2003 ANNUAL REPORT

FAST AND FUN

CONTENTS

Three Things ...

"In 40 years of Mustang, Ford has always done three things really well," says ***Hau Thai-Tang****, Ford Mustang chief nameplate engineer. "We've always been fast, always been fun, always been affordable. Mustang is the quintessentially classic American sports car. The 2005 model lives up to that legendary reputation, and then some. Nothing else is like it."*

(Above: 2005 Ford Mustang GT and 1968 Ford Mustang GT)

On the Cover

2005 Ford Mustang GT Coupe

(18" wheels shown not available in 2005)

About the Report

This 2003 annual report focuses on Ford Motor Company's exciting products and recognizes a few of the thousands of people who design, engineer, manufacture and sell our vehicles worldwide.

OPERATING HIGHLIGHTS

Financial Results	2003	2002
Worldwide vehicle unit sales of cars and trucks by Automotive segment (in thousands)		
Americas	**4,020**	4,341
International	**2,700**	2,632
Total	**6,720**	6,973
Sales and revenues (in billions)		
Automotive	**$ 138.4**	$ 134.3
Financial Services	**25.8**	28.0
Total	**$ 164.2**	$ 162.3
Automotive capital expenditures		
Amount (in billions)	**$ 7.4**	$ 6.8
As a percentage of automotive sales	**5.3%**	5.0%
Automotive cash at year end (in billions)		
Cash, marketable and loaned securities and assets held in short-term VEBA trust a/	**$ 25.9**	$ 25.3
Cash net of senior debt b/	**10.9**	11.1
Income before taxes excluding special items (in billions)		
Automotive c/	**$ 0.1**	$ (0.3)
Financial Services	**3.3**	2.1
Total	**$ 3.4**	$ 1.8
Net income/(loss) (in billions)	**$ 0.5**	$ (1.0)
Basic net income/(loss) per share of Common and Class B stock	**$ 0.27**	$ (0.55)

Shareholder Value		
Dividends per share	**$ 0.40**	$ 0.40
Total shareholder returns d/	**79%**	(39)%

a/ Voluntary Employee Beneficiary Association trust, in which $4.0 billion of financial assets were held at the end of 2003 and $2.7 billion at the end of 2002 to fund certain future employee benefit obligations in the near term.

b/ Automotive cash, marketable and loaned securities and assets held in a short-term VEBA trust less Automotive senior debt.

c/ Including special items — $2.0 billion loss and $1.2 billion loss for 2003 and 2002, respectively. See page 37 for reconciliation to U.S. GAAP.

d/ From Bloomberg Total Return Analysis assuming dividends are reinvested in Ford stock.

Prior period has been reclassified for discontinued/held-for-sale operations.

PRODUCTS AND PROGRESS

A MESSAGE FROM THE CHAIRMAN

Two years ago Ford Motor Company began a determined journey toward renewed competitiveness and profitability. We drew important lessons from our past, focused on our core automotive and automotive finance businesses, and set out to build our future.

In 2002 we made solid progress and began moving in the right direction. Last year the progress continued with a growing number of successes and the start of a massive wave of new products. Our 2003 accomplishments include:

- Full-year net income of $495 million, or 27 cents per share, compared to a net loss of 55 cents per share in 2002.
- Excluding special items, full-year income from continuing operations more than doubled to $1.14 per share.*
- An improved business structure, including capacity reductions that made us more efficient and aligned to the market.
- Cost reductions of $3.2 billion.**
- A year-over-year increase in per unit revenue in North America of $724, which helped it achieve pre-tax profits of $1.8 billion, excluding special items.*
- Numerous successful vehicle launches, including Ford Focus C-MAX in Europe; Jaguar XJ and Volvo S40 worldwide; and Ford F-150, Ford Freestar and Mercury Monterey in North America.
- The biggest quality improvement of any of the five major automakers, with recall volumes reduced dramatically and warranty spending down 18 percent from 2002. We're not where we want to be yet, but in the last two years our quality has improved by more than 16 percent.
- Agreements with the United Auto Workers and Visteon Corporation that allow greater operating flexibility.
- Improved operating results in South America and Asia-Pacific.
- A return to profitability at our Premier Automotive Group.
- A record pre-tax profit of $3 billion at Ford Credit.
- A strong automotive cash position of $25.9 billion.

Since our efforts began we have consistently delivered on our financial commitments. We exceeded earnings estimates in every quarter of the past two years and our profit targets for 2002 and 2003. Excluding special items, our overall financial results have improved by about $5 billion in two years, which is ahead of plan.

In 2003 we were disappointed with our business results in Europe and our market share in North America. There continued to be overcapacity worldwide among all manufacturers and, as a result, incentives remained high. But overall we dramatically improved our profitability and moved closer to achieving our mid-decade goals. By continuing to focus on improving our core businesses and leveraging Ford's unique strengths, we intend to grow our business profitably over time.

Our plans begin with great products, which have always been the foundation of success in our business. This year we are introducing 40 new products worldwide. By mid-decade we will have launched more than 150 new products, by far the most of any similar time period in our history.

* Special items totaling $2.1 billion on a pre-tax basis were primarily related to restructuring charges at Ford Europe ($513 million) and charges at Ford North America resulting from our agreement with Visteon ($1.6 billion).

** At constant volume, mix and currency exchange rates; excluding special items.

Ford Explorer NBX

Mercury Monterey

Ford Chairman and CEO Bill Ford introduces the 2005 Mustang to the media at the 2004 North American International Auto Show in Detroit.

We are calling 2004 the "Year of the Car" because most of the new products we are introducing in North America this year are cars. That includes the 2005 Ford Focus, Five Hundred, Freestyle, GT and Mustang, as well as the Mercury Montego. Adding these new cars to our best-selling lineup of sport utility vehicles and trucks will give us a strong and balanced competitive lineup in our most important market.

Great products by themselves are not enough to ensure success in today's fiercely competitive automotive market. A business structure and processes that maximize operational quality and efficiency are essential. From the beginning our plans have focused on making fundamental and far-reaching improvements in these areas. As with our new products, we have begun to see solid results from our efforts.

Consumer Driven 6-Sigma, our quality improvement and waste elimination methodology, has had an increasingly dramatic impact on our operations. Since its inception we've completed more than 9,500 projects that have saved us $1.7 billion worldwide, including $731 million in 2003. In addition, we attribute about half of our current-model quality improvement to Consumer Driven 6-Sigma projects.

Team Value Management (TVM), a process that brings together cross-functional teams to improve value and quality, was implemented in North America and across all our business units during 2003. Working collaboratively with our supply base, we assessed the gaps between actual and industry benchmark costs and, with supplier support, achieved record total material cost reductions.

The transformation of our assembly plants into lean and flexible centers of manufacturing excellence also is gaining momentum. Our new next-generation flexible manufacturing system standardizes operations, allows multiple models to be built on the same assembly line and enables faster product changeovers. Three more plants in the United States will begin using the new system this year. By the end of the decade all of our European and 75 percent of our North American assembly plants will have flexible systems in place.

A key enabler for flexible manufacturing is having common vehicle architectures, so we also are planning a 25 percent reduction in the number of architectures we use by the end of the decade. The end result will be improved quality, faster speed to market and billions of dollars in cost reductions. The savings in time and resources also will allow us to offer more new models overall.

As we continue to improve our operational excellence, we also are beginning to more fully leverage our unique strengths.

I believe our dealer body in North America is the best in the industry. By working more closely as partners and providing them with many outstanding new cars and trucks to sell we are maximizing their effectiveness.

Ford Credit, the best credit company in the world, is another competitive advantage for us. A consistent winner of the top J.D. Power awards for customer satisfaction, it is now concentrating efforts on supporting our automotive business.

The loyalty that people have to our company is another asset we want to fully leverage. In the latest R. L. Polk consumer loyalty study of new vehicles in North America we won 10 of 16 possible awards, including the Highest Overall Loyalty to Make award, which went to Ford Division.

Last year's centennial celebration dramatically demonstrated the strong emotional ties that have helped us build this large and loyal customer base. More than 225,000 people came to our headquarters to join our extended family in marking this historic milestone. For those and millions of other Ford fans around the world our heritage and family connections create a special

Bill Ford and his father, William Clay Ford, Sr., share a moment at the 2003 Annual Meeting of Shareholders during Ford's Centennial Celebration.

bond. As we improve our business operations, we also plan to build on those family feelings and distinguish ourselves as a different kind of company.

Being a family company, and not a faceless corporation, creates high expectations. We must deliver distinct products that offer quality, safety and value. We must treat our customers with honesty and respect. We have to be good neighbors in the communities where we do business. And I strongly believe we also must be outstanding citizens of the world, taking leadership on social and environmental issues related to the automotive industry.

An area that will be critical to the success of these efforts is the environmental performance of our products. Later this year we will introduce Ford Escape Hybrid, a mainstream SUV with a full hybrid-electric powertrain. Escape Hybrid is designed to be the cleanest and most fuel-efficient SUV in the world. It is expected to achieve more than 35 miles per gallon in city driving, by far the best for any SUV, without compromising versatility or performance. We also will begin selling a fuel cell-powered version of the Ford Focus to commercial fleets later this year.

These products are part of an overall commitment to improve fuel economy and reduce greenhouse gases and other emissions across our entire range of vehicles. Addressing air pollution and climate change issues effectively and transparently is a key element of our product development plans.

Looking ahead, we expect to have continued improvement in our business operations around the world in 2004.

- Our North American operations will benefit from an improving economy and the many new products we will introduce in the fall.
- We anticipate improvements in the overall market in South America, and an increase in our market share.
- In Asia, we project that our profits and share will improve with the help of major new investments in the region.
- We anticipate a dramatic improvement in Europe in 2004, due to business restructuring and new products.
- Our Premier Automotive Group will introduce 14 new or revised models in 2004, and benefit from greater discipline in the execution of our premium brand strategy and resource sharing.

Longer term, I believe our outlook is excellent if we continue to focus on operational excellence and concern for our customers and their world.

Emerging markets, led by Asian countries, will experience 90 percent of the growth in automotive sales volumes in the next 10 years. I visited our Asia-Pacific operations last October and came away more impressed than ever by the potential for major growth there. We have plans in place to be much more aggressive in driving that growth, including expansions of our manufacturing capacity in China, Thailand and the Philippines that will strengthen our presence throughout the region.

In the so-called "mature" markets dramatic growth will not be found in sales volumes, but in revenue. In the next 10 years these markets, primarily North America and Europe, will account for 65 percent of worldwide automotive revenue growth as customers move up to vehicles with higher prices and larger margins. Ford Motor Company is already the leading seller of luxury vehicles in North America. As increasingly prosperous consumers seek more features, functionality and luxury, we will be ready for them with an exceptional selection of premium vehicles.

There are still many challenges ahead of us as we begin our next 100 years. Competition in the automotive industry is intensifying, with more market segments and more new products than ever before. At the same time, new technology is driving rapid change in products and processes. And leadership in operational excellence is a moving target as companies continue to improve in all areas.

But we have many advantages to build on as we face these challenges: the strongest portfolio of brands in the world; an exceptional heritage that has given us a special connection to our customers; an experienced and stable management team; and a dedicated and talented extended family of employees, suppliers and dealers. We are uniquely positioned to do great things and become an even greater company.

Our goal is to be the best automotive company in the world.

Thank you for your support of our efforts.

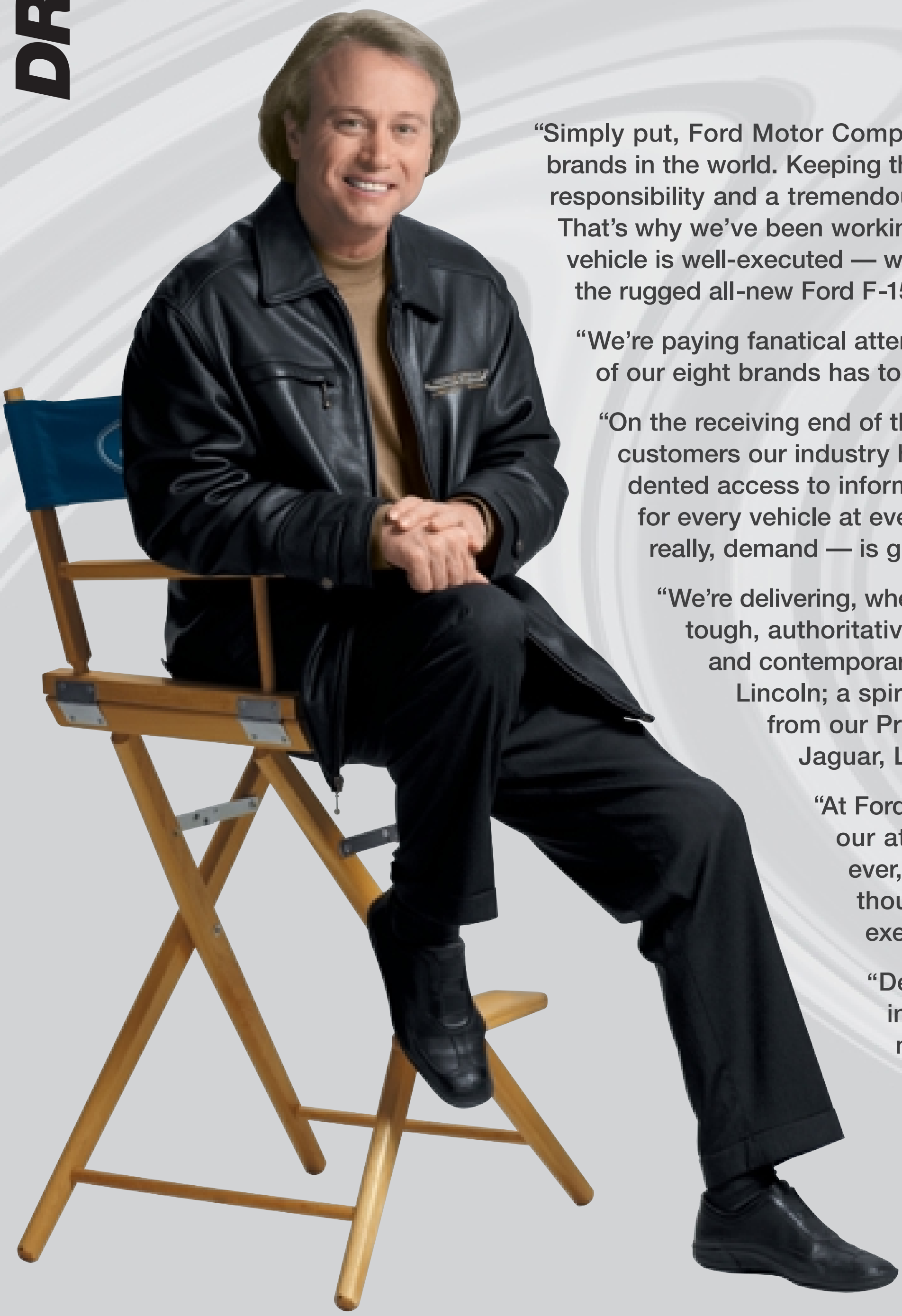
William Clay Ford, Jr.
Chairman and CEO
March 11, 2004

Lincoln LS

Ford GT

Ford Focus

DRAWING RAVES



"Simply put, Ford Motor Company has the strongest lineup of brands in the world. Keeping this portfolio in top form is both a hefty responsibility and a tremendous opportunity. We take this seriously. That's why we've been working hard to ensure that each customer's vehicle is well-executed — whether it's a stylish European StreetKa, the rugged all-new Ford F-150 or the luxurious Aston Martin DB9.

"We're paying fanatical attention to detail on every product each of our eight brands has to offer, inside and out.

"On the receiving end of this dedicated effort are the savviest customers our industry has ever known. They have unprecedented access to information and well-defined expectations for every vehicle at every price point. What they want — or, really, demand — is great product.

"We're delivering, whether customers are looking at a tough, authoritative Ford product; a more upscale and contemporary Mercury; a refined, sophisticated Lincoln; a spirited Mazda; or any luxury offering from our Premier Automotive Group portfolio of Jaguar, Land Rover, Aston Martin and Volvo.

"At Ford Motor Company, we have refocused our attention on design. Now, more than ever, our design philosophy is even more thoughtful, more strategic — and our execution is even more precise.

"Design is the new battleground in our industry. And the victors poised to win most from our redoubled efforts are our customers, shareholders and dealers."

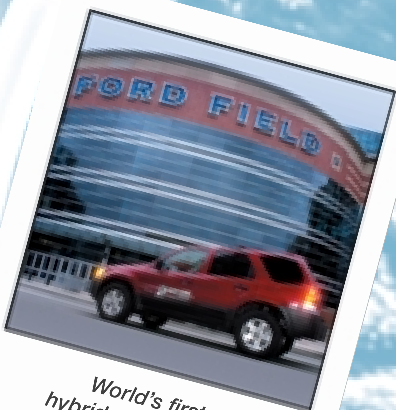
— J Mays
Group Vice President, Design


HYBRID
RANGE ROVER
FIVE HUNDRED
EcoSport
XLT
MERCURY
Ghia

INNOVATIVE

“We leveraged some of the company’s brightest scientists, researchers and engineers to transform their technical innovations into the Ford Escape Hybrid — the world’s first hybrid-electric SUV,” says ***Mary Ann Wright****, Ford Escape Hybrid chief engineer. “Escape Hybrid was engineered to be built on the same line as the gas-only Escape, and serviced at a regular Ford dealership. It is available in both front- and four-wheel drive and has all the attributes, functional performance and passenger accommodation of the base Escape … plus you get to feel good about what you’re driving. You don’t change your life when you buy Escape Hybrid; you just improve it.”*

“Customers have a choice today when they shop for a vehicle with lower environmental impact,” says ***Corey Holter****, Ford Escape Marketing manager. “But a lot of those vehicles look odd, offer little in the way of room, or limit you as to where or when you refuel. Escape Hybrid is a roomy SUV that runs on gasoline, that you don’t have to plug in at the end of the day. When the electric motor assists the four-cylinder engine, it feels similar to a V-6. And it’s a full hybrid, which means that, often, when you’re driving through neighborhoods or in stop-and-go traffic, you’re using zero fuel. Now, how cool is that?”*



World’s first hybrid-electric SUV

Ford Escape Hybrid

SAVVY

*"Ford Five Hundred is a midsize sedan that is just packed with features," says **George Bucher**, Ford Five Hundred chief designer. "You can fold down the back seats and the front passenger seat, and you can put a surfboard in there. Yet you can drive it to the opera — it has that kind of urban, savvy, upscale look. This is a car that is going to attract customers who may not otherwise have considered a sedan."*

Ford Five Hundred

GLOBAL APPEAL

*"One fascinating thing about Mazda RX-8 is how well the brand translates from market to market," says **Masahiro Moro**, Global Marketing general manager for Mazda Motor Corporation. "The product sold in America and the preferences of the customers who enjoy it are very much like the products and preferences in Japan, in Europe, in Australia and in other major markets around the world. Customers find it easy to zero in on the essence of Mazda, and it's clear that they like what they see."*

Mazda RX-8

FLEXIBLE

*"Chicago Assembly today is very different from the Chicago Assembly where my dad worked for 37 years," says **Bill Walton**, a UAW member and assembly line employee at Ford's Chicago Assembly Plant. "For one, it's fully flexible: We can make eight different body lines, including the Ford Freestyle. That's great for Ford and its customers and very reassuring to the people who depend on this plant for their livelihood. For another, we have a supplier park just down the street. We can spend our time doing what we do best — building great, outstanding, quality products."*

Ford Freestyle

TEAMWORK

"I work with a Texas dealership that is one of the biggest sellers of Ford F-Series trucks," says ***Cathy Loccisano****, dealer account manager with Ford Credit's Dallas Branch. "Being a top-selling dealership means everything to them, so we won't let them down. That means providing flexible and competitive financing plans and superior customer service. Unlike other finance companies, at Ford Credit a sale of an F-Series truck is a win for the dealer, the customer and Ford Credit."*

Ford F-150 Lariat

PREMIER

"If I were talking to the one person in the world who didn't know what Volvo was, I think I would sum it up as a company that makes safe, stylish, premium cars," says ***Peter Ewerstrand****, project director for the Volvo V50. "The new Volvo V50 is a premium but affordable car that is not a traditional wagon but a sportswagon. It looks great, drives great and embodies Volvo's 75-year safety heritage."*

Volvo V50


VOLVO V50

WORLD WINNER

After five years, the Ford Focus remains one of Europe's best-selling and most praised cars, a benchmark for design, dependability and driving quality. The three-millionth Focus rolled off the Saarlouis assembly line in Germany early this year, bringing total worldwide production to more than four million. The latest addition to the European Focus family is the Focus C-MAX, Ford's first entrant in the growing segment of medium-sized people mover vehicles. The Focus C-MAX is another contributor to Ford's reputation for delivering product excellence from its European engineering center. Its commitment to deliver 45 new products in five years — already at 41 — also includes the Focus RS, new small and large sedan car ranges, StreetKa roadster, and a new line of commercial vehicles, with much more to come.

Ford Focus C-MAX

HERITAGE

Land Rover's Range Rover has been the recipient of numerous international awards. The third generation of the world's pre-eminent luxury SUV, Range Rover retains such heritage features as a practical horizontally split tailgate, the bold upright front with its simple grille, the command driving position, the "floating" roof, a clamshell hood and the almost rectangular interplay between the horizontal and vertical body lines. Built at Land Rover Solihull Assembly in the English Midlands, Range Rover is exported to markets throughout the world including North America, the premium SUV's largest market.

Land Rover Range Rover

NEW ERA

The elegant Aston Martin DB9 Volante — the sixth new car from Aston Martin in less than two and a half years — premiered at the 2004 North American International Auto Show, joining a prestigious lineup of convertibles that stretches back to the DB2 of 1950. Aston Martin sold only 42 cars in 1994, the year that Ford Motor Company became sole owner. The new DB9's projected volume is 2,000 units, and the first year's production is already sold out. The V-12 DB9, the first car to be handmade at Aston Martin's new state-of-the-art facility in Gaydon, Warwickshire, UK, features a radical new aluminum-bonded body frame, making it one of the most sophisticated and technically advanced sports cars in the world.

Aston Martin DB9 Volante

VERSATILE

Developed and built by Ford Brazil, the Ford EcoSport SUV was launched in the Brazilian market in the first quarter of 2003. It is exported to Mexico, Argentina, Chile, Venezuela, Colombia and other South American markets. The EcoSport is built at Ford's Northeast Industrial Complex in Bahia, an ultramodern site in which Ford's production facilities and those of key suppliers are housed under a single roof. This eliminates component transportation logistics and brings just-in-time parts delivery to a new level. Ford EcoSport features a robust drivetrain, off-road capability and available four-wheel drive. It's an SUV that can face a wide range of driving conditions, making it an excellent complement to its markets — just one more example of how Ford, a global automaker, goes the distance to completely satisfy local and regional customers.

Ford EcoSport

DEFINITIVE

The seventh generation of the car recognized as the definitive Jaguar sedan, the new 2004 XJ, also available as a supercharged XJR, is the most advanced production Jaguar ever. Taller and wider than its predecessor, the new XJ's aluminum body is 60 percent stiffer, yet 40 percent lighter than the steel body it replaces. And the car offers more interior room in every direction. The interior of the XJ is designed to satisfy the determination that drivers — and any passengers — should always leave a Jaguar feeling better than when they entered. The XJ is the epitome of contemporary luxury, tailored to meet the needs of today's demanding premium-segment customers.

Jaguar XJR

MERCURY RISING

Mercury Mariner debuts this year as the third of four all-new nameplates being added to the Mercury lineup. Mariner joins Mercury Mountaineer, Lincoln Aviator and Lincoln Navigator as the newest addition to Lincoln Mercury's all-star selection of SUVs. Mercury's four new products include the Monterey minivan introduced last fall, Mariner, the Montego sedan coming this fall and a new midsize sedan arriving in 2005. They are designed to achieve a high level of Mercury product differentiation, attract new customers, and generate fresh excitement for dealers. Designed to be a visually appealing, functional, fuel-efficient and fun to drive SUV, Mariner is tuned for the urban environment with outstanding carlike handling.

Mercury Mariner

Fumes to Fuel
fuel cell

Fumes to Fuel

The paint shop at the renovated Ford Rouge Center in Dearborn, Michigan, not only is helping to generate great current-model vehicles, it's helping to generate great current.

For years Ford, like other automakers, has incinerated the fumes drawn from paint booths in order to help protect air quality. But now, in Fumes to Fuel, a pilot program jointly developed by Ford Motor Company and Detroit Edison, usable electric energy is being generated by what was formerly a worthless waste product. The system captures the volatile organic compounds found in paint fumes and concentrates them into a rich mixture of hydrocarbons that are then converted to a hydrogen-rich gas. The gas is fed into a stack of solid oxide fuel cells, where a chemical reaction between hydrogen and oxygen molecules is used to create electricity. The only emissions from the fuel cells are water vapor and an insignificant amount of carbon dioxide.

Patent pending in the United States and internationally, the system is capable of generating about 5,000 watts of electricity — enough to power an average home. Ford and Detroit Edison are exploring larger fuel cells and additional energy generators with a larger system planned for later in 2004.

White House Honors

"When I first learned that I was being summoned to the White House to receive the National Medal of Technology, it was unbelievable, absolutely fantastic," recalls **Dr. Haren Gandhi**, Ford Technical Fellow. "And then when I realized that this was the first time someone in the auto industry had been so honored, I was awestruck and humbled. I had just assumed that, in an industry as mature as this, someone would have received it before me."

Dr. Haren Gandhi receives the National Medal of Technology from President George W. Bush

Dr. Gandhi, who was recognized for his work developing automotive exhaust catalyst technology, is among a select group of individuals to have received the highest honor bestowed on America's leading innovators by the President of the United States. Previous award recipients include Microsoft's Bill Gates and Apple Computer's Steve Wozniak.

Dr. Gandhi has received several awards, including five Henry Ford Technology Awards, for his pioneering work. But he says that his greatest pleasure comes from the nature of the work itself.

"Most automotive research benefits vehicle owners and drivers," Dr. Gandhi says. "But cleaner air helps everyone — every single person on Earth. I'm very pleased with the direction my life has taken."

Safer Teen Drivers

Ford Motor Company and the Governors Highway Safety Association are sponsoring a campaign to make teens more competent drivers.

Real World Driver: Driving Skills for Life focuses on four key driving skills that safety experts believe have the most promise of preventing crashes. Through an interactive online experience, a video designed for classroom use, and a curriculum that includes hands-on safe driving demonstrations, teens learn to recognize and anticipate road hazards, handle different vehicles competently, maintain safe spacing with other traffic, and drive at speeds that are right for conditions.

For more information on the campaign, visit ***www.realworlddriver.com***.

From left: Real World Drivers Jeff Lemke, Lee Scott Jr., Beth Jenkins, Tony Bucko and Ashli Smith

Asleep at the Wheel

What's the best way to study driver fatigue? How about putting tired drivers behind the wheel and having them drive a dark country road until they fall asleep?

Sound dangerous? It isn't with VIRTTEX (VIRtual Test Track EXperiment). The only full-motion-based driving simulator owned and operated by a North American automaker, VIRTTEX uses an actual vehicle — currently a Volvo S80 — bolted to a computer-controlled, hydraulically operated platform that pitches and yaws to create extremely realistic feedback. Exterior scenes play out on 360-degree video screens, completing the illusion of driving. For the driver-fatigue study, a high-resolution camera on the vehicle's console monitors eye movement. The goal is to create technologies that can prevent accidents when drivers are falling asleep and veering out of their lane.

A previous VIRTTEX project, concluded in 2003, studied driver distraction and showed that teens are more easily distracted than mature drivers while dialing or answering a cell phone, reading a pager or using similar devices.

VIRTTEX — an indoor, crash-proof test track

At the wheel, inside VIRTTEX

Groundbreaking at Changan Ford, Chongqing, China

Ford Mondeo
Produced at Changan Ford, China

Investing in China

In October, Ford Motor Company announced, along with its partners in China, that they would invest more than $1 billion over the next several years to expand manufacturing capacity, introduce new models and expand distribution channels in the rapidly growing Chinese market. Ford Chairman and CEO Bill Ford then joined Chongqing government officials and senior Changan Automobile Group leaders to break ground at the Changan Ford joint venture, initiating expansions that will take the plant from its present capacity of 50,000 units to 150,000 units a year. Ford recently announced plans for a second car plant through the joint venture. These and other actions in the future will enable Ford to participate successfully in a market that may well become the world's largest within the next generation.

In January 2003, Changan Ford began production of the Ford Fiesta — Ford's first domestically produced car for the Chinese market. That was followed in May 2003 by the introduction of a second car, the Ford Mondeo.

In addition, Ford's affiliate, Mazda Motor Corporation, worked with local partners to build and sell more than 80,000 vehicles in China last year, including China's Car of the Year, the Mazda6. Volvo, Jaguar and Land Rover products also are being imported to China as fully built vehicles, as are selected Ford-brand products.

Jiangling Motors Corporation, approximately 30 percent Ford owned, which produces several Transit models along with its own brand of light commercial vehicles, had a record year in 2003 in both absolute volume of vehicles and profitability.

Ford also has been working closely with Chinese suppliers to help develop high-quality local sources of components, not only to help support the company's Chinese operations, but to help Chinese workers become viable customers for Ford products.

During his trip to the People's Republic of China, Bill Ford met with state leaders and senior government officials, discussing the global auto industry, Ford Motor Company's business in China, and Ford's commitment to the future of China's dynamic automotive industry.

Ford Ranger
Produced at AutoAlliance, Thailand

Asian Market Expansion

Late in 2003, Ford and Mazda Motor Corporation announced that they would invest an additional $550 million in their joint venture, AutoAlliance (Thailand) Co. Ltd. The additional investments, to be made over the next several years, will support new vehicle programs and expand the plant's capacity.

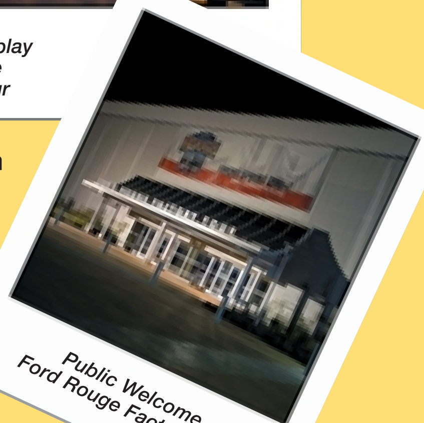
The Ford Ranger produced in Thailand is exported to 100 markets worldwide and won the J.D. Power and Associates Best Pickup in Initial Quality award for 2001 and 2002. To date, AutoAlliance (Thailand) has produced more than 300,000 Ford Ranger and Mazda Fighter pickups. In 2003, the plant became the first to produce the seven-seat Ford Everest SUV.

Ford Motor Company's presence in Thailand is part of the company's expansion in the Asia-Pacific market, which is expected to provide 60 percent of the world's automotive growth over the rest of this decade. Ford also has made additional investment in its Santa Rosa, Philippines, manufacturing facility as part of plans to use that country as a regional export hub for its ASEAN (Association of South East Asian Nations) operations.

Rouge Tours Return

A tradition is renewed on May 3, 2004, as the public once again has the opportunity to take the Ford Rouge Factory Tour. Ford's Rouge Center complex, the site of continuous Ford Motor Company operations since 1917, has undergone extensive renovation in recent years, incorporating such innovative technologies as a living roof to collect and filter rainfall, renewing degraded soil through the use of selected plants and controlling energy costs by bringing fresh air and sunlight into plant buildings. Ford Rouge Factory Tour participants will enjoy a bus tour of the complex, view historic footage and experience a virtual reality theater, see the living roof from an observation deck, and take a walking tour of Ford's flexible Dearborn Truck Plant. Tours are conducted by The Henry Ford, which also operates Greenfield Village and the Henry Ford Museum. For tour information, visit ***www.thehenryford.org***.

Vehicle Display
Ford Rouge
Factory Tour



Public Welcome
Ford Rouge Factory Tour

Left: Sarah Kinder, a Michigan State University Crop and Soil Sciences student, assists in a soil restoration project at Ford's historic Rouge Center.

BOARD AND EXECUTIVES

BOARD OF DIRECTORS *(as of April 1, 2004)*

John R.H. Bond *(2,3,5)*
Stephen G. Butler *(1,4,5)*
Kimberly A. Casiano *(3,4,5)*
Edsel B. Ford II *(3,4)*
William Clay Ford *(4)*
William Clay Ford, Jr. *(3,4)*
Irvine O. Hockaday, Jr. *(1,5)*
Marie-Josée Kravis *(2,5)*
Richard A. Manoogian *(2,5)*
Ellen R. Marram *(1,3,5)*
Dr. Homer A. Neal *(3,4,5)*
Jorma Ollila *(1,3,5)*
Carl E. Reichardt *(4)*
Robert E. Rubin *(2,4,5)*
Nicholas V. Scheele
John L. Thornton *(4,5)*

Committee Memberships:
(1) Audit
(2) Compensation
(3) Environmental and Public Policy
(4) Finance
(5) Nominating and Governance

EXECUTIVE OFFICERS GROUP *(as of April 1, 2004)*

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

Nicholas V. Scheele
President and Chief Operating Officer

Allan D. Gilmour
Vice Chairman

James J. Padilla
Executive Vice President and President, The Americas

David W. Thursfield
Executive Vice President, International Operations and Global Purchasing, Chairman and Chief Executive Officer, Ford of Europe

Bruce L. Blythe
Chief Strategy Officer

Lewis W.K. Booth
Group Vice President, President and Chief Operating Officer, Ford of Europe

Mark Fields
Group Vice President, Premier Automotive Group

Roman J. Krygier
Group Vice President, Manufacturing and Quality

Joe W. Laymon
Group Vice President, Corporate Human Resources

Donat R. Leclair
Group Vice President and Chief Financial Officer

Philip R. Martens
Group Vice President, Product Creation

J C. Mays
Group Vice President, Design

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

Ziad S. Ojakli
Group Vice President, Corporate Affairs

Richard Parry-Jones
Group Vice President, Product Development and Chief Technical Officer

Mark A. Schulz
Group Vice President, Asia Pacific

Greg C. Smith
Group Vice President, Chairman and Chief Executive Officer, Ford Motor Credit Company

Anne Stevens
Group Vice President, Canada, Mexico and South America

Dennis E. Ross
Vice President and General Counsel

James C. Gouin
Vice President and Controller

OTHER VICE PRESIDENTS *(as of April 1, 2004)*

Marvin W. Adams
Chief Information Officer

Michael E. Bannister
President and COO, Ford Motor Credit Company

William W. Boddie Jr.
North America Engineering

Thomas K. Brown
Global Purchasing

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

Dennis J. Cirbes
Labor Affairs

Susan M. Cischke
Environmental and Safety Engineering

Francisco N. Codina
Customer Service Division

Matthew A. DeMars
North America Vehicle Operations

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
Chairman and CEO, Jaguar and Land Rover

Lloyd E. Hansen
Revenue Management

Darryl B. Hazel
President, Lincoln Mercury

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

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

Stephen G. Lyons
President, Ford Division

Malcolm S. Macdonald
Finance and Treasurer

Timothy J. O'Brien
Corporate Relations

Hans-Olov Olsson
President, Volvo Cars

John G. Parker
Vice President

Gerhard Schmidt
Research and Advanced Engineering

David T. Szczupak
Powertrain Operations

Chris P. Theodore
Advanced Product Creation

James G. Vella
Chief of Staff and Vice President, Public Affairs

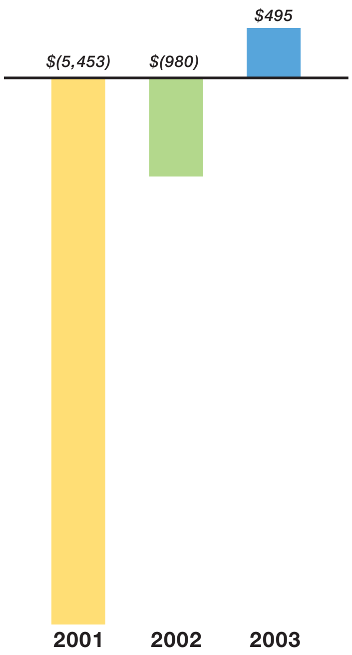
Alex P. Ver
Advanced Manufacturing Engineering

WORLDWIDE

	AUTOMOTIVE CORE AND AFFILIATE BRANDS				PREMIER AUTOMOTIVE GROUP			
	Ford	Lincoln	Mercury	Mazda	Aston Martin	Jaguar	Volvo	Land Rover
DEALERS AND MARKETS	◆ **10,651** dealers ◆ **141** markets	◆ **1,544** dealers ◆ **34** markets	◆ **2,016** dealers ◆ **36** markets	◆ **5,830** dealers ◆ **143** markets	◆ **104** dealers ◆ **26** markets	◆ **814** dealers ◆ **66** markets	◆ **2,277** dealers ◆ **105** markets	◆ **1,524** dealers ◆ **118** markets
RETAIL VEHICLE SALES AND SALES MIX	◆ **5,460,935** ◆ **Sales Mix:** 60% N. America 27% Europe 6% Asia-Pacific 4% S. America 3% Rest-of-world	◆ **169,262** ◆ **Sales Mix:** 99% N. America 1% Rest-of-world	◆ **209,072** ◆ **Sales Mix:** 98% N. America 2% Rest-of-world	◆ **1,113,219** * ◆ **Sales Mix:** 46% Asia-Pacific 29% N. America 21% Europe 2% Rest-of-world 2% S. America	◆ **1,514** ◆ **Sales Mix:** 33% N. America 24% Europe 35% UK 8% Rest-of-world	◆ **120,570** ◆ **Sales Mix:** 48% N. America 42% Europe 8% Asia-Pacific 2% Rest-of-world	◆ **415,046** ◆ **Sales Mix:** 53% Europe 36% N. America 7% Asia-Pacific 4% Rest-of-world	◆ **165,163** ◆ **Sales Mix:** 60% Europe 25% N. America 8% Asia-Pacific 6% Rest-of-world 1% S. America
CUSTOMER ASSISTANCE	1.800.392.3673 www.fordvehicles.com	1.800.521.4140 www.lincolnvehicles.com	1.800.521.4140 www.mercuryvehicles.com	1.800.222.5500 www.mazdausa.com customerassistance@mazdausa.com	+44 1908 610620 www.astonmartin.com enquiry@astonmartin.com	1.800.452.4827 www.jaguar.com jaguarowner@jaguar.com	1.800.458.1552 www.volvocars.com customercare@volvocars.com	1.800.637.6837 www.landrover.com asklr@landrover.com

	FINANCIAL SERVICES		CUSTOMER SERVICES		
	Ford Credit	Hertz	Genuine Parts & Service	Motorcraft / Genuine Accessories	Extended Service Plan / APCO Automobile Protection Corporation
OPERATIONS	◆ Operations in 36 countries ◆ Nearly 300 locations worldwide ◆ 12,500 dealerships worldwide use Ford Credit financing	◆ Hertz and its affiliates, associates and independent licensees represent what the company believes is the largest worldwide general use car rental brand and one of the largest industrial and construction equipment rental businesses in North America ◆ Operations in more than 150 countries and jurisdictions ◆ Approximately 7,000 locations worldwide	◆ A total service experience for Ford, Lincoln and Mercury owners available only at Ford and Lincoln Mercury dealerships — designed to deliver customer satisfaction and repeat purchase intent ◆ Parts engineered to Ford Motor Company specifications ◆ Technicians trained and certified specifically on Ford, Lincoln and Mercury vehicles	**Motorcraft Parts** ◆ Designed, engineered and recommended by Ford Motor Company and available in Ford, Lincoln and Mercury franchised dealerships, Ford authorized distributors and select major retail accounts **Genuine Ford Accessories** ◆ Wide range of customer accessories designed to accent Ford, Lincoln and Mercury vehicles	**ESP & APCO** ◆ Marketing and sales of comprehensive vehicle service contract and maintenance programs **Ford Extended Service Plan (ESP)** ◆ Major customers include Ford, Lincoln and Mercury vehicle dealers, commercial customers and fleets of Ford Motor Company vehicles **Automobile Protection Corporation (APCO)** ◆ Major customers include Mazda, Volvo, Jaguar, Land Rover and competitive make vehicle dealers
2003 HIGHLIGHTS	◆ Nearly $182 billion in assets managed ◆ More than 3.4 million vehicle financing contracts	◆ Expanded to more than 1,000 suburban locations in the U.S. ◆ Expanded its Prestige Collection to more than 35 markets in N. America and more than 20 markets in Europe ◆ Introduced upgraded NeverLost System	◆ Best-ever levels of customer satisfaction and record profits in 2003 ◆ Best on-time parts distribution logistics with Daily Parts Advantage implementation ◆ Technician training and support excellence with service information process and technician hotline	**Motorcraft Parts** ◆ New product lines, electric fuel pumps, chassis parts, wiring pigtails and super duty brake pads **Genuine Ford Accessories** ◆ Growing lineup of exciting new products: Keyless Entry Keypads, Mobile-Ease, 5" Chrome Running Boards	**ESP & APCO** ◆ Sales of over 2 million vehicle service contracts ◆ ESP launched a new 45,000 mile RentalCare program for lease customers ◆ APCO introduced the Warranty Advantage Limited Warranty providing dealers a unique vehicle marketing and sales program
CUSTOMER ASSISTANCE	1.800.727.7000 www.fordcredit.com E-mail form at: www.fordcredit.com	1.800.654.3131 www.hertz.com E-mail form at: www.hertz.com	Ford/Mercury 1.800.392.3673 Lincoln 1.800.521.4140 www.genuineflmservice.com fordcrc@ford.com	**Motorcraft Parts** www.motorcraft.com 1.800.392.3673 **Genuine Ford Accessories** www.fordaccessoriesstore.com www.lincolnaccessories.com www.mercuryaccessories.com	**ESP** Ford 1.800.392.3673 Lincoln and Mercury 1.800.521.4140 **APCO** 1.800.458.7070

** 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 unit sales summaries.*

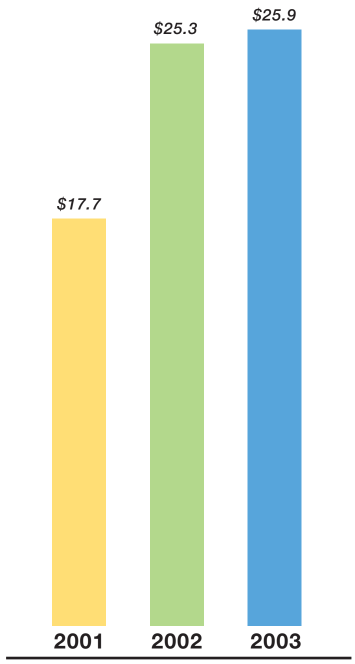


Net Income
in millions of dollars

2003 net income was $495 million, a $1,475 million improvement from 2002.

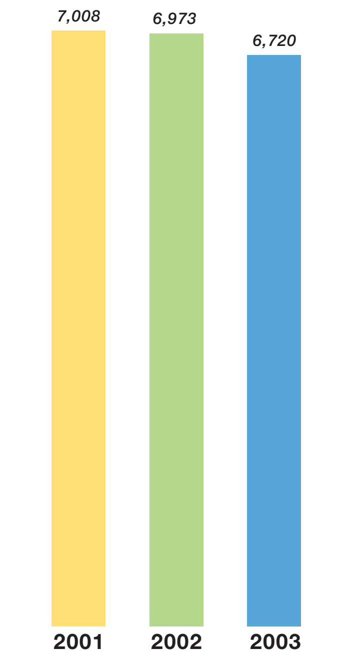
Total Sales and Revenues
in billions of dollars

Despite lower unit sales, 2003 total company sales revenue of $164.2 billion was up 1.2% compared to 2002.



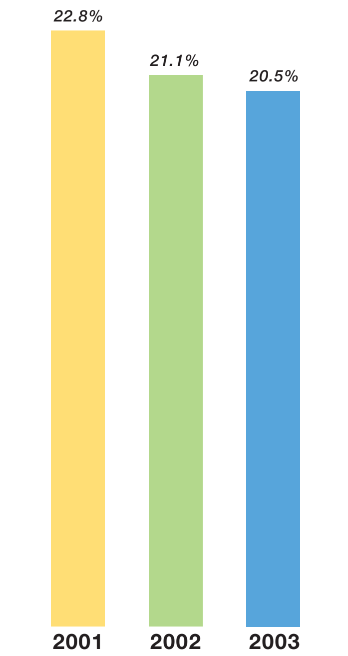
Automotive Cash
in billions of dollars

Ford ended 2003 with $25.9 billion of automotive gross cash, including marketable and loaned securities and assets held in a short-term VEBA trust.



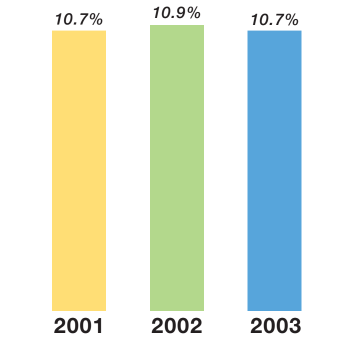
Worldwide Vehicle Unit Sales
in thousands

Worldwide vehicle unit sales in 2003 were down 253,000 units from 2002.



U.S. Market Share

Ford ranks second in the U.S. market with a combined car and truck market share of 20.5%, including our Premier Automotive Group brands.



European Market Share

Ford garnered 10.7% of the European market including our Premier Automotive Group brands, in 2003, compared to 10.9% in 2002.

FINANCIAL CONTENTS

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

OVERVIEW

GENERATION OF REVENUE, INCOME AND CASH

Our Automotive sector's revenue, income and cash are generated primarily from sales of vehicles to our dealers and distributors (i.e., our customers). Vehicles we produce generally are subject to firm orders from our customers and generally are deemed sold (with the proceeds from such sale recognized in revenue) immediately after they are produced and shipped to our customers. This is not the case, however, with respect to vehicles produced for sale to daily rental car companies that are subject to a guaranteed repurchase option or vehicles produced for use in our own fleet (including management evaluation vehicles). Vehicles sold to daily rental car companies that are subject to a guaranteed repurchase option are accounted for as operating leases, with lease revenue and profits recognized over the term of the lease. When we sell the vehicle at auction, we recognize a gain or loss on the difference, if any, between actual auction value and the projected auction value. Therefore, except for the impact of the daily rental units sold subject to a guaranteed repurchase option and those units placed into our own fleet, vehicle production is closely linked with unit sales and revenue from such sales.

Our Financial Services sector's revenue is generated primarily from interest on finance receivables, including interest, net of certain deferred loan origination costs that are included as a reduction of financing revenue, and such revenue is recognized over the term of the receivable using the interest method. Also, revenue from operating leases, net of certain deferred origination costs, is recognized on a straight-line basis over the term of the lease. Income is generated to the extent revenues exceed expenses, most of which are interest and operating expenses.

Transactions between the Automotive and Financial Services sectors occur in the ordinary course of business. For example, Ford Credit receives interest supplements and other support cost payments from the Automotive sector in connection with special vehicle financing and leasing programs that it sponsors. Ford Credit records these payments as revenue over the term of the related finance receivable or operating lease. The Automotive sector records the estimated costs of marketing incentives, including dealer and retail customer cash payments (e.g., rebates) and costs of special financing and leasing programs, as a reduction to revenue at the later of the date the related vehicle sales are recorded or at the date the incentive program is both approved and communicated.

KEY ECONOMIC FACTORS AND TRENDS AFFECTING AUTOMOTIVE INDUSTRY

Excess Capacity — According to CSM Worldwide, an automotive research firm, in 2003, the automotive industry's estimated global production capacity for light vehicles (about 65 million units) significantly exceeded global production of cars and trucks (about 53 million units). In North America and Europe, the two regions where the majority of revenue and profits are earned in the industry, excess capacity was an estimated 14% and 17%, respectively, in 2003. We expect that this condition will continue for many years.

Pricing Pressure — Excess capacity coupled with a proliferation of new products being introduced in key segments by the industry will keep pressure on manufacturers' ability to increase prices on their products. In addition, in recent years, Korean-based manufacturers have been increasing the number of vehicles they export for sale in the United States and other key markets, and this has contributed, and is expected to continue to contribute, to pricing pressure. In the United States, the reduction of real prices for similarly contented vehicles accelerated in recent years, and we expect that a challenging pricing environment will continue for some time to come. In Europe, the automotive industry has experienced intense pricing pressure for several years; in 2003, net pricing declined more in Europe than in the United States. Net pricing is a measure of the combined effect of changes in wholesale prices for vehicles sold and marketing incentives incurred on those vehicles, while excluding the effects of changes in unit sales volume and foreign currency exchange rates.

Consumer Spending Trends — We expect, however, that a decline in, or the inability to increase, vehicle prices could be offset by the spending habits of consumers and their propensity to purchase over time higher-end, more expensive vehicles and/or vehicles with more features. Over the next decade, in the United States, we expect that growth in spending on vehicle mix and content will generally track the increase in real GDP per capita. The benefits of this to revenue growth in the automotive industry are significant. In the United States, for example, consumers in the highest income bracket are buying more often and more frequently buying upscale. We believe the share of the premium brand segment in the U.S. automotive industry will approach 13% by the end of this decade, compared with about 10% to 11% presently. With our luxury brands (i.e., Lincoln, Volvo, Jaguar, Land Rover and Aston Martin), we believe we are positioned well to take advantage of this trend.

Although growth in vehicle unit sales (i.e., volume) will be greatest in emerging markets in the next decade, we expect that the mature automotive markets (e.g., North America, Western Europe and Japan) will continue to be the source of a substantial majority of global industry revenues over the next decade. We also expect that the North American market will continue as the single largest source of revenue for the automotive industry in the world in the next decade.

Health Care Expenses — In the United States, the average annual percentage increase in health care prices we have experienced in the last few years has been in the double digits. In 2003, our health care expenses for United States employees and retirees were $3.2 billion, with about $2.2 billion attributable to retirees and the balance attributable to active employees. Prescription drug costs is the fastest growing segment of our health care expenses and accounted for about one-third of our total United States health care expenses in 2003.

Although we have taken measures to have employees and retirees bear a higher portion of the costs of their health care benefits, we expect our health care costs to continue to increase. For 2004, our trend assumptions for U.S. health care expenses include an initial trend rate of 9% and a steady state trend rate of 5% reached in 2010. These assumptions include the effect of actions we are taking and expect to take to offset health care inflation, including further employee cost sharing, administrative improvements and other efficiencies.

TRENDS AND STRATEGIES

Revenue Management — To address the pricing pressure that exists in the automotive industry, we have employed a customer-focused revenue management strategy to maximize per unit revenue. This strategy is focused on a disciplined approach to utilizing customer demand data — available from many sources, including internet hits, transaction data, customer leads, and research — to help us develop and sell vehicles that more closely match customer desires.

We believe our revenue management strategy has contributed significantly to increases in our revenue per vehicle sold for our Ford North America business unit of $724 and $284 for 2003 and 2002, respectively. (These amounts exclude the incremental effect on revenue from the consolidation of certain dealerships in 2003 related to FIN 46, discussed in Note 13 of the Notes to Financial Statements).

Cost Reduction — Given the difficult economic and operating environment described herein, we continue to focus on reducing our cost structure. During 2003, we reduced our costs by over $3 billion (at constant volume, mix and exchange and excluding special items). Cost reductions were realized in quality-related costs resulting from fewer warranty claims, recalls and customer service actions, as well as reduced manufacturing, engineering and overhead costs. Lower product costs (which are comprised of material and component costs for our vehicles) on carryover vehicles partially offset higher product costs for newly introduced vehicles. Further cost efficiencies will be realized as we continue to implement our Revitalization Plan.

Shared Technologies — One of the strategies we are employing to realize efficiencies in manufacturing, engineering and product costs for new vehicles is the sharing of vehicle platforms and components among various models and the re-use of those platforms and components from one generation of a vehicle model to the next.

REVITALIZATION PLAN PROGRESS

In January 2002, we announced that through the implementation of our Revitalization Plan, we expected to improve our pre-tax profit excluding special items to $7 billion by mid-decade, which we have defined as 2006. We do not expect a linear progression to the target of $7 billion of pre-tax profit excluding special items.

In 2004, we expect that the rate of profit improvement will be less than what we have experienced over the past couple of years. We are still about a year away from introducing new products that are designed in a manner such that the cost to produce them is appropriate in the current pricing environment, and we are about two years away from having those products in significant volume. In addition, as indicated above, rising health care costs remain a concern for us.

We expect, however, to make progress in 2004, as we will focus on significantly improving the performance of our Ford Europe business unit, and filling our global product pipeline with new product introductions, particularly in the passenger car area. Further, as indicated above, we are continuing our efforts to improve quality and our cost structure. Overall, while conditions may slow our rate of improvement in 2004, we believe we are on track to achieve our goal of $7 billion in pre-tax profits, excluding special items, by year-end 2006.

FULL-YEAR 2003 RESULTS OF OPERATIONS

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

Our worldwide net income was $495 million or $0.27 per share of Common and Class B stock in 2003, up $1.5 billion from a loss of $980 million or $0.55 per share in 2002.

Results by business sector for 2003, 2002, and 2001 are shown below (in millions)

	2003	2002	2001
Income/(loss) before income taxes			
Automotive sector	**$ (1,957)**	$ (1,153)	$ (8,857)
Financial Services sector	**3,327**	2,104	1,438
Total Company	**1,370**	951	(7,419)
Provision for/(benefit from) income taxes	**135**	301	(2,096)
Minority interests in net income/(loss) of subsidiaries	**314**	367	24
Income/(loss) from continuing operations	**921**	283	(5,347)
Income/(loss) from discontinued/held-for-sale operations	**(8)**	(62)	(106)
Loss on disposal of discontinued/held-for-sale operations	**(154)**	(199)	-
Cumulative effect of change in accounting principle*	**(264)**	(1,002)	-
Net income/(loss)	**$ 495**	$ (980)	$ (5,453)

** Related to adoption of FIN 46 in 2003 and the adoption of Statement of Financial Accounting Standards No. 142 in 2002 (see Notes 13 and 7, respectively, of the Notes to Financial Statements).*

We established and communicated milestones for 2003. Our results against these milestones are listed below:

	Planning Assumptions	**Actual**
Industry Volume		
U.S.	16.5 million units	17.0
Europe	17.0 million units	17.0
Net Pricing		
U.S.	Zero	(0.6)%
Europe	1%	(1.7)%

	2003 Milestone	**Results**
Physicals		
Automotive		
Quality	Improve in all regions	Improved
Market share	Improve in all regions	Mixed
Cost performance a/	Improve by at least $500 million	$3.2 Bils.
Capital spending	$8 billion	$7.4 Bils.
Financial Results		
Automotive		
Income before income taxes b/	Breakeven	$0.1 Bils.
Operating related cash flow c/	Breakeven	$0.1 Bils.
Ford Credit		
Cash contribution to parent	Improve	Up $3.3 Bils.
Managed leverage d/	Maintain in low end of 13-14 to 1 range	13.0 to 1

a/ Calculated at constant volume, mix and exchange, excluding special items (see chart below for additional information on cost performance).
b/ Excluding special items (see GAAP equivalent measure and reconciliation below).
c/ We have redefined this milestone to exclude pension and long-term VEBA contributions in addition to the exclusion of tax refunds. For the calculation of this non-GAAP measure and reconciliation to its GAAP equivalent (Automotive cash flows from operating activities before securities trading of $1.3 billion) see "Liquidity and Capital Resources — Gross Cash."
d/ See "Liquidity and Capital Resources, Financial Services Sector, Ford Credit — Leverage" for the calculation and reconciliation of this non-GAAP measure.

In the previous table, we disclose our Automotive income before income taxes excluding special items, which is not a financial measure calculated and presented in accordance with generally accepted accounting principles in the United States ("GAAP"). We believe, however, that this measure is useful to our investors because it excludes elements that we do not consider to be indicative of our ongoing Automotive operating activities. This income before income taxes excluding special items measure is one of the metrics by which our management evaluates the business and it provides investors with a more relevant measure of the results generated by our ongoing operations.

The following table reconciles Automotive income before income taxes excluding special items to Automotive *Income/(loss) before income taxes* (which includes special items), the most directly comparable financial measure presented in accordance with GAAP (in millions):

	2003	2002	2001
Automotive Sector			
Income/(loss) before income taxes excluding special items	**$ 104**	$ (253)	$ (2,855)
Special items*:			
Revitalization Plan and other charges	**-**	-	(5,593)
European restructuring	**(513)**	(173)	-
Premier Automotive Group restructuring	**-**	(157)	-
Mazda restructuring actions	**-**	-	(114)
Visteon agreement	**(1,597)**	-	-
Disposition of non-core businesses	**49**	(570)	(295)
Total special items	**(2,061)**	(900)	(6,002)
Income/(loss) before income taxes	**$ (1,957)**	$ (1,153)	$ (8,857)

** See Automotive Sector Results from Operations — 2003 Compared with 2002 for a discussion of special items*

The table below shows how we were able to significantly exceed our 2003 cost performance milestone (in billions):

	Costs * 2003 Better/(Worse) 2002
Quality related	$ 1.6
Manufacturing and engineering	1.2
Overhead	1.4
Net product costs	0.4
Depreciation and amortization	(0.2)
Pension and healthcare	(1.2)
Total	$ 3.2

** At constant volume, mix and exchange and excluding special items.*

The $1.6 billion in quality related cost reductions resulted from fewer warranty claims, primarily on 2002 model year vehicles, as well as sharply lower recalls and customers service actions. The $1.2 billion reduction in manufacturing and engineering reflected ongoing efficiencies and an intense effort to identify and eliminate waste. The $1.4 billion reduction in overhead resulted from intensive cost cutting and elimination of waste in areas such as advertising and sales promotion, personnel costs, consulting, travel and office supplies. Net product costs, which improved by $400 million, include the net impact of higher costs on newly introduced vehicles and the effect of ongoing cost reductions on carryover vehicles.

AUTOMOTIVE SECTOR RESULTS OF OPERATIONS

2003 COMPARED WITH 2002

Details of Automotive sector income/(loss) before income taxes and income/(loss) before income taxes excluding special items for 2003 and 2002 are shown below (in millions):

	Income/(Loss) Before Taxes			**Income/(Loss) Before Taxes Excluding Special Items**		
	2003	2002	2003 Over/(Under) 2002	**2003**	2002	2003 Over/(Under) 2002
Americas						
- Ford North America	**$ 165**	$ 2,490	$ (2,325)	**$ 1,762**	$ 2,490	$ (728)
- Ford South America	**(130)**	(622)	492	**(130)**	(622)	492
Total Americas	**35**	1,868	(1,833)	**1,632**	1,868	(236)
International						
- Ford Europe	**(1,626)**	(722)	(904)	**(1,113)**	(549)	(564)
- Ford Asia Pacific	**(25)**	(176)	151	**(25)**	(176)	151
- Premier Automotive Group	**164**	(897)	1,061	**164**	(740)	904
- Other International	**69**	(15)	84	**69**	(15)	84
Total International	**(1,418)**	(1,810)	392	**(905)**	(1,480)	575
Other Automotive	**(574)**	(1,211)	637	**(623)**	(641)	18
Total excluding special items				**104**	(253)	357
Less: special items				**(2,061)**	(900)	(1,161)
Total Automotive	**$ (1,957)**	$ (1,153)	$ (804)	**$ (1,957)**	$ (1,153)	$ (804)

Details of Automotive sector sales and vehicle unit sales for 2003 and 2002 are shown below:

	Sales (in billions)				**Vehicle Unit Sales* (in thousands)**			
	2003	2002	2003 Over/(Under) 2002		**2003**	2002	2003 Over/(Under) 2002	
Americas								
- Ford North America	**$ 83.6**	$ 87.1	$ (3.5)	(4)%	**3,811**	4,146	(335)	(8)%
- Ford South America	**1.9**	1.5	0.4	27	**209**	195	14	7
Total Americas	**85.5**	88.6	(3.1)	(3)	**4,020**	4,341	(321)	(7)
International								
- Ford Europe	**22.2**	18.9	3.3	17	**1,595**	1,561	34	2
- Ford Asia Pacific	**5.8**	4.4	1.4	32	**353**	300	53	18
- Premier Automotive Group	**24.9**	21.3	3.6	17	**752**	771	(19)	(2)
- Other International	**-**	-	-	-	**-**	-	-	-
Total International	**52.9**	44.6	8.3	19	**2,700**	2,632	68	3
Other Automotive	**-**	1.1	(1.1)	-	**-**	-	-	-
Total Automotive	**$ 138.4**	$ 134.3	$ 4.1	3%	**6,720**	6,973	(253)	(4)%

** Includes rental repurchase and Company vehicles sold at auction and excludes new and used vehicle sales by our consolidated dealerships (consolidated beginning third quarter of 2003).*

Details of Automotive sector market share for selected markets for 2003 and 2002 are shown below:

	2003	2002	2003 Over/(Under) 2002	Market
Americas				
- Ford North America	**19.2%**	19.9%	(0.7)pts.	U.S.*
- Ford South America	**11.5**	9.9	1.6	Brazil*
International				
- Ford Europe	**8.6**	8.6	-	Europe*
- Ford Asia Pacific	**13.9**	13.2	0.7	Australia*
- Premier Automotive Group	**1.3/2.2**	1.2/2.2	0.1/ -	U.S./Europe

** Excludes market share of our Premier Automotive Group brand vehicles (i.e. Volvo, Jaguar, Land Rover and Aston Martin).*

AMERICAS AUTOMOTIVE SEGMENT

Ford North America — The decrease in income before income taxes for Ford North America included a charge of $1.6 billion related to agreements reached with Visteon Corporation ("Visteon") in the fourth quarter of 2003. Visteon is our largest supplier and is the primary supplier of many critical components for several of our vehicle lines. The agreements primarily address pricing and sourcing arrangements between Ford and Visteon, as well as costs related to approximately 20,000 UAW-represented Ford employees assigned to Visteon.

The principal terms of these agreements include:

- Our assumption of approximately $1.65 billion of Visteon's responsibility for the postretirement health care and life insurance benefit obligations for our UAW-represented employees assigned to Visteon.*
- Extending the term for Visteon to complete pre-funding of its remaining hourly and salaried postretirement health care and life insurance liabilities to 2049, rather than 2020 as was agreed at the time of our spin-off of Visteon.*
- Visteon's agreement to pay us $150 million in lieu of further price reductions for 2003 business in North America. In addition, Visteon has committed to a schedule of annual price reductions over the next four years for North American business.
- All new Ford business sourced to Visteon will be at competitive prices and terms and we are generally obligated to source to Visteon in North America when it is competitive. In addition, we will subsidize part of Visteon's costs of paying higher wages to our UAW-represented employees assigned to Visteon, assuming industry-competitive manning levels, beginning with any new Ford business sourced to Visteon.
- We and Visteon will share equally up to $200 million in costs to upgrade Visteon's information technology systems as it completes its separation from our information technology systems.

** See Note 19 of the Notes to Financial Statements for more information regarding this aspect of the agreement with Visteon.*

In addition to the impact of the Visteon agreements, the reduction in income reflected lower vehicle unit sales, unfavorable net pricing and unfavorable exchange rates partially offset by cost reductions and favorable product mix. Lower vehicle unit sales reflected the absence of a dealer stock change in 2003 compared with a dealer stock build in 2002 and lower market share. Lower market share reflected the discontinuation of low-margin models (Mercury Cougar, Ford Escort, Mercury Villager, Lincoln Continental and Ford Explorer Sport) and a planned reduction in sales to daily rental car companies.

Ford South America — The improvement in earnings reflected the non-recurrence of the adverse effects of currency devaluation in Brazil and Argentina, increased market share primarily due to market acceptance of two new models, the Ford Fiesta and EcoSport, and continuing improvement in the business structure.

INTERNATIONAL AUTOMOTIVE SEGMENT

Ford Europe — The increased loss before income taxes for Ford Europe included a charge of $513 million in 2003 compared to a charge of $173 million in 2002 related to restructuring actions. The 2003 charges related to personnel reductions in Germany and the United Kingdom, a shift removal at our plant in Genk, Belgium, and other manufacturing efficiencies. We expect to incur additional charges of about $160 million in the first half of 2004 related to these actions and expect most of the related cash outlay will take place in 2004. We anticipate these actions will result in personnel reductions of about 6,700 and will reduce costs in our Ford Europe business unit by about $450 million in 2004, excluding the expected additional charges related to the restructuring actions described above, and about $550 million annually thereafter.

In addition to the impact of the restructuring actions, the increased loss for Ford Europe reflected unfavorable net pricing, a less favorable product mix, unfavorable exchange rates and a larger reduction in dealer stocks, partially offset by cost reductions and improved results at Ford Otosan, our joint venture in Turkey. The increase in sales reflected primarily stronger European currencies.

Ford Asia Pacific — The improvement in sales and the loss before income taxes for Ford Asia Pacific reflected primarily favorable exchange rates, favorable net pricing, higher industry volumes and improved market share.

Premier Automotive Group — The improvement in income before income taxes for Premier Automotive Group reflected primarily cost reductions and improved product mix, partially offset by unfavorable exchange rates. The improved product mix reflected the introduction of the Jaguar XJ model in the first quarter of 2003 and a full year of sales of the Volvo XC90 and the Land Rover Range Rover models. The increase in revenues reflected stronger European currencies and favorable product mix.

Other International — The improvement in Other International profits reflected primarily our share of Mazda's improved operating results.

OTHER AUTOMOTIVE

The improvement in loss before income taxes for Other Automotive (which in 2003 represents primarily interest income and expense including realized and unrealized gains and losses on cash and marketable securities) reflected primarily the non-recurrence of a charge of $570 million in 2002 related to the sale of non-core businesses, primarily Kwik-Fit Holdings Ltd ("Kwik-Fit"). The improvement was partially offset by the non-recurrence of gains in cash and marketable securities in 2002, which reflected declining interest rates in 2002.

2002 COMPARED WITH 2001

Details of Automotive sector income/(loss) before income taxes and income/(loss) before income taxes excluding special items for 2002 and 2001 are shown below (in millions):

	Income/(Loss) Before Taxes			Income/(Loss) Before Taxes Excluding Special Items		
	2002	2001	2002 Over/(Under) 2001	2002	2001	2002 Over/(Under) 2001
Americas						
- Ford North America	$ 2,490	$ (5,278)	$ 7,768	$ 2,490	$ (750)	$ 3,240
- Ford South America	(622)	(1,358)	736	(622)	(510)	(112)
Total Americas	1,868	(6,636)	8,504	1,868	(1,260)	3,128
International						
- Ford Europe	(722)	(306)	(416)	(549)	(306)	(243)
- Ford Asia Pacific	(176)	(351)	175	(176)	(351)	175
- Premier Automotive Group	(897)	8	(905)	(740)	8	(748)
- Other International	(15)	(606)	591	(15)	(111)	96
Total International	(1,810)	(1,255)	(555)	(1,480)	(760)	(720)
Other Automotive	(1,211)	(966)	(245)	(641)	(835)	194
Total excluding special items				(253)	(2,855)	2,602
Less: special items				(900)	(6,002)	5,102
Total Automotive	$ (1,153)	$ (8,857)	$ 7,704	$ (1,153)	$ (8,857)	$ 7,704

Details of Automotive sector sales and vehicle unit sales for 2002 and 2001 are shown below:

	Sales (in billions)				Vehicle Unit Sales* (in thousands)			
	2002	2001	2002 Over/(Under) 2001		2002	2001	2002 Over/(Under) 2001	
Americas								
- Ford North America	$ 87.1	$ 83.9	$ 3.2	4%	4,146	4,051	95	2%
- Ford South America	1.5	2.1	(0.6)	(29)	195	195	-	-
Total Americas	88.6	86.0	2.6	3	4,341	4,246	95	2
International								
- Ford Europe	18.9	19.4	(0.5)	(3)	1,561	1,698	(137)	(8)
- Ford Asia Pacific	4.4	3.8	0.6	16	300	274	26	9
- Premier Automotive Group	21.3	20.4	0.9	4	771	790	(19)	(2)
- Other International	-	-	-	-	-	-	-	-
Total International	44.6	43.6	1.0	2	2,632	2,762	(130)	(5)
Other Automotive	1.1	1.1	-	-	-	-	-	-
Total Automotive	$134.3	$130.7	$ 3.6	3%	6,973	7,008	(35)	-%

** Includes rental repurchase and Company vehicles sold at auction.*

Details of Automotive sector market share for selected markets for 2002 and 2001 are shown below:

	2002	2001	2002 Over/(Under) 2001	Market
Americas				
- Ford North America	19.9%	21.6%	(1.7)pts.	U.S.*
- Ford South America	9.9	7.8	2.1	Brazil*
International				
- Ford Europe	8.6	8.6	-	Europe*
- Ford Asia Pacific	13.2	13.8	(0.6)	Australia*
- Premier Automotive Group	1.2/2.2	1.2/2.0	-/0.2	U.S./Europe

** Excludes market share of our Premier Automotive Group brand vehicles (i.e. Volvo, Jaguar, Land Rover and Aston Martin).*

AMERICAS AUTOMOTIVE SEGMENT

Ford North America — The improvement in earnings reflected primarily the non-recurrence of the 2001 asset impairments and other charges ($4.5 billion) 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 stocks in the United States, which were unusually low at year-end 2001. These improvements were partially offset by increased product-related costs and lower market share. 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) in the second half of 2002.

Ford South America — The reduced loss reflected primarily the non-recurrence of the 2001 asset impairments and other one-time charges ($848 million) largely related to our Revitalization Plan. The results also reflected the adverse effects of currency devaluation, partially offset by continuing improvement in operating costs. The increase in our market share in Brazil reflected market acceptance of our new Ford Fiesta model and strong sales performance.

INTERNATIONAL AUTOMOTIVE SEGMENT

Ford Europe — The increased loss reflected primarily the charges ($173 million) related to restructuring actions involving our Ford-brand Europe operations. The reduction in profitability excluding restructuring charges reflected lower vehicle unit volume, including a reduction in European industry sales volume and the non-recurrence of a 2001 dealer stock build. Cost reductions and higher net pricing were partial offsets.

Ford Asia Pacific — The year-over-year improvements in 2002 resulted primarily from net pricing improvements and favorable vehicle mix.

Premier Automotive Group — The loss reflected primarily charges ($157 million) related to restructuring actions involving our Premier Automotive Group operations, as well as a less favorable vehicle mix primarily at Jaguar, unfavorable net pricing and lower production to reduce dealer stocks.

Other International — The improvement in 2002 reflected primarily the absence of restructuring charges ($495 million) incurred in 2001 and improved operating results at Mazda.

OTHER AUTOMOTIVE

The increased loss reflected primarily the loss on sale of Kwik-fit and other non-core businesses, offset partially by improved net interest costs.

FINANCIAL SERVICES SECTOR RESULTS OF OPERATIONS

2003 COMPARED WITH 2002

Details of the full year Financial Services Sector income/(loss) before income taxes for 2003 and 2002 are shown below (in millions):

	Income/(Loss) Before Income Taxes		
	2003	2002	2003 Over/Under 2002
Ford Credit	**$ 3,035**	$ 1,965	$ 1,070
Hertz *	**228**	200	28
Other Financial Services	**64**	(61)	125
Total Financial Services sector	**$ 3,327**	$ 2,104	$ 1,223

** Includes amortization expense related to intangibles recognized upon consolidation of Hertz.*

FORD CREDIT

The increase in income before income taxes of $1.1 billion primarily reflected a lower provision for credit losses and the net favorable market valuation of derivative instruments and associated exposures. The impact of lower average net receivables was a partial offset.

The provision for credit losses for the full year of 2003 was $2.0 billion, down $1.0 billion from a year ago, reflecting primarily the non-recurrence of an increase in Ford Credit's allowance for credit losses in 2002 and lower credit losses.

Ford Credit reviews its business performance from several perspectives, including:

- On-balance sheet basis — includes receivables Ford Credit owns and receivables sold for legal purposes that remain on Ford Credit's balance sheet.
- Securitized off-balance sheet basis — includes receivables sold in securitization transactions that are not reflected on Ford Credit's balance sheet.
- Managed basis — includes on-balance sheet and securitized off-balance sheet receivables that Ford Credit continues to service.
- Serviced basis — includes managed receivables and receivables that Ford Credit sold in whole-loan sale transactions where Ford Credit retains no interest in the sold receivables, but which it continues to service.

Ford Credit analyzes its financial performance primarily on an on-balance sheet and managed basis. It retains interests in receivables sold in off-balance sheet securitization transactions, and with respect to subordinated retained interests, has credit risk. As a result, it evaluates credit losses, receivables and leverage on a managed, as well as an on-balance sheet basis. In contrast, Ford Credit does not have the same financial interest in the performance of receivables sold through whole-loan sale transactions because it retains no interests in those receivables and, therefore, has no credit risk with respect to them. Accordingly, Ford Credit generally reviews the performance of its serviced portfolio only to evaluate the effectiveness of its origination and collection activities.

Ford Credit's finance receivables, net of allowance for credit losses, and net investment in operating leases for our on-balance sheet, securitized off-balance sheet, managed and serviced portfolios are shown below (in billions):

	December 31,	
	2003	2002
On-Balance Sheet (including on-balance sheet securitizations)		
Finance receivables		
Retail installment	**$ 77.8**	$ 68.4
Wholesale	**22.5**	16.4
Other	**8.6**	9.8
Total finance receivables, net	**108.9**	94.6
Net investment in operating leases	**23.2**	31.3
Total on-balance sheet	**$ 132.1**	$ 125.9
Memo: Allowance for credit losses included above	**$ 3.0**	$ 3.2
Securitized Off-Balance Sheet		
Finance receivables		
Retail installment	**$ 29.1**	$ 48.9
Wholesale	**20.3**	22.5
Other	**-**	-
Total finance receivables, net	**49.4**	71.4
Net investment in operating leases	**-**	-
Total securitized off-balance sheet	**$ 49.4**	$ 71.4
Managed		
Finance receivables		
Retail installment	**$ 106.9**	$ 117.3
Wholesale	**42.8**	38.9
Other	**8.6**	9.8
Total finance receivables, net	**158.3**	166.0
Net investment in operating leases	**23.2**	31.3
Total managed*	**$ 181.5**	$ 197.3
Serviced	**$ 188.8**	$ 202.3

** At December 31, 2003 and 2002, Ford Credit's retained interests in sold receivables were $13.0 billion and $17.6 billion, respectively. For more information regarding these retained interests, see "Liquidity and Capital Resources — Financial Services Sector."*

On-Balance Sheet Receivables — On-balance sheet finance receivables and net investment in operating leases, net of allowance for credit losses, increased $6.2 billion or 5% from a year ago. The increase primarily reflected the receivables that were recorded on our balance sheet ("reacquired receivables") as a result of the accounting consolidation of FCAR Owner Trust ("FCAR") in May 2003 (discussed in Note 8 of the Notes to Financial Statements) and the impact related to changes in currency exchange rates. The increase was offset partially by the impact of lower lease and retail placement volumes and receivables sold in off-balance sheet securitizations and whole-loan sale transactions.

At December 31, 2003, on-balance sheet retail receivables included $14.3 billion that were sold for legal purposes to Ford Credit-sponsored special purpose entities ("SPE") that sell asset-backed securities to FCAR and are available only for repayment of asset-backed commercial paper issued by FCAR, other securitization investors and other participants. These receivables are not available to pay the obligations of Ford Credit or the claims of Ford Credit's creditors.

Securitized Off-Balance Sheet Receivables — Total securitized off-balance sheet receivables decreased $22 billion or 31% from a year ago. This decrease primarily reflected the reacquired receivables resulting from the consolidation of FCAR, now reported on our balance sheet, the slower pace of securitizations and the increased use of whole-loan sale transactions.

Managed Receivables — Total managed receivables decreased $15.8 billion or 8% from a year ago, the decrease primarily reflected lower retail installment finance receivables resulting from lower placement volumes, lower net investment in operating leases, and the sale of U.S. retail finance receivables in whole-loan sale transactions. Net investment in operating leases was lower, reflecting a de-emphasis of leasing in Ford's marketing programs.

The following table shows actual credit losses net of recoveries, which are referred to as net credit losses, for Ford Credit's worldwide on-balance sheet, reacquired, securitized off-balance sheet and managed receivables, for the various categories of financing during the periods indicated. The loss-to-receivables ratios, which equal net credit losses divided by the average amount of net receivables outstanding for the period, are shown for the on-balance sheet and managed portfolios.

	2003	2002
Net Credit Losses (in millions)		
On-Balance Sheet		
Retail installment and lease	**$ 1,871**	$ 2,292
Wholesale	**148**	40
Other	**25**	30
Total on-balance sheet (excluding reacquired receivables)	**2,044**	2,362
Reacquired Receivables (retail)	**92**	-
Total on-balance Sheet (including reacquired receivables)	**$ 2,136**	$ 2,362
Securitized Off-Balance Sheet		
Retail installment and lease	**$ 677**	$ 448
Wholesale	**-**	6
Other	**-**	-
Total securitized off-balance sheet	**$ 677**	$ 454
Managed		
Retail installment and lease	**$ 2,640**	$ 2,740
Wholesale	**148**	46
Other	**25**	30
Total managed	**$ 2,813**	$ 2,816
Loss-to-Receivables Ratios		
On-Balance Sheet (including reacquired receivables)*		
Retail installment and lease	**1.97%**	2.05%
Wholesale	**0.79**	0.25
Total including other	**1.67%**	1.72%
Memo: On-Balance Sheet (excluding reacquired receivables)	**1.60%**	1.72%
Managed		
Retail installment and lease	**1.91%**	1.73%
Wholesale	**0.37**	0.13
Total including other	**1.50%**	1.39%

** Ford Credit believes that the use of the on-balance sheet loss-to-receivables ratio that includes the net credit losses on reacquired receivables is useful to investors because it provides a more complete presentation of Ford Credit's on-balance sheet credit loss performance.*

The decrease in net credit losses for our on-balance sheet portfolio primarily reflected improved performance in our U.S. commercial receivables and lower on-balance sheet receivables at Ford Credit's subsidiaries Triad Financial Corporation and Fairlane Credit, LLC. These declines were offset partially by a charge-off of accounts delinquent for over 120 days, which resulted in recognition of $106 million of credit losses, primarily in our European wholesale receivables portfolio. The charge off was a result of our European operations adopting the practice of our North American operations of charging off all accounts more than 120 days delinquent. The on-balance sheet loss-to-receivables ratio of 1.67% was down from 1.72%. The improvement in the loss-to-receivables ratio reflected lower credit losses and the retention of securitized receivables on Ford Credit's balance sheet.

Shown below is an analysis of Ford Credit's allowance for credit losses related to finance receivables and operating leases for the years ended December 31 (dollar amounts in billions):

	2003	2002
Allowance for Credit Losses		
Balance, beginning of year	**$ 3.2**	$ 2.8
Provision charged to operations	**2.0**	3.0
Deductions		
Losses	**2.5**	2.9
Recoveries	**(0.5)**	(0.5)
Net losses	**2.0**	2.4
Other changes, principally amounts relating to finance receivables sold and translation adjustments	**0.2**	0.2
Net deductions	**2.2**	2.6
Balance, end of year	**$ 3.0**	$ 3.2
Allowance for credit losses as a percentage of end-of-period net receivables*	**2.28%**	2.52%

** Includes net investment in operating leases.*

The decrease in the allowance for credit losses of $200 million reflected primarily the charge-off of $106 million for accounts delinquent over 120 days primarily in our European wholesale receivables portfolio and lower losses in the commercial and liquidating Fairlane Credit portfolios.

The following table summarizes the activity related to off-balance sheet sales of receivables reported as revenues for the periods indicated (in millions except for ratios):

	2003	2002
Net gain on sales of receivables	**$ 436**	$ 529
Servicing fees	**677**	700
Interest income from retained securities	**679**	606
Excess spread and other	**973**	775
Investment and other income related to sales of receivables	**2,765**	2,610
Less: Whole-loan income	**(234)**	(79)
Income related to off-balance sheet securitizations	**$ 2,531**	$ 2,531
Memo:		
Finance receivables sold	**$ 21,321**	$ 40,712
Servicing portfolio as of period-end	**56,705**	76,346
Pre-tax gain per dollar of retail receivables sold	**2.0%**	1.4%

The increase in investment and other income related to sales of receivables of $155 million or 6% compared with 2002, reflected higher excess spread and other income offset partially by lower net gains. Higher excess spread and other income resulted from higher levels of outstanding securitized receivables in 2002. Lower gains in 2003 resulted from lower amounts of finance receivables sold, down about $19 billion compared with 2002, reflecting lower funding requirements. Excluding the effects of the whole-loan sale transactions, which totaled $10.4 billion in the 2002-2003 period, off-balance sheet securitization income was unchanged compared with 2002.

Sales of finance receivables through off-balance sheet securitizations have the impact on earnings of recalendarizing and reclassifying net financing margin (i.e., financing revenue less interest expense) and credit losses related to the sold receivables, compared with how they would have been reported if Ford Credit continued to report the sold receivables on-balance sheet and funded them through asset-backed financings. Recalendarization effects occur initially when the gain or loss on sales of receivables is recognized in the period the receivables are sold. Over the life of the securitization transaction, Ford Credit recognizes excess spread, interest income from retained securities, servicing fees and other receivable sale income.

In addition, credit losses related to the off-balance sheet securitized receivables are included in the initial and ongoing valuation of Ford Credit's interest-only strip asset (see "Off-balance Sheet Arrangements — Sales of Receivables by Ford Credit" for definition) and do not impact the *Provision for credit and insurance losses* on the income statement and they do not influence the assessment of the adequacy of the *Allowance for credit losses* for Ford Credit's on-balance sheet receivables.

Therefore, over the life of each off-balance sheet securitization transaction, the gain or loss on sale of receivables, excess spread, interest income from retained securities, servicing fees and other receivable sale income is equal to the net financing margin and credit losses that would have been reported had Ford Credit reported the receivables on its balance sheet and funded them through asset-backed financings.

The net impact of off-balance sheet securitizations on Ford Credit's earnings in a given period will vary depending on the amount and type of receivables sold and the timing of the transactions in the current period and the preceding two to three year period, as well as the interest rate environment at the time the finance receivables were originated and securitized.

The following table shows, on an analytical basis, the earnings impact of receivables sold in off-balance sheet securitizations had Ford Credit reported them as on-balance sheet and funded them through asset-backed financing for the periods indicated (in millions):

	2003	2002
Financing revenue		
Retail revenue	**$ 3,580**	$ 4,040
Wholesale revenue	**1,080**	1,101
Total financing revenue	**4,660**	5,141
Borrowing cost	**(1,491)**	(2,205)
Net financing margin	**3,169**	2,936
Credit losses	**(677)**	(454)
Income before income taxes	**$ 2,492**	$ 2,482
Memo:		
Income related to off-balance sheet securitizations	**$ 2,531**	$ 2,531
Recalendarization impact of off-balance sheet securitizations	**39**	49

In 2003, the impact on earnings of reporting the sold receivables as off-balance sheet securitizations was $39 million higher than had these transactions been structured as on-balance sheet securitizations. This difference results from recalendarization effects caused by gain-on-sale accounting requirements, as discussed above.

This effect will fluctuate as the amount of receivables sold in Ford Credit's off-balance sheet securitizations increases or decreases over time. In a steady state of securitization activity, the difference between reporting securtitizations on- or off-balance sheet in a particular year approaches zero. While the difference in earnings impact between on- or off-balance sheet securitizations is minimal, this funding source has provided us with significant borrowing cost savings compared with unsecured debt and funding flexibility in a difficult economic environment.

HERTZ

The improvement of $28 million in income before income taxes reflected strong cost performance and improved leisure vehicle rental demand, partially offset by lower pricing.

OTHER FINANCIAL SERVICES

The improvement of $125 million in income before income taxes reflected primarily the non-recurrence of a charge incurred in 2002 related to the write-down of our investment in several airplane and telecommunications equipment leases.

2002 COMPARED WITH 2001

Details of the full year Financial Services Sector income/(loss) before income taxes for 2002 and 2001 are shown below (in millions):

	Income/(Loss) Before Income Taxes		
	2002	2001	2002 Over/(Under) 2001
Ford Credit	$ 1,965	$ 1,494	$ 471
Hertz*	200	3	197
Other Financial Services	(61)	(59)	(2)
Total Financial Services sector	$ 2,104	$ 1,438	$ 666

** Includes amortization expense related to intangibles recognized upon consolidation of Hertz.*

FORD CREDIT

The increase in income before income taxes of $471 million reflected primarily a lower provision for credit losses and the decrease in the net unfavorable market valuation of derivative instruments and associated exposures. The impact of lower net financing margins was a partial offset.

HERTZ

The improvement in income before income taxes reflected primarily an improved car rental pricing environment and lower costs.

LIQUIDITY AND CAPITAL RESOURCES

AUTOMOTIVE SECTOR

Our strategy is to ensure we have sufficient funding available with a high degree of certainty throughout the business cycle. The key elements of this strategy include maintaining large gross cash balances, generating cash from operating-related activities, having a long-dated debt maturity profile, and maintaining committed credit facilities.

Gross Cash — Automotive gross cash includes cash and cash equivalents, marketable and loaned securities and assets contained in a short-term Voluntary Employee Beneficiary Association trust ("VEBA") (see below). Gross cash as of December 31, 2003, 2002 and 2001 is detailed below (in billions):

	December 31,		
	2003	2002	2001
Cash and cash equivalents	**$ 5.4**	$ 5.2	$ 4.1
Marketable securities	**10.8**	17.4	10.9
Loaned securities*	**5.7**	-	-
Total cash, marketable securities and loaned securities	**21.9**	22.6	15.0
Short-term VEBA assets	**4.0**	2.7	2.7
Gross cash	**$ 25.9**	$ 25.3	$ 17.7

** As part of our investment strategy, we engage in securities lending to improve the returns on our cash portfolios. See Note 4 of the Notes to Financial Statements for additional discussion on securities lending.*

In managing our business, we classify changes in gross cash into four categories: operating-related (both including and excluding pension/long-term VEBA contributions and tax refunds), capital transactions with the Financial Services sector, acquisitions and divestitures and other (primarily financing related). Our key metric for operating-related cash flow is cash flow before pension and long-term VEBA contributions and tax refunds. This metric best represents the ability of our Automotive operations to generate cash. We believe the cash flow analysis reflected in the table below, which differs from a cash flow statement presented in accordance with GAAP, is useful to investors because it includes cash flow elements that we consider to be related to our operating activities (e.g., capital spending) that are not included in *Cash flows from operating activities before securities trading*, the most directly comparable GAAP financial measure. Changes in Automotive gross cash for the last three years are summarized as follows (in billions):

	2003	2002	2001
Gross cash at end of period	**$ 25.9**	$ 25.3	$ 17.7
Gross cash at beginning of period	**25.3**	17.7	20.2
Total change in gross cash	**$ 0.6**	$ 7.6	$ (2.5)
Operating-related cash flows			
Automotive income/(loss) before income taxes excluding special items	**$ 0.1**	$ (0.3)	$ (2.9)
Capital expenditures	**(7.4)**	(6.8)	(6.3)
Depreciation and special tools amortization	**5.5**	4.9	5.0
Changes in receivables, inventory and trade payables	**(1.0)**	(1.8)	4.4
Other	**2.9**	4.3	1.1
Total operating-related cash flows before pension/long-term VEBA contributions and tax refunds	**0.1**	0.3	1.3
Funded pension plans/long-term VEBA contributions	**(4.8)**	(0.5)	(0.3)
Tax refunds	**1.7**	2.6	-
Total operating-related cash flows	**(3.0)**	2.4	1.0
Capital transactions with Financial Services sector a/	**3.6**	0.4	0.4
Acquisitions and divestitures	**0.5**	0.6	(2.3)
Other			
Dividends paid to shareholders	**(0.7)**	(0.7)	(1.9)
Convertible preferred securities	**-**	4.9	-
Changes in total Automotive sector debt	**(0.1)**	(0.1)	1.7
Cash from FIN 46 consolidations b/	**0.3**	-	-
Other — Primarily net issuance/(purchase) of stock	**-**	0.1	(1.4)
Total change in gross cash	**$ 0.6**	$ 7.6	$ (2.5)

a/ Primarily dividends, capital contributions, loans, and loan repayments.
b/ See Note 13 of the Notes to Financial Statements for a discussion of the adoption of FIN 46.

Total 2003 operating-related cash flows before funded pension plan and long-term VEBA contributions and tax refunds was $100 million positive reflecting profits and other operating-related changes, offset partially by increased net capital spending and growth in year-end inventory. The $600 million increase in capital expenditures in 2003 from 2002, reflected primarily increased spending on new products consistent with our product-led revitalization plan. Other operating-related changes, primarily cash tax payments and timing differences between expense or revenue recognition and the corresponding cash payments for costs such as health care, pension, marketing, and warranty, improved our cash flows by $2.9 billion in 2003.

Including funded pension plan and long-term VEBA contributions and tax refunds, operating-related cash flows were an outflow of $3.0 billion. Contributions to our worldwide funded pension plans totaled $2.8 billion in 2003, compared to approximately $500 million in 2002. In 2003, we also contributed $2 billion to a long-term VEBA trust used to pre-fund a portion of Ford's other postretirement benefits liability. This contribution is in addition to the $4 billion contributed to our short-term VEBA, which we include in gross cash. These are assets invested similar to our cash portfolio and are available to fund certain employee benefit obligations in the near term. The $2 billion of long-term VEBA assets are invested similar to our pension fund assets. The assets of the long-term VEBA are not included in our gross cash, but are dedicated to pay longer-term healthcare obligations.

Capital transactions with the Financial Services sector of $3.6 billion in 2003 reflected primarily higher dividends paid by Ford Credit, which in turn reflected improved profitability and asset reductions at Ford Credit. In addition, dividends of $204 million from the Financial Services sector in 2003 are reflected in the table above as divestitures because they resulted from the sale by Ford Credit of its Axus vehicle fleet leasing unit.

Shown in the table below is a reconciliation between financial statement *Cash flows from operating activities before securities trading* and operating-related cash flows, (calculated as shown in the table above), for the last three years (in billions):

	2003	2002	2001
Cash flows from operating activities before securities trading a/	**$ 1.3**	$ 9.5	$ 7.4
Items included in operating-related cash flow			
Capital expenditures	**(7.4)**	(6.8)	(6.3)
Net transactions between Automotive and Financial Services sectors b/	**1.2**	(0.1)	0.6
Other, primarily exclusion of cash flow from short-term VEBA contribution/(draw-down)	**1.9**	(0.2)	(0.7)
Operating-related cash flows	**$ (3.0)**	$ 2.4	$ 1.0

a/ As shown in our Sector Statement of Cash Flows for the Automotive sector.

b/ Primarily payables and receivables between the sectors in the normal course of business, as shown in our Sector Statement of Cash Flows for the Automotive sector.

Debt and Net Cash — At December 31, 2003, our Automotive sector had total senior debt of $15.0 billion compared with $14.2 billion a year ago. The debt increase primarily reflects the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 46 ("FIN 46"), which requires the consolidation of certain entities. For a discussion of the adoption of FIN 46, see Note 13 of the Notes to Financial Statements. At December 31, 2003, our Automotive sector had net cash (defined as gross cash less total senior debt) of $10.9 billion, compared with $11.1 billion and $3.9 billion at the end of 2002 and 2001, respectively.

In 2003, we retired about $900 million of relatively high-cost debt through open-market repurchases and through redemptions. We expect to repurchase a similar amount in 2004.

At December 31, 2003, Ford Motor Company Capital Trust I and Ford Motor Company Capital Trust II (the "Trusts") together had outstanding an aggregate $5.7 billion of trust preferred securities. The dividend and liquidation preferences on these securities are paid from interest and principal payments on our junior subordinated debentures held by the Trusts in an aggregate principal amount of $5.8 billion. Effective July 1, 2003, the junior subordinated debentures are classified as *Subordinated debt* on our balance sheet as the result of the adoption of FIN 46. This reclassification did not impact the status of the holders of our senior debt relative to holders of the subordinated debentures or the trust preferred securities. For additional discussions related to the Trusts, see Notes 12 and 15 of the Notes to Financial Statements.

On January 2, 2004, we redeemed our outstanding junior subordinated debentures held by Trust I. This had the effect of reducing total Automotive subordinated debt by $688 million. The debt is classified as *Debt payable within one year* on our balance sheet as of December 31, 2003.

The weighted average maturity of our total long-term debt (including subordinated debt), substantially all of which is fixed-rate debt, is approximately 26 years with about $2.7 billion maturing by December 31, 2008. The weighted average maturity of total debt (long-term and short-term including subordinated debt) is approximately 25 years. For additional information on debt, see Note 12 of the Notes to Financial Statements.

Credit Facilities — At December 31, 2003, the Automotive sector had $7.0 billion of contractually committed credit agreements with various banks, of which $6.9 billion were available for use. For further discussion of our committed credit facilities, see Note 12 of the Notes to Financial Statements.

FINANCIAL SERVICES SECTOR

FORD CREDIT

Debt and Cash — Ford Credit's total debt was $149.7 billion at December 31, 2003, up $9.4 billion compared with a year ago, reflecting primarily asset-backed commercial paper that was previously off-balance sheet debt of FCAR. Ford Credit's outstanding unsecured commercial paper at December 31, 2003 totaled $6.1 billion, down $2.1 billion compared with a year ago and down $36.2 billion compared with year-end 2000. The reduction since 2000 primarily reflects the lowering of Ford Credit's short-term credit ratings over that time period as discussed below under "Debt Ratings." The lower short-term credit rating has made Ford Credit's commercial paper largely ineligible for investment by money market mutual funds under Rule 2a-7 of the Investment Company Act of 1940, as amended. To partially offset this reduction in Ford Credit's outstanding unsecured commercial paper, asset-backed commercial paper issued through Ford Credit's FCAR and Motown Notes[SM] programs increased substantially beginning in 2001.

At December 31, 2003, Ford Credit had cash and cash equivalents of $15.7 billion. In the normal course of its funding activities, Ford Credit may generate more proceeds than are necessary for its immediate funding needs. These excess amounts are maintained primarily as highly liquid investments, provide liquidity for Ford Credit's short-term funding obligations and give it flexibility in the use of its other funding programs.

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 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.

Ford Credit's funding sources include debt issuances, sales of receivables in securitizations, and bank borrowings. Debt issuance consists of short- and long-term unsecured debt, placed directly by Ford Credit or through securities dealers or underwriters in the United States and international capital markets, and reaches both retail and institutional investors. Ford Credit issues commercial paper in the United States, Europe, Canada and other international markets. In addition to its commercial paper programs, Ford Credit also obtains short-term funding from the sale of floating rate demand notes, which may be redeemed at any time at the option of the holder thereof without restriction. At December 31, 2003, the principal amount outstanding of such notes was $7.3 billion. Ford Credit does not hold reserves specifically to fund the payment of the demand notes or any other short-term funding obligation. Ford Credit's policy is to have sufficient cash and cash equivalents, unused committed bank-sponsored asset-backed commercial paper issuer capacity, securitizable assets, and back-up credit facilities to provide liquidity for all of its short-term funding obligations.

During 2003, Ford Credit continued to meet a significant portion of its funding requirements by selling receivables in securitizations because of the stability of the market for asset-backed securities, their lower relative costs given our credit ratings (as described below), and the diversity of funding sources that they provide. Securitized funding (both on- and off-balance sheet, net of retained interests) as a percent of total managed receivables was as follows as of the end of each of the last three years: 2003 - 25%, 2002 - 27%, 2001 - 23%.

The following table illustrates Ford Credit's term public funding issuances for 2002 and 2003 and its planned issuances for 2004 (in billions):

	2004 Forecast	**2003**	2002
Unsecured Term Debt			
Institutional	$ 4 – 6	**$ 16**	$ 11
Retail	4 – 6	**4**	3
Total unsecured term debt	8 – 12	**20**	14
Term Public Securitization*	10 – 15	**11**	17
Total term public funding	$ 20 – 25	**$ 31**	$ 31

** Reflects new issuance; excludes asset sales to bank-sponsored asset-backed commercial paper issuers, whole-loan sales, and other structured financings.*

The cost of both debt and funding in securitizations is based on a margin or spread over a benchmark interest rate, such as interest rates paid on U. S. Treasury securities of similar maturities. Over the last two years, spreads on Ford Credit's securitized funding have fluctuated between 35 and 86 basis points above comparable U.S. Treasury securities, while Ford Credit's unsecured long-term debt funding spreads have fluctuated between 186 and 662 basis points above comparable U.S. Treasury securities. In 2003, Ford Credit's unsecured term-debt spreads fluctuated between 186 and 638 basis points above comparable U.S. Treasury securities, with an average spread of 341 basis points and a year-end spread of 186 basis points above comparable U.S. Treasury securities.

Ford Credit also continued its program to sell retail installment sale contracts in transactions where it retains no interest and thus no exposure to the sold contracts. These transactions, which we refer to as "whole-loan sale transactions," provide liquidity by enabling Ford Credit to reduce its managed receivables and its need for funding to support those receivables. In 2003, Ford Credit sold $5.5 billion of retail finance receivables through whole-loan sales.

As a result of Ford Credit's funding strategy and the reduction in its managed receivables, the lowering of its credit ratings over the past three years has not had a material impact on Ford Credit's ability to fund its operations, although lower credit ratings have contributed to an increase in its overall borrowing costs. In 2003, its funding strategy continued to focus on maintaining liquidity and access to diversified funding sources that are cost effective. Any further lowering of its credit ratings may increase Ford Credit's borrowing costs and potentially constrain its funding sources. This could likely cause Ford Credit to increase its use of securitization or other sources of liquidity or to reduce its managed receivables. 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, accounting and regulatory changes, Ford Credit's debt ratings and Ford Credit's ability to maintain back-up liquidity facilities for certain securitization programs. 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.

For additional funding and to maintain liquidity, Ford Credit and its majority-owned subsidiaries (including FCE) have contractually committed credit facilities with financial institutions that totaled approximately $7.7 billion at December 31, 2003. Approximately $1.0 billion of the total facilities were in use at December 31, 2003. Additionally, at December 31, 2003, banks provided $18.6 billion of contractually committed liquidity facilities that supported two asset-backed commercial paper programs established by Ford Credit. Ford Credit also has entered into agreements with several bank-sponsored asset-backed commercial paper issuers under which such issuers in the aggregate are committed to purchase from Ford Credit, at Ford Credit's option, up to $12.8 billion of receivables. For further discussion of these facilities and agreements, see Note 12 of the Notes to Financial Statements.

Leverage — Ford Credit uses leverage, or the debt-to-equity ratio, to make various business decisions, including establishing pricing for retail, wholesale and lease financing, and assessing its appropriate capital structure. Ford Credit calculates leverage on a financial statement basis and on a managed basis using the following formulas:

$$\text{Financial Statement Leverage} = \frac{\text{Total Debt}}{\text{Equity}}$$

$$\text{Managed Leverage} = \frac{\text{Total Debt} + \text{Securitized Off-balance Sheet Receivables} - \text{Retained Interest in Securitized Off-balance Sheet Receivables} - \text{Cash and Cash Equivalents} - \text{SFAS No. 133 Adjustments on Total Debt}}{\text{Equity} + \text{Minority Interest} - \text{SFAS No. 133 Adjustment on Equity}}$$

The following table illustrates the calculation of Ford Credit's financial statement leverage (in billions):

	December 31,		
	2003	2002	2001
Total debt	**$ 149.7**	$ 140.3	$ 145.8
Total stockholder's equity	**12.5**	13.6	12.0
Debt-to-equity ratio (to 1)	**12.0**	10.3	12.2

At December 31, 2003, Ford Credit's financial statement leverage was 12.0 to 1, compared with 10.3 to 1 a year ago. This increase in leverage resulted primarily from the accounting consolidation of FCAR resulting in $9.0 billion of FCAR's debt reported on Ford Credit's balance sheet at December 31, 2003.

The following table illustrates the calculation of Ford Credit's managed leverage (in billions):

	December 31,		
	2003	2002	2001
Total debt	**$ 149.7**	$ 140.3	$ 145.8
Securitized off-balance sheet receivables outstanding	**49.4**	71.4	58.7
Retained interest in securitized off-balance sheet receivables	**(13.0)**	(17.6)	(12.5)
Adjustments for cash and cash equivalents	**(15.7)**	(6.8)	(2.9)
Adjustments for SFAS No. 133	**(4.7)**	(6.2)	(2.1)
Total adjusted debt	**$ 165.7**	$ 181.1	$ 187.0
Total stockholder's equity (including minority interest)	**$ 12.5**	$ 13.6	$ 12.0
Adjustments for SFAS No. 133	**0.2**	0.5	0.6
Total adjusted equity	**$ 12.7**	$ 14.1	$ 12.6
Managed debt-to-equity ratio (to 1)	**13.0**	12.8	14.8

Ford Credit believes that managed leverage, which is the result of adjustments to its financial statement leverage, is useful to its investors because it reflects the way Ford Credit manages its business. Ford Credit retains interests in receivables sold in off-balance sheet securitization transactions, and with respect to subordinated retained interests, is exposed to credit risk. Accordingly, Ford Credit considers securitization as an alternative source of funding and evaluates credit losses, receivables and leverage on a managed as well as a financial statement basis. Ford Credit also deducts cash and cash equivalents because they generally correspond to excess debt beyond the amount required to support its operations. In addition, Ford Credit adds its minority interests to its financial statement equity, because all of the debt of such consolidated entities is included in its total debt. SFAS No. 133 requires Ford Credit to make fair value adjustments to its assets, debt and equity positions to reflect the impact of interest rate instruments Ford Credit uses in connection with its term debt issuances and securitizations. SFAS No. 133 adjustments vary over the term of the underlying debt and securitized funding obligations based on changes in market interest rates. Ford Credit generally repays its debt funding obligations as they mature. As a result, Ford Credit excludes the impact of SFAS No. 133 on both the numerator and denominator in order to exclude the interim effects of changes in market interest rates. Accordingly, the managed leverage measure provides Ford Credit's investors with meaningful information regarding management's decision-making processes.

Ford Credit's managed leverage strategy involves establishing a leverage level that it believes reflects the risk characteristics of its underlying assets. In establishing a target leverage level, Ford Credit considers the characteristics of the receivables in its managed portfolio and the prevailing market conditions.

At December 31, 2003, Ford Credit's managed leverage was 13.0 to 1, compared with 12.8 to 1 a year ago. Ford Credit's dividend policy is based in part on its strategy to maintain managed leverage at the lower end of the 13-14 to 1 range. As a result of improved profitability and lower managed receivable levels, Ford Credit paid dividends of $3.7 billion in 2003.

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 summer months, and decline during the winter months. 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.

Hertz has 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, 2003, $723 million was outstanding under this program.

At December 31, 2003, Hertz had committed credit facilities totaling $2.8 billion. Of this amount, $1.3 billion represented global and other committed credit facilities ($810 million of which are available through June 30, 2008 and $488 million 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 2005; $215 million consisted of asset-backed Letters of Credit, and $814 million consisted of 364-day asset-backed commercial paper facilities.

TOTAL COMPANY

Stockholders' Equity — Our stockholders' equity was $11.7 billion at December 31, 2003, up $6.1 billion compared with the level at December 31, 2002. The increase in stockholders' equity reflected primarily the impact of foreign currency translation adjustments and a reduction in our minimum pension liability. For additional discussion of foreign currency translation adjustments, see Notes 1 and 16 of the Notes to Financial Statements.

Pension — We sponsor defined benefit pension plans throughout the world. 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 benefits to retirees covered by the contract. These obligations give rise to significant expenses that are highly dependent on assumptions discussed in Note 19 of the Notes to Financial Statements and under "Critical Accounting Estimates" below. Based on present assumptions and benefit agreements, we expect our 2004 worldwide pre-tax pension expense to be about $865 million, which is about $80 million lower than it was in 2003.

Included in our Stockholders' Equity was a $3.5 billion adjustment for our worldwide minimum pension liability as of December 31, 2003. This was $2.2 billion better than the 2002 adjustment due to the improvement in the funded status of our worldwide pension plans (i.e., the amount by which the present value of projected benefit obligations exceeded the market value of pension plan assets) as of December 31, 2003, compared with December 31, 2002. The primary factor that contributed to the improvement in the funded status was an increase in the actual return on plan assets for 2003, partially offset by decreases in the discount rates at December 31, 2003 used to calculate the present value of benefit obligations, in each case compared with the prior year. These changes are shown in the table below:

	December 31,			
	2003		2002	
	Current Year	**Change from Prior Year**	Current Year	Change from Prior Year
Discount rate				
U.S. plans	**6.25%**	**(0.50) pts**	6.75%	(0.50) pts
Non-U.S. plans	**5.61%**	**(0.04)**	5.65%	(0.45)
Actual return on plan assets (in millions)				
U.S. plans	**$ 7,687**	**$11,022**	$ (3,335)	$ (1,777)
Non-U.S. plans	**2,070**	**3,762**	(1,692)	(761)
Funded status (in millions)				
U.S. plans	**$ (3,447)**	**$ 3,829**	$ (7,276)	$ (7,872)
Non-U.S. plans	**(8,242)**	**93**	(8,335)	(5,279)

Our 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, 2003, the market value of our U.S. pension fund assets was less than the projected benefit obligation (calculated using a discount rate of 6.25%, which is reduced from 6.75% used at year-end 2002) by $3.4 billion for our U.S. plans (of which $2 billion relates to our U.S. funded plans). For non-U.S. plans, the shortfall as of December 31, 2003, was $8.2 billion, for a total worldwide shortfall of $11.7 billion. 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). 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 2009. However, we review our pension assumptions regularly and we do from time to time make contributions beyond those legally required. For example, in 2003 we made over $2 billion of discretionary cash contributions to our U.S. pension funds. 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 2009.

For information related to our expenses and liabilities with respect to health care benefits we provide to our employees and retirees, see "Overview — Key Economic Factors and Trends Affecting Automotive Industry — Health Care Expenses" above and "Critical Accounting Estimates — Other Postretirement Benefits (Retiree Health Care and Life Insurance)" below.

Debt Ratings — Our short- and long-term debt is rated by four credit rating agencies designated as nationally recognized statistical rating organizations ("NRSROs") by the Securities and Exchange Commission:

- Dominion Bond Rating Service Limited ("DBRS");
- 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 several markets, locally recognized rating agencies also rate us. A credit rating reflects an assessment by the rating agency of the credit risk associated with particular securities we issue, based on information provided by us and other sources. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating company risk, and therefore ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets. The NRSROs have indicated that our lower ratings since 2001 are primarily a reflection of the rating agencies' concerns regarding our automotive cash flow and profitability, declining market share, excess industry capacity, industry pricing pressure and rising healthcare costs.

The following chart summarizes Ford's* credit ratings and the outlook assigned by the NRSROs since 2000:

	DBRS**			Fitch			Moody's			S&P		
Date	**Long-Term**	**Short-Term**	**Trend**	**Long-Term**	**Short-Term**	**Outlook**	**Long-Term**	**Short-Term**	**Outlook**	**Long-Term**	**Short-Term**	**Outlook**
Apr. 2000	A (high)	R-1 (low)	Stable	A+	F1	Stable	A2	P-1	Stable	A	A-1	Stable
Aug. 2001	A	R-1 (low)	Stable	A+	F1	Negative	A2	P-1	Negative	A	A-1	Negative
Sep. 2001	A	R-1 (low)	Stable	A-	F2	Negative	A2	P-1	Negative	A	A-1	Negative
Oct. 2001	A (low)	R-1 (low)	Stable	A-	F2	Negative	A3	P-1	Negative	BBB+	A-2	Stable
Jan. 2002	A (low)	R-1 (low)	Stable	BBB+	F2	Negative	Baa1	P-2	Negative	BBB+	A-2	Negative
Oct. 2002	A (low)	R-1 (low)	Negative	BBB+	F2	Negative	Baa1	P-2	Negative	BBB	A-2	Negative
Apr. 2003	BBB (high)	R-1 (low)	Stable	BBB+	F2	Negative	Baa1	P-2	Negative	BBB	A-2	Negative
Nov. 2003	BBB (high)	R-1 (low)	Stable	BBB+	F2	Negative	Baa1	P-2	Negative	BBB-	A-3	Stable

** Moody's presently rates Ford Credit's long-term debt at "A3," and Hertz's long-term debt at "Baa2." DBRS has assigned Hertz's long-term debt a negative trend. All other Nov. 2003 ratings and outlooks shown apply equally to Ford, Ford Credit, and Hertz.*

*** NRSRO designation granted on February 27, 2003.*

The ratings and trend assigned by DBRS have been in effect since April 2003 and were confirmed by DBRS in December 2003. The ratings and outlooks assigned by Fitch and Moody's have been in effect since January 2002 and were affirmed or confirmed by each firm in November 2003. The ratings and outlook assigned by S&P have been in effect since November 2003, when S&P lowered the long-term credit ratings on Ford, Ford Credit and Hertz to "BBB-" with a stable outlook from "BBB" with a negative outlook, and lowered the short-term credit rating to "A-3" from "A-2."

OUTLOOK

2004 FINANCIAL MILESTONES

We have set and communicated certain planning assumptions, operational metrics and financial milestones for 2004, shown below:

	Planning Assumptions
Industry Volume	
U.S.	17.0 million units
Europe	16.9 million units
Industry Net Pricing	
U.S.	Down slightly
Europe	Down slightly
Operational Metrics	
Quality	Improve in all regions
Market Share	Flat or improve in all regions
Automotive Cost Performance a/	Improve by at least $500 million
Capital Spending	$7 billion
Operating-Related Cash Flow b/	$1.2 billion positive

	Milestone
Financial Results (in billions) c/	
Pre-Tax Profits	$3.5 – $3.8
Financial Services	2.6 – 2.7
Automotive	0.9 – 1.1
North America	1.5 – 1.7
South America	(0.1) – 0
Europe	(0.2) – (0.1)
Asia Pacific	0 – 0.1
P.A.G.	0.5 – 0.6

a/ At constant volume, mix and exchange; excluding special items.

b/ Excluding Pension/Long-Term VEBA contributions and tax refunds.

(See "Liquidity and Capital Resources — Gross Cash" for calculation of this non-GAAP measure).

c/ Excluding special items.

2004 is the first year in which we have provided financial milestones for our individual Automotive business units. Our confidence in achieving the Automotive profit target in total is greater than it is for any of the individual business units.

Based on the planning assumptions set forth above and achievement of the foregoing milestones, we expect 2004 earnings per share from continuing operations excluding special items to range from $1.20 to $1.30 for the full-year. Our present estimate of special items for 2004 is a pre-tax charge of up to $300 million, or about $0.11 per share on an after tax basis, consisting of the balance of the Ford Europe restructuring charge and future expected losses with respect to dispositions of remaining non-core businesses.

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 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 postretirement 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 any significant market;
- 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, acts of war, epidemic disease or measures taken by governments in response thereto that negatively affect the travel industry; and
- our inability to implement the Revitalization Plan.

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 23 of the Notes to 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 are accrued for each vehicle at the time of sale. 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.

PENSIONS

See Note 19 of the Notes to 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 asset
- 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 assumption reflects our long-term actual experience, the near-term outlook and assumed inflation. The expected return on plan assets assumption reflects asset allocation, investment strategy and the views of investment managers and of other large pension plan sponsors regarding the market. 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 — Sensitivity of our worldwide pension funded status and stockholders' equity to the indicated increase/decrease in the discount rate assumption is shown below. Although not an estimate, we've also included sensitivity around the actual return on pension assets. Note that these sensitivities may be asymmetric, and are specific to the base conditions at year-end 2003. They also may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown. The December 31, 2003 funded status is affected by December 31, 2003 assumptions. Pension expense for 2003 is affected by December 31, 2002 assumptions. The impact on our funded status, equity and U.S. pension expense from a one percentage point change in these assumptions is shown below (in millions):

		Increase/(Decrease) in:			
		December 31, 2003			2003
Assumption	**Percentage Point Change**	**U.S. Plans Funded Status**	**Non-U.S. Plans Funded Status**	**Equity**	**U.S. Expense**
Discount rate	+/- 1.0 pt.	$4,110/$(4,580)	$3,300/$(3,850)	$2,870/$(4,910)	$(20)/$20
Full year 2003, actual return on assets	+/- 1.0	290/(290)	130/(130)	180/(180)	–
Full year 2003, expected return on assets	+/- 1.0	–	–	–	(350)/350

The foregoing indicates that changes in the discount rate and return on assets can have a significant effect on the funded status of our pension plans and Stockholders' Equity. As stated above, we base the discount rate assumption on investment yields available at year-end on corporate long-term bonds rated AA. We cannot predict these bond yields or investment returns and, therefore, cannot reasonably estimate whether adjustments to our Stockholders' Equity for minimum pension liability in subsequent years will be significant.

OTHER POSTRETIREMENT BENEFITS (RETIREE HEALTH CARE AND LIFE INSURANCE)

See Note 19 of the Notes to Financial Statements for more information regarding costs and assumptions for other postretirement benefits.

Nature of Estimates Required — The measurement of our obligations, costs and liabilities associated with other postretirement benefits (i.e., retiree health care and life insurance) 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, efficiencies and other cost-mitigation actions (including further employee cost sharing, administrative improvements and other efficiencies) 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 asset allocation, investment strategy and the views of investment managers and of other large pension plan sponsors regarding the market. 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 December 31, 2003 postretirement obligation is affected by December 31, 2003 assumptions. Postretirement benefit expense for 2003 is affected by December 31, 2002 assumptions. Note that these sensitivities may be asymmetric, and are specific to the base conditions at year-end 2003. They also may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown. The effect of the indicated increase/decrease in selected assumptions is shown below (in millions):

		Effect on U.S. and Canadian Plans: Increase/(Decrease)	
Assumption	**Percentage Point Change**	**December 31, 2003 Obligation**	**2003 Expense**
Discount rate	+/ - 1.0 pt.	$(4,100)/$5,000	$(260)/$280
Health care cost trends — total expense	+/ - 1.0	4,600/(3,800)	560/(460)
Health care cost trends — service and interest expense	+/ - 1.0	4,600/(3,800)	310/(260)

ALLOWANCE FOR CREDIT LOSSES

See Note 10 of the Notes to 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. We exercise judgment in estimating this amount because credit losses vary substantially over time, and estimating probable losses requires a number of assumptions about matters that 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 using 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 — We use the factors listed above to make projections of two key assumptions:

- Frequency — the percentage of finance receivables and operating leases that we expect to default over a period of time, measured principally by the repossession rate (the ratio of the number of vehicles repossessed in a time period, typically a year, divided by the average number of accounts outstanding in the same time period); and
- Loss severity — the expected 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 use these assumptions to assist us in setting our allowance for credit losses.

Sensitivity Analysis — We believe the present level of our allowance for credit losses adequately reflects probable losses related to impaired finance receivables and operating leases. However, changes in the assumptions used to derive frequency and severity would have an impact on the allowance for credit losses. Over the past twenty years, repossession rates for our U.S. retail and lease portfolio have varied between 2% and 4%.

The effect of the indicated increase/decrease in the assumptions is shown below for Ford, Lincoln, and Mercury brand vehicles in the U.S. (in millions):

		Effect on: Increase/(Decrease)	
Assumption	**Percentage Point Change**	**December 31, 2003 Allowance for Credit Losses**	**2003 Expense**
Repossession rates	+/- 0.1 pts.	$ 50/$(50)	$ 50/$(50)
Loss severity	+/- 1.0	20/(20)	20/(20)

Changes in our assumptions affect *Provision for credit losses* on our income statement and the *Allowance for credit and insurance losses* on our balance sheet.

ACCUMULATED DEPRECIATION ON VEHICLES SUBJECT TO OPERATING LEASES — FINANCIAL SERVICES SECTOR

See Note 9 of the Notes to Financial Statements for more information regarding accumulated depreciation on vehicles subject to operating leases.

Accumulated depreciation on vehicles subject to operating leases reflects the cumulative amount of depreciation that has been recorded to date, reducing the value of the leased vehicles in our operating lease portfolio from their original acquisition value to their estimated residual value (estimated proceeds from the sale of the vehicle at auction 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. When we purchase the lease, we establish an estimated residual value for the vehicle. We exercise judgment in estimating the 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 each month and 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 our net investment in the operating leases (equal to our acquisition value of the vehicles minus 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 life of the affected vehicles in our portfolio.

Each lease customer has the option to buy the leased vehicle at the end of the lease or to return the vehicle to the dealer. The dealer has the option to purchase the vehicle at the contractual lease-end value or return it to us. For returned vehicles, we face a risk that the amount we obtain from the vehicle sold at auction will be less than our most recent estimate of the residual value for the vehicle. Over the last five years, about 60% to 70% of Ford Credit North America's operating lease vehicles have been returned to us.

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

- Residual value — the market value of the vehicles when we sell them at the end of the lease.
- Return rates — the percentage of vehicles that will be returned to us at lease end.

We estimate residual values and return rates using 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 2003 were to decrease by $100 per unit from our present estimates, the total impact would be to increase our depreciation on these vehicles by about $55 million, which would be charged to depreciation expense during the 2004 through 2006 period so that the net investment in operating leases at the end of the lease term for these vehicles is 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, the total impact would be to increase our depreciation on these vehicles by about $10 million in the 2004 through 2006 period. Adjustments to the amount of accumulated depreciation on operating leases will be reflected on our balance sheet as *Net investment in operating leases* and on the income statement in the *Depreciation* line, in each case under the Financial Services sector.

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 23 of the Notes to 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, 2003, our maximum potential exposure under these guarantees was $465 million.

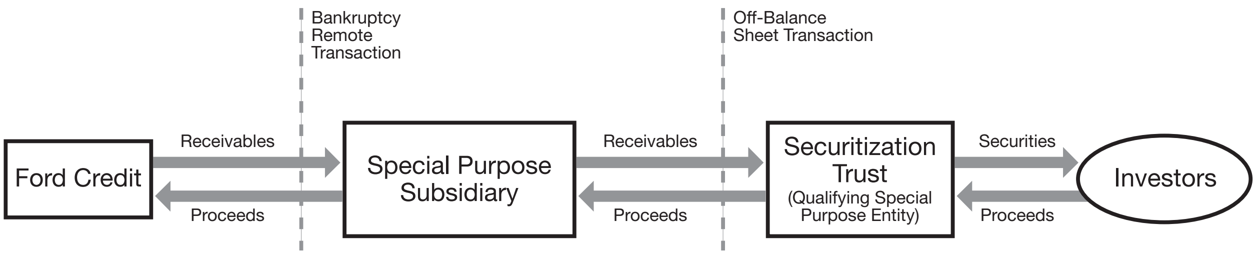
In the ordinary course of business, we also execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction. These indemnifications include claims for any of the following: environmental, tax, and shareholder matters; intellectual property rights; 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 securitization market provides Ford Credit with a cost-effective source of funding, compared with unsecured debt given Ford Credit's present debt ratings. In a typical securitization transaction, Ford Credit sells a pool of finance receivables to a wholly-owned, bankruptcy-remote special purpose subsidiary that establishes an SPE, usually a trust, and transfers the receivables to the SPE in exchange for proceeds from interest-bearing securities, commonly called asset-backed securities, that are issued by the SPE and are secured by future collections on the sold receivables. Following the transfer of the sold receivables to the SPE, and assuming compliance with SFAS No. 140 (discussed below), the receivables are no longer assets of Ford Credit and the sold receivables no longer appear on our balance sheet. The securities issued by the SPE 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 and cash reserve funds. These securities generally are rated by independent rating agencies and sold in public offerings or in private transactions.

The following chart diagrams Ford Credit's typical securitization transaction:



Consistent with conventional practices in the securitization industry, Ford Credit uses SPEs in securitization transactions to achieve isolation of the sold receivables for the benefit of securitization investors. 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. When these accounting rules are met, the sold receivables are removed from our balance sheet. The use of SPEs in the typical securitization structure shown above, along with the use of various forms of credit and payment enhancements to reduce the risk of loss (as discussed below), allows the SPE to issue senior asset-backed securities that generally receive the highest short-term debt ratings and among the highest long-term debt ratings, thereby providing Ford Credit with a cost-effective source of funding.

Ford Credit also sponsors one securitization program, FCAR Owner Trust ("FCAR"), which does not use qualifying SPEs under SFAS No. 140. In the second quarter of 2003, Ford Credit purchased a portion of equity interests in FCAR from unaffiliated parties for $175 million. As a result of this transaction, FCAR's assets, liabilities and results of operations were consolidated into our financial statements. The effects of this transaction are more fully described in Note 8 of the Notes to Financial Statements.

Ford Credit selects receivables at random for securitization transactions using selection criteria designed for the specific transaction. The selection criteria are generally based on factors such as location of the obligor, contract term, payment schedule, interest rate, financing program, and the type of financed vehicle. In general, the criteria also require receivables to be active and in good standing.

Ford Credit often retains 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 (for example, a reserve fund) 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. Because Ford Credit typically retains the most subordinated interests in the SPE, including subordinated securities, the right to receive excess spread (interest-only strip) and any residual or remainder interests of the SPE after all asset-backed securities are repaid in full, Ford Credit's retained interests will be the first to absorb any credit losses on the sold receivables. Because the credit enhancements are structured to protect the holders of the senior asset-backed securities in highly stressed receivables performance scenarios, the impact of credit losses in the pool of sold receivables will likely be limited to Ford Credit's retained interests in terms of the timing and total amount of excess spread it receives. Therefore, related to receivables sold in securitizations, Ford Credit retains credit risk up to the amount of subordinated interests it retains in securitizations. If the receivables were not securitized, Ford Credit's risk related to credit losses would not be limited as it is in securitizations.

At December 31, 2003 and 2002, the total outstanding principal amount of receivables sold by Ford Credit in securitizations was $49.4 billion and $71.4 billion, respectively. This decrease reflected primarily the reacquired receivables following consolidation of FCAR now reported on our balance sheet (as discussed above) and the slower pace of securitizations in 2003. At December 31, 2003 and 2002, Ford Credit's retained interests in such sold receivables were $13.0 billion and $17.6 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 support obligations. These 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 2003, 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 $193 million for all retail securitization programs.

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, accounting and regulatory changes, Ford Credit's debt ratings and Ford Credit's ability to maintain back-up liquidity facilities for certain securitization programs. 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, Ford Credit's operations, financial condition and liquidity would be adversely impacted.

VARIABLE INTEREST ENTITIES

AUTOMOTIVE

The Automotive Sector has several investments in other joint ventures deemed to be VIEs where we are not the primary beneficiary. The risks and rewards associated with our interests in these entities are based primarily on ownership percentages. Our maximum exposure to any potential losses, should they occur, associated with these VIEs is limited to our equity investments and, where applicable, receivables due from the VIEs (approximately $104 million).

FINANCIAL SERVICES

Ford Credit has investments in certain joint ventures deemed to be VIEs where Ford Credit is not the primary beneficiary. The risks and rewards associated with Ford Credit's interest in these entities are based primarily on ownership percentages. Ford Credit's maximum exposure to any potential losses, should they occur, associated with these VIEs is limited to Ford Credit's equity investments, which at December 31, 2003 totaled approximately $125 million.

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. "Purchase obligations" are defined as off-balance sheet agreements to purchase goods or services that are enforceable and legally binding on the company and that specify all significant terms.

The "Other long-term liabilities" category includes only liabilities on our balance sheet that have a definite pay-out scheme or are not contingent on a subsequent event. Other long-term liabilities at December 31, 2003 represent a payment obligation related to a prior acquisition.

The table below summarizes our contractual obligations as of December 31, 2003 (in millions):

				Payments Due by Period			
Obligations	Automotive	Financial Services	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
On-balance sheet:							
Long-term debt	$ 20,185	$131,245	$151,430	$ 31,679	$ 52,367	$ 18,698	$ 48,686
Capital lease	328	2	330	37	70	52	171
Other long-term liabilities	1,202	-	1,202	-	1,202	-	-
Off-balance sheet:							
Purchase	9,220	-	9,220	4,577	2,232	1,368	1,043
Operating lease	1,809	1,835	3,644	846	1,200	754	844
Total	$ 32,744	$133,082	$165,826	$ 37,139	$ 57,071	$ 20,872	$ 50,744

For additional information to our long-term debt and operating lease obligations, see Notes 12 and 23 in the Notes to Financial Statements.

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 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. As discussed in greater detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations," our funding sources include commercial paper, term debt, sales 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.

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). Derivative positions are used to manage underlying exposures; we do not use derivative contracts for speculative purposes. In certain instances, we forgo hedge accounting, which results in unrealized gains and losses that are recognized currently in net income; examples of economic hedges that do not qualify for hedge accounting include foreign currency hedges of inter-company loans and dividends and certain transactions that use multiple hedge instruments. For additional information on our derivatives, see Note 16 of the Notes to Financial Statements.

The market and counterparty risks of our Automotive sector and Ford Credit are discussed and quantified below.

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 cash flow exposures being hedged. Our earnings at risk ("EaR") methodology is based on transaction exposure, which is the exposure that results from specific transactions and our related hedging activity. The methodology does not attempt to assess the impact on financial statement earnings resulting from non-cash flow risks (e.g., re-measurement of foreign currency-denominated assets or liabilities through income). EaR at a 95% confidence level is the methodology used to calculate the potential impact to pre-tax earnings related to cash flows in foreign currency and commodity price exposure. The calculation of EaR combines current market data with historical data on volatilities and correlations of the underlying currencies or commodity prices. This creates hypothetical prices based on the calculation of historical volatilities. The EaR methodology includes our hedging actions 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 our economic exposure with respect to 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).

At December 31, 2003, the EaR from foreign currency exchange movements over the next twelve months is projected at less than $350 million, within a 95% confidence level for the unhedged exposure. When calculated at the end of each quarter throughout the year, the high was $550 million, the low was $350 million and the average was $460 million; the risks impacting financial instruments are offset with underlying exposure being hedged. The 2003 year-end projection is approximately $40 million lower than the EaR projection for 2003 calculated as of December 31, 2002. The decreased exposure results primarily from more diversification benefit due to lower correlation among major currency pairings. The effect of currency movements on business units will vary based on the currency profile of the business unit (including any hedging actions taken). It can also be affected by competitive responses to currency changes.

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 metals (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 commodities exposures at December 31, 2003, the EaR from commodity price movements over the next twelve months is projected at less than $90 million, within a 95% confidence level (when calculated at the end of each quarter throughout the year, the high was $90 million, the low was $69 million and the average was $80 million); the risks impacting financial instruments are offset with underlying exposure being hedged. The year-end level is approximately $31 million higher than the EaR projection for 2003 calculated as of December 31, 2002. The drivers of this increase are higher commodity price levels, price volatilities and exposures.

Where derivative instruments do not exist or do not provide a highly correlated hedge, our purchasing organization negotiates contracts mitigating price risk (e.g., steel and resins) which are approved by the GRMC.

INTEREST RATE RISK

Interest rate risk relates to the gain or loss we could incur in our Automotive investment portfolio in the event of a change in interest rates. Our interest rate sensitivity analysis on the investment portfolio includes cash and cash equivalents, marketable and loaned securities and short-term VEBA assets. At December 31, 2003, we had $25.9 billion in cash, compared to $25.3 billion at December 31, 2002. We invest our cash in securities of various types and maturities, the value of which are subject to fluctuations in interest rates. 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, 2003, the value of our Trading portfolio was $24.2 billion (including assets contained in a short-term VEBA trust), which is $0.6 billion higher than December 31, 2002. The value of our Available for Sale portfolio was $1.7 billion, which is unchanged from December 31, 2002.

Assuming a hypothetical, instantaneous increase in interest rates of one percentage point, the value of our Trading and Available for Sale portfolios would be reduced by $206 million and $29 million, respectively. This compares to $225 million and $29 million, respectively, as calculated as of December 31, 2002. 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. We enter into master agreements with its counterparties that allow netting of certain exposures in order to manage this risk. Exposures primarily relate to investments in fixed-income instruments and derivative contracts used for managing interest rate, foreign currency exchange rates and commodity price 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 RISK

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 customers' failure to make payments according to contract terms.
- ***Residual risk*** — the possibility that the actual proceed received by Ford Credit upon sales of returned lease vehicles at lease termination will be lower than the depreciated values (i.e., residual values) of those vehicles.
- ***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 in "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Critical Accounting Estimates" and liquidity risk is discussed above in "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Liquidity and Capital Resources — Financial Services Sector — Ford Credit." 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 the business cycles, Ford Credit may borrow at terms longer than the term of its assets, 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 pre-tax net interest income simulation techniques. These simulations calculate the projected pre-tax net interest income 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 Treasurer.

The process described above is used to measure and manage the interest rate risk of Ford Credit's operations in the United States, Canada and the United Kingdom, which together represented approximately 85% of its total on-balance sheet finance receivables at December 31, 2003. 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 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 pre-tax net interest income. Correspondingly, during a period of falling interest rates, Ford Credit's pre-tax net interest income would be expected to initially increase. To provide a quantitative measure of the sensitivity of its pre-tax net interest income 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 twelve-month period represent an estimate of the sensitivity of Ford Credit's pre-tax net interest income. This sensitivity as of year-end 2003 and 2002 is as follows:

	Pre-tax Net Interest Income impact given a one percentage point instantaneous *increase* in interest rates (in millions)	**Pre-tax Net Interest Income impact given a one percentage point instantaneous *decrease* in interest rates (in millions)**
December 31, 2003	**$ (179)**	**$ 179**
December 31, 2002	$ (153)	$ 156

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 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. Had the analysis assumed a gradual change in interest rates of 100 basis points, it would have resulted in a lower pre-tax net interest income impact. 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.

The fair value of net derivative financial instruments (derivative assets less derivative liabilities) as of December 31, 2003 as reported in Note 16 of the Notes to Financial Statements was $8.9 billion, approximately $1.3 billion higher than a year ago. This increase primarily reflects the strengthening of the Euro against the U.S. dollar which increases the value of receive-Euro/pay-U.S. dollar cross currency swaps and the decrease in U.S. interest rates which increases the value of our pay-floating/receive-fixed rate swaps. For additional information on our derivatives, please refer to the "Financial Services Sector" of Note 16 of the Notes to Financial Statements.

SECTOR STATEMENT OF INCOME

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2003, 2002 and 2001
(in millions, except per share amounts)

	2003	2002	2001
AUTOMOTIVE			
Sales (Note 1)	**$ 138,442**	$ 134,273	$ 130,736
Costs and expenses (Note 1)			
Cost of sales	**129,821**	125,043	128,348
Selling, administrative and other expenses	**10,152**	9,758	9,778
Total costs and expenses	**139,973**	134,801	138,126
Operating income/(loss)	**(1,531)**	(528)	(7,390)
Interest income	**870**	834	765
Interest expense	**1,370**	1,368	1,376
Net interest income/(expense)	**(500)**	(534)	(611)
Equity in net income/(loss) of affiliated companies	**74**	(91)	(856)
Income/(loss) before income taxes — Automotive	**(1,957)**	(1,153)	(8,857)
FINANCIAL SERVICES			
Revenues (Note 1)	**25,754**	27,983	29,768
Costs and expenses (Note 1)			
Interest expense	**6,320**	7,468	9,440
Depreciation	**8,779**	10,162	10,096
Operating and other expenses	**4,971**	4,974	5,133
Provision for credit and insurance losses	**2,357**	3,275	3,661
Total costs and expenses	**22,427**	25,879	28,330
Income/(loss) before income taxes — Financial Services	**3,327**	2,104	1,438
TOTAL COMPANY			
Income/(loss) before income taxes	**1,370**	951	(7,419)
Provision for/(benefit from) income taxes (Note 2)	**135**	301	(2,096)
Income/(loss) before minority interests	**1,235**	650	(5,323)
Minority interests in net income/(loss) of subsidiaries	**314**	367	24
Income/(loss) from continuing operations	**921**	283	(5,347)
Income/(loss) from discontinued/held-for-sale operations (Note 3)	**(8)**	(62)	(106)
Loss on disposal of discontinued/held-for-sale operations (Note 3)	**(154)**	(199)	-
Cumulative effect of change in accounting principle (Notes 13 and 7)	**(264)**	(1,002)	-
Net income/(loss)	**$ 495**	$ (980)	$ (5,453)
Income/(loss) attributable to Common and Class B Stock after Preferred Stock dividends	**$ 495**	$ (995)	$ (5,468)
Average number of shares of Common and Class B Stock outstanding (Note 14)	**1,832**	1,819	1,820
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK (Note 14)			
Basic income/(loss)			
Income/(loss) from continuing operations	**$ 0.50**	$ 0.15	$ (2.96)
Income/(loss) from discontinued/held-for-sale operations	**-**	(0.04)	(0.06)
Loss on disposal of discontinued/held-for-sale operations	**(0.09)**	(0.11)	-
Cumulative effect of change in accounting principle	**(0.14)**	(0.55)	-
Net income/(loss)	**$ 0.27**	$ (0.55)	$ (3.02)
Diluted income/(loss)			
Income/(loss) from continuing operations	**$ 0.50**	$ 0.15	$ (2.96)
Income/(loss) from discontinued/held-for-sale operations	**-**	(0.03)	(0.06)
Loss on disposal of discontinued/held-for-sale operations	**(0.09)**	(0.11)	-
Cumulative effect of change in accounting principle	**(0.14)**	(0.55)	-
Net income/(loss)	**$ 0.27**	$ (0.54)	$ (3.02)
Cash dividends	**$ 0.40**	$ 0.40	$ 1.05

The accompanying notes are part of the financial statements.

CONSOLIDATED STATEMENT OF INCOME

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2003, 2002 and 2001
(in millions, except per share amounts)

	2003	2002	2001
Sales and revenues			
Automotive sales	**$ 138,442**	$ 134,273	$ 130,736
Financial Services revenue	**25,754**	27,983	29,768
Total sales and revenues	**164,196**	162,256	160,504
Automotive interest income	**870**	834	765
Costs and expenses			
Cost of sales	**129,821**	125,043	128,348
Selling, administrative and other expenses	**23,902**	24,894	25,007
Interest expense	**7,690**	8,836	10,816
Provision for credit and insurance losses	**2,357**	3,275	3,661
Total costs and expenses	**163,770**	162,048	167,832
Automotive equity in net income/(loss) of affiliated companies	**74**	(91)	(856)
Income/(loss) before income taxes	**1,370**	951	(7,419)
Provision for/(benefit from) income taxes	**135**	301	(2,096)
Income/(loss) before minority interests	**1,235**	650	(5,323)
Minority interests in net income/(loss) of subsidiaries	**314**	367	24
Income/(loss) from continuing operations	**921**	283	(5,347)
Income/(loss) from discontinued/held-for-sale operations	**(8)**	(62)	(106)
Loss on disposal of discontinued/held-for-sale operations	**(154)**	(199)	-
Cumulative effect of change in accounting principle	**(264)**	(1,002)	-
Net income/(loss)	**$ 495**	$ (980)	$ (5,453)
Income/(loss) attributable to Common and Class B Stock after Preferred Stock dividends	**$ 495**	$ (995)	$ (5,468)
Average number of shares of Common and Class B Stock outstanding	**1,832**	1,819	1,820
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK			
Basic income/(loss)			
Income/(loss) from continuing operations	**$ 0.50**	$ 0.15	$ (2.96)
Income/(loss) from discontinued/held-for-sale operations	**-**	(0.04)	(0.06)
Loss on disposal of discontinued/held-for-sale operations	**(0.09)**	(0.11)	-
Cumulative effect of change in accounting principle	**(0.14)**	(0.55)	-
Net income/(loss)	**$ 0.27**	$ (0.55)	$ (3.02)
Diluted income/(loss)			
Income/(loss) from continuing operations	**$ 0.50**	$ 0.15	$ (2.96)
Income/(loss) from discontinued/held-for-sale operations	**-**	(0.03)	(0.06)
Loss on disposal of discontinued/held-for-sale operations	**(0.09)**	(0.11)	-
Cumulative effect of change in accounting principle	**(0.14)**	(0.55)	-
Net income/(loss)	**$ 0.27**	$ (0.54)	$ (3.02)
Cash dividends	**$ 0.40**	$ 0.40	$ 1.05

The accompanying notes are part of the financial statements.

SECTOR BALANCE SHEET

FORD MOTOR COMPANY AND SUBSIDIARIES
As of December 31, 2003 and 2002
(in millions)

	2003	2002
ASSETS		
Automotive		
Cash and cash equivalents	**$ 5,427**	$ 5,157
Marketable securities (Note 4)	**10,749**	17,464
Loaned securities (Note 4)	**5,667**	-
Total cash, marketable and loaned securities	**21,843**	22,621
Receivables, less allowances of $384 and $374	**2,721**	2,047
Inventories (Note 5)	**9,181**	6,977
Deferred income taxes	**3,225**	3,462
Other current assets	**6,839**	4,547
Current receivable from Financial Services	**-**	1,062
Total current assets	**43,809**	40,716
Equity in net assets of affiliated companies	**1,930**	2,470
Net property (Note 6)	**41,993**	36,352
Deferred income taxes	**12,092**	11,694
Goodwill (Note 7)	**5,378**	4,719
Other intangible assets (Note 7)	**876**	812
Assets of discontinued/held-for-sale operations	**68**	246
Other assets	**14,495**	10,781
Total Automotive assets	**120,641**	107,790
Financial Services		
Cash and cash equivalents	**16,343**	7,064
Investments in securities (Note 4)	**1,123**	807
Finance receivables, net (Note 8)	**110,893**	97,007
Net investment in operating leases (Note 9)	**31,859**	39,727
Retained interest in sold receivables (Note 8)	**13,017**	17,618
Goodwill (Note 7)	**769**	749
Other intangible assets (Note 7)	**239**	248
Assets of discontinued/held-for-sale operations	**388**	2,783
Other assets	**17,292**	16,626
Receivable from Automotive (Note 1)	**3,356**	4,803
Total Financial Services assets	**195,279**	187,432
Total assets	**$ 315,920**	$ 295,222
LIABILITIES AND STOCKHOLDERS' EQUITY		
Automotive		
Trade payables	**$ 15,289**	$ 14,579
Other payables	**2,942**	2,471
Accrued liabilities (Note 11)	**32,171**	27,615
Debt payable within one year (Note 12)	**1,806**	551
Current payable to Financial Services (Note 1)	**124**	-
Total current liabilities	**52,332**	45,216
Senior debt (Note 12)	**13,832**	13,607
Subordinated debt (Note 12)	**5,155**	-
Total long-term debt	**18,987**	13,607
Other liabilities (Note 11)	**45,104**	46,887
Deferred income taxes	**2,352**	303
Liabilities of discontinued/held-for-sale operations	**94**	213
Payable to Financial Services (Note 1)	**3,232**	4,803
Total Automotive liabilities	**122,101**	111,029
Financial Services		
Payables	**2,189**	1,886
Debt (Note 12)	**159,011**	148,054
Deferred income taxes	**11,061**	11,629
Other liabilities and deferred income	**9,211**	9,441
Liabilities of discontinued/held-for-sale operations	**37**	861
Payable to Automotive	**-**	1,062
Total Financial Services liabilities	**181,509**	172,933
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated debentures of the Company (Note 13)	**-**	5,670
Minority interests	**659**	-
Stockholders' equity		
Capital stock (Note 14)		
Common Stock, par value $0.01 per share (1,837 million shares issued)	**18**	18
Class B Stock, par value $0.01 per share (71 million shares issued)	**1**	1
Capital in excess of par value of stock	**5,374**	5,420
Accumulated other comprehensive income/(loss)	**(414)**	(6,531)
Treasury stock	**(1,749)**	(1,977)
Earnings retained for use in business	**8,421**	8,659
Total stockholders' equity	**11,651**	5,590
Total liabilities and stockholders' equity	**$ 315,920**	$ 295,222

The accompanying notes are part of the financial statements.

CONSOLIDATED BALANCE SHEET

FORD MOTOR COMPANY AND SUBSIDIARIES
As of December 31, 2003 and 2002
(in millions)

	2003	2002
ASSETS		
Cash and cash equivalents	**$ 21,770**	$ 12,221
Marketable securities	**11,872**	18,271
Loaned securities	**5,667**	-
Receivables, less allowances of $384 and $374	**2,721**	2,047
Finance receivables, net	**110,893**	97,007
Net investment in operating leases	**31,859**	39,727
Retained interest in sold receivables	**13,017**	17,618
Inventories	**9,181**	6,977
Equity in net assets of affiliated companies	**2,959**	3,569
Net property	**43,598**	37,923
Deferred income taxes	**7,389**	2,978
Goodwill	**6,147**	5,468
Other intangible assets	**1,115**	1,060
Assets of discontinued/held-for-sale operations	**456**	3,029
Other assets	**35,950**	29,227
Total assets	**$ 304,594**	$ 277,122
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payables	**$ 20,420**	$ 18,936
Accrued liabilities	**29,591**	25,059
Debt	**179,804**	162,212
Other liabilities and deferred income	**53,899**	56,270
Deferred income taxes	**8,439**	2,311
Liabilities of discontinued/held-for-sale operations	**131**	1,074
Total liabilities	**292,284**	265,862
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated debentures of the Company	**-**	5,670
Minority interests	**659**	-
Stockholders' equity		
Capital stock		
Common Stock, par value $0.01 per share (1,837 million shares issued)	**18**	18
Class B Stock, par value $0.01 per share (71 million shares issued)	**1**	1
Capital in excess of par value of stock	**5,374**	5,420
Accumulated other comprehensive income/(loss)	**(414)**	(6,531)
Treasury stock	**(1,749)**	(1,977)
Earnings retained for use in business	**8,421**	8,659
Total stockholders' equity	**11,651**	5,590
Total liabilities and stockholders' equity	**$ 304,594**	$ 277,122

The accompanying notes are part of the financial statements.

SECTOR STATEMENT OF CASH FLOWS

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2003, 2002 and 2001
(in millions)

	2003		2002		2001	
	Automotive	**Financial Services**	Automotive	Financial Services	Automotive	Financial Services
CASH AND CASH EQUIVALENTS AT JANUARY 1	**$ 5,157**	**$ 7,064**	$ 4,053	$ 3,131	$ 3,360	$ 1,416
Cash flows from operating activities before securities trading (Note 17)	**1,336**	**17,052**	9,481	15,261	7,440	13,077
Net sales/(purchases) of trading securities	**1,282**	**525**	(6,206)	(23)	1,143	120
Net cash flows from operating activities	**2,618**	**17,577**	3,275	15,238	8,583	13,197
Cash flows from investing activities						
Capital expenditures	**(7,370)**	**(379)**	(6,776)	(502)	(6,301)	(651)
Acquisitions of receivables and lease investments	**-**	**(62,980)**	-	(81,690)	-	(93,982)
Collections of receivables and lease investments	**-**	**42,727**	-	45,767	-	45,121
Net acquisitions of daily rental vehicles	**-**	**(1,505)**	-	(1,846)	-	(1,412)
Purchases of securities	**(8,925)**	**(1,149)**	(3,446)	(609)	(12,489)	(734)
Sales and maturities of securities	**8,673**	**709**	3,445	479	13,866	759
Proceeds from sales of receivables and lease investments	**-**	**21,145**	-	41,289	-	41,419
Proceeds from sale of businesses	**77**	**204**	257	-	-	-
Repayment of debt from discontinued operations	**-**	**1,421**	-	-	-	-
Net investing activity with Financial Services	**3,708**	**-**	1,053	-	186	-
Cash paid for acquisitions	**-**	**-**	(289)	-	(1,998)	(737)
Cash recognized on initial consolidation of joint ventures	**256**	**-**	-	-	-	-
Other	**716**	**55**	-	407	372	250
Net cash (used in)/provided by investing activities	**(2,865)**	**248**	(5,756)	3,295	(6,364)	(9,967)
Cash flows from financing activities						
Cash dividends	**(733)**	**-**	(743)	-	(1,929)	-
Net sales/(purchases) of Common Stock	**9**	**-**	287	-	(1,385)	-
Proceeds from mandatorily redeemable convertible preferred securities	**-**	**-**	4,900	-	-	-
Preferred Stock – Series B redemption	**-**	**-**	(177)	-	-	-
Changes in short-term debt	**(237)**	**1,542**	(31)	(14,140)	38	(18,344)
Proceeds from issuance of other debt	**1,144**	**21,942**	318	15,524	2,063	44,193
Principal payments on other debt	**(1,097)**	**(27,683)**	(859)	(15,760)	(1,122)	(26,193)
Net financing activity with Automotive	**-**	**(3,708)**	-	(1,053)	-	(186)
Other	**(15)**	**(4)**	(23)	369	261	(185)
Net cash (used in)/provided by financing activities	**(929)**	**(7,911)**	3,672	(15,060)	(2,074)	(715)
Effect of exchange rate changes on cash	**260**	**551**	37	336	(101)	(151)
Net transactions with Automotive/Financial Services	**1,186**	**(1,186)**	(124)	124	649	(649)
Net increase/(decrease) in cash and cash equivalents	**270**	**9,279**	1,104	3,933	693	1,715
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**$ 5,427**	**$ 16,343**	$ 5,157	$ 7,064	$ 4,053	$ 3,131

The accompanying notes are part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2003, 2002 and 2001
(in millions)

	2003	2002	2001
CASH AND CASH EQUIVALENTS AT JANUARY 1	**$ 12,221**	$ 7,184	$ 4,776
Cash flows from operating activities before securities trading	**18,388**	24,742	20,517
Net sales/(purchases) of trading securities	**1,807**	(6,229)	1,263
Net cash flows from operating activities	**20,195**	18,513	21,780
Cash flows from investing activities			
Capital expenditures	**(7,749)**	(7,278)	(6,952)
Acquisitions of receivables and lease investments	**(62,980)**	(81,690)	(93,982)
Collections of receivables and lease investments	**42,727**	45,767	45,121
Net acquisitions of daily rental vehicles	**(1,505)**	(1,846)	(1,412)
Purchases of securities	**(10,074)**	(4,055)	(13,223)
Sales and maturities of securities	**9,382**	3,924	14,625
Proceeds from sales of receivables and lease investments	**21,145**	41,289	41,419
Proceeds from sale of businesses	**281**	257	-
Repayment of debt from discontinued operations	**1,421**	-	-
Cash paid for acquisitions	**-**	(289)	(2,735)
Cash recognized on initial consolidation of joint ventures	**256**	-	-
Other	**771**	407	622
Net cash (used in)/provided by investing activities	**(6,325)**	(3,514)	(16,517)
Cash flows from investing activities			
Cash dividends	**(733)**	(743)	(1,929)
Net sales/(purchases) of Common Stock	**9**	287	(1,385)
Proceeds from mandatorily redeemable convertible preferred securities	**-**	4,900	-
Preferred Stock – Series B redemption	**-**	(177)	-
Changes in short-term debt	**1,305**	(14,171)	(18,306)
Proceeds from issuance of other debt	**23,086**	15,842	46,256
Principal payments on other debt	**(28,780)**	(16,619)	(27,315)
Other	**(19)**	346	76
Net cash (used in)/provided by financing activities	**(5,132)**	(10,335)	(2,603)
Effect of exchange rate changes on cash	**811**	373	(252)
Net increase/(decrease) in cash and cash equivalents	**9,549**	5,037	2,408
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**$ 21,770**	$ 12,221	$ 7,184

The accompanying notes are part of the financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2003, 2002 and 2001
(in millions)

	Capital Stock	Capital in Excess of Par Value of Stock	Retained Earnings	Other Comprehensive Income/(Loss): Foreign Currency Translation	Other Comprehensive Income/(Loss): Minimum Pension Liability	Other Comprehensive Income/(Loss): Derivative Instruments and Other	Other	Total
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/(loss)								
Net loss			(5,453)					(5,453)
Foreign currency translation				(1,240)				(1,240)
Net loss on derivative instruments (net of tax of $592) (Note 16)				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/(loss)								
Net loss			(980)					(980)
Foreign currency translation				2,938				2,938
Net gain on derivative instruments (net of tax of $822) (Note 16)				(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
YEAR ENDED DECEMBER 31, 2003								
Balance at beginning of year	**$ 19**	**$ 5,420**	**$ 8,659**	**$ (1,291)**	**$ (5,776)**	**$ 536**	**$ (1,977)**	**$ 5,590**
Comprehensive income/(loss)								
Net income			**495**					**495**
Foreign currency translation				**3,075**				**3,075**
Net gain on derivative instruments (net of tax of $430) (Note 16)				**(191)**		**989**		**798**
Minimum pension liability (net of tax of $1,208)					**2,243**			**2,243**
Net holding gain (net of tax of $1)						**1**		**1**
Comprehensive income								**6,612**
Common Stock issued for employee benefit plans and other		**(46)**						**(46)**
Treasury stock							**228**	**228**
Cash dividends			**(733)**					**(733)**
Balance at end of year	**$ 19**	**$ 5,374**	**$ 8,421**	**$ 1,593**	**$ (3,533)**	**$ 1,526**	**$ (1,749)**	**$ 11,651**

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 better understand the operating performance, financial position, cash flow and liquidity of our two very different businesses.

Our financial statements include consolidated majority-owned subsidiaries. Effective July 1, 2003, our financial statements also include consolidated variable interest entities ("VIEs") of which we are the primary beneficiary (see Note 13). Affiliates that we do not consolidate, but for which we have significant influence over operating and financial policies, are accounted for using the equity method.

Prior period amounts in our sector financial statements, consolidated financial statements and notes have been reclassified to reflect discontinued/held-for-sale operations. In addition, certain amounts previously disclosed in our press release and current report on Form 8-K dated January 22, 2004 have been reclassified.

CASH AND CASH EQUIVALENTS
Cash and all highly liquid investments with a maturity of three months or less at the date of purchase, including short-term time deposits and government agency and corporate obligations, are classified as *Cash and cash equivalents.*

USE OF ESTIMATES
The financial statements are prepared in conformity with generally accepted accounting principles in the United States. 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.

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 lease revenue is recognized over the term of the lease and a gain or loss on the remaining residual value is recognized when the vehicles are sold at auction. The carrying value of these vehicles, included in other current assets, was $2.2 billion and $2.0 billion at December 31, 2003 and 2002, respectively.

Investment income generated from investments in marketable securities and other miscellaneous receivables is reported as *Interest income.*

REVENUE RECOGNITION — FINANCIAL SERVICES SECTOR
Revenue from finance receivables, including interest, 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 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.

NOTE 1. Accounting Policies (continued)

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.

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):

	2003	2002	2001
Advertising	**$ 2.7**	$ 2.9	$ 3.1
Engineering, research and development	**7.5**	7.7	7.3

SALE OF RECEIVABLES
Ford Credit sells finance receivables to special purpose entities in securitization transactions. The receivables are removed from our 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. Receivables are considered sold when the receivables are transferred beyond the reach of our creditors, the transferee has the right to pledge or exchange the assets and we have surrendered control over the rights and obligations of the receivables.

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 *Accumulated other comprehensive income/(loss),* a component of stockholders' equity.

FOREIGN CURRENCY TRANSLATION
Results of operations and cash flows of foreign subsidiaries are, in most cases, translated to U.S. dollars at average-period currency exchange rates. Assets and liabilities are translated at end-of-period exchange rates.

Included in the statement of income is the impact of re-measuring assets and liabilities of foreign subsidiaries using U.S. dollars as their functional currency, gains and losses arising from transactions denominated in a currency other than the functional currency, and the results of our foreign currency hedging activities (Note 16). The net income effects of these adjustments were gains of $454 million, and losses of $19 million, and $315 million in 2003, 2002, and 2001 respectively.

Translation adjustments related to foreign subsidiaries using the local currency as their functional currency are generally included in *Accumulated other comprehensive income/(loss),* a component of stockholders' equity. Translation adjustments were a $2.9 billion increase in 2003, a $2.9 billion increase in 2002 and a $1.1 billion decrease in 2001.

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. An asset group is considered impaired when the anticipated separately identifiable cash flows from the asset group are less than the carrying value.

STOCK OPTIONS
Effective January 1, 2003, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation,* for stock-based employee compensation. Under the modified prospective method of adoption selected by the Company under the provisions of SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure,* stock-based employee compensation expense recognized in 2003 is the same as that which would have been recognized had the fair value recognition provisions of SFAS No. 123 been applied to all awards from its original effective date. Results of prior years have not been restated.

The following table illustrates the effect on net income and earnings per share if the fair value method had been applied to all unvested outstanding stock option awards in each year (in millions):

	2003	2002	2001
Income/(loss) attributable to Common and Class B Stock after Preferred Stock dividends, as reported	**$ 495**	$ (995)	$ (5,468)
Add: Employee stock option expense included in reported net income, net of related tax effects	**112**	-	-
Deduct: Total employee stock option expense determined under fair value method for all awards, net of related tax effects	**(112)**	(179)	(162)
Pro forma net income/(loss)	**$ 495**	$ (1,174)	$ (5,630)
Amounts per share:			
Basic — as reported	**$ 0.27**	$ (0.55)	$ (3.02)
Basic — pro forma	**0.27**	(0.65)	(3.11)
Diluted — as reported	**$ 0.27**	$ (0.54)	$ (3.02)
Diluted — pro forma	**0.27**	(0.64)	(3.11)

TRANSACTIONS BETWEEN AUTOMOTIVE AND FINANCIAL SERVICES SECTORS
Intersector transactions occur in the ordinary course of business. The Company and Ford Motor Credit Company ("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):

	2003		2002	
	Automotive	**Financial Services**	Automotive	Financial Services
Finance receivables, net a/		**$ 2.9**		$ 2.5
Net investment in operating leases b/		**4.1**		4.0
Other assets c/		**1.2**		1.5
Intersector non-current receivables/(payables) d/	**$ (3.2)**	**3.2**	$ (4.8)	4.8
Intersector current receivables/(payables) e/	**(0.1)**	**0.1**	1.1	(1.1)

a/ Automotive receivables (generated primarily from vehicle and parts sales to third parties) sold to Ford Credit.

b/ Primarily Automotive vehicles used by Hertz for rental ($3.2 billion in 2003 and $3.0 billion in 2002) and Ford Credit vehicles leased to employees of the Company ($0.9 billion in 2003 and $1.0 billion in 2002).

c/ Primarily used vehicles purchased by Ford Credit on behalf of the Company pursuant to 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/ Primarily amounts due Ford Credit from Automotive under a tax sharing agreement.

e/ Net result of all other transactions including receivables of Ford Credit from Automotive's consolidated dealerships and a tax sharing agreement between Automotive and Hertz.

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 $3.5 billion in 2003, $3.7 billion in 2002, and $4.1 billion in 2001.

The Automotive sector records the estimated costs for these sales incentive programs as described above under "Marketing Incentives."

NOTE 2. INCOME TAXES

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

	2003	2002	2001
Income/(loss) before income taxes (in millions)			
U.S.	**$ (209)**	$ 1,112	$ (5,785)
Non-U.S.	**1,496**	(79)	(786)
Total	**$ 1,287**	$ 1,033	$ (6,571)
Provision for income taxes (in millions)			
Current:			
Federal	**$ (149)**	$ (423)	$ 22
Non-U.S.	**653**	547	104
State and local	**32**	-	-
Total Current	**536**	124	126
Deferred:			
Federal	**(209)**	224	(2,072)
Non-U.S.	**(129)**	(120)	(248)
State and local	**(63)**	73	98
Total Deferred	**(401)**	177	(2,222)
Total	**$ 135**	$ 301	$ (2,096)
Reconciliation of effective tax rate			
U.S. statutory rate	**35%**	35%	35%
Non-U.S. income taxes	**(2)**	(3)	(2)
State and local income taxes	**(2)**	5	(1)
Deductible dividends	**(4)**	(8)	2
General business credits	**(12)**	(20)	2
Dispositions and restructurings	**-**	20	-
Other	**(5)**	-	(4)
Effective rate	**10%**	29%	32%

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examinations of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ materially from the amount accrued. No provision for deferred taxes has been made on $860 million of unremitted earnings (primarily prior to 1998) that are considered to be indefinitely invested in non-U.S. subsidiaries. Deferred taxes for these unremitted earnings are not practicable to estimate.

The components of deferred tax assets and liabilities at December 31 were as follows (in millions):

	2003	2002
Deferred taxes at December 31		
Deferred tax assets		
Employee benefit plans	**$ 6,721**	$ 8,219
Dealer and customer allowances and claims	**3,177**	3,132
Tax credit carryforwards	**2,370**	2,085
Other foreign deferred tax assets	**2,012**	2,135
Allowance for credit losses	**1,930**	1,886
All other	**5,196**	4,135
Total deferred tax assets	**21,406**	21,592
Deferred tax liabilities		
Leasing transactions	**7,956**	8,418
Depreciation and amortization (excluding leasing transactions)	**6,511**	5,860
Finance receivables	**2,953**	2,837
All other	**5,036**	3,810
Total deferred tax liabilities	**22,456**	20,925
Net deferred tax assets/(liabilities)	**$ (1,050)**	$ 667

Operating loss carryforwards for tax purposes were $4.6 billion at December 31, 2003. A substantial portion of these losses has an indefinite carryforward period; the remaining losses will begin to expire in 2004. Tax credits available to offset future tax liabilities are $2.4 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. Management believes that it is more likely than not that the deferred tax assets will be realized.

NOTE 3. DISCONTINUED AND HELD-FOR-SALE OPERATIONS

AUTOMOTIVE SECTOR

The Automotive sector completed the sale of several of its non-core businesses initiated in 2002, including our former automotive recycling businesses in the United States and Canada and our electric vehicle business in Norway. Associated with these sales, we recorded after-tax net losses of $168 million in 2002 reflected in *Loss on disposal of discontinued/held-for sale operations.*

During the fourth quarter of 2003, management committed to sell certain additional non-core Automotive sector businesses. We expect to sell or unwind these businesses during 2004 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 $99 million in 2003, on the anticipated loss on sale of these assets, reflected in *Loss on disposal of discontinued/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.

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

	2003	2002	2001
Sales	**$ 214**	$ 393	$ 316
Income/(loss) before income taxes	**$ (16)**	$ (146)	$ (175)
Provision for/(benefit from) income taxes	**(5)**	(51)	(60)
Net income/(loss) from discontinued/held-for-sale operations	**$ (11)**	$ (95)	$ (115)

At December 31, 2003 and 2002, inventories associated with discontinued and held-for-sale operations totaled $2 million and $52 million, respectively. At December 31, 2003 and 2002, net property of the entities totaled $8 million and $40 million, respectively.

FINANCIAL SERVICES SECTOR

The Financial Services sector completed the sale, initiated in 2002, of its all-makes vehicle fleet leasing operations in Europe, New Zealand and Australia. We recognized an after-tax charge of $31 million in 2002, reflected in *Loss on disposal of discontinued/held-for-sale operations.* This amount represents the difference between the selling price of these assets, less costs to sell them, and their recorded book value.

During the fourth quarter of 2003, management committed to a plan to sell a wholly-owned subsidiary in the U.S. that offers full service car and truck leasing. We expect to complete the sale of this business during 2004 and have reported this business as held-for-sale under SFAS No. 144 for all periods shown. We recognized an after-tax charge of $55 million in 2003 on the anticipated loss on sale of these assets, reflected in *Loss on disposal of discontinued/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.

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

	2003	2002	2001
Revenues	**$ 95**	$ 293	$ 254
Income/(loss) before income taxes	**$ 4**	$ 41	$ 14
Provision for/(benefit from) income taxes	**1**	8	5
Net income/(loss) from discontinued/held-for-sale operations	**$ 3**	$ 33	$ 9

NOTE 4. MARKETABLE, LOANED 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 *Accumulated 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, 2003 and 2002, these bonds had a fair value of $210 million and $161 million, respectively.

We loan certain securities from our portfolio to other institutions. Such securities are classified as *Loaned securities* on the balance sheet. Collateral for the loaned securities, consisting of cash or other securities, is required to be maintained at a rate of 102% of the market value of a loaned security. Cash collateral received is recorded as an asset in *Other current assets,* offset by an obligation to return the collateral in *Other payables.* Income received from loaning securities is recorded as *Interest income.*

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

	2003				2002			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Book/Fair Value**	Amortized Cost	Unrealized Gains	Unrealized Losses	Book/Fair Value
Automotive								
Trading	**$ 14,502**	**$ 69**	**$ 4**	**$ 14,567**	$ 15,725	$ 145	$ 1	$ 15,869
Available-for-sale:								
Corporate debt	**1,850**	**10**	**11**	**1,849**	1,576	21	2	1,595
Total	**$ 16,352**	**$ 79**	**$ 15**	**$ 16,416**	$ 17,301	$ 166	$ 3	$ 17,464
Financial Services								
Trading	**$ 501**	**$ -**	**$ -**	**$ 501**	$ 143	$ -	$ -	$ 143
Available-for-sale:								
U.S. government and agency	**113**	**3**	**1**	**115**	163	9	-	172
Municipal	**13**	**-**	**-**	**13**	1	-	-	1
Government — non U.S.	**65**	**4**	**-**	**69**	20	-	-	20
Corporate debt	**156**	**5**	**-**	**161**	172	10	-	182
Mortgage-backed	**177**	**5**	**1**	**181**	215	9	-	224
Equity	**47**	**31**	**3**	**75**	46	20	7	59
Total	**571**	**48**	**5**	**614**	617	48	7	658
Held-to-maturity:								
U.S. government	**8**	**-**	**-**	**8**	6	-	-	6
Total	**$ 1,080**	**$ 48**	**$ 5**	**$ 1,123**	$ 766	$ 48	$ 7	$ 807

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

	Proceeds			**Gains/(Losses)**		
	2003	2002	2001	**2003**	2002	2001
Automotive	**$ 8,673**	$ 3,445	$ 12,489	**$ 9**	$ 24	$ 47
Financial Services	**703**	479	745	**14**	6	11

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):

	2003				2002			
	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
Automotive								
1 year	**$ 257**	**$ 258**	**$ -**	**$ -**	$ 291	$ 294	$ -	$ -
2-5 years	**1,231**	**1,227**	**-**	**-**	993	1,004	-	-
6-10 years	**188**	**188**	**-**	**-**	169	172	-	-
11 years and later	**174**	**176**	**-**	**-**	123	125	-	-
Total	**$ 1,850**	**$ 1,849**	**$ -**	**$ -**	$ 1,576	$ 1,595	$ -	$ -
Financial Services								
1 year	**$ 50**	**$ 51**	**$ -**	**$ -**	$ 6	$ 6	$ -	$ -
2-5 years	**146**	**149**	**6**	**6**	167	173	3	3
6-10 years	**88**	**93**	**-**	**-**	97	103	1	1
11 years and later	**63**	**65**	**2**	**2**	85	93	2	2
Mortgage-backed securities	**177**	**181**	**-**	**-**	216	224	-	-
Equity securities	**47**	**75**	**-**	**-**	46	59	-	-
Total	**$ 571**	**$ 614**	**$ 8**	**$ 8**	$ 617	$ 658	$ 6	$ 6

NOTE 5. INVENTORIES — AUTOMOTIVE SECTOR

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

	2003	2002
Raw materials, work-in-process and supplies	**$ 3,842**	$ 3,174
Finished products	**6,335**	4,760
Total inventories at FIFO	**10,177**	7,934
Less LIFO adjustment	**(996)**	(957)
Total inventories	**$ 9,181**	$ 6,977

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 Depreciable Life (Years)	**2003**	2002
Land		**$ 675**	$ 598
Buildings and land improvements	30	**12,204**	10,337
Machinery, equipment and other	14	**44,582**	39,358
Construction in progress		**2,652**	2,688
Total land, plant and equipment		**60,113**	52,981
Accumulated depreciation		**(30,112)**	(26,568)
Net land, plant and equipment		**30,001**	26,413
Special tools, net of amortization	5	**11,992**	9,939
Net property		**$ 41,993**	$ 36,352

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

	2003	2002	2001
Depreciation	**$ 2,814**	$ 2,435	$ 5,287
Amortization of special tools	**2,658**	2,461	3,265
Total	**$ 5,472**	$ 4,896	$ 8,552 *
Maintenance and rearrangement	**$ 1,791**	$ 1,962	$ 2,035

** Includes impairment charges of $3,555 million in 2001 (see Note 18).*

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 and requires annual testing for impairment (comparison of estimated fair value to carrying value). In 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. We perform annual testing in the second quarter to determine if any impairment has occurred. No impairment resulted from our annual test in the second quarter of 2003.

Changes in the carrying amount of goodwill are as follows (in millions):

	Automotive Sector		**Financial Services Sector**	
	Americas	**International**	**Ford Credit**	**Hertz**
Beginning balance, December 31, 2002	$ 168	$ 4,551	$ 126	$ 623
Exchange translation/other	6	653	3	17
Ending balance, December 31, 2003	$ 174	$ 5,204	$ 129	$ 640

In addition, included within *Equity in net assets of affiliated companies* was goodwill of $390 million at December 31, 2003.

The components of identifiable intangible assets are as follows as of December 31, 2003 (in millions):

	Automotive Sector		**Financial Services Sector**	
	Amortizable	**Non-amortizable**	**Amortizable**	**Non-amortizable**
Gross carrying amount	$ 529	$ 449	$ 92	$ 189
Less: accumulated amortization	(102)	-	(42)	-
Net intangible assets	$ 427	$ 449	$ 50	$ 189

Pre-tax amortization expense related to these intangible assets for the years ended December 31, 2003 and 2002 was $35 million and $40 million, respectively. Intangible asset amortization is forecasted to range from $25 to $35 million per year for the next five years.

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, as reported	$ (5,453)	$ (3.02)	$ (3.02)
Add: amortization, after-tax	259 *	0.14	0.14
Pro forma net income/(loss)	$ (5,194)	$ (2.88)	$ (2.88)

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

NOTE 8. FINANCE RECEIVABLES — FINANCIAL SERVICES SECTOR

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

	2003	2002
Retail	**$ 80,973**	$ 71,479
Wholesale	**22,910**	16,827
Other finance receivables	**9,115**	11,054
Total finance receivables	**112,998**	99,360
Allowance for credit losses	**(2,436)**	(2,667)
Other	**331**	314
Net finance and other receivables	**$110,893**	$ 97,007

Finance receivables that originated outside the U.S. were $45.7 billion and $42.0 billion at December 31, 2003 and 2002, respectively. Other finance receivables consisted primarily of real estate, commercial and other collateralized loans and accrued interest. Included in wholesale and other finance receivables at December 31, 2003 and 2002 were $2.9 billion and $2.5 billion, respectively, of accounts receivable purchased by certain Financial Services sector operations from Automotive sector operations.

Future maturities, exclusive of the effects of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* of total finance receivables including minimum lease rentals are as follows (in billions): 2004 — $61.9; 2005 — $22.9; 2006 — $12.6; thereafter — $12.0. Experience indicates that a substantial portion of the portfolio generally is repaid before the contractual maturity dates.

Finance receivables subject to fair value at December 31, 2003 and 2002 were $102.9 billion and $88.3 billion, respectively. The fair value of these finance receivables at December 31, 2003 and 2002 was $103.9 billion and $89.9 billion, respectively.

Included in retail receivables above are investments in direct financing leases. The net investment at December 31 was as follows (in millions):

	2003	2002
Total minimum lease rentals to be received	**$ 5,532**	$ 5,660
Less: Unearned income	**(972)**	(1,048)
Loan origination costs	**42**	37
Estimated residual values	**4,017**	3,689
Less: Allowance for credit losses	**(139)**	(77)
Net investment in direct financing leases	**$ 8,480**	$ 8,261

The investment in direct financing leases relates to the leasing of vehicles, various types of transportation and other equipment and facilities. Future maturities of minimum lease rentals, as included above, are as follows (in billions): 2004 — $2.1; 2005 — $1.7; 2006 — $1.2; thereafter — $0.5.

The Financial Services sector sold receivables in off-balance sheet securitizations and whole-loan transactions and retained servicing rights. In off-balance sheet securitizations, we retain interests in the sold receivables, and with respect to subordinated retained interests, we have credit risk. At December 31, 2003, outstanding sold receivables were as follows (in billions):

	2003
Ford Credit — outstanding sold receivables	
Off-balance sheet securitizations	**$ 49.4**
Whole-loan sale transactions	**7.3**
Total	**$ 56.7**

NOTE 8. Finance Receivables — Financial Services Sector (continued)

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

	2003	2002
Wholesale receivables sold to securitization entities	**$ 9,249**	$ 12,454
Subordinated securities	**1,568**	2,845
Interest-only strips	**1,169**	1,696
Senior securities	**520**	-
Restricted cash held for the benefit of securitization entities	**511**	623
Total	**$ 13,017**	$ 17,618

Most of the retained interests in sold wholesale receivables represents our undivided interest in wholesale receivables that are available to support the issuance of additional securities by the securitization entity ($8.0 billion and $11.4 billion as of December 31, 2003 and 2002, respectively); the balance represents credit enhancements. Interest-only strips represent the right to receive collections on the sold finance receivables in excess of amounts needed by the securitization entities to pay interest and principal to investors, servicing fees and other required payments. Investments in subordinated securities and restricted cash are senior to interest-only strips.

Ford Credit uses a special purpose trust ("FCAR"), as a source of funds for its operations. FCAR's activities are limited to issuing asset-backed commercial paper and other securities and buying highly-rated asset-backed securities issued by securitization special purpose entities ("SPEs") sponsored by Ford Credit.

In the second quarter of 2003, Ford Credit purchased a portion of equity interests in FCAR from unaffiliated parties. As a result of this transaction, FCAR's assets, liabilities and results of operations were consolidated into Ford Credit's financial statements. In addition, the consolidation of FCAR also caused certain of the Ford Credit-sponsored securitization SPEs that sell asset-backed securities to FCAR to lose their status as qualifying SPEs under SFAS No. 140, A*ccounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* Consequently, the receivables previously sold by us to these SPEs were deemed to be reacquired ("reacquired receivables") by us in accordance with SFAS No. 140 requirements and were consolidated in the second quarter at fair value. Following the consolidation of FCAR, most sales of receivables to Ford Credit-sponsored SPEs that sell asset-back securities to FCAR will not qualify as an accounting sale and will be reported on-balance sheet.

The consolidation of FCAR and related securitization SPEs for financial reporting purposes did not change the bankruptcy-remote status of FCAR or the Ford Credit-sponsored securitization SPEs. The accounting consolidation did not have a material impact on Ford Credit's earnings, back-up credit facilities, unsecured debt funding programs or other securitization programs. No gain or loss was recorded upon consolidation.

At December 31, 2003, about $14.3 billion of retail installment receivables reported on our balance sheet have been sold for legal purposes to Ford Credit-sponsored securitization SPEs that sell asset-backed securities to FCAR and are available only to pay securitization investors and other participants and are not available to pay the obligations of Ford Credit or the claims of Ford Credit's creditors. These finance receivables supported $9.0 billion of asset-backed commercial paper issued by FCAR, which is payable solely out of collections on these receivables and is not the legal obligation of Ford Credit. At December 31, 2003, FCAR had capacity to issue externally an additional $3.9 billion of asset-backed commercial paper, based on the existing amount of retail installment receivables that supported this program.

NOTE 9. NET INVESTMENT IN OPERATING LEASES — FINANCIAL SERVICES SECTOR

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

	2003	2002
Vehicles and other equipment, at cost	**$ 44,098**	$ 53,287
Accumulated depreciation	**(11,615)**	(12,999)
Allowances for credit losses	**(624)**	(561)
Net investment in operating leases	**$ 31,859**	$ 39,727

Minimum rentals on operating leases are contractually due as follows: 2004 — $5.9 billion; 2005 — $4.0 billion; 2006 — $2.1 billion; 2007 — $656 million; 2008 — $214 million; thereafter — $464 million.

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. Operating lease depreciation expense (which includes gains and losses on disposal of assets) was $8.5 billion in 2003, $9.9 billion in 2002, and $9.9 billion in 2001.

NOTE 10. ALLOWANCE FOR CREDIT LOSSES — FINANCIAL SERVICES SECTOR

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 factors including historical credit loss trends, the credit quality of our present portfolio, trends in historical and projected used vehicle values and general economic measures. Additions to the allowance for credit losses are made by recording charges to the provision for credit losses on our income statement. In general, finance receivables and lease investments are charged to the allowance for credit losses at the earlier of when an account is deemed to be uncollectible or when an account is 120 days delinquent, 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 for finance receivables, investment in direct financing leases and investment in operating leases were as follows (in millions):

	2003	2002	2001
Beginning balance	**$ 3,228**	$ 2,806	$ 1,684
Provision for credit losses	**2,038**	3,000	3,397
Total charge-offs and recoveries:			
Charge-offs	**(2,581)**	(2,878)	(2,524)
Recoveries	**494**	486	375
Net losses	**(2,087)**	(2,392)	(2,149)
Other changes, principally amounts related to finance receivables sold and translation adjustment	**(119)**	(186)	(126)
Ending balance	**$ 3,060**	$ 3,228	$ 2,806

NOTE 11. LIABILITIES — AUTOMOTIVE SECTOR (IN MILLIONS)

	2003	2002
Accrued Liabilities (Current)		
Dealer and customer allowances and claims	**$ 16,098**	$ 14,165
Deferred income taxes	**2,996**	2,614
Deferred revenue	**2,587**	2,423
Accrued interest	**1,814**	1,705
Employee benefit plans	**1,732**	1,360
Postretirement benefits other than pensions	**1,397**	1,302
Other	**5,547**	4,046
Total accrued liabilities	**$ 32,171**	$ 27,615
Other Liabilities (Non-current)		
Postretirement benefits other than pensions	**$ 17,136**	$ 16,344
Unfunded pension obligation	**9,579**	12,818
Dealer and customer allowances and claims	**9,097**	9,125
Employee benefit plans	**5,189**	4,137
Other	**4,103**	4,463
Total other liabilities	**$ 45,104**	$ 46,887

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**	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
Debt payable within one year								
Short-term			**$ 608**	$ 432			**$ 1,238**	$ 1,083
Commercial paper			**-**	-			**17,295**	9,663
Other short-term			**-**	-			**9,234**	7,534
Total short-term debt	**5.3%**	6.8%	**608**	432	**2.1%**	4.3%	**27,767**	18,280
Long-term payable within one year								
Senior indebtedness			**510**	119			**30,480**	23,249
Subordinated indebtedness	**9.0%**	-	**688**	-	**-**	-	**-**	-
Total debt payable within one year			**1,806**	551			**58,247**	41,529
Long-term debt								
Senior indebtedness								
Notes and bank debt	**7.0%**	7.6%	**13,832**	13,607	**4.3%**	4.8%	**99,987**	105,770
Unamortized discount			**-**	-			**(66)**	(88)
Total senior indebtedness			**13,832**	13,607			**99,921**	105,682
Subordinated indebtedness	**6.5%**	-	**5,155**	-	**9.4%**	9.4%	**843**	843
Total long-term debt			**18,987**	13,607			**100,764**	106,525
Total debt			**$ 20,793**	$ 14,158			**$ 159,011**	$ 148,054
Fair value b/			**$ 19,847**	$ 12,516			**$ 162,635**	$ 151,576

	2004	**2005**	**2006**	**2007**	**2008**	**Thereafter**	**Maturity Average (Years)**
Long-term debt maturities							
Automotive	$ 1,198	$ 434	$ 459	$ 226	$ 363	$ 17,505	26
Financial Services	30,480	30,987	20,487	11,843	6,266	31,181	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.

SUBORDINATED INDEBTEDNESS

At December 31, 2003, Ford Motor Company Capital Trust, a subsidiary trust ("Trust I"), had outstanding 9% Trust Originated Preferred Securities with an aggregate liquidation preference of $632 million (the "Preferred Securities"). The sole assets of the Trust were $651 million aggregate principal amount of Ford Motor Company 9% Junior Subordinated Debentures due December 2025 (the "Debentures"). On January 2, 2004, we redeemed the Debentures, which reduced our subordinated debt included in *Debt payable within one year* by $688 million. The redemption of the Debentures resulted in the simultaneous mandatory redemption by Trust I of the Preferred Securities at $25 per share plus accrued and unpaid distributions.

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.

*CREDIT FACILITIES **

AUTOMOTIVE SECTOR

At December 31, 2003, the Automotive sector had $7.0 billion of contractually committed credit agreements with various banks of which $6.9 billion were available for use. Ninety-two percent of the total facilities are committed through June 30, 2008. Of the $7.0 billion, $6.8 billion constitute global credit facilities and may be used, at Ford's option, by any of its direct or indirect majority-owned subsidiaries on a guaranteed basis. Ford also has the ability to transfer, on a non-guaranteed basis, $2.5 billion of such global credit facilities to Ford Credit and $543 million to FCE Bank plc. ("FCE"), Ford Credit's European operation. All of the 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 our ability to borrow).

** Credit facilities of our Variable Interest Entities are excluded as we do not control their use.*

FINANCIAL SERVICES SECTOR

For additional funding and to maintain liquidity, Ford Credit and its majority-owned subsidiaries (including FCE) have contractually committed credit facilities with financial institutions that totaled approximately $7.7 billion at December 31, 2003, including $3.3 billion and $3.2 billion of global credit facilities at Ford Credit and FCE, respectively and $1.2 billion of non-global credit facilities with varying terms and conditions that support local financing needs. Approximately $1.0 billion of the total facilities were in use at December 31, 2003. Forty-seven percent of these facilities are committed through June 30, 2008. The global credit facilities may be used, at Ford Credit's or FCE's option, by any of their direct or indirect majority-owned subsidiaries. Ford Credit or FCE, as the case may be, will guarantee any such borrowings. All of the 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 our ability to borrow).

Additionally, at December 31, 2003, banks provided $18.6 billion of contractually committed liquidity facilities supporting two asset-backed commercial paper programs; $18.2 billion support Ford Credit's FCAR program and $425 million support Ford Credit's Motown Notes℠ Program.

In addition, Ford Credit also has entered into agreements with several bank-sponsored, commercial paper issuers under which such issuers in the aggregate are contractually committed to purchase from Ford Credit, at Ford Credit's option, up to $12.8 billion of receivables. The agreements have varying maturity dates between June 24, 2004 and October 29, 2004. As of December 31, 2003, approximately $4.4 billion of these commitments have been used. These agreements do not contain restrictive financial covenants (for example, debt-to-equity limitations or minimum net worth requirements) or material adverse change clauses that would relieve the bank-sponsored asset-backed commercial paper issuer of its obligation to purchase receivables, but do contain provisions that could terminate the unused portion of 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 Ford Credit's credit rating.

At December 31, 2003, Hertz had committed credit facilities totaling $2.8 billion. Of this amount, $1.3 billion represented global and other committed credit facilities ($810 million of which are available through June 30, 2008 and $488 million 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 2005; $215 million consisted of asset-backed Letters of Credit, and $814 million consisted of 364-day asset-backed commercial paper facilities.

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, an Interpretation of ARB No. 51,* which expands upon and strengthens existing accounting guidance concerning when a company should include in its financial statements the assets, liabilities and activities of another entity. A Variable Interest Entity ("VIE") does not share economic risk and rewards through typical equity ownership arrangements; instead, contractual or other relationships re-distribute economic risks and rewards among equity holders and other parties. Once an entity is determined to be a VIE, the party with the controlling financial interest, the primary beneficiary, is required to consolidate it. FIN 46 also requires disclosures about VIEs that the Company is not required to consolidate but in which it has a significant variable interest.

Effective July 1, 2003, we adopted FIN 46 for VIEs formed prior to February 1, 2003. As a result of consolidating the VIEs of which we are the primary beneficiary, in the third quarter of 2003, we recognized a non-cash charge of $264 million as the *Cumulative effect of change in accounting principle* in our statement of income. The charge represented the difference between the fair value of the assets, liabilities and minority interests recorded upon consolidation and the carrying value of the investments. Recorded assets excluded goodwill in accordance with FIN 46.

The liabilities recognized as a result of consolidating the VIEs do not represent additional claims on our general assets, rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against our general assets. Reflected in our December 31, 2003 balance sheet are $3.4 billion of VIE assets.

AUTOMOTIVE SECTOR

VIEs of which we are the primary beneficiary:

As of July 1, 2003, the Automotive sector consolidated certain joint ventures determined to be VIEs, which we have invested in and contracted with to manufacture and/or assemble vehicles and/or components. The activities with these joint ventures include purchasing substantially all of the joint ventures' output under a cost plus margin arrangement and/or volume dependent pricing. Described below are the most significant of the VIEs that were consolidated.

NOTE 13. Variable Interest Entities (continued)

Ford Otosan ("Otosan") is a joint venture in Turkey with Ford (41% partner), the Koc Group of Turkey (41% partner) and public investors (18%). Otosan is the single assembly supplier of the new Ford Transit Connect and an assembly supplier of the Ford Transit van.

Getrag Ford Transmissions GmbH ("GFT") is a 50/50 joint venture with Getrag Deutsche Venture GmbH & Co. Kg i.G., a German company, to which we transferred our European manual transmission operations in Halewood, England, Cologne, Germany and Bordeaux, France. GFT is the primary supplier of manual transmissions for use in our European vehicles.

ZF Transmission Technologies L.L.C. is a company jointly owned between Ford (49%) and ZF Friedrichshafen Germany ("ZF") (51%). At December 31, 2003, this company owned automatic transmission intellectual property and an automatic transmission plant in Batavia, Ohio (ZF Batavia, LLC). The Batavia, Ohio plant produces both a front wheel drive continuously variable transmission ("CVT") and a front wheel drive 4-speed automatic transmission for use in certain of our vehicles sold in North America and Europe. On February 3, 2004, Ford acquired 100% ownership of ZF Batavia, LLC (renamed Batavia Transmissions, LLC). Ford and ZF will maintain their joint ownership of ZF Transmission Technologies, LLC, which will concentrate on future CVT product development.

Tekfor Cologne Gmbh ("Tekfor") is a 50/50 joint venture with Neumayer Holdings GmbH, a German company, to which we transferred our Cologne forging operations. Tekfor produces transmission and chassis components for use in our vehicles. Tekfor was formed and consolidated in the second quarter of 2003.

We hold equity interests in certain Ford and/or Lincoln Mercury dealerships. As of July 1, 2003, we consolidated a portfolio of approximately 160 dealerships that are part of our Dealer Development program. The program's purpose is to facilitate the establishment of independent franchised dealers by allowing a participating dealership operator to become the sole owner of a Ford and/or Lincoln Mercury dealership corporation by purchasing equity from Ford using the operator's share of dealership net profits. We supply and finance the majority of vehicles and parts to these dealerships and the operators have a contract to buy Ford's equity interest over a period of time.

VIEs of which we are not the primary beneficiary:
At December 31, 2003, Ford had investments in two subsidiary trusts, Ford Motor Company Capital Trust I ("Trust I") and Ford Motor Company Capital Trust II ("Trust II") that are VIEs of which Ford is not the primary beneficiary. Prior to July 1, 2003, Trust I and Trust II were consolidated in our financial statements and the preferred securities of Trust I and Trust II were presented as Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated debentures of the Company on our balance sheet. Effective July 1, 2003, we deconsolidated Trust I and Trust II. Our obligation to Trust I is presented as *Debt payable within one year* and our obligation to Trust II is presented as *Subordinated debt* on our balance sheet. For further discussions of our obligations to Trust I and Trust II, see Notes 12 and 14.

Ford has several investments in other joint ventures deemed to be VIEs of which we are not the primary beneficiary. The risks and rewards associated with our interests in these entities are based primarily on ownership percentages. Our maximum exposure (approximately $104 million at December 31, 2003) to any potential losses, should they occur, associated with these VIEs is limited to our equity investments and, where applicable, receivables due from the VIEs.

FINANCIAL SERVICES SECTOR
FCAR is considered a VIE under FIN 46 and has been consolidated. See Note 8 for a description of FCAR.

Ford Credit has investments in certain joint ventures deemed to be VIEs of which it is not the primary beneficiary. The risks and rewards associated with Ford Credit's interests in these entities are based primarily on ownership percentages. Ford Credit's maximum exposure (approximately $125 million at December 31, 2003) to any potential losses, should they occur, associated with these VIEs is limited to its equity investments.

We also sell receivables to bank-sponsored asset-backed commercial paper issuers that are SPEs of the sponsor bank and are not consolidated by us. At December 31, 2003, these SPEs held about $5.5 billion of retail installment sale contracts previously owned by us.

NOTE 14. 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 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 12, 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, 2001	1,837	71	0.004
2002 — Series B Redemption	-	-	(0.004)
Issued at December 31, 2002 and 2003	1,837	71	0.000
Authorized at December 31, 2002 and 2003	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):

	2003	2002	2001
Diluted Income/(Loss)			
Income/(loss) from continuing operations	**$ 921**	$ 283	$ (5,347)
Less: Preferred Stock dividends	**-**	(15)	(15)
Income/(loss) from continuing operations attributable to Common and Class B Stock	**$ 921**	$ 268	$ (5,362)
Diluted Shares			
Average shares outstanding	**1,832**	1,819	1,820
Issuable and uncommitted ESOP share	**(2)**	(1)	(9)
Basic shares	**1,830**	1,818	1,811
Reverse antidilutive contingently issuable shares included above	**-**	-	(1)
Net dilutive effect of options	**13**	11	- a/
Convertible preferred securities	**- b/**	- b/	-
Diluted shares	**1,843**	1,829	1,810

Not included in calculation of diluted earnings per share due to their antidilutive effect:
a/ 30 million potential shares related to options in 2001.
b/ 282 million shares related to convertible preferred securities in 2003 and 2002.

NOTE 15. STOCK OPTIONS

We have stock options outstanding under two Long-term Incentive Plans ("LTIP"), the 1990 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 ten years from the grant date and, beginning in 2003, are expensed. Additionally, we have outstanding performance stock rights, restricted stock units, restricted stock grants and equivalents, and stock appreciation rights.

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, 2003, the number of unused shares carried forward aggregated to 36.2 million shares.

	2003		2002		2001	
Stock Option Activity (in millions)	**Shares**	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	**212.9**	**$ 20.88**	172.1	$ 22.01	153.7	$ 19.16
Granted	**31.3**	**7.93**	50.6	16.29	35.3	30.49
Exercised a/	**(4.2)**	**11.06**	(4.3)	7.63	(14.0)	12.07
Terminated/expired or surrendered	**(5.3)**	**19.90**	(5.5)	24.37	(2.9)	25.91
Outstanding, end of year	**234.7**	**19.34**	212.9	20.88	172.1	22.01
Exercisable, end of year	**161.7**	**21.44**	134.0	21.02	113.2	18.74

a/ Exercised at option prices ranging from $10.99 to $13.54 during 2003, $7.09 to $12.53 during 2002, and $5.75 to $26.59 during 2001.

Details on various stock 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	33.7	9.2	$ 8.10	1.2	$ 9.75
10.62 — 15.81	51.9	2.7	12.40	48.9	12.25
15.91 — 23.88	91.5	6.5	20.11	64.5	21.45
23.97 — 35.79	56.9	6.2	30.88	46.4	31.13
41.03 — 42.52	0.7	4.3	41.42	0.7	41.42
Total options	234.7			161.7	

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

	2003	2002	2001*
Fair value per option	**$ 2.07**	$ 5.76	$ 7.86
Assumptions:			
Annualized dividend yield	**5.1%**	2.5%	4.0%
Expected volatility	**39.3%**	35.0%	32.7%
Risk-free interest rate	**3.7%**	5.1%	4.9%
Expected option term (in years)	**7**	7	6

** Previously disclosed values adjusted to conform with SFAS 123 requirements.*

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

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS

We adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted, on January 1, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and requires that all derivatives be recorded at fair value on our 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. The objective of our risk management program is to manage the financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on derivatives used to hedge them. We have comprehensive hedge documentation that defines the hedging objectives, practices, procedures, and accounting treatment. Our hedging program and our derivative positions and strategy are reviewed on a regular basis by our management. In addition, we have entered into agreements that allow us to settle positive and negative positions with the same counterparty on a net basis.

Derivative positions are used only to manage identified exposures. We have elected to apply hedge accounting to a portion of our derivatives. Hedges that receive designated hedge accounting treatment are evaluated for effectiveness at the time they are designated as well as throughout the hedge period. Some derivatives do not qualify for hedge accounting under SFAS No. 133; for others, we elect not to apply hedge accounting treatment. For both of these, the mark to fair value is reported currently through earnings.

AUTOMOTIVE SECTOR

Adjustments to pre-tax income as a result of the ineffectiveness in our SFAS No. 133 designated hedges and our non-designated hedges, for the years ended December 31, were a gain of $237 million in 2003 and a loss of $437 million in 2002.

Cash Flow Hedges

We use forwards and options contracts, which qualify as cash flow hedges to manage our exposure to foreign currency exchange and commodity price risks. The effective portion of changes in the fair value of cash flow hedges is deferred in *Accumulated Other Comprehensive Income* ("OCI") and is recognized in *Cost of sales* when the hedged item affects earnings. We have excluded a time value component of derivatives on certain commodity hedges from the measurement of effectiveness. The amount of the excluded component was not significant in 2003 and 2002.

Derivatives used to manage financial exposures for foreign exchange and commodity price risks generally mature within three years or less, with a maximum maturity of five years. Cash flow hedges are discontinued when it is probable that the original forecasted transaction will not occur. Due to the change in contractual commitments and the discontinuation of hedges on certain foreign currency related debt, we recognized a net gain of $38 million in *Cost of sales* during 2003. The impact to earnings associated with hedge ineffectiveness from cash flow hedges was recorded in *Cost of sales* as a loss of $2 million in 2003 and a gain of $7 million in 2002.

Net Investment Hedges

We use designated foreign currency forward 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. The change in the value of these derivatives is recorded in OCI as a foreign currency translation adjustment. The ineffectiveness related to net investment hedges is recorded in *Cost of sales.* Gains of $95 million and of $97 million were recorded in 2003 and 2002, respectively.

Other Derivative Instruments

In accordance with corporate risk management policies, we use derivatives, such as forward contracts and options that economically hedge certain exposures. As previously stated, in certain instances we elect not to apply hedge accounting, which results in recording in income on a quarterly basis, the change in fair value of the derivative. Both the unrealized and realized gains and losses on derivatives that economically hedge commodity and foreign exchange exposures are reported in *Cost of Sales.* The impact to earnings associated with non-designated hedges was a gain of $106 million in 2003 and a loss of $541 million in 2002.

NOTE 16. Derivative Financial Instruments (continued)

FINANCIAL SERVICES SECTOR

Ford Credit's overall risk management objective is to maximize financing income while limiting the effect of changes in foreign currencies and interest rates. 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. Ford Credit also executes cross-currency swaps and foreign currency forwards to convert substantially all of the foreign currency debt obligations to the local currency of the receivables. Interest rate swaps are used to manage exposure to re-pricing risk, which arises when assets and the debt funding those assets have different re-pricing periods that consequently respond differently to interest rate changes.

Cash Flow Hedges

Ford Credit designates interest rate swaps as cash flow hedges to manage its exposure to interest rate risks. The impact to earnings associated with hedge ineffectiveness was recognized in *Revenues* as a gain of $3 million in 2003 and a gain of $1 million in 2002. In assessing hedge effectiveness for cash flow hedges related to interest rates, Ford Credit uses the variability of cash flows method and excludes accrued interest. Net interest settlements and accruals excluded from the assessment of hedge effectiveness were expenses of $482 million in 2003 and $765 million in 2002 and recorded in *Interest expense.* While net interest settlements and accruals are excluded from hedge effectiveness testing, they are included in evaluating the overall risk management objective.

Ford Credit's designated cash flow hedges include hedges of revolving commercial paper balances. At December 31, 2003, thirty months was the maximum length of time that forecasted transactions were hedged.

Fair Value Hedges

Ford Credit uses interest rate swaps to hedge its exposure to interest rate risk. Unrealized gains and losses on designated fair value hedges, along with the changes in the fair value of the underlying hedged exposure are recognized and recorded in *Revenues*. The impact to earnings from hedge ineffectiveness was a gain of $255 million in 2003 and a loss of $193 million in 2002. In assessing hedge effectiveness, we exclude certain components, representing accrued interest on the receive and pay legs of the swap. Net interest settlements and accrual income of $1.8 billion in 2003 and $1.5 billion in 2002 was recorded as a reduction in *Interest expense.* Ford Credit also excludes from the assessment of hedge effectiveness foreign exchange adjustments, representing the portion of the derivative's fair value attributable to the change in foreign currency exchange rates for the reporting period, which were favorable adjustments totaling $1.3 billion in 2003 and $1.5 billion in 2002. While net settlements and foreign currency adjustments are excluded from Ford Credit's hedge effectiveness testing, they are included in evaluating the overall risk management objective. The favorable adjustments related to the foreign currency derivatives reported above were offset by net unfavorable revaluation impacts on debt denominated in a currency other than the location's functional currency, which was also recorded in *Revenues.*

Net Investment Hedges

Ford Credit uses foreign currency forward exchange contracts and options to hedge the net asset of certain foreign entities to offset the translation and economic exposures related to its investment in foreign entities. Changes in the value of these derivatives are recorded in OCI as a foreign currency translation adjustment. Ineffectiveness, which is recognized in *Revenues*, was a loss of $17 million in 2003 and the amount in 2002 was not significant.

Other Derivative Instruments

In accordance with corporate risk management policies, Ford Credit uses derivative instruments, such as swaps and forward contracts that economically hedge certain exposures (foreign currency and interest rates). In certain instances, these derivatives do not qualify for hedge accounting treatment or Ford Credit elects not to apply hedge accounting (non-designated hedges). For non-designated hedges we recorded a gain of $58 million in 2003 and a loss of $33 million in 2002 related to unrealized gains and losses resulting from the effect of changes in interest rates. In addition, net interest settlements and accruals related to derivatives that were non-designated resulted in income of $105 million in 2003 and expense of $251 million in 2002. These net interest settlement and accrual amounts were included in evaluating Ford Credit's overall risk management objective. Unrealized and realized gains and losses related to certain non-designated foreign currency derivatives resulted in favorable adjustments totaling $1.9 billion in 2003 and $1.6 billion in 2002. The favorable adjustments related to foreign currency derivatives reported above were offset by net unfavorable revaluation impacts on the related debt denominated in a currency other than the location's functional currency. Both the unrealized and realized gains and losses on non-designated derivatives were recorded in *Revenues*.

SUMMARY OF OCI ACTIVITY

The following table summarizes activity in OCI excluding foreign currency translation adjustments on net investment hedges for both the Automotive and Financial Services sectors during the years ended December 31, (in millions):

	2003	2002
Beginning of year		
Net unrealized gain/(loss) on derivative financial instruments	**$ 313**	$ (1,228)
Increase/(decrease) in fair value of derivatives	**1,072**	847
Gains/(losses) reclassified from OCI	**(83)**	694
End of year		
Net unrealized gain/(loss) on derivative financial instruments	**$ 1,302**	$ 313

We expect to reclassify for Automotive and Financial Services sectors, existing net gains of $748 million from OCI to net income during the next twelve months as the hedged transaction is recognized in earnings. The effects of related underlying transactions will offset future reclassifications.

FAIR VALUE OF DERIVATIVE INSTRUMENTS

The fair value of derivatives reflects the price that a third party would be willing to pay or receive in arm's length transactions and includes mark-to-market adjustments to reflect the effects of changes in the related index. The following tables summarize the estimated fair value of our derivative financial instruments, taking into consideration the effects of legally enforceable netting agreements, at December 31 (in billions):

	2003		2002	
	Fair Value Assets	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Automotive				
Total derivative financial instruments	**$ 2.3**	**$ 0.6**	$ 1.4	$ 0.8
Financial Services				
Foreign currency swaps, forwards and options	**$ 6.3**	**$ 1.1**	$ 3.7	$ 0.8
Interest rate swaps	**3.9**	**0.2**	5.1	0.4
Impact of netting agreements	**(0.3)**	**(0.3)**	(0.4)	(0.4)
Total derivative financial instruments	**$ 9.9**	**$ 1.0**	$ 8.4	$ 0.8

NOTE 17. OPERATING CASH FLOWS BEFORE SECURITIES TRADING

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

	2003		2002		2001	
	Automotive	**Financial Services**	Automotive	Financial Services	Automotive	Financial Services
Net income/(loss) from continuing operations	**$ (1,091)**	**$ 2,012**	$ (985)	$ 1,268	$ (6,152)	$ 805
Depreciation and special tools amortization	**5,472**	**8,791**	4,896	10,181	4,997	10,139
Impairment charges (depreciation and amortization)	**-**	**-**	-	-	3,828	-
Amortization of goodwill and intangibles	**24**	**10**	21	18	296	31
Net losses/(earnings) from equity investments in excess of dividends remitted	**(2)**	**-**	134	13	845	(5)
Provision for credit/insurance losses	**-**	**2,357**	-	3,275	-	3,661
Foreign currency adjustments	**160**	**-**	51	-	(201)	-
Loss on sale of business	**-**	**-**	519	-	-	-
Stock option expense	**154**	**19**	-	-	-	-
Provision for deferred income taxes	**785**	**1,274**	(1,378)	595	(2,241)	538
Decrease/(increase) in accounts receivable and other current assets	**(1,445)**	**1,353**	2,568	(2,533)	1,225	(837)
Decrease/(increase) in inventory	**(505)**	**-**	(650)	-	1,125	-
Increase/(decrease) in accounts payable and accrued and other liabilities	**(1,786)**	**1,132**	3,928	2,678	4,707	(974)
Other	**(430)**	**104**	377	(234)	(989)	(281)
Cash flows from operating activities before securities trading	**$ 1,336**	**$ 17,052**	$ 9,481	$ 15,261	$ 7,440	$ 13,077

Automotive sector cash equivalents at December 31, 2003 and 2002 were $4.0 billion and $4.4 billion, respectively; Financial Services sector cash equivalents at December 31, 2003 and 2002 were $14.2 billion and $5.3 billion, respectively.

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

	2003	2002	2001
Interest	**$ 7,553**	$ 7,748	$ 9,946
Income taxes	**(1,046)**	(1,883)	929

NOTE 18. ACQUISITIONS, DISPOSITIONS, RESTRUCTURINGS AND OTHER ACTIONS

2003

European Charges — Reflecting the ongoing restructuring of the Ford Europe business unit of our International Automotive segment, we recorded pre-tax charges in Automotive cost of sales totaling $513 million in the third and fourth quarters of 2003. The charges included costs associated with employee separations. These actions and the approximate reduction in personnel are as follows:

	Number of Employees
Planned shift pattern changes at our Genk (Belgium) vehicle assembly plant	**2,900**
Manufacturing, engineering and staff efficiency actions in Cologne (Germany) and at various locations in the UK (1,170 salaried and 730 hourly)	**1,900**

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. Additionally, in 2002, we acquired a 19% equity stake in the acquisition company. Our disposal of our interest in Kwik-Fit was not reflected as a discontinued operation due to our continued involvement as an equity investor in the acquisition company. In 2003, we recognized pre-tax income of $49 million related to the acceleration of payments received on the note.

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 — With respect to our Ford Europe business unit of our International Automotive segment, we recorded a pre-tax charge in Automotive cost of sales of $173 million in the fourth quarter of 2002. These actions and the approximate reduction in personnel are as follows:

	Number of Employees
Planned transfer of the Transit vehicle production to the Ford Otosan (Turkey) joint venture, die-casting rationalization and other manufacturing actions (1,740 hourly and 60 salary)	1,800

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. These actions and the approximate reduction in personnel are as follows:

	Number of Employees
Line speed reduction at our Halewood (England) plant and efficiency actions (voluntary redundancy) (225 hourly and 715 salary)	940

2001

Asset Impairment Charges — 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.

Precious Metals Related Charges — Precious metals (primarily palladium) are used in catalytic converters, which are used in vehicles 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 substantially reduced our holdings in excess of those stocking requirements. Beginning in the fourth quarter of 2001, we wrote down the value of the excess metal to its estimated realizable value. In addition, precious metal forward contracts were settled in lieu of taking physical delivery of the related metal. Therefore, as required by SFAS No. 133, precious metal forward purchase contracts were marked-to-market. The total pre-tax charge for precious metals in the fourth quarter of 2001 was $953 million.

Other Charges — Other charges during the during the fourth quarter of 2001 included personnel charges of $565 million before taxes primarily reflected voluntary salaried employee separations in North America.

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 and was accounted for under the purchase method.

NOTE 19. 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 hired on or before December 31, 2003. 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. We established, effective January 1, 2004, a defined contribution plan generally covering new salaried U.S. employees hired on or after that date. Ford-UAW Retirement Plan expense accruals for UAW-represented employees assigned to Visteon ("Visteon Hourly Employees") 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.

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 $37 million in 2003, $23 million in 2002 and $167 million in 2001.

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.

In 2003, we agreed to relieve Visteon of its responsibility for the postretirement health care and life insurance liability related to service prior to June 30, 2000 for the Visteon Hourly Employees. This resulted in a one-time charge to expense of $1,646 million, and the forgiveness of associated Visteon promissory notes previously included in plan assets. Pursuant to the agreement, the expense associated with service after June 30, 2000 for Visteon Hourly Employees is charged to Visteon.

Postretirement health care and life insurance expense for former salaried Ford employees who transferred to Visteon and met certain age and service conditions at June 30, 2000 (the "Visteon Salaried Employees", and, together with the Visteon Hourly Employees, the "Visteon Employees") is also charged to Visteon.

A long-term receivable representing Visteon's remaining costs of postretirement health care and life insurance liability for the Visteon Employees in the amount of $480 million has been recorded by Ford. We expect the receivable to increase with expense charged to Visteon and to decrease as Visteon or the Visteon Voluntary Employees Beneficiary Association trust ("VEBA") makes cash payments to us directly in case of a payment from Visteon or to us as Ford Plan Administrator, in case of a payment from the Visteon VEBA.

Visteon has agreed to make a series of cash payments to the Visteon VEBA so that by December 31, 2049, the assets in the Visteon VEBA will equal Visteon's postretirement healthcare and life insurance liability for the Visteon Employees on that date. The cash payments to the Visteon VEBA will commence no later than January 2, 2006 for the Visteon Hourly Employees and January 1, 2011 for the Visteon Salaried Employees.

On December 8, 2003, the President signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The law provides for a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit at least actuarially equivalent to the benefit established by the law. We provide retiree drug benefits that exceed the value of the benefits that will be provided by Medicare Part D, and our retirees' out-of-pocket costs are less than they would be under Medicare Part D. Therefore, we have concluded that our plan is at least "actuarially equivalent" to the Medicare Part D plan and that we will be eligible for the subsidy. We have reflected the impact of the subsidy as an unrecognized gain, which reduced our benefit obligation by $1.8 billion at December 31, 2003. Final authoritative guidance, when issued by the FASB, could require us to re-determine the impact of this legislation.

The measurement date for our worldwide postretirement benefit plans is December 31. 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					
	2003	2002	2001	**2003**	2002	2001	**2003**	2002	2001
Service cost	**$ 600**	$ 556	$ 531	**$ 492**	$ 377	$ 396	**$ 521**	$ 427	$ 374
Interest cost	**2,442**	2,453	2,410	**1,170**	977	974	**2,004**	1,801	1,697
Expected return on assets	**(3,202)**	(3,646)	(3,697)	**(1,382)**	(1,265)	(1,184)	**(37)**	(85)	(161)
Amortization of:									
Prior service costs	**472**	529	532	**135**	137	138	**(179)**	(145)	(114)
(Gains)/losses and other	**33**	(130)	(367)	**148**	25	(101)	**532**	310	161
Separation programs	**-**	107	303	**128**	39	8	**-**	16	114
Visteon pre-spin liability	**-**	-	-	**-**	-	-	**1,646**	-	-
Allocated costs to Visteon	**(88)**	(62)	(58)	**-**	-	-	**(314)**	(228)	(149)
Net expense/(income)	**$ 257**	$ (193)	$ (346)	**$ 691**	$ 290	$ 231	**$ 4,173**	$ 2,096	$ 1,922

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			
	2003	2002	**2003**	2002	**2003**	2002
Change in Benefit Obligation						
Benefit obligation at January 1	**$ 37,153**	$ 35,223	**$ 20,698**	$ 15,991	**$ 30,263**	$ 25,433
Service cost	**600**	556	**492**	377	**521**	427
Interest cost	**2,442**	2,453	**1,170**	977	**2,004**	1,801
Amendments	**1,282**	(3)	**5**	133	**(372)**	(264)
Separation programs	**-**	132	**80**	102	**-**	16
Plan participant contributions	**39**	39	**134**	95	**28**	14
Benefits paid	**(2,697)**	(2,806)	**(1,018)**	(921)	**(1,419)**	(1,232)
Foreign exchange translation	**-**	-	**3,269**	1,980	**12**	4
Actuarial (gain)/loss	**1,644**	1,559	**(40)**	1,964	**1,325**	4,064
Benefit obligation at December 31	**$ 40,463**	$ 37,153	**$ 24,790**	$ 20,698	**$ 32,362**	$ 30,263
Change in Plan Assets						
Fair value of plan assets at January 1	**$ 29,877**	$ 35,819	**$ 12,363**	$ 12,935	**$ 2,834**	$ 2,692
Actual return on plan assets	**7,687**	(3,335)	**2,070**	(1,692)	**10**	64
Company contributions	**2,168**	181	**1,029**	611	**3,500**	893
Plan participant contributions	**39**	39	**134**	95	**-**	-
Benefits paid	**(2,697)**	(2,806)	**(1,018)**	(921)	**(877)**	(815)
Foreign exchange translation	**-**	-	**1,924**	1,322	**-**	-
Visteon Promissory Notes/Other	**(58)**	(21)	**46**	13	**(1,902)**	-
Fair value of plan assets at December 31	**$ 37,016**	$ 29,877	**$ 16,548**	$ 12,363	**$ 3,565**	$ 2,834
Funded status	**$ (3,447)**	$ (7,276)	**$ (8,242)**	$ (8,335)	**$(28,797)**	$(27,429)
Unamortized prior service costs	**3,640**	2,831	**790**	784	**(1,352)**	(1,161)
Unamortized net (gains)/losses and other	**3,917**	6,742	**7,122**	6,874	**11,075**	10,423
Net amount recognized	**$ 4,110**	$ 2,297	**$ (330)**	$ (677)	**$(19,074)**	$(18,167)

NOTE 19. Retirement Benefits (continued)

	Pension Benefits				Health Care and Life Insurance	
	U.S. Plans		Non-U.S. Plans			
	2003	2002	**2003**	2002	**2003**	2002
Amounts Recognized in the Balance Sheet Consist of Assets/(Liabilities)						
Prepaid assets	**$ 5,230**	$ 3,429	**$ 2,724**	$ 1,728	**$ -**	$ -
Accrued liabilities	**(5,807)**	(8,921)	**(7,792)**	(7,449)	**(19,074)**	(18,167)
Intangible assets	**2,916**	2,797	**874**	890	**-**	-
Accumulated other comprehensive income	**1,771**	4,992	**3,864**	4,154	**-**	-
Net amount recognized	**$ 4,110**	$ 2,297	**$ (330)**	$ (677)	**$ (19,074)**	$ (18,167)
Pension Plans in Which Accumulated Benefit Obligation Exceeds Plan Assets at December 31						
Accumulated benefit obligation	**$ 22,334**	$ 35,305	**$ 21,145**	$ 17,569		
Fair value of plan assets	**19,378**	29,773	**15,832**	11,756		
Accumulated Benefit Obligation at December 31	**$ 38,786**	$ 35,394	**$ 21,797**	$ 18,110		
Weighted Average Assumptions at December 31						
Discount rate	**6.25%**	6.75%	**5.61%**	5.65%	**6.25%**	6.75%
Expected return on assets	**8.75%**	8.75%	**8.38%**	8.40%	**6.20%**	6.00%
Average rate of increase in compensation	**4.50%**	5.20%	**3.80%**	3.80%	**-**	-
Initial health care cost trend rate	**-**	-	**-**	-	**9%**	11%
Ultimate health care cost trend rate	**-**	-	**-**	-	**5%**	5%
Year ultimate trend rate is reached	**-**	-	**-**	-	**2010**	2008
Assumptions Used to Determine Net Benefit Cost for the Year Ending 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%	**-**	-
Weighted Average Asset Allocation at December 31						
Equity securities	**72.2%**	67.0%	**63.7%**	58.7%	**0.0%**	0.0%
Debt securities	**26.3%**	31.9%	**34.5%**	39.5%	**100.0%**	100.0%
Real estate	**0.2%**	0.3%	**1.1%**	1.2%	**0.0%**	0.0%
Other assets	**1.3%**	0.8%	**0.7%**	0.6%	**0.0%**	0.0%

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 $4.6 billion/$(3.8) billion and the service and interest component of health care expense by $310 million/$(260) million.

COMPANY CONTRIBUTIONS

Our policy for funded plans is to contribute annually, at a minimum, amounts required by applicable laws, regulations, and union agreements. We do from time to time make contributions beyond those legally required. For example, in 2003 we made over $2 billion of discretionary cash contributions to our U.S. pension funds.

During 2004, we expect worldwide Company cash outflow in respect of our defined benefit pension plans will total $1.1 billion, consisting of contributions to pension funds and benefit payments for unfunded plans.

PLAN ASSET INFORMATION

Our investment strategy has a long-term horizon and is tolerant of return volatility, in keeping with the long-term nature of the liabilities. The target asset allocation for our major plans worldwide generally is 70% equities, 30% fixed income. The present allocation to alternative investments is below 1%. All assets are externally managed and investment managers have discretion to invest globally within their respective mandates. A diverse array of investment processes within asset classes reduces volatility. Most assets are actively managed; manager skill and broad mandates have generally produced long-term returns in excess of common market indices. Ford securities comprised less than one-half of one percent of the value of our worldwide pension plan assets during 2003 and 2002.

The equity allocation shown at year-end 2003 and 2002 includes public equity securities, private equity investments, and REITS. Real estate investments shown separately reflect a liquidation strategy that has been in place for several years. Other assets include cash held for near-term benefit funding; cash held by investment managers for liquidity purposes is included in the appropriate asset class balance.

The long-term return assumption at year-end 2003 is 8.75% for the U.S. and averages 8.38% for non-U.S. plans. A consistent approach generally is used worldwide to develop this assumption. This approach utilizes long-run equilibrium assumptions from a range of advisors for capital market returns, inflation and other variables, adjusted for specific aspects of our strategy. This exercise is conducted periodically, and changes in our assumption reflect changes in equilibrium views over time; we do not expect to modify this assumption frequently. The long-term performance of our funds generally has been in excess of long-term return assumptions worldwide.

We previously established a VEBA to pay a portion of U.S. hourly retiree health and life insurance benefits. In December 2003, we contributed $3.5 billion to the trust, and all the assets were invested in short-term fixed income securities. Subsequent to year-end, VEBA assets of $2.0 billion were invested in long-term investments, to be managed in a strategy similar to the pension investment strategy described previously. The remaining VEBA assets will continue to be invested in short-term fixed income securities, a portion of which is managed internally, with the remainder externally. The long-term expected return assumption applicable to the total retiree VEBA is 6.2%, reflecting the weighted average of the expected returns on the long-term and short-term portions of the portfolio.

NOTE 20. SEGMENT INFORMATION

The Company's operating activity consists of two operating sectors, Automotive and Financial Services.

The Automotive sector consists of the design, development, manufacture, sale and service of cars, trucks and service parts. In 2003, we began reporting our Automotive sector results as two primary segments, Americas and International.

The Americas segment includes primarily the sale of Ford, Lincoln and Mercury brand vehicles and related service parts in North America (U.S., Canada and Mexico) and Ford-brand vehicles and related service parts in South America, and the associated costs to design, develop, manufacture and service these vehicles and parts.

The International segment includes primarily the sale of Ford-brand vehicles and related service parts outside of North and South America and the sale of Premier Automotive Group brand vehicles (i.e., Volvo, Jaguar, Land Rover and Aston Martin) and related service parts throughout the world (including North and South America), together with the associated costs to design, develop, manufacture and service these vehicles and parts. Additionally, the International segment includes our share of the results of Mazda Motor Corporation and Mazda-related joint ventures.

The Other Automotive component of the Automotive sector consists primarily of net interest expense, which is not managed individually by the two segments.

Transactions between Automotive segments are presented on an absolute cost basis, eliminating the effect of legal entity transfer prices within the Automotive sector for vehicles, components and product engineering. Prior to 2003, the Automotive sector was reported as one segment. Prior year information reflects the two reporting segments within the Automotive sector.

The Financial Services sector includes two primary segments, Ford Credit and Hertz. Ford Credit provides vehicle-related financing, leasing, and insurance. Hertz rents cars, light trucks and industrial and construction equipment.

NOTE 20. Segment Information (continued)

Segment selection is based upon the organizational structure that we use to evaluate performance and make decisions on resource allocation, as well as availability and materiality of separate financial results consistent with that structure.

	Automotive Sector				Financial Services Sector a/					
(in millions)	Americas	International	Other	Total	Ford Credit	Hertz	Elims/ Other	Total	Elims/ Other b/	Total
2003										
Revenues										
External customer	**$ 85,474**	**$ 52,968**	**$ -**	**$ 138,442**	**$ 20,125**	**$ 5,200**	**$ 429**	**$ 25,754**	**$ -**	**$164,196**
Intersegment	**3,628**	**1,688**	**-**	**5,316**	**316**	**26**	**(3)**	**339**	**(5,655)**	**-**
Income										
Income/(loss) before taxes	**35**	**(1,418)**	**(574)**	**(1,957)**	**3,035**	**228**	**64**	**3,327**	**-**	**1,370**
Provision for/(benefit from) income taxes				**(1,177)**	**1,164**	**79**	**69**	**1,312**	**-**	**135**
Other disclosures										
Depreciation/amortization	**3,346**	**2,150**	**-**	**5,496**	**7,084**	**1,658**	**48**	**8,790**	**-**	**14,286**
Automotive interest income	**-**	**-**	**870**	**870**						**870**
Interest expense	**-**	**-**	**1,370**	**1,370**	**5,831**	**373**	**116**	**6,320**	**-**	**7,690**
Capital expenditures				**7,370**	**30**	**254**	**95**	**379**	**-**	**7,749**
Unconsolidated affiliates										
Equity in net income/(loss)	**(88)**	**162**	**-**	**74**	**12**	**-**	**(3)**	**9**	**-**	**83**
Investment in				**1,930**	**196**	**-**	**37**	**233**	**-**	**2,163**
Total assets at year end				**120,641**	**178,829**	**12,920**	**3,530**	**195,279**	**-**	**315,920**
2002										
Revenues										
External customer	$ 88,619	$ 44,567	$1,087	$ 134,273	$ 22,541	$ 4,945	$ 497	$ 27,983	$ -	$162,256
Intersegment	4,104	1,295	-	5,399	269	33	(15)	287	(5,686)	-
Income										
Income/(loss) before taxes	1,868	(1,810)	(1,211)	(1,153)	1,965	200	(61)	2,104	-	951
Provision for/(benefit from) income taxes				(532)	730	72	31	833	-	301
Other disclosures										
Depreciation/amortization	3,191	1,691	35	4,917	8,501	1,639	42	10,182	-	15,099
Automotive interest income	-	-	834	834						834
Interest expense	-	-	1,368	1,368	6,929	377	162	7,468	-	8,836
Capital expenditures				6,776	83	255	164	502	-	7,278
Unconsolidated affiliates										
Equity in net income/(loss)	(122)	64	(33)	(91)	11	-	-	11	-	(80)
Investment in				2,470	197	-	29	226	-	2,696
Total assets at year end				107,790	170,169	11,479	5,784	187,432	-	295,222
2001										
Revenues										
External customer	$ 86,065	$ 43,577	$1,094	$ 130,736	$ 24,246	$ 4,898	$ 624	$ 29,768	$ -	$160,504
Intersegment	3,670	679	-	4,349	457	27	(42)	442	(4,791)	-
Income										
Income/(loss) before taxes	(6,636)	(1,255)	(966)	(8,857)	1,494	3	(59)	1,438	-	(7,419)
Provision for/(benefit from) income taxes				(2,748)	663	(21)	10	652	-	(2,096)
Other disclosures										
Depreciation/amortization	7,442	1,606	73	9,121	8,465	1,620	54	10,139	-	19,260
Automotive interest income	-	-	765	765						765
Interest expense	-	-	1,376	1,376	8,922	414	104	9,440	-	10,816
Capital expenditures				6,301	182	310	159	651	-	6,952
Unconsolidated affiliates										
Equity in net income/(loss)	(292)	(344)	(220)	(856)	5	-	-	5	-	(851)
Investment in				2,450	177	-	11	188	-	2,638
Total assets at year end				88,319	173,096	10,525	4,603	188,224	-	276,543

a/ Financial Services sector's interest income is recorded as Revenues.

b/ Includes intersector transactions occurring in the ordinary course of business.

NOTE 21. GEOGRAPHIC INFORMATION (IN MILLIONS)

	United States	Europe	All Other	Total Company
2003				
External revenues	**$ 103,435**	**$ 39,280**	**$ 21,481**	**$ 164,196**
Net property	**18,711**	**19,173**	**5,714**	**43,598**
2002				
External revenues	$ 108,214	$ 35,189	$ 18,853	$ 162,256
Net property	18,037	15,046	4,839	37,922
2001				
External revenues	$ 107,613	$ 34,896	$ 17,995	$ 160,504
Net property	17,355	12,529	4,680	34,564

NOTE 22. SUMMARY QUARTERLY FINANCIAL DATA (UNAUDITED)

(in millions, except amounts per share)

	2003				2002			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Automotive								
Sales	**$ 34,159**	**$ 34,142**	**$ 30,292**	**$ 39,849**	$ 32,134	$ 35,164	$ 32,360	$ 34,615
Operating income/(loss)	**806**	**26**	**(640)**	**(1,723)**	(61)	589	(638)	(418)
Financial Services								
Revenues	**6,656**	**6,440**	**6,499**	**6,159**	7,262	6,970	6,892	6,859
Income/(loss) before income taxes	**678**	**715**	**1,031**	**903**	343	599	569	593
Total Company								
Income/(loss) from continuing operations	**901**	**426**	**237**	**(643)**	(81)	620	(244)	(12)
Net income/(loss)	**896**	**417**	**(25)**	**(793)**	(1,094)	570	(326)	(130)
Common and Class B per share								
Basic income/(loss) from continuing operations	**$ 0.49**	**$ 0.23**	**$ 0.13**	**$ (0.35)**	$ (0.05)	$ 0.34	$ (0.14)	$ (0.01)
Diluted income/(loss) from continuing operations	**0.45**	**0.22**	**0.13**	**(0.35)**	(0.05)	0.31	(0.14)	(0.01)

NOTE 23. 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 (in millions):

	2004	2005	2006	2007	2008	Thereafter
Automotive	$ 446	$ 346	$ 259	$ 248	$ 169	$ 341
Financial Services	400	330	265	198	139	503

Rental expense was $1.3 billion in 2003, $1.1 billion in 2002 and $1.0 billion in 2001.

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.* 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 guarantee. The fair values of guarantees and indemnifications issued during 2003 are recorded in the financial statements and are de minimis. At December 31, 2003, the following guarantees were issued and outstanding:

Guarantees related to affiliates and third parties — 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, and guarantees will 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 total approximately $465 million, the majority of which relates to the Automotive sector.

In 1992, we issued $500 million of 7.25% Notes due October 1, 2008 ("Notes"). In 1999, the bondholders agreed to relieve us as the primary obligor with respect to the principal of these Notes. As part of this transaction, Ford placed certain financial assets into an escrow trust for the benefit of the bondholders, and the trust became the primary obligor with respect to the principal (Ford became secondarily liable for the entire principal amount). Approximately $150 million is recorded in the financial statements as *Senior debt* related to this transaction, which is being amortized over the life of the Notes.

We also have guarantees outstanding associated with two subsidiary trusts, Trust I and Trust II. For further discussions of Trust I and Trust II, see Notes 12 and 14.

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 $14 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 the 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. We are party to numerous 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.

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 warranty coverages 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):

	2003	2002
Beginning balance	**$ 5,401**	$ 4,739
Payments made during the year	**(3,524)**	(3,508)
Changes in accrual related to warranties issued during the year	**3,562**	3,489
Changes in accrual related to pre-existing warranties	**(266)**	595
Foreign currency translation and other*	**270**	86
Ending balance	**$ 5,443**	$ 5,401

** Other includes newly consolidated VIEs (see Note 13).*

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, 2003. 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.

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 world-wide 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 auditors. 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 Auditors appears below.

The Board of Directors, acting through its Audit Committee composed solely of directors who are independent 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 auditors, subject to ratification by the stockholders. It meets regularly with management, internal auditors, and the independent auditors. The independent auditors 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.
Chairman and Chief Executive Officer

Don R. Leclair
Group Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

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, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Ford Motor Company and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 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 of 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 1 to the financial statements, on January 1, 2003, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." As discussed in Note 13 to the financial statements, on July 1, 2003, the Company adopted Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." As discussed in Note 7 to the financial statements, on January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." As discussed in Note 3 to the financial statements, on January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan
March 10, 2004

The following table sets forth selected financial data concerning Ford for each of the last five years (dollar amounts in millions, except per share amounts). The data have been reclassified for held-for-sale operations in 2003, which are described in Note 3 of the Notes to Financial Statements.

	2003	2002	2001	2000	1999
Total Company					
Sales and revenues	$ 164,196	$ 162,256	$ 160,504	$ 168,930	$ 160,053
Income/(loss) before income taxes	1,370	951	(7,419)	8,311	9,856
Provision/(credit) for income taxes	135	301	(2,096)	2,722	3,247
Minority interests in net income of subsidiaries	314	367	24	127	112
Income/(loss) from continuing operations	921	283	(5,347)	5,462	6,497
Income/(loss) from discontinued/held-for-sale operations	(8)	(62)	(106)	257	740
Loss on disposal of discontinued/held-for-sale operations	(154)	(199)	-	(2,252)	-
Cumulative effects of change in accounting principle	(264)	(1,002)	-	-	-
Net income/(loss)	$ 495	$ (980)	$ (5,453)	$ 3,467	$ 7,237
Automotive Sector					
Sales	$ 138,442	$ 134,273	$ 130,736	$ 140,765	$ 135,022
Operating income/(loss)	(1,531)	(528)	(7,390)	5,298	7,190
Income/(loss) before income taxes	(1,957)	(1,153)	(8,857)	5,333	7,296
Financial Services Sector					
Revenues	$ 25,754	$ 27,983	$ 29,768	$ 28,165	$ 25,031
Income/(loss) before income taxes	3,327	2,104	1,438	2,978	2,560
Total Company Data Per Share of Common and Class B Stock a/					
Basic:					
Income/(loss) from continuing operations	$ 0.50	$ 0.15	$ (2.96)	$ 3.69	$ 5.38
Income/(loss) from discontinued/held-for-sale operations	-	(0.04)	(0.06)	0.18	0.61
Loss on disposal of discontinued/held-for-sale operations	(0.09)	(0.11)	-	(1.53)	-
Cumulative effects of change in accounting principle	(0.14)	(0.55)	-	-	-
Net income/(loss)	$ 0.27	$ (0.55)	$ (3.02)	$ 2.34	$ 5.99
Diluted:					
Income/(loss) from continuing operations	$ 0.50	$ 0.15	$ (2.96)	$ 3.62	$ 5.26
Income/(loss) from discontinued/held-for-sale operations	-	(0.03)	(0.06)	0.17	0.60
Loss on disposal of discontinued/held-for-sale operations	(0.09)	(0.11)	-	(1.49)	-
Cumulative effects of change in accounting principle	(0.14)	(0.55)	-	-	-
Net income/(loss)	$ 0.27	$ (0.54)	$ (3.02)	$ 2.30	$ 5.86
Cash dividends b/	$ 0.40	$ 0.40	$ 1.05	$ 1.80	$ 1.88
Common stock price range (NYSE Composite)					
High	17.33	18.23	31.42	31.46	37.30
Low	6.58	6.90	14.70	21.69	25.42
Average number of shares of Common and Class B stock outstanding (in millions)	1,832	1,819	1,820	1,483	1,210
Total Company Balance Sheet Data at Year-End					
Assets					
Automotive sector	$ 120,641	$ 107,790	$ 88,319	$ 94,312	$ 99,201
Financial Services sector	195,279	187,432	188,224	189,078	171,048
Total assets	$ 315,920	$ 295,222	$ 276,543	$ 283,390	$ 270,249
Long-term Debt					
Automotive	$ 18,987	$ 13,607	$ 13,467	$ 11,769	$ 10,398
Financial Services	100,764	106,525	107,024	86,865	67,170
Total long-term debt	$ 119,751	$ 120,132	$ 120,491	$ 98,634	$ 77,568
Stockholders' Equity	$ 11,651	$ 5,590	$ 7,786	$ 18,610	$ 27,604

a/ Share data have been adjusted to reflect stock dividends and stock splits. Common stock price range (NYSE Composite) has been adjusted to reflect the spin-offs of Visteon and The Associates, and a recapitalization known as our Value Enhancement Plan.

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

EMPLOYMENT DATA

The number of on-roll employees we employed at December 31, 2003 and 2002 was:

	2003	2002
Operating Sector		
Automotive		
Americas		
North America	**122,201**	128,094
South America	**10,102**	9,882
International		
Ford Europe	**61,685**	65,872
Ford Asia Pacific	**15,302**	14,952
Premier Automotive Group	**52,347**	52,678
Other International Automotive	**2,644**	2,445
Financial Services		
Ford Motor Credit Company	**19,270**	19,751
The Hertz Corporation	**29,347**	28,924
Other Financial Services	**5**	1,215
Total Before FIN 46	**312,903**	323,813
Employees Added Under FIN 46 *	**14,628**	-
Total	**327,531**	323,813

** Includes 7,973 in North America and 6,655 in Ford Europe*

As shown in the table above, from December 31, 2002 to December 31, 2003, the number of people we employ increased approximately one percent. The 2003 number includes 14,628 employees that were added to our on-roll employment numbers as a result of the consolidation of several joint ventures that were deemed variable interest entities of which we are the primary beneficiary under Financial Accounting Standards Board ("FASB") Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"). Excluding the effects of the consolidation of these entities, the number of employees on-roll would have declined 10,910 (or approximately three percent). The employment numbers in the table above exclude approximately 20,000 hourly employees of Ford who are assigned to Visteon Corporation ("Visteon"), and, pursuant to our collective bargaining agreement with the UAW, remain Ford employees. Visteon reimburses us for most of the costs associated with these employees.

Shareholder Services

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EquiServe Trust Company, N.A.
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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:

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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, Switzerland, and the United Kingdom. Depository shares representing 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 Listed NYSE THE NEW YORK STOCK EXCHANGE

F	Common Stock
F.PrS	6.5% Convertible Trust Preferred Securities of Ford Motor Company Capital Trust II

Annual Meeting

The 2004 Annual Meeting of Shareholders will be held in Louisville, Kentucky on May 13, 2004. Notice of the Annual Meeting, a Proxy Statement and voting card will be mailed to shareholders in advance of the meeting.

Annual Report Credits

The Ford Motor Company Annual Report is designed, written and produced each year by a cross-functional Ford team. The 2003 team members are:

Editor:	Frank Sopata, Manager, Shareholder Relations
Editorial Services:	Kim Boscan, Terry Herron, Steve Hirschman, Tom Morrisey and Chuck Snearly
Photo Coordinator:	Ana Holland Krawec
Art Direction and Design:	Pat Barney
Graphic Artist:	Mackenzie Sand
Cover and Principal Photography:	Tom Wojnowski
Additional Photography:	Blue Fish Productions, Todd Buchanan, Dave Earp and Torbjorn Lundgren

Digital imaging technology has been used for retouching and to produce some composite photos in this report.
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