	1,235
Restricted cash held for the benefit of securitization entities	623	377
Senior securities	-	1,311
Total	$ 17,618	$ 12,548

Retained interests in sold wholesale receivables were $11.4 billion and $6.5 billion as of December 31, 2002 and 2001, respectively. These primarily represent our undivided interest in wholesale receivables that are available to support the issuance of additional securities by the securitization entity; the balance represents credit enhancements. Subordinated securities, interest-only strips and restricted cash are credit enhancement assets. Interest only strips represent the present value of monthly collections on the sold receivables in excess of amounts needed by the SPE (securitization trust) to pay interest and principal to investors and servicing fees to Ford Credit. Investments in subordinated securities and restricted cash are senior to interest only strips.

Finance receivables subject to fair value at December 31, 2002 and 2001 were (in millions) $88,357 and $103,710, respectively. The fair value of these finance receivables at December 31, 2002 and 2001 was (in millions) $89,885 and $103,864, respectively.

Net investment in direct financing leases at December 31 was as follows (in millions):

	2002	2001
Total minimum lease rentals to be received	$ 5,665	$ 5,183
Less: Unearned income	(1,049)	(997)
Loan origination costs	37	49
Estimated residual values	3,689	3,288
Less: Allowance for credit losses	(37)	(46)
Net investment in direct financing leases	$ 8,305	$ 7,477

The investment in direct financing leases relates to the leasing of vehicles, various types of transportation and other equipment, and facilities. Minimum direct financing lease rentals are contractually due as follows (in millions): 2003 — $1,983; 2004 — $1,636; 2005 — $1,286; thereafter — $760.

NOTE 9. NET INVESTMENT IN OPERATING LEASES

The net investment in operating leases at December 31 was as follows (in millions):

	2002	2001
Vehicles and other equipment, at cost	$ 53,864	$ 58,076
Accumulated depreciation	(13,247)	(12,210)
Allowances for credit losses	(562)	(478)
Net investment in operating leases	$ 40,055	$ 45,388

Minimum rentals on operating leases are contractually due as follows (in millions): 2003 — $7,453; 2004 — $4,323; 2005 — $3,854; 2006 — $1,231; 2007 — $198; thereafter — $1,568.

Assets subject to operating leases are depreciated primarily on the straight-line method over the term of the lease to reduce the asset to its estimated residual value. Estimated residual values are based on assumptions for used vehicle prices at lease termination and the number of vehicles that are expected to be returned. Depreciation expense (which includes gains and losses on disposal of assets) was $10.0 billion in 2002, $10.0 billion in 2001, and $8.9 billion in 2000.

NOTE 10. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is our estimate of probable credit losses related to impaired receivables and operating leases as of the date of the financial statements. This allowance is based on the credit quality of our present portfolio, trends in historical and projected used vehicle values, general economic measures and our processes for servicing receivables. Finance receivables and lease investments are charged to the allowance for credit losses when an account is deemed to be uncollectible, taking into consideration the financial condition of the borrower or lessee, the value of the collateral, recourse to guarantors and other factors. Recoveries on finance receivables and lease investments previously charged off as uncollectible are credited to the allowance for credit losses.

Changes in the allowance for credit losses were as follows (in millions):

	2002	2001	2000
Beginning balance	$ 2,807	$ 1,684	$ 1,565
Provision for credit losses	3,000	3,397	1,701
Total charge-offs and recoveries:			
Charge-offs	(2,878)	(2,524)	(1,616)
Recoveries	486	375	300
Net losses	(2,392)	(2,149)	(1,316)
Other changes, principally amounts related to finance receivables sold and translation adjustment	(186)	(125)	(266)
Ending balance	$ 3,229	$ 2,807	$ 1,684

NOTE 11. LIABILITIES —AUTOMOTIVE SECTOR (IN MILLIONS)

	2002	2001
Accrued Liabilities (Current)		
Dealer and customer allowances and claims	$ 14,166	$ 13,605
Deferred income taxes	2,614	297
Deferred revenue	2,423	2,460
Accrued interest	1,705	827
Employee benefit plans	1,360	1,790
Postretirement benefits other than pensions	1,301	1,230
Other	4,075	4,086
Total accrued liabilities	$ 27,644	$ 24,295
Other Liabilities (Non-current)		
Postretirement benefits other than pensions	$ 16,344	$ 15,451
Unfunded pension obligation	12,818	1,143
Dealer and customer allowances and claims	9,125	6,805
Employee benefit plans	4,138	3,853
Other	4,461	3,621
Total other liabilities	$ 46,886	$ 30,873

NOTE 12. DEBT AND COMMITMENTS

Automotive and Financial Services debt as of December 31 was as follows (in millions):

	Automotive				Financial Services			
	Weighted Average Rate *a/*		Amount		Weighted Average Rate *a/*		Amount	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
Debt payable within one year								
Short-term			**$ 438**	$ 263			**$ 1,083**	$ 1,531
Commercial paper			**-**	-			**9,663**	16,683
Other short-term			**-**	-			**7,534**	6,291
Total short-term debt	**6.8%**	12.3%	**438**	263	**4.3%**	4.4%	**18,280**	24,505
Long-term payable within one year			**119**	39			**23,249**	21,498
Total debt payable within one year			**557**	302			**41,529**	46,003
Long-term debt								
Senior indebtedness								
Notes and bank debt	**7.6%**	7.6%	**13,607**	13,467	**4.8%**	5.8%	**105,774**	105,999
Unamortized discount			**-**	-			**(88)**	(61)
Total senior indebtedness			**13,607**	13,467			**105,686**	105,938
Subordinated indebtedness			**-**	-	**9.4%**	8.8%	**843**	1,093
Total long-term debt			**13,607**	13,467			**106,529**	107,031
Total debt			**$14,164**	$13,769			**$ 148,058**	$ 153,034
Fair value *b/*			**$12,522**	$13,029			**$ 151,580**	$ 157,261

	2003	2004	2005	2006	2007	Thereafter	Maturity Average Years
Long-term debt maturities							
Automotive	$ 119	$ 203	$ 250	$ 353	$ 126	$ 12,675	27
Financial Services	23,249	30,164	26,038	14,095	9,284	26,948	3

a/ Includes the effect of interest rate swaps.
b/ Based on quoted market prices or current rates for similar debt with the same remaining maturities.

SUPPORT FACILITIES

At December 31, 2002, the Automotive sector had $7.8 billion of contractually committed credit agreements with various banks; eighty-eight percent of the total facilities are committed through June 30, 2007. We also have the ability to transfer, on a non-guaranteed basis, $7.2 billion of these credit lines to Ford Credit or FCE Bank plc. Approximately $100 million of these facilities were in use at December 31, 2002.

At December 31, 2002, various subsidiaries of the Financial Services sector, including Hertz, had an additional $15.3 billion of contractually committed support facilities; 56% of which are available through June 30, 2007 and $0.9 billion were in use. In addition, banks provide $13.6 billion and $1.1 billion of facilities to support asset-backed commercial paper programs that provide funding to Ford Credit and Hertz, respectively.

Ford Credit also has entered into agreements with several bank-sponsored, commercial paper issuers under which such issuers are contractually committed to purchase from Ford Credit, at Ford Credit's option, up to an aggregate of $12.6 billion of receivables. These agreements expire between March 31, 2003 and October 31, 2003. As of December 31, 2002, approximately $5.2 billion of these commitments have been utilized.

Volvo V70R

NOTE 13. VARIABLE INTEREST ENTITIES

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. Under FIN 46, we are required to consolidate variable interest entities for which we are deemed to be the primary beneficiary by the third quarter of 2003, and disclose information about those in which we have significant variable interests effective immediately.

The Automotive sector has invested in and contracted with several joint ventures to manufacture and/or assemble vehicles or components. The net investment in joint ventures that may be deemed variable interest entities was approximately $806 million at December 31, 2002.

Ford Credit has activities with a limited purpose trust owned by a Ford Credit subsidiary and outside investors. Activities are limited to the purchase of asset-backed securities and the issuance of commercial paper. In its existing structure, it is likely that this trust would be consolidated. Ford Credit's equity investment and retained beneficial interest in this trust is approximately $1.7 billion. At December 31, 2002, this trust had gross assets of $12.2 billion and gross liabilities of $11.8 billion.

Ford Credit also participates in bank-sponsored asset-backed commercial paper conduits where pools of retail installment contracts are sold to committed issuers that are variable interest entities of the sponsoring banks. At December 31, 2002, about $5.9 billion of retail installment receivables originated by Ford Credit were held by these conduits. In general, the percentage of Ford Credit assets sold to these variable interest entities is less than 50% of the variable interest entities total assets.

We continue to analyze the impact of FIN 46 on our financial statements. Consolidation of the above variable interests could result in a material impact to the 2003 earnings and would be reported as a change in accounting principle. Because we are not required to perform on behalf of these entities if they do not fulfill their obligations, consolidation of any variable interest entities would not increase our exposure to risk or loss or increase our obligations related to these entities. We believe that the meaningful estimate of potential loss related to variable interest entities is equal to our investment and retained interests.

NOTE 14. COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF A SUBSIDIARY TRUST

Ford Motor Company Capital Trust I, a subsidiary trust (Trust), has outstanding 9% Trust Originated Preferred Securities with an aggregate liquidation preference of $632 million (the Preferred Securities). The sole assets of the Trust are $651 million aggregate principal amount of Ford Motor Company 9% Junior Subordinated Debentures due December 2025 (Debentures). At our option, we may redeem the Debentures, in whole or in part. To the extent we redeem the Debentures and upon the maturity of the Debentures, the Trust is required to redeem the Preferred Securities at $25 per share plus accrued and unpaid distributions. We guarantee the payment of all distributions and other payments on the Preferred Securities to the extent not paid by the Trust, but only if and to the extent we have made a payment of interest or principal on the Debentures.

Ford Motor Company Capital Trust II, a subsidiary trust (Trust II), has outstanding 6.50% Cumulative Convertible Trust Preferred Securities with an aggregate liquidation preference of $5 billion (the Trust II Preferred Securities). The sole assets of Trust II are $5,155 million principal amount of 6.50% Junior Subordinated Debentures due 2032 of Ford Motor Company (the Subordinated Debentures). At our option, we may redeem the Subordinated Debentures, in whole or in part, on or after January 15, 2007. To the extent we redeem the Subordinated Debentures or upon the maturity of the Subordinated Debentures, Trust II is required to redeem the Trust II Preferred Securities at $50 per share plus accrued and unpaid distributions. We guarantee the payment of all distribution and other payments of the Trust II Preferred Securities to the extent not paid by Trust II, but only if and to the extent we have made a payment of interest or principal on the Subordinated Debentures.

NOTE 15. CAPITAL STOCK AND AMOUNTS PER SHARE

All general voting power is vested in the holders of Common Stock and the holders of Class B Stock. Holders of Common Stock have 60% of the general voting power and holders of Class B Stock are entitled to such number of votes per share as would give them the remaining 40%. Shares of Common Stock and Class B Stock share equally in dividends, with stock dividends payable in shares of stock of the class held. If liquidated, each share of Common Stock will be entitled to the first $0.50 available for distribution to holders of Common Stock and Class B Stock, each share of Class B Stock will be entitled to the next $1.00 so available, each share of Common Stock will be entitled to the next $0.50 so available and each share of Common and Class B Stock will be entitled to an equal amount thereafter.

In August 2000, under a recapitalization known as the Value Enhancement Plan, shareholders elected to receive $5.7 billion in cash, and the total number of Common and Class B shares that became issued and outstanding was 1.893 billion. Prior period outstanding share and earnings per share amounts were not adjusted.

In December 2002, we redeemed for cash, at an aggregate redemption price of $177 million, all of our outstanding Series B Depositary Shares, representing 1/2000 of a share of $1.00 par value Series B Cumulative Preferred Stock.

As discussed in Note 14, Trust II Preferred Securities with an aggregate liquidation preference of $5 billion are outstanding. At the option of the holder, each Preferred Security is convertible at any time on or before January 15, 2032 into shares of Ford Common Stock at a rate of 2.8249 shares for each Preferred Security (equivalent to a conversion price of $17.70 per share). Conversion of all shares of such securities would result in the issuance of 282.5 million shares of Ford Common Stock.

Changes to the number of shares of capital stock issued were as follows (shares in millions):

	Common Stock	Class B Stock	Preferred
Issued at December 31, 1999	1,151	71	0.004
2000 — Value Enhancement Plan	686	-	-
2002 — Series B Redemption	-	-	(0.004)
Issued at December 31, 2002	1,837	71	0.000
Authorized at December 31, 2002	6,000	530	30

AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK

The calculation of diluted income per share of Common and Class B Stock takes into account the effect of obligations, such as stock options and convertible securities, considered to be potentially dilutive. Basic and diluted income/(loss) per share were calculated using the following number of shares (in millions):

	2002	2001	2000
Diluted Income/(Loss)			
Income/(loss) attributable to Common and Class B Stock after preferred stock dividends of $15 million in 2002, 2001 and 2000	**$ (995)**	$ (5,468)	$ 3,452
Diluted Shares			
Average shares outstanding	**1,819**	1,820	1,483
Issuable and uncommitted ESOP shares	**(1)**	(9)	(9)
Basic shares	**1,818**	1,811	1,474
Contingently issuable shares	**-**	(1)	-
Net dilutive effect of options	**11**	- *a/*	30
Convertible preferred securities	**-** *b/*	-	-
Diluted shares	**1,829**	1,810	1,504

a/ 30 million shares relating to employee stock options were not included in the calculation of diluted earnings per share for 2001 due to the antidilutive effect.

b/ 282 million shares related to convertible securities not included in calculation due to the antidilutive effect.

Ford Transit Connect (Europe)

NOTE 16. STOCK OPTIONS

We have stock options outstanding under the 1990 Long-Term Incentive Plan (LTIP) and the 1998 LTIP. No further grants may be made under the 1990 LTIP and all outstanding options are exercisable. Grants may be made under the 1998 LTIP through April 2008. All outstanding options under the 1990 LTIP continue to be governed by the terms and conditions of the existing option agreements for those grants. Under the 1998 LTIP, 33% of the options are generally exercisable after the first anniversary of the date of grant, 66% after the second anniversary, and 100% after the third anniversary. Stock options expire 10 years from the grant date. Performance stock rights (PSRs) and restricted stock units (RSUs) are based on performance achievement. At December 31, 2002, 6.2 million PSRs and 2.6 million RSUs were outstanding. Stock options and PSRs are described in our proxy statement.

Under the 1998 LTIP, 2% of our issued common stock as of December 31 becomes available for granting plan awards in the succeeding calendar year. Any unused portion is available for later years. The limit may be increased up to 3% in any year, with a corresponding reduction in shares available for grants in future years. At December 31, 2002, the number of unused shares carried forward aggregated to 28.7 million shares.

	2002		2001		2000	
Stock Option Activity (in millions)	**Shares**	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of period	**172.1**	**$ 22.01**	153.7	$ 19.16	75.3	$ 32.66
Granted	**50.6**	**16.29**	35.3	30.49	15.8	41.02
Adjustment *a/*	**-**	**-**	-	-	71.4	-
Exercised *b/*	**(4.3)**	**7.63**	(14.0)	12.07	(6.9)	15.15
Terminated/expired or surrendered	**(5.5)**	**24.37**	(2.9)	25.91	(1.9)	32.94
Outstanding, end of period	**212.9**	**20.88**	172.1	22.01	153.7	19.16
Exercisable, end of period	**134.0**	**21.02**	113.2	18.74	100.3	15.59

a/ Outstanding stock options and related exercise prices were adjusted to preserve the intrinsic value of options as a result of the Visteon spin-off and Value Enhancement Plan in 2000.

b/ Exercised at option prices ranging from $7.09 to $12.53 during 2002, $5.75 to $26.59 during 2001, and $5.75 to $23.87 during 2000.

Details on various option exercise price ranges are as follows:

	Outstanding Options			**Exercisable Options**	
Range of Exercise Prices	Shares (millions)	Weighted-Average Life (years)	Weighted-Average Exercise Price	Shares (millions)	Weighted-Average Exercise Price
$ 7.09 – $10.58	3.6	9.9	$9.77	0.0	$ -
10.76 – 15.81	56.4	3.4	12.29	52.2	12.07
16.19 – 23.88	93.6	7.5	20.07	44.1	22.60
23.97 – 35.79	58.6	7.2	30.85	37.0	31.40
41.03 – 42.52	0.7	5.3	41.42	0.7	41.42
Total options	212.9			134.0	

The estimated fair value of stock options at the time of grant using the Black-Scholes option pricing model was as follows:

	2002	2001	2000
Fair value per option	**$ 5.76**	$ 8.88	$ 6.27*
Assumptions:			
Annualized dividend yield	**2.5%**	4.0%	4.9%
Expected volatility	**35.0%**	43.9%	38.8%
Risk-free interest rate	**5.1%**	5.1%	6.3%
Expected option term (in years)	**7**	6	5

** Adjusted for the Value Enhancement Plan.*

See Note 1 for a discussion of the impact on earnings of our adoption of SFAS No. 123 in respect of stock option awards, effective January 1, 2003.

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS

We adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted, on January 1, 2001, which establishes accounting and reporting standards for derivative instruments and requires that all derivatives be recorded at fair value on the balance sheet, including embedded derivatives.

Our operations are exposed to global market risks, including the effect of changes in foreign currency exchange rates, certain commodity prices and interest rates. As an integral part of our overall risk management program, we use derivatives to manage financial exposures that occur in the normal course of business. Our objective is to minimize the financial exposure arising from these risks.

Adjustments to income for the years ended December 31, were (in millions):

	2002			2001		
	Automotive	**Financial Services**	**Total**	Automotive	Financial Services	Total
Income/(loss) before income taxes*	**$ (87)**	**$ (225)**	**$ (312)**	$ (588)	$ (251)	$ (839)
Net income/(loss)	**(57)**	**(141)**	**(198)**	(387)	(157)	(544)

** Automotive recorded in cost of sales; Financial Services recorded in revenues.*

CASH FLOW HEDGES

We use cash flow hedges to minimize our exposure to foreign currency exchange, interest rate and commodity price risks resulting in the normal course of business.

Derivatives used to minimize financial exposures for foreign exchange and commodity price risks generally mature within three years or less, with a maximum maturity of seven years. The impact to earnings associated with discontinuance of cash flow hedges and hedge ineffectiveness was a gain of $6 million in 2002 and a charge to earnings of $32 million in 2001.

Changes in the value of derivatives are included in other comprehensive income, a component of stockholders' equity, and reclassified to earnings at the time the associated hedged transaction impacts net income. The following table summarizes activity in other comprehensive income for designated cash flow hedges during the years ended December 31, (in millions):

	2002	2001
Beginning of period:		
Net unrealized gain/(loss) on derivative financial instruments	**$ (1,228)**	$ (550)
Increase/(decrease) in fair value of derivatives	**847**	(822)
(Gains)/losses reclassified from OCI	**694**	144
End of period:		
Net unrealized gain/(loss) on derivative financial instruments	**$ 313**	$ (1,228)

We expect to reclassify gains of $188 million from other comprehensive income to net income during the next twelve months. Consistent with our comprehensive, non-speculative risk management practices, neither these nor future reclassifications are anticipated to have a material effect on net company earnings, as they should be substantially offset by the effects on related underlying transactions.

Mercury Monterey

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HEDGES
We use derivative instruments designated as fair value hedges to hedge our exposure to interest rate risk. Changes in the value of these derivatives, along with the changes in the fair value of the underlying hedged exposure, are recognized in net income. The charge to net income from changes in hedging relationships and hedge ineffectiveness was $142 million and $132 million for the years ended December 31, 2002 and 2001, respectively.

NET INVESTMENT HEDGES
We use forward foreign currency exchange contracts to hedge the net assets of certain foreign entities to offset the translation and economic exposures related to our investment in these entities. Changes in the value of these derivative instruments are included in other comprehensive income as a foreign currency translation adjustment. The net foreign currency adjustment was a loss of $15 million in 2002 and a gain of $129 million in 2001.

OTHER DERIVATIVE INSTRUMENTS
In accordance with corporate risk management policies, we use derivative instruments, such as forward contracts, swaps and options that economically hedge certain exposures (foreign currency, commodity, and interest rates). In certain instances, we forgo hedge accounting, which results in unrealized gains and losses that are recognized currently in net income.

During the fourth quarter of 2001, we reevaluated our plans with respect to certain forward purchase commitments for various precious metals commodities that were previously excluded from the scope of SFAS No. 133 and determined that they no longer qualify for exclusion. Accordingly, we recorded an unfavorable transition adjustment of $449 million as of December 31, 2001.

NOTE 18. OPERATING CASH FLOWS BEFORE SECURITIES TRADING

The reconciliation of net income/(loss) to cash flows from operating activities before securities trading is as follows (in millions):

	2002		2001		2000	
	Automotive	**Financial Services**	Automotive	Financial Services	Automotive	Financial Services
Net income/(loss) from continuing operations	**$ (987)**	**$ 1,271**	$ (6,155)	$ 806	$ 3,664	$ 1,792
Depreciation and special tools amortization	**4,897**	**10,240**	4,999	10,164	5,087	9,059
Impairment charges (depreciation and amortization)	**-**	**-**	3,828	-	1,100	-
Amortization of goodwill, intangibles	**21**	**19**	299	43	305	42
Net losses/(earnings) from equity investments in excess of dividends remitted	**134**	**13**	845	(5)	86	17
Provision for credit/insurance losses	**-**	**3,276**	-	3,661	-	1,957
Foreign currency adjustments	**51**	**-**	(201)	-	(58)	-
Loss on sale of business	**519**	**-**	-	-	-	-
Provision for deferred income taxes	**(1,377)**	**595**	(2,242)	538	706	1,449
Decrease/(increase) in accounts receivable other current assets	**2,570**	**(2,499)**	1,201	(813)	(523)	(1,049)
Decrease/(increase) in inventory	**(650)**	**-**	1,122	-	(1,369)	-
Increase/(decrease) in accounts payable and accrued and other liabilities	**3,971**	**2,681**	4,729	(969)	2,444	1,267
Other	**338**	**(221)**	(969)	(253)	567	(156)
Cash flows	**$ 9,487**	**$ 15,375**	$ 7,456	$ 13,172	$12,009	$14,378

We consider all highly liquid investments with a maturity of three months or less, including short-term time deposits and government, agency and corporate obligations, to be cash equivalents. Automotive sector cash equivalents at December 31, 2002 and 2001 were $4.4 billion and $3.3 billion, respectively; Financial Services sector cash equivalents at December 31, 2002 and 2001 were $5.3 billion and $2.2 billion, respectively.

Cash paid/(received) for interest and income taxes was as follows (in millions):

	2002	2001	2000
Interest	**$ 7,737**	$ 9,947	$ 10,318
Income taxes	**(1,883)**	929	1,991

NOTE 19. ACQUISITIONS, DISPOSITIONS, RESTRUCTURINGS AND OTHER ACTIONS

ACCOUNTING FOR ACQUISITIONS

We account for our acquisitions under the purchase method. The assets acquired, liabilities assumed, and the results of operations of the acquired company since the acquisition date are included in our financial statements on a consolidated basis. On a pro forma basis, none of these acquisitions would have had a material effect on our results of operations.

2002

SALE OF KWIK-FIT HOLDINGS LTD. AND OTHER

In November 2002, we completed the sale of our interest in Kwik-Fit Holdings Ltd., our European all-makes vehicle repair business, to an acquisition company formed by CVC Capital Partners. The sales price of £330 million (equivalent to about $500 million) consisted of a combination of approximately $300 million in cash and a note with a face value of approximately $200 million. We recognized a pre-tax loss of $519 million in cost of sales in 2002, which is in addition to the after-tax, non-cash transition charges related to SFAS 142 described in Note 7. In addition, we acquired a 19% equity stake in the acquisition company. Our disposal of our interest in Kwik-Fit has not been reflected as a discontinued operation due to our continued involvement as an equity investor in the acquisition company.

Other pre-tax charges during the year totaled $143 million which represented primarily impairments and dispositions of our interest in e-commerce ventures.

EUROPEAN CHARGES

Continuing our European Transformation Strategy with respect to our Ford-brand operations in Europe, we recorded a pre-tax charge in Automotive cost of sales of $173 million in the fourth quarter of 2002. The charge included previously announced restructuring of the Genk (Belgium) vehicle assembly plant and the Cologne (Germany) facilities. Employee separation included a workforce reduction of about 1,800 employees (1,740 hourly and 60 salaried) related to the planned transfer of the Transit vehicle production to the Ford Otosan (Turkey) joint venture, die-casting rationalization and other manufacturing actions.

PREMIER AUTOMOTIVE GROUP CHARGES

We recorded a restructuring pre-tax charge in Automotive cost of sales of $157 million in the fourth quarter 2002 related to workforce reductions in our Premier Automotive Group operations of about 940 employees (225 hourly and 715 salary). The hourly reductions result from line speed reductions at our Halewood, England plant and the salary reductions (voluntary redundancy) relate to efficiency actions.

2001

FOURTH QUARTER IMPAIRMENT AND OTHER CHARGES

Charges of $5.7 billion before taxes and $4.1 billion after taxes are summarized below, followed by explanatory detail.

Fixed-asset impairments	
North America	**$ 3.1**
South America	**0.7**
Total fixed-asset impairments	**3.8**
Precious metals	**1.0**
Personnel (primarily North America salaried)	**0.6**
All other	**0.3**
Total pre-tax charges	**$ 5.7**
Memo: After-tax effect of charges	**$ 4.1**

In response to significantly deteriorating business conditions resulting in operating losses, we conducted extensive business reviews of our Automotive operations in North America and South America during the fourth quarter. As part of these reviews, we determined that projected undiscounted cash flows were not sufficient to justify the carrying values of the related long-lived assets. Asset impairment charges of $3,084 million in North America and $744 million in South America were recorded in Automotive cost of sales, reflecting a write-down to estimated fair value, as determined by independent valuations. The impairment increased depreciation, special tool amortization, and goodwill amortization by $2,688 million, $867 million, and $273 million, respectively.

NOTE 19. ACQUISITIONS, DISPOSITIONS, RESTRUCTURINGS AND OTHER ACTIONS (CONTINUED)

Precious metals (primarily palladium) are used in catalytic converters produced to meet required automotive emission standards. Our business objective has been to ensure adequate supply of these critical commodities. In 2000 and early 2001, we acquired precious metals and entered into forward purchase contracts at then-prevailing market prices in an environment of uncertain supply and outlook. In the fourth quarter of 2001, our engineers validated a breakthrough catalyst design, which will help reduce our usage of palladium. For the precious metals physically held, we have substantially reduced our holdings in excess of those stocking requirements. Beginning in the fourth quarter of 2001, we have written down the value of the excess metal to its estimated realizable value. In addition, precious metal forward contracts have been settled in lieu of taking physical delivery of the related metal. Therefore, as required by SFAS No. 133, precious metal forward purchase contracts have been marked-to-market. The total pre-tax charge for precious metals in the fourth quarter of 2001 was $953 million.

Personnel charges of $565 million before taxes primarily reflected voluntary salaried employee separations in North America.

Other pre-tax charges mainly reflected a $201 million non-cash charge to equity in net income of affiliated companies, representing our share of a charge related to Mazda's pension expenses, and a $160 million charge related to a major devaluation of the Argentine peso.

PURCHASE OF REMAINDER OF HERTZ CORPORATION

In March 2001, we acquired (for $735 million) the common stock of Hertz that we did not own, which represented about 18% of the economic interest in Hertz. The excess of the purchase price over the fair market value of net assets acquired was approximately $390 million.

2000

PURCHASE OF LAND ROVER BUSINESS

In June 2000, we purchased the Land Rover sport utility vehicle business from the BMW Group for 3 billion euros (equivalent to $2.6 billion). We paid two-thirds of the purchase price at closing and will pay the remainder in 2005. The excess of the purchase price over the fair market value of net assets acquired was approximately $775 million.

EUROPEAN CHARGES

Following an extensive review of the Ford brand Automotive operations in Europe, we recorded a pre-tax charge in Automotive cost of sales of $1.6 billion in the second quarter. This charge included $1.1 billion for asset impairments and $468 million for restructuring costs. Employee separation included a workforce reduction of about 3,300 employees (2,900 hourly and 400 salaried) related to the planned cessation of vehicle production at the Dagenham (U.K.) Body and Assembly Plant. As of December 31, 2002, restructuring actions included in Automotive cost of sales in the second quarter of 2000 are now largely complete. Remaining costs related to the cessation of vehicle production at the Dagenham (U.K.) body and assembly plant total $26 million, which are principally workforce reduction and other exit-related costs.

The asset impairment charge, attributable to excess capacity related to Ford's performance in the European market, reflected the write-down of certain long-lived assets, as determined by an independent valuation.

NEMAK JOINT VENTURE

During the fourth quarter of 2000, we recorded in Automotive cost of sales a pre-tax charge of $205 million related to the fair value transfer of our Windsor Aluminum Plant, Essex Aluminum Plant, and Casting Process Development Center for an increased equity interest in our joint venture with Nemak. We reflected the new joint venture in our financial statements on an equity basis.

NOTE 20. RETIREMENT BENEFITS

EMPLOYEE RETIREMENT PLANS

We have two principal qualified defined benefit retirement plans in the U.S. The Ford-UAW Retirement Plan covers hourly employees represented by the UAW, and the General Retirement Plan covers substantially all other Ford employees in the U.S. The hourly plan provides noncontributory benefits related to employee service. The salaried plan provides similar noncontributory benefits and contributory benefits related to pay and service. Other U.S. and non-U.S. subsidiaries have separate plans that generally provide similar types of benefits for their employees. Ford-UAW Retirement Plan expense accruals for employees assigned to Visteon are charged to Visteon.

In general, our plans are funded, with the main exceptions of the U.S. defined benefit plans for senior management and certain plans in Germany; in such cases, an unfunded liability is recorded.

Our policy for funded plans is to contribute annually, at a minimum, amounts required by applicable laws, regulations, and union agreements. Plan assets consist principally of investments in stocks and government and other fixed income securities. At December 31, 2002, stocks represented 68% of the market value of pension assets for our principal U.S. plans and fixed income securities represented 32%. Ford securities comprised less than one-half of one percent of the value of our worldwide pension plan assets during 2002 and 2001.

We also sponsor defined contribution plans for certain of our U.S. and non-U.S. employees. Our expense, primarily for matching contributions, for various plans was $23 million in 2002, $167 million in 2001, and $159 million in 2000.

POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

We, and certain of our subsidiaries, sponsor plans to provide selected health care and life insurance benefits for retired employees. Our U.S. and Canadian employees generally may become eligible for those benefits if they retire; however, benefits and eligibility rules may be modified from time to time. Postretirement health care and life insurance expense accruals for hourly employees assigned to Visteon and for salaried Visteon employees who met certain age and service conditions at June 30, 2000 are charged to Visteon. A portion of U.S. hourly and salary retiree health and life insurance benefits has been prepaid. At December 31, 2002, the market value of this pre-funding was $2.8 billion, including $1.9 billion of Visteon promissory notes contributed to a segregated trust.

Our expense for pension, postretirement health care and life insurance benefits was as follows (in millions):

	Pension Benefits						Health Care and Life Insurance		
	U.S. Plans			Non-U.S. Plans					
	2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Service cost	**$ 556**	$ 531	$ 495	**$ 377**	$ 396	$ 405	**$ 427**	$ 374	$ 320
Interest cost	**2,453**	2,410	2,345	**977**	974	918	**1,801**	1,697	1,483
Expected return on assets	**(3,646)**	(3,697)	(3,281)	**(1,265)**	(1,184)	(1,162)	**(85)**	(161)	(135)
Amortization of:									
Prior service costs	**529**	532	620	**137**	138	133	**(145)**	(114)	(38)
(Gains)/losses and other	**(130)**	(367)	(418)	**25**	(101)	17	**310**	161	28
Separation programs	**107**	303	122	**39**	8	184*	**16**	114	54
Allocated costs to Visteon	**(62)**	(58)	(71)	**-**	-	-	**(228)**	(149)	(159)
Net expense/(income)	**$ (193)**	$ (346)	$ (188)	**$ 290**	$ 231	$ 495	**$ 2,096**	$1,922	$1,553

** Reflects reclassification of portion of restructuring reserve established in 2000.*

Ford Fusion (Europe)

NOTE 20. RETIREMENT BENEFITS (CONTINUED)

The year-end status of these plans was as follows (in millions):

	Pension Benefits				Health Care and Life Insurance	
	U.S. Plans		Non-U.S. Plans			
	2002	2001	**2002**	2001	**2002**	2001
Change in Benefit Obligation						
Benefit obligation at January 1	**$ 35,223**	$ 33,282	**$ 15,991**	$ 16,918	**$ 25,433**	$ 23,374
Service cost	**556**	531	**377**	396	**427**	374
Interest cost	**2,453**	2,410	**977**	974	**1,801**	1,697
Amendments	**(3)**	6	**133**	133	**(264)**	(923)
Separation programs	**132**	330	**102**	24	**16**	114
Net transfers in/(out)	**-**	-	**-**	(170)	**-**	-
Plan participant contributions	**39**	40	**95**	83	**14**	-
Benefits paid	**(2,806)**	(2,496)	**(921)**	(768)	**(1,232)**	(1,145)
Foreign exchange translation	**-**	-	**1,980**	(637)	**4**	(26)
Actuarial (gain)/loss	**1,559**	1,120	**1,964**	(962)	**4,064**	1,968
Benefit obligation at December 31	**$ 37,153**	$ 35,223	**$ 20,698**	$ 15,991	**$ 30,263**	$ 25,433
Change in Plan Assets						
Fair value of plan assets at January 1	**$ 35,819**	$ 39,830	**$ 12,935**	$ 14,714	**$ 2,692**	$ 3,135
Actual return on plan assets	**(3,335)**	(1,558)	**(1,692)**	(931)	**64**	200
Company contributions	**181**	167	**611**	380	**1,310**	529
Net transfers in/(out)	**-**	(300)*	**-**	(152)	**-**	-
Plan participant contributions	**39**	40	**95**	83	**-**	-
Benefits paid	**(2,806)**	(2,496)	**(921)**	(768)	**(1,232)**	(1,145)
Foreign exchange translation	**-**	-	**1,322**	(515)	**-**	-
Other	**(21)**	136	**13**	124	**-**	(27)
Fair value of plan assets at December 31	**$ 29,877**	$ 35,819	**$ 12,363**	$ 12,935	**$ 2,834**	$ 2,692
Funded status	**$ (7,276)**	$ 596	**$ (8,335)**	$ (3,056)	**$(27,429)**	$(22,741)
Unamortized prior service costs	**2,831**	3,358	**784**	768	**(1,161)**	(1,043)
Unamortized net (gains)/losses and other	**6,742**	(1,939)	**6,874**	1,642	**10,423**	6,655
Net amount recognized	**$ 2,297**	$ 2,015	**$ (677)**	$ (646)	**$(18,167)**	$(17,129)
Amounts Recognized in the Balance Sheet Consist of Assets/(Liabilities)						
Prepaid assets	**$ 3,429**	$ 3,099	**$ 1,728**	$ 1,259	**$ -**	$ -
Accrued liabilities	**(8,921)**	(1,356)	**(7,449)**	(2,779)	**(18,167)**	(17,129)
Intangible assets	**2,797**	72	**890**	352	**-**	-
Accumulated other comprehensive income	**4,992**	200	**4,154**	522	**-**	-
Net amount recognized	**$ 2,297**	$ 2,015	**$ (677)**	$ (646)	**$(18,167)**	$(17,129)
Pension Plans in Which Accumulated Benefit Obligation Exceeds Plan Assets at December 31						
Accumulated benefit obligation	**$ 35,305**	$ 1,302	**$ 17,569**	$ 5,109		
Fair value of plan assets	**29,773**	184	**11,756**	2,721		
Weighted Average Assumptions as of December 31						
Discount rate	**6.75%**	7.25%	**5.65%**	6.10%	**6.75%**	7.25%
Expected return on assets	**8.75%**	9.50%	**8.40%**	8.70%	**6.00%**	6.00%
Average rate of increase in compensation	**5.20%**	5.20%	**3.80%**	3.80%	**-**	-
Initial health care cost trend rate	**-**	-	**-**	-	**11.00%**	9.45%
Ultimate health care cost trend rate	**-**	-	**-**	-	**5.00%**	5.00%
Number of years to ultimate trend rate	**-**	-	**-**	-	**5**	6

* *Payment of retiree health care benefits.*

A one percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the postretirement health care benefit obligation by approximately $3.9 billion/($3.3 billion) and the service and interest component of this expense by $283 million/($221) million.

NOTE 21. SEGMENT INFORMATION (IN MILLIONS)

Our sectors, Automotive and Financial Services, are managed as three primary operating segments. The Automotive sector (and segment) consists of the design, development, manufacture, sale and service of cars and trucks. The Financial Services sector primarily includes two segments, Ford Credit and Hertz. Ford Credit provides vehicle-related financing, leasing, and insurance. Hertz rents cars, light trucks and industrial and construction equipment. Segment selection was based upon internal organizational structure, the way in which performance is managed and evaluated, the availability of separate financial results and materiality considerations.

		Financial Services Sector				
	Automotive	Ford Credit	Hertz	Other Fin Svcs	Eliminations and Other b/	Total
2002						
Revenues						
External customer	**$ 134,425**	**$ 22,640**	**$ 4,949**	**$ 549**	**$ 23**	**$ 162,586**
Intersegment	**4,444**	**330**	**29**	**90**	**(4,893)**	**-**
Total Revenues	**$ 138,869**	**$ 22,970**	**$ 4,978**	**$ 639**	**$ (4,870)**	**$ 162,586**
Income						
Income/(loss) before taxes	**$ (1,156)**	**$ 1,970**	**$ 200**	**$ (76)**	**$ 15**	**$ 953**
Provision for/(benefit from) income tax	**(533)**	**731**	**73**	**14**	**17**	**302**
Income/(loss) from continuing operations	**(987)**	**1,235**	**127**	**(89)**	**(2)**	**284**
Other Disclosures						
Depreciation and amortization	**$ 4,918**	**$ 8,513**	**$ 1,639**	**$ 41**	**$ 66**	**$ 15,177**
Interest income a/	**834**	**-**	**-**	**-**	**-**	**834**
Interest expense	**1,368**	**6,929**	**377**	**150**	**-**	**8,824**
Capital expenditures	**6,776**	**83**	**255**	**164**	**-**	**7,278**
Unconsolidated affiliates						
Equity in net income/(loss)	**(91)**	**11**	**-**	**-**	**-**	**(80)**
Investments in	**2,470**	**197**	**-**	**29**	**-**	**2,696**
Total assets at year-end	**107,790**	**170,169**	**11,479**	**5,788**	**(4)**	**295,222**
2001						
Revenues						
External customer	$ 130,827	$ 24,325	$ 4,898	$ 678	$ 26	$ 160,754
Intersegment	3,260	521	27	103	(3,911)	-
Total Revenues	$ 134,087	$ 24,846	$ 4,925	$ 781	$ (3,885)	$ 160,754
Income						
Income/(loss) before taxes	$ (8,862)	$ 1,496	$ 3	$ (59)	$ -	$ (7,422)
Provision for/(benefit from) income tax	(2,750)	664	(21)	10	-	(2,097)
Income/(loss) from continuing operations	(6,155)	831	23	(48)	-	(5,349)
Other Disclosures						
Depreciation and amortization	$ 9,126	$ 8,464	$ 1,620	$ 54	$ 69	$ 19,333
Interest income a/	765	-	-	-	-	765
Interest expense	1,376	8,922	414	105	-	10,817
Capital expenditures	6,301	182	310	159	-	6,952
Unconsolidated affiliates						
Equity in net income/(loss)	(856)	5	-	-	-	(851)
Investments in	2,450	177	-	11	-	2,638
Total assets at year-end	88,319	173,096	10,525	4,616	(13)	276,543
2000						
Revenues						
External customer	$ 140,777	$ 22,857	$ 5,027	$ 399	$ 31	$ 169,091
Intersegment	3,783	227	30	154	(4,194)	-
Total Revenues	$ 144,560	$ 23,084	$ 5,057	$ 553	$ (4,163)	$ 169,091
Income						
Income before taxes	$ 5,323	$ 2,504	$ 581	$ (109)	$ -	$ 8,299
Provision for/(benefit from) income tax	1,609	929	223	(41)	-	2,720
Income/(loss) from continuing operations	3,664	1,542	358	(108)	-	5,456
Other Disclosures						
Depreciation and amortization	$ 6,489	$ 7,495	$ 1,504	$ 47	$ 55	$ 15,590
Interest income a/	1,488	-	-	-	-	1,488
Interest expense	1,383	8,912	428	122	15	10,860
Capital expenditures	7,393	168	291	496	-	8,348
Unconsolidated affiliates						
Equity in net income/(loss)	(70)	(22)	-	1	-	(91)
Investments in	2,949	79	-	7	-	3,035
Total assets at year-end	94,312	174,258	10,620	3,731	469	283,390

a/ Financial Services sector's interest income is recorded as Revenues.
b/ Includes intersegment transactions occurring in the ordinary course of business.

NOTE 22. GEOGRAPHIC INFORMATION (IN MILLIONS)

	United States	Europe	All Other	Total Company
2002				
External revenues	**$ 108,392**	**$ 35,313**	**$ 18,881**	**$ 162,586**
Income/(loss) from continuing operations	**432**	**(491)**	**343**	**284**
Net property	**16,730**	**15,051**	**6,154**	**37,935**
2001				
External revenues	$ 107,771	$ 34,972	$ 18,011	$ 160,754
Income/(loss) from continuing operations	(4,381)	503	(1,471)	(5,349)
Net property	16,121	12,533	5,921	34,575
2000				
External revenues	$ 118,269	$ 31,651	$ 19,171	$ 169,091
Income/(loss) from continuing operations	6,038	(846)	264	5,456
Net property	19,388	13,585	6,256	39,229

NOTE 23. SUMMARY QUARTERLY FINANCIAL DATA (UNAUDITED)

(in millions, except amounts per share)

	2002				2001			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Automotive								
Sales	**$ 32,171**	**$ 35,197**	**$ 32,396**	**$ 34,661**	$ 34,450	$ 34,381	$ 28,403	$ 33,593
Operating income/(loss)	**(60)**	**587**	**(639)**	**(419)**	1,356	(1,398)	(1,039)	(6,314)
Financial Services								
Revenues	**7,370**	**6,930**	**6,942**	**6,919**	7,562	7,522	7,725	7,118
Income/(loss) before income taxes	**343**	**600**	**572**	**594**	592	687	624	(463)
Total Company								
Income/(loss) from continuing operations	**(80)**	**619**	**(244)**	**(11)**	1,077	(730)	(665)	(5,031)*
Common and Class B per share								
Basic income/(loss) from continuing operations	**$ (0.05)**	**$ 0.34**	**$ (0.14)**	**$ (0.01)**	$ 0.59	$ (0.41)	$ (0.37)	$ (2.79)
Diluted income/(loss) from continuing operations	**(0.05)**	**0.31**	**(0.14)**	**(0.01)**	0.57	(0.41)	(0.37)	(2.79)

** See Note 19.*

NOTE 24. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

We lease land, buildings and equipment under agreements that expire in various years. Minimum rental commitments under non-cancelable operating leases were as follows:

	2003	2004	2005	2006	2007	Thereafter
Automotive	$ 440	$ 345	$ 244	$ 169	$ 183	$ 254
Financial Services	416	303	233	143	108	456

Rental expense was $1,112 million in 2002, $967 million in 2001, and $889 million in 2000.

SEPARATION AGREEMENTS

We entered into various agreements with Visteon and Rouge Steel in connection with separation of these former affiliates from Ford. Pursuant to these agreements, we have agreed to allocate certain liabilities related to each other's business and have agreed to share liabilities based upon certain allocations and thresholds. For example, hourly employees working for Visteon and Rouge Steel who were represented by the UAW remain Ford employees, with the former affiliate agreeing to reimburse Ford for the costs of those employees. Ford retains certain pension and postretirement benefit obligations for qualified salaried and hourly employees who are working or who have worked for Visteon.

GUARANTEES

On November 26, 2002, FASB issued Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* FIN 45 clarifies the requirements of SFAS No. 5, *Accounting for Contingencies*, relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. For certain guarantees issued after December 31, 2002, FIN 45 requires a guarantor to recognize, upon issuance of a guarantee, a liability for the fair value of the obligations it assumes under the guarantee. Guarantees issued prior to January 1, 2003, are not subject to liability recognition, but are subject to expanded disclosure requirements.

At December 31, 2002, the following guarantees were issued and outstanding:

Guarantees of unconsolidated affiliate and third party debt: We guarantee debt and lease obligations of certain joint ventures as well as certain financial obligations of outside third parties to support business and economic growth. Expiration dates vary from March 2003 to July 2011 or terminate on payment and/or cancellation of the obligation. A payment would be triggered by failure of the guaranteed party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from the 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. The maximum potential payments under these guarantees is approximately $486 million, substantially all of which relates to the Automotive sector.

Sales to third parties of Automotive receivables, with recourse: From time to time, the Automotive sector sells receivables to third parties with recourse. Receivables are sold on a rolling basis and individual sales liquidate at different times. A payment would be triggered by failure of the obligor to fulfill its obligations covered by the contract. The maximum potential amount of future payments is approximately $27 million.

Indemnifications: In the ordinary course of business, we execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction such as sale of a business. These indemnifications might include claims against any of the following: environmental, tax and shareholder matters; intellectual property rights; governmental regulations and employment-related matters; dealer, supplier, and other commercial contractual relationships; and financial matters, such as securitizations. Performance under these indemnities would generally be triggered by a breach of terms of the contract or by a third party claim. We regularly evaluate the probability of having to incur costs associated with these indemnifications and have accrued for expected losses that are probable. The types of indemnifications for which payments are possible are as follows:

Environmental: We have indemnified various parties for the costs associated with remediating numerous hazardous substance storage, recycling or disposal sites in many states and, in some instances, for natural resource damages. The amount of any such costs or damages for which we may be held responsible could be substantial. The contingent losses that we expect to incur in connection with many of these sites have been accrued and those losses are reflected in our financial statements in accordance with generally accepted accounting principles. The aggregate amount accrued for environmental indemnification liabilities reflected in our financial statements is $101 million. The accrual represents the estimated cost to study potential environmental issues at sites deemed investigation or cleanup activities, and the estimated cost to implement remediation actions, including on-going maintenance, as required. Cost estimates are developed by site. Initial cost estimates are based on historical experience at similar sites and are refined over time on the basis of in-depth studies of the site.

For many sites, the remediation costs and other damages for which we ultimately may be responsible are not reasonably estimable because of uncertainties with respect to factors such as our connection to the site, the materials there, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions, and the nature and scope of investigations, studies, and remediation to be undertaken (including the technologies to be required and the extent, duration, and success of remediation). As a result, we are unable to estimate a maximum amount for costs or other damages for which we are potentially responsible in connection with these indemnifications, which are generally uncapped.

Tax: We provide various tax-related indemnifications as part of transactions. The indemnified party typically is protected from certain events that result in a tax treatment different from that originally anticipated. In some cases, tax indemnifications relate to representations or warranties given by us. Our liability typically is fixed when a final determination of the indemnified party's tax liability is made. In some cases, a payment under a tax indemnification may be offset in whole or in part by refunds from the applicable governmental taxing authority. We are party to numerous tax indemnifications and many of these indemnities do not limit potential payment; therefore, we are unable to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

NOTE 24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

PRODUCT PERFORMANCE

Warranty: Estimated warranty costs and additional service actions are accrued for at the time the vehicle is sold to a dealer. Included in the warranty cost accruals are costs for basic warranties on vehicles sold. Product recalls and other customer service actions are not included in the warranty reconciliation below but are also accrued for at the time of sale. Estimates for warranty costs are made based primarily on historical warranty claim experience. The following is a tabular reconciliation of the product warranty accrual (in millions):

January 1, 2002 beginning balance	$ 4,739
Payments made in 2002	(3,508)
Changes in accrual related to warranties issued in 2002	3,489
Changes in accrual related to pre-existing warranties	595
Foreign currency translation	86
December 31, 2002 ending balance	$ 5,401

Extended Service Plan: Generally, extended service plans are separate contracts with retail customers who pay fees to extend warranty coverage beyond the base warranty period. Under these plans, contract fees are recognized in income over the contract period in proportion to the costs expected to be incurred in performing contracted services.

The following is a tabular reconciliation of extended service plan deferred revenue accounts (in millions):

January 1, 2002 beginning balance	$ 2,659
Current year written revenue	1,206
Current year earned revenue	(958)
Foreign currency translation	31
December 31, 2002 ending balance	$ 2,938

LITIGATION AND CLAIMS

Various legal actions, governmental investigations and proceedings and claims are pending or may be instituted or asserted in the future against us, including those arising out of alleged defects in our products; governmental regulations relating to safety, emissions and fuel economy; financial services; employment-related matters; dealer, supplier and other contractual relationships; intellectual property rights; product warranties; environmental matters; and shareholder matters. Certain of the pending legal actions are, or purport to be, class actions. Some of the foregoing matters involve or may involve compensatory, punitive, or antitrust or other treble damage claims in very large amounts, or demands for recall campaigns, environmental remediation programs, sanctions, or other relief which, if granted, would require very large expenditures.

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. We have established accruals for certain of the matters discussed in the foregoing paragraph where losses are deemed probable. It is reasonably possible, however, that some of the matters discussed in the foregoing paragraph for which accruals have not been established could be decided unfavorably to us and could require us to pay damages or make other expenditures in amounts or a range of amounts that cannot be estimated at December 31, 2002. We do not reasonably expect, based on our analysis, that such matters would have a material effect on future financial statements for a particular year, although such an outcome is possible.

Ford Bantam half-ton pickup (South Africa)

COMMON STOCK DATA

	2002				2001			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Common Stock price per share*								
High	**$ 17.29**	**$ 18.23**	**$ 16.24**	**$ 11.91**	$ 31.37	$ 31.42	$ 25.93	$ 19.08
Low	**13.90**	**14.88**	**9.24**	**6.90**	23.75	23.50	14.70	14.83
Dividends per share of Common and Class B Stock	**$ 0.10**	**$ 0.10**	**$ 0.10**	**$ 0.10**	$ 0.30	$ 0.30	$ 0.30	$ 0.15

** New York Stock Exchange composite interday prices as provided by the www.NYSEnet.com price history database.*

As of February 28, 2003, stockholders of record of Ford included 190,109 holders of Common Stock (which number does not include 28,945 former holders of old Ford Common Stock who have not yet tendered their shares pursuant to our recapitalization, known as the Value Enhancement Plan, which became effective on August 9, 2000) and 102 holders of Class B Stock.

SUMMARY OF VEHICLE UNIT SALES*

(in thousands)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
North America											
United States											
Cars	**1,454**	1,427	1,775	1,725	1,563	1,614	1,656	1,767	2,036	1,925	1,820
Trucks	**2,493**	2,458	2,711	2,660	2,425	2,402	2,241	2,226	2,182	1,859	1,510
Total United States	**3,947**	3,885	4,486	4,385	3,988	4,016	3,897	3,993	4,218	3,784	3,330
Canada	**280**	245	300	288	279	319	258	254	281	256	237
Mexico	**175**	162	147	114	103	97	67	32	92	91	126
Total North America	**4,402**	4,292	4,933	4,787	4,370	4,432	4,222	4,279	4,591	4,131	3,693
Europe											
Britain	**592**	637	476	518	498	466	516	496	520	464	420
Germany	**327**	383	320	353	444	460	436	409	386	340	407
Italy	**245**	249	222	209	205	248	180	193	179	172	266
Spain	**169**	178	180	180	155	155	155	160	163	117	165
France	**150**	163	158	172	171	153	194	165	180	150	194
Other countries	**520**	551	526	528	377	318	339	286	281	250	270
Total Europe	**2,003**	2,161	1,882	1,960	1,850	1,800	1,820	1,709	1,709	1,493	1,722
Other international											
Brazil	**148**	125	134	117	178	214	190	201	164	151	117
Australia	**117**	115	125	125	133	132	138	139	125	120	105
Taiwan	**65**	53	63	56	77	79	86	106	97	122	119
Argentina	**25**	29	49	60	97	147	64	48	54	49	49
Japan	**32**	36	26	32	25	40	52	57	50	53	64
Other countries	**181**	197	212	83	93	103	81	67	63	65	71
Total other international	**568**	555	609	473	603	715	611	618	553	560	525
Total worldwide vehicle unit sales	**6,973**	7,008	7,424	7,220	6,823	6,947	6,653	6,606	6,853	6,184	5,940

** Vehicle unit sales generally are reported worldwide on a "where sold" basis and include sales of all Ford Motor Company-badged units, as well as units manufactured by Ford and sold to other manufacturers. 2001–1998 data have been reclassified for operations discontinued and held-for-sale in 2002.*

The following tables set forth selected financial and other data for each of the last eleven years (dollar amounts in millions, except per-share and per-hour amounts). 2001–1998 data (except employee data) have been reclassified for operations discontinued and held-for-sale in 2002. 1997–1992 data is as previously reported.

SUMMARY OF OPERATIONS

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Automotive sector											
Sales	**$134,425**	$130,827	$140,777	$135,029	$118,017	$121,976	$116,886	$110,496	$107,137	$ 91,568	$ 84,407
Operating income/(loss)	**(531)**	(7,395)	5,288	7,186	5,376	6,060	1,843	3,142	5,782	1,408	(1,760)
Income/(loss) before income taxes	**(1,156)**	(8,862)	5,323	7,292	5,842	6,267	1,967	3,166	5,997	1,291	(1,952)
Income/(loss) from continuing operations	**(987)**	(6,155)	3,664	4,996	4,049	4,203	1,271	2,056	3,913	1,008	(1,745)
Financial Services sector											
Revenues	**$ 28,161**	$ 29,927	$ 28,314	$ 25,162	$ 25,011	$ 30,796	$ 29,053	$ 26,780	$ 21,346	$ 16,977	$ 15,710
Income/(loss) before income taxes	**2,109**	1,440	2,976	2,565	18,415	3,857	4,222	3,539	2,792	2,712	1,825
Income/(loss) from continuing operations a/, b/, c/	**1,271**	806	1,792	1,508	17,333	2,206	2,791	2,083	1,395	1,521	1,243
Total Company											
Income/(loss) before income taxes	**$ 953**	$ (7,422)	$ 8,299	$ 9,857	$ 24,257	$ 10,124	$ 6,189	$ 6,705	$ 8,789	$ 4,003	$ (127)
Provision/(credit) for income taxes	**302**	(2,097)	2,720	3,243	2,723	3,436	1,943	2,379	3,329	1,350	295
Minority interests in net income of subsidiaries	**367**	24	123	110	152	279	184	187	152	124	80
Income/(loss) from continuing operations a/, b/, c/	**284**	(5,349)	5,456	6,504	21,382	6,409	4,062	4,139	5,308	2,529	(502)
Income/(loss) from discontinued and held-for-sale operations	**(63)**	(104)	263	733	689	511	384	-	-	-	-
Loss on disposal of discontinued and held-for-sale operations	**(199)**	-	(2,252)	-	-	-	-	-	-	-	-
Cumulative effects of change in accounting principle	**(1,002)**	-	-	-	-	-	-	-	-	-	(6,883)
Net income/(loss)	**$ (980)**	$ (5,453)	$ 3,467	$ 7,237	$ 22,071	$ 6,920	$ 4,446	$ 4,139	$ 5,308	$ 2,529	$ (7,385)
Total Company Data Per Share of Common and Class B Stock d/											
Basic:											
Income/(loss) from continuing operations	**$ 0.15**	$ (2.96)	$ 3.69	$ 5.38	$ 17.60	$ 5.32	$ 3.40	$ 3.58	$ 4.97	$ 2.27	$ (0.73)
Income/(loss) from discontinued and held-for-sale operations	**(0.04)**	(0.06)	0.18	0.61	0.57	0.43	0.33	-	-	-	-
Loss on disposal of discontinued and held-for-sale operations	**(0.11)**	-	(1.53)	-	-	-	-	-	-	-	-
Cumulative effects of change in accounting principle	**(0.55)**	-	-	-	-	-	-	-	-	-	(7.08)
Net income/(loss)	**$ (0.55)**	$ (3.02)	$ 2.34	$ 5.99	$ 18.17	$ 5.75	$ 3.73	$ 3.58	$ 4.97	$ 2.27	$ (7.81)
Diluted:											
Income/(loss) from continuing operations	**$ 0.15**	$ (2.96)	$ 3.62	$ 5.26	$ 17.20	$ 5.20	$ 3.32	$ 3.33	$ 4.44	$ 2.10	$ (0.73)
Income/(loss) from discontinued and held-for-sale operations	**(0.03)**	(0.06)	0.17	0.60	0.56	0.42	0.32	-	-	-	-
Loss on disposal of discontinued and held-for-sale operations	**(0.11)**	-	(1.49)	-	-	-	-	-	-	-	-
Cumulative effects of change in accounting principle	**(0.55)**	-	-	-	-	-	-	-	-	-	(7.08)
Net income/(loss)	**$ (0.54)**	$ (3.02)	$ 2.30	$ 5.86	$ 17.76	$ 5.62	$ 3.64	$ 3.33	$ 4.44	$ 2.10	$ (7.81)
Cash dividends e/	**$ 0.40**	$ 1.05	$ 1.80	$ 1.88	$ 1.72	$ 1.645	$ 1.47	$ 1.23	$ 0.91	$ 0.80	$ 0.80
Common stock price range (NYSE Composite)											
High	**$ 18.23**	$ 31.42	$ 31.46	$ 37.30	$ 33.76	$ 18.34	$ 13.59	$ 12.00	$ 12.78	$ 12.06	$ 8.92
Low	**6.90**	14.70	21.69	25.42	15.64	10.95	9.94	9.03	9.44	7.85	5.07
Average number of shares of Common and Class B stock outstanding (in millions)	**1,819**	1,820	1,483	1,210	1,211	1,195	1,179	1,071	1,010	986	972

a/ 1998 includes a non-cash gain of $15,955 million that resulted from the spin-off of The Associates.

b/ 1997 includes a gain of $269 million on the sale of Hertz Common Stock.

c/ 1996 includes a gain of $650 million on the sale of The Associates' Common Stock.

d/ Share data have been adjusted to reflect stock dividends and stock splits. Common stock price range (NYSE Composite) has been adjusted to reflect the Visteon spin-off, a recapitaliztion known as our Value Enhancement Plan, and The Associates spin-off and reflect inter-day high and low stock price range.

e/ Adjusted for the Value Enhancement Plan effected in August 2000, cash dividends were $1.16 per share in 2000.

SUMMARY OF OPERATIONS (CONTINUED)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
TOTAL COMPANY BALANCE SHEET DATA AT YEAR-END											
Assets											
Automotive sector	**$ 107,790**	$ 88,319	$ 94,312	$ 99,201	$ 83,911	$ 80,339	$ 75,008	$ 72,772	$ 68,639	$ 61,737	$ 57,170
Financial Services sector	**187,432**	188,224	189,078	171,048	148,801	194,018	183,209	170,511	150,983	137,201	123,375
Total assets	**$ 295,222**	$ 276,543	$ 283,390	$ 270,249	$ 232,712	$ 274,357	$ 258,217	$ 243,283	$ 219,622	$ 198,938	$ 180,545
Long-term debt											
Automotive sector	**$ 13,607**	$ 13,467	$ 11,769	$ 10,398	$ 8,589	$ 6,964	$ 6,385	$ 5,475	$ 7,103	$ 7,084	$ 7,068
Financial Services sector	**106,529**	107,031	86,877	67,178	55,092	73,198	70,641	68,259	58,104	47,900	42,369
Stockholders' equity	**5,590**	7,786	18,610	27,604	23,434	30,787	26,765	24,547	21,659	15,574	14,753
TOTAL COMPANY FACILITY AND TOOLING DATA											
Capital expenditures for facilities (excluding special tools)	**$ 4,174**	$ 4,615	$ 5,315	$ 4,332	$ 4,369	$ 4,906	$ 4,529	$ 5,455	$ 5,236	$ 4,339	$ 3,613
Depreciation	**12,676**	15,453	12,561	11,846	10,890	9,865	9,070	8,954	7,207	5,456	4,658
Expenditures for special tools	**3,104**	2,337	3,033	3,327	3,388	2,894	3,154	3,542	3,310	2,475	2,177
Amortization of special tools	**2,461**	3,265	2,451	2,459	2,880	3,126	3,211	2,765	2,129	2,012	2,097
TOTAL COMPANY EMPLOYEE DATA — WORLDWIDE											
Payroll	**$ 18,319**	$ 17,810	$ 18,227	$ 18,512	$ 16,757	$ 17,187	$ 17,616	$ 16,567	$ 15,853	$ 13,750	$ 13,754
Total labor costs	**23,871**	23,937	25,940	26,953	25,606	25,546	25,689	23,758	22,985	20,065	19,850
Average number of employees	**350,321**	358,675	352,380	375,214	342,545	363,892	371,702	346,989	337,728	321,925	325,333
TOTAL COMPANY EMPLOYEE DATA — U.S. OPERATIONS											
Payroll	**$ 11,301**	$ 11,084	$ 11,288	$ 11,473	$ 10,548	$ 10,840	$ 10,961	$ 10,488	$ 10,381	$ 8,889	$ 8,019
Average number of employees	**161,868**	165,787	165,081	173,120	171,269	189,787	189,718	186,387	180,861	166,995	158,501
Average hourly labor costs f/											
Earnings	**$ 29.34**	$ 27.38	$ 26.73	$ 25.58	$ 24.30	$ 22.95	$ 22.30	$ 21.79	$ 21.81	$ 20.94	$ 19.92
Benefits	**23.31**	20.35	21.71	21.79	21.42	20.60	19.47	18.66	19.13	18.12	19.24
Total hourly labor costs	**$ 52.65**	$ 47.73	$ 48.44	$ 47.37	$ 45.72	$ 43.55	$ 41.77	$ 40.45	$ 40.94	$ 39.06	$ 39.16

f/ Per hour worked (in dollars). Excludes data for subsidiary companies.

Aston Martin AMV8 Vantage

EMPLOYMENT AND PAYROLL DATA

In 2002, average-year worldwide working employment decreased approximately two percent reflecting a reduction in employment in our Automotive sector in North America and Europe and the partial-year effect of the sale of our Kwik-Fit subsidiary. Worldwide payroll was $18.3 billion in 2002, a 2.9% increase from 2001. Average-year working employment by geographic area, compared with 2001, was:

	2002	2001
United States	**161,868**	165,787
Europe	**136,717**	139,355
Other	**51,736**	53,533
Total	**350,321**	358,675

Ford Focus C-MAX (Europe)

A Century of Success

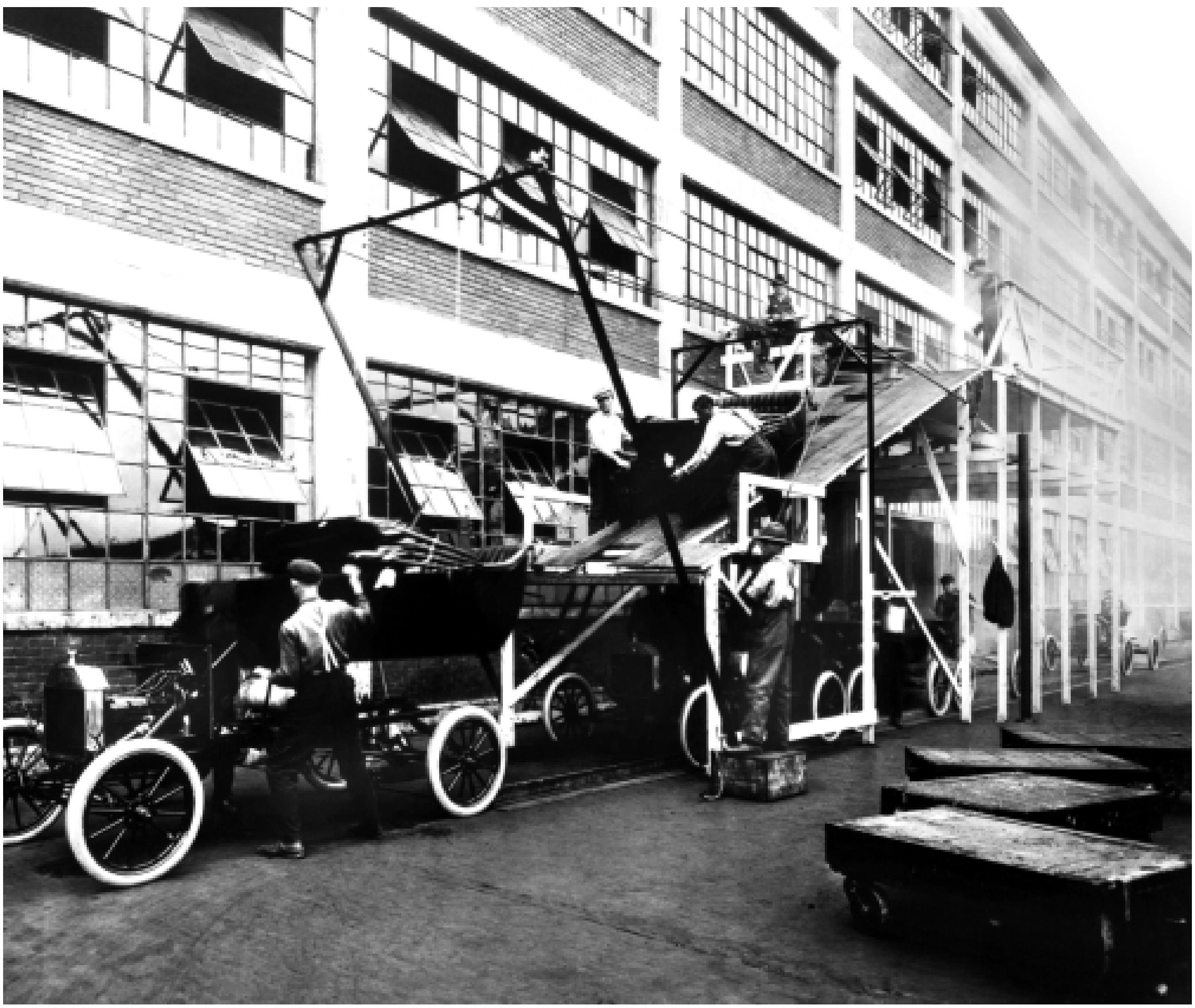
As the company looks forward to the next 100 years, we pause to remember our past. While we celebrate a century of success, we acknowledge the millions of employees — extending over many generations — dealers, suppliers, and countless others around the globe whose contributions and efforts have strengthened the company throughout every era. We recognize that, along with our shareholders and customers, we all share a certain sense of belonging to a larger family, an extended family, that gives us confidence as we boldly start our second century.

On The Cover: A portrait by Wilber Fiske Noyes of industrialist and businessman, Henry Ford. **Above Left:** A replica of the first small factory on Mack Ave. in Detroit, in which Ford Motor Company was launched on June 16, 1903. **Above Right:** Henry Ford in his first car, the 1896 Quadricycle, a buggy frame mounted on four bicycle-type wheels. **Above:** Henry Ford (from left) with his close friends, Thomas Edison and Harvey Firestone, at Edison's Ft. Myers, Fla. home. Ford and his friends loved the outdoors and, calling themselves the Vagabonds, went on annual camping trips to destinations such as the Great Smoky Mountains and the Adirondacks.

Above: Henry Ford in the 20 millionth Ford — a 1931 Model A Town Sedan.

Right: Henry Ford's son, Edsel.

Below: Workers at the Highland Park, Mich., plant assemble the Model T.



Right:
This 1939 Lincoln Continental reflected the design influence of Edsel Ford, who helped give the Lincoln line its signature style and elegance.

Below:
(From left) Edsel and Eleanor Ford with their children: Henry II, Benson, Josephine and William Clay.

Left:
Henry watches his grandson, Henry II, autograph the 5,000th Ford B-24 Liberator bomber in 1944.

Right:
Ford's workforce helped strengthen the U.S.'s Arsenal of Democracy during WWII.

Left:
(From left) Henry Ford II, Benson Ford and William Clay Ford, with portraits of their father, Edsel B. Ford (left) and grandfather, Henry Ford, in the background.

Below:
The Rouge Plant assembly line in 1946.

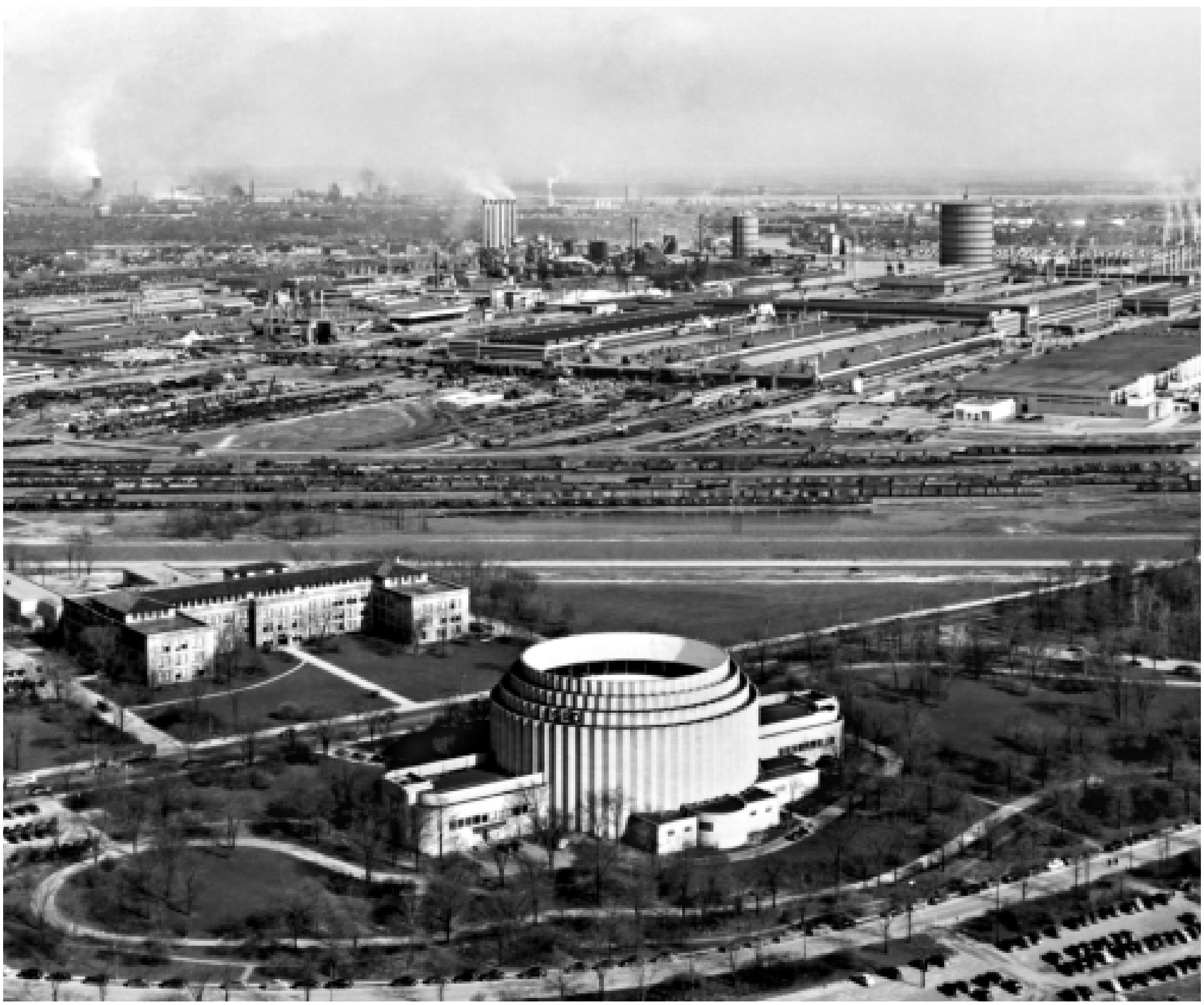
Below:
A 1942 Ford Super Deluxe with the Rouge complex in the background.

Right:
A worker's silhouette against the heat and glare of molten steel at the Rouge foundry.

Above:
The sporty 1955 Thunderbird, now an American classic, had 4,000 orders waiting for it on its first day of production.

Right:
Henry Ford II with Ford Rouge workers.

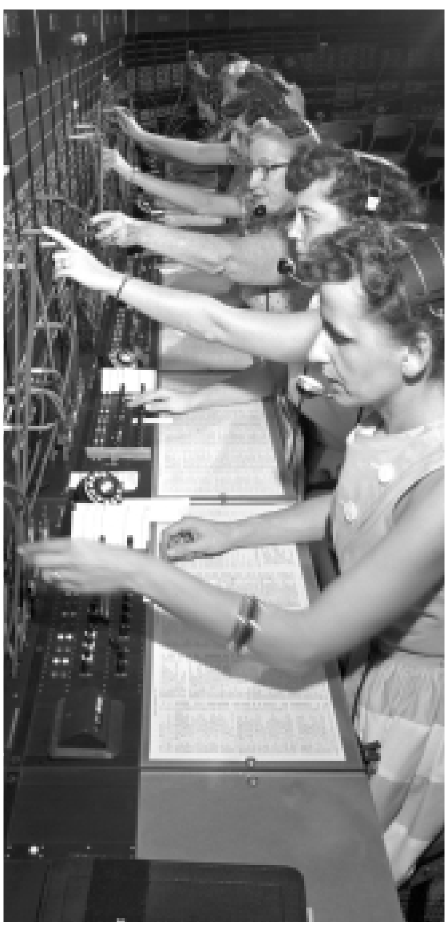
Below:
An aerial view of the Ford Rotunda (foreground), across the street from the former company headquarters on Schaefer Road, with the vast Rouge complex in the background.



Above: Ford Vice President John Bugas (center) and UAW President Walter Reuther (right) sign the 1955 UAW-Ford agreement.

Below left: Ford telephone operators at the Central Office building in Dearborn, Mich.

Below right: Edsel B. Ford II in a replica of the 1901 Sweepstakes Racecar.



Left:
Father and son, William Clay Ford, Sr. and Bill Ford.

Above:
An early Ford franchise.

Above Left: Ford Motor Company's World Headquarters in Dearborn, Mich. **Above Right:** From Ford Motor Company office buildings to assembly plants around the world, people continue to be our most valued resource. **Above:** Members of the Ford family in 2002.

Information for Shareholders

Shareholder Services

Ford Shareholder Services Group
EquiServe Trust Company, N.A.
P.O. Box 43087
Providence, Rhode Island 02940-3087

Telephone:
Within the U.S. and Canada: (800) 279-1237
Outside the U.S. and Canada: (781) 575-2692

E-mail: **fordteam@equiserve.com**

EquiServe Trust Company N.A. offers the DirectSERVICE™ Investment and Stock Purchase Program. This shareholder-paid program provides a low-cost alternative to traditional retail brokerage methods of purchasing, holding and selling Ford Common Stock.

Company Information

The URL to our online Investor Center is **www.shareholder.ford.com.** Alternatively, individual investors may contact:

Ford Motor Company
Shareholder Relations
One American Road
Dearborn, Michigan 48126-2798

Telephone:
Within the U.S. and Canada: (800) 555-5259
Outside the U.S. and Canada: (313) 845-8540
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Telephone: (313) 323-8221 or (313) 390-4563
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E-mail: **stockinf@ford.com**

To view the Ford Motor Company Fund and the Ford Corporate Citizenship annual reports, go to www.ford.com.

Stock Exchanges

Ford Common Stock is listed and traded on the New York and Pacific Coast Stock Exchanges in the United States and on stock exchanges in Belgium, France, Germany, Switzerland, and the United Kingdom. Depository Shares representing the Trust Originated Preferred Securities℠ (TOPrS℠) of Ford Motor Company Capital Trust I, and the Convertible Trust Preferred Securities of Ford Motor Company Capital Trust II are listed and traded on the New York Stock Exchange (NYSE) only.

The NYSE trading symbols are as follows:

F	Common Stock
F.PrT	9% Trust Originated Preferred Securities℠ (TOPrS℠) of Ford Motor Company Capital Trust I
F.PrS	6.5% Convertible Trust Preferred Securities of Ford Motor Company Capital Trust II

Annual Meeting

The Annual Meeting of Shareholders will be held in Dearborn, Michigan on June 16, 2003. The time and location of the meeting will be contained in the Proxy Statement to be mailed to each shareholder at the end of April.

Annual Report Credits

The Ford Motor Company Annual Report is designed, written and produced each year by a cross-functional Ford team. The 2002 team members are:

Editor:	Frank Sopata, Manager, Shareholder Relations
Editorial Services:	Kim Boscan, Terry Herron, Tom Morrisey and Chuck Snearly
Photo Coordinator:	Ana Krawec
Art Direction and Design:	Pat Barney
Graphic Designers:	Sandy White, Kris Small, and Mackenzie Sand
Cover and Principal Photography:	Tom Wojnowski
Additional Photography:	Keith Tolman and Joe Wilssens
Portraits:	Kevin Sprouls

Digital imaging technology has been used for retouching and to produce some composite photos in this report.
The report was printed by St. Ives Case-Hoyt of Rochester, New York. The report was designed by The Quintek Group, Inc. of Warren, Michigan.

Photographs from the Collections of Ford Motor Company and The Benson Research Center at Henry Ford Museum & Greenfield Village.

1896 and 1914 timeline images courtesy from the Collection of Henry Ford Museum & Greenfield Village.

This report is printed on recycled and recyclable paper using soy ink rather than petroleum-based ink.

"I will build a motorcar for the great multitude."

Henry Ford