FINANCIAL CONTENTS

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.

Most of the vehicles sold by us to our dealers and distributors are financed at wholesale by Ford Credit. Upon Ford Credit originating the wholesale receivable related to a dealer's purchase of a vehicle, Ford Credit pays cash to the relevant legal entity in our Automotive sector in payment of the dealer's obligation for the purchase price of the vehicle. The dealer then pays off the wholesale finance receivable when it sells the vehicle to a retail customer. (See Note 1 of the Notes to the Financial Statements.)

Our Financial Services sector's revenue is generated primarily from interest on finance receivables, 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 2004 the estimated automotive industry global production capacity for light vehicles (about 74 million units) significantly exceeded global production of cars and trucks (about 60 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 17% and 13%, respectively. CSM Worldwide projects that excess capacity conditions could continue for several more 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, the incremental new capacity in the United States by foreign manufacturers (so-called "transplants") in recent years has contributed, and is likely to continue to contribute, to the severe pricing pressure in that market. In the United States, the reduction of real prices for similarly contented vehicles has become more pronounced since the late 1990s, and we expect that a challenging pricing environment will continue for some time to come. In Europe, the automotive industry also has experienced intense pricing pressure for several years for the same reasons discussed above, which has been exacerbated in recent years as a result of the Block Exemption Regulation.

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 and in other mature markets, we expect that growth in spending on vehicle mix and content will grow at least as fast as 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 are more frequently buying upscale.

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. As a provider of health care coverage to our employees, retirees and their dependents, primarily in the United States, we have experienced significant health care inflation in the last few years. In 2004, our health care expenses for U.S. employees, retirees and their dependents were $3.1 billion, with about $2 billion attributable to retirees and the balance attributable to active employees. Prescription drug cost continues as the fastest growing segment of our health care expenses and accounted for about one-third of our total U.S. health care expenses in 2004.

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 increase. For 2005, our trend assumptions for U.S. health care costs include an initial trend rate of 9%, gradually declining to a steady state trend rate of 5% reached in 2011. These assumptions include the effect of actions we are taking and expect to take to offset health care inflation, including eligibility management, employee education and wellness, competitive sourcing and appropriate employee cost sharing.

Commodity Price Increases. Commodity price increases, particularly for steel and resins (which are used extensively in the automotive industry), have occurred recently and are continuing during a period of strong global demand for these materials. Manufacturers in China and other global steelmakers have responded through increases in capacity and production of steel. We expect this, coupled with an easing in global demand pressures, to result in pricing trends beginning to moderate in the intermediate term.

Currency Exchange Rate Volatility. The U.S. dollar depreciated against most major currencies in 2004. This created downward margin pressure on auto manufacturers that have U.S. dollar revenue with foreign currency cost. Because we produce vehicles in Europe (e.g., Jaguar, Land Rover and Volvo models) for sale in the United States and produce components in Europe (e.g., engines) for use in some of our North American vehicles, Ford experienced margin pressure, although this was partially offset by gains on foreign exchange derivatives. Ford, like most other automotive manufacturers with sales in the United States, is not always able to price for depreciation of the U.S. dollar due to the extremely competitive pricing environment in the United States.

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 average net revenue per vehicle sold for our Ford North America business unit of $745 and $729 for 2004 and 2003, respectively. Since 2001, our average net revenue per vehicle sold in North America has improved by over $1,700 on a cumulative basis. This improvement reflected positive net pricing, as well as a more favorable product mix.

Market Share. An ongoing challenge in the current automotive industry is balancing market share with profitability. Due to the excess industry capacity, most manufacturers engage in some amount of price discounting to increase, maintain or limit decreases in their respective market shares. In the last few years, we have implemented a strategy of de-emphasizing less profitable sales to daily rental car companies, which typically are associated with a large amount of discounting, and placing greater emphasis on our share of the retail market (i.e., market share among end-use customers). This strategy benefits us by reducing the overall amount of marketing incentives we incur and improving the auction and resale values of our products. This latter benefit, in turn, has the added benefit of reducing depreciation expense for vehicles in Ford Credit's vehicle lease portfolio. The strategy to de-emphasize sales to daily rental car companies, while contributing to improved profits, also has contributed to a loss of share in the United States.

Product Differentiation and Innovation. The fundamental requirement for success in the automotive business is having products with great appeal, whether in terms of styling, quality, innovative features, breakthrough technology or a combination of those characteristics. Our strategy for product creation includes a strong focus on new technology. This is not, however, limited to developing and introducing breakthrough vehicle technologies, but also can be applied to the total vehicle package. For example, our new Ford F-150 pick-up truck, first introduced as a 2004 model, utilizes more than 130 patented inventions related to performance, utility and styling. This model helped establish a sales record for F-Series pick-up trucks in 2004 with nearly one million units sold. Other differentiating technologies that we have introduced or are working to introduce for general availability are:

- Hybrid powertrains, which use a combination of electric power, generated from onboard batteries that are recharged while driving the vehicle, and a gasoline internal combustion engine. The Ford Escape Hybrid, introduced as a 2004 model, is an example of this technology, and we plan to offer four additional vehicle models with this technology.

- Other alternative fuel vehicles, such as hydrogen-powered internal combustion engines, bio or clean diesel powered vehicles and fuel cells. We believe we are the only automobile manufacturer doing significant development work on all these alternative fuel technologies, as well as hybrid powertrain technologies.

• Roll Stability Control™ system, which is a computer-controlled system that detects vehicle roll and automatically controls the vehicle to prevent it from rolling over. This is currently standard equipment or is available as an option on most of our SUVs.

• All-aluminum bodies, which reduce the weight of the vehicle, compared with steel bodies, thereby increasing vehicle fuel economy and performance. The current version of the Jaguar XJ, first introduced as a 2004 model, is an example of a vehicle with this technology.

Cost Reductions. Given the difficult competitive environment of the automotive industry, we continue to focus on reducing our cost structure. During 2004 and 2003, we reduced our costs by $900 million and $3 billion, respectively (at constant volume, mix and exchange and excluding special items and discontinued operations). For 2005, we expect costs for pensions and health care, commodities, and depreciation and amortization will increase, compared with 2004. We expect quality-related costs (i.e., those related to warranty claims and additional service actions) in 2005 to be about the same as they were in 2004. In 2005, we expect to achieve reduced manufacturing, engineering and overhead costs, as well as significant savings in product costs (which comprise material and component costs for our vehicles), compared with 2004. Overall, we expect our costs in 2005 will be about the same as they were in 2004 (at constant volume, mix and exchange and excluding special items and discontinued operations).

Shared Technologies. One of the strategies we are employing to realize efficiencies in manufacturing, engineering and product costs for new vehicles is to share vehicle architectures, technologies and components among various models and re-use them from one generation of a vehicle model to the next. This is illustrated in our recently launched Ford Five Hundred and Mercury Montego car models, which are 85% (by value) common, and the Ford Freestyle cross-over model, which shares 65% (by value) of the components used in those aforementioned models. In addition, the architecture for all three of these vehicles is derived from an existing architecture.

Business Improvement Actions

Ford Europe Improvement Plan. In October 2003, we announced that we were taking actions to improve efficiency resulting from our flexible manufacturing capability by concentrating production of the next generation of our Ford Focus model in two assembly plants rather than three. This plan included canceling investment for the Focus model at our Genk, Belgium plant. In addition, it included revising production for our Ford Mondeo model at Genk to a 2-shift rather than 3-shift pattern beginning in January 2004. These Genk actions, together with a series of manufacturing, engineering and staff efficiency actions at various other locations in Europe, all of which comprised the Ford Europe Improvement Plan, were expected to reduce personnel levels by 6,700 and result in pre-tax charges of $675 million, including $513 million in 2003. During 2004, we completed the planned Ford Europe improvement actions; the associated pre-tax charges totaled $605 million. Including the results of these actions, Ford Europe has reduced total personnel levels by more than 7,000 since mid-2003.

PAG Improvement Plan. In September 2004, we announced that we were taking actions to improve the structure of our Premier Automotive Group ("PAG") business unit. These actions included closing the final assembly operations at our Browns Lane plant in Coventry, England, where Jaguar XJ and XK models are produced, and reducing salaried staffing levels at our Jaguar and Land Rover operations. We estimated at that time that we would incur pre-tax charges and cash expenditures of about $175 million for employee separation costs. Our 2004 results include $94 million of these costs, and we expect to incur $75 million in 2005 associated with the shutdown of the final assembly operations at Browns Lane. These actions reduced our personnel levels by 1,100 in 2004, with further personnel reductions in 2005 expected to be about 400.

In addition, we decided to exit Formula One racing and to sell our Formula One racing operations, which incurred pre-tax operating losses of $45 million in the first nine months of 2004. We sold the operations in the fourth quarter of 2004. For a further discussion of the disposition of our Formula One racing operations, see Note 4 of the Notes to the Financial Statements.

Revitalization Plan. One of the elements of our Revitalization Plan, which we announced and began implementing in January 2002, included a reduction of maximum-installed assembly capacity for North American vehicles of over 900,000 units (down from 5.7 million units in 2001 to an ongoing level of approximately 4.8 million units). Through 2004, including the closure of our Ontario Truck Plant and Edison Plant, maximum-installed capacity will have been reduced by over 700,000 units. Plans through 2007 (including closure of our Lorain, Ohio assembly plant) will achieve further net reductions of approximately 200,000 units, resulting in a total net reduction of about 920,000 units.

The Revitalization Plan also included a global reduction of more than 35,000 personnel by 2006, including selected actions prior to 2002. Progress towards this target is measured by excluding employees of entities recently consolidated pursuant to Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* ("FIN 46"), discussed in Note 16 of the Notes to the Financial Statements, as well as personnel associated with divested and newly-acquired operations (the latter of which would represent a net reduction of 11,000 personnel through year-end 2004 if included in the measurement). On this basis, we have realized a reduction of about 36,000 hourly and salaried employees and salaried equivalents (i.e., salaried positions filled with agency personnel or the functions of which are provided by purchased services) through year-end 2004.

RESULTS OF OPERATIONS

Certain prior-year amounts have been reclassified to conform to current period presentation.

FULL-YEAR 2004 RESULTS OF OPERATIONS

Our worldwide net income was $3.5 billion or $1.73 per share of Common and Class B stock in 2004, up $3.0 billion from a profit of $495 million or $0.27 per share in 2003.

Results by business sector for 2004, 2003, and 2002 are shown below (in millions):

	2004	2003	2002
Income/(loss) before income taxes			
Automotive sector	$ (155)	$ (1,908)	$ (1,054)
Financial Services sector	5,008	3,247	2,118
Total Company	4,853	1,339	1,064
Provision for/(benefit from) income taxes	937	123	342
Minority interests in net income/(loss) of subsidiaries a/	282	314	367
Income/(loss) from continuing operations	3,634	902	355
Income/(loss) from discontinued operations	(147)	(143)	(333)
Cumulative effect of change in accounting principle b/	-	(264)	(1,002)
Net income/(loss)	$ 3,487	$ 495	$ (980)

a/ Primarily related to Ford Europe's consolidated less-than-100%-owned affiliates.

b/ Related to adoption of FIN 46 in 2003 and the adoption of Statement of Financial Accounting Standards No. 142 in 2002 (see Notes 16 and 9, respectively, of the Notes to the Financial Statements).

Included in *Income/(loss) before income taxes* are items we do not consider indicative of our ongoing operating activities ("special items"). The following table details the 2004 special items by business unit (in millions):

Automotive sector	
Ford North America:	
Allowance for Visteon receivable	$ (600)
Fuel-cell technology charges	(182)
Ford Europe: improvement plans	(49)
PAG: improvement plans	(110)
Ford Asia Pacific and Africa: disposition of non-core businesses	(81)
Other Automotive: disposition of non-core businesses	17
Total Automotive sector	(1,005)
Financial Services sector	
Property clean-up settlement	45
Total Company	$ (960)

See "Automotive Sector Results of Operations – 2004 Compared with 2003" below for discussion of special items.

AUTOMOTIVE SECTOR RESULTS OF OPERATIONS

2004 COMPARED WITH 2003

Details by Automotive business unit of *Income/(loss) before income taxes* are shown below (in millions):

	Income/(Loss) Before Income Taxes		
	2004	2003	2004 Over/(Under) 2003
Americas			
- Ford North America	**$ 684**	$ 196	$ 488
- Ford South America	**140**	(129)	269
Total Americas	**824**	67	757
Ford Europe and PAG			
- Ford Europe	**65**	(1,620)	1,685
- PAG	**(850)**	171	(1,021)
Total Ford Europe and PAG	**(785)**	(1,449)	664
Ford Asia Pacific and Africa/Mazda			
- Ford Asia Pacific and Africa	**(36)**	(23)	(13)
- Mazda and Associated Operations	**118**	69	49
Total Ford Asia Pacific and Africa/Mazda	**82**	46	36
Other Automotive	**(276)**	(572)	296
Total Automotive	**$ (155)**	$ (1,908)	$ 1,753

Details of Automotive sector sales and vehicle unit sales by Automotive business unit for 2004 and 2003 are shown below:

	Sales (in billions)				Vehicle Unit Sales* (in thousands)			
	2004	2003	2004 Over/(Under) 2003		**2004**	2003	2004 Over/(Under) 2003	
Americas								
- Ford NorthAmerica	**$ 83.0**	$ 83.6	$ (0.6)	(1)%	**3,623**	3,810	(187)	(5)%
- Ford South America	**3.0**	1.9	1.1	58	**292**	210	82	39
Total Americas	**86.0**	85.5	0.5	1	**3,915**	4,020	(105)	(3)
Ford Europe and PAG								
- Ford Europe	**26.5**	22.2	4.3	19	**1,705**	1,609	96	6
- PAG	**27.6**	24.8	2.8	11	**771**	754	17	2
Total Ford Europe and PAG	**54.1**	47.0	7.1	15	**2,476**	2,363	113	5
Ford Asia Pacific and Africa	**7.0**	5.8	1.2	21	**407**	353	54	15
Total Automotive	**$ 147.1**	$ 138.3	$ 8.8	6	**6,798**	6,736	62	1

* Included in vehicle unit sales of Ford Asia Pacific and Africa are Ford-badged vehicles sold in China and Malaysia by our unconsolidated affiliates totaling 66,190 and 33,906 units in 2004 and 2003, respectively. "Sales"above does not include revenue from these units.

Details of Automotive sector market share for selected markets for 2004 and 2003 are shown below:

	2004	2003	2004 Over/(Under) 2003	Market
Americas				
- Ford North America	**18.0%**	19.2%	(1.2) pts.	U.S. a/
- Ford South America	**11.8**	11.5	0.3	Brazil a/
Ford Europe and PAG b/				
- Ford Europe	**8.7**	8.6	0.1	Europe a/
- PAG	**1.3/2.3**	1.3/2.1	0/0.2	U.S./Europe
Ford Asia Pacific and Africa	**14.2**	13.9	0.3	Australia a/

a/ Excludes market share of our PAG brand vehicles (i.e., Volvo, Jaguar, Land Rover and Aston Martin).

b/ European market share for Ford Europe and PAG are based, in part, on estimated 2004 vehicle registrations for our 19 major markets.

Overall Automotive Sector

The improvement in *Income/(loss) before income taxes* primarily reflected the change in charges related to Visteon Corporation ("Visteon"), Ford's largest supplier (see "Ford North America" discussion below), higher net pricing, favorable cost performance and the favorable effect of tax-related interest on refunds and settlements of prior-year federal and state audits, offset partially by lower vehicle unit sales and unfavorable changes in currency exchange rates.

The table below details our achievement of our 2004 cost performance milestone (in billions):

	2004 Costs* Better/(Worse) than 2003	**Explanation of Cost Performance**
Quality-related	**$ (0.1)**	- Non-recurrence of 2003 reserve adjustments, offset partially by 2004 improvements.
Manufacturing and engineering	**1.2**	- Primarily reductions in hourly and salaried personnel as a result of the Ford Europe Improvement Plan, North American plant closings, and engineering efficiency actions, offset partially by higher costs to launch new vehicles in 2004.
Overhead	**0.3**	- Primarily administrative cost savings (largely personnel related), reduced parts distribution costs, and lower litigation expenses, offset partially by higher fixed marketing costs.
Pension and health care	**0.1**	- Primarily the effect of new Medicare drug legislation and higher VEBA contributions, partially offset by the effect of a lower discount rate.
Net product costs	**0.0**	- New product and commodities-related cost increases, offset by design cost reductions on existing products and pricing efficiencies at our suppliers.
Depreciation and amortization	**(0.6)**	- Related to investments for new vehicles.
Total	**$ 0.9**	

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

The Americas Segment

Ford North America. The improvement in earnings primarily reflected the non-recurrence of $1.6 billion of charges in 2003 related to Visteon, offset by a charge of $600 million to establish an allowance against a receivable from Visteon in 2004. The receivable relates to costs for postretirement health care and life insurance benefits provided to Ford hourly employees assigned to Visteon and other select Visteon employees who are former employees of Ford. The charges in 2003 related to agreements with Visteon, which primarily addressed postretirement health care costs for service prior to 2000 for Ford hourly employees assigned to Visteon, as well as pricing, sourcing and other arrangements.

In addition, the improvement in earnings reflected positive net pricing and favorable cost performance, offset partially by lower vehicle unit sales, unfavorable changes in currency exchange rates (primarily weakening of the U.S. dollar compared with the Euro and the Canadian dollar) and other special items (discussed below). Lower vehicle unit sales reflected a decline in market share.

Other special items in 2004 included a charge of $182 million related to our investment in Ballard Power Systems Inc. ("Ballard"), a provider of fuel-cell technology. The charge included a write-down to fair market value of our investment in Ballard for the portion that is held for sale and recognition of an other-than-temporary loss in value on the long-term portion of our investment.

Ford South America. The improvement in earnings primarily reflected positive net pricing and higher vehicle unit sales, offset partially by higher commodity costs.

Ford Europe and PAG Segment

Ford Europe. The improvement in earnings primarily reflected favorable cost performance, lower charges related to the Ford Europe Improvement Plan (primarily employee separation charges) (less than $100 million in 2004 compared with $513 million in 2003) and higher profits at our Ford Otosan joint venture in Turkey. Favorable cost performance reflected successful execution of the Ford Europe Improvement Plan and material cost savings.

PAG. The increased loss primarily reflected unfavorable changes in currency exchange rates, as well as vehicle production reductions and employee separation charges at Jaguar related to the implementation of the PAG Improvement Plan and higher costs for launching new vehicles, offset partially by positive net pricing.

Ford Asia Pacific and Africa/Mazda Segment

Ford Asia Pacific and Africa. The improvement in earnings primarily reflected favorable changes in currency exchange rates and higher vehicle unit sales, offset partially by a charge related to the disposition of certain dealerships.

Mazda and Associated Operations. The change primarily reflected improvements in our Mazda-related investments.

Other Automotive

The improvement in results primarily reflected higher tax-related interest on refund claims (about $600 million in 2004 compared to about $300 million in 2003) and the favorable effect on interest expense of the settlements in 2004 of prior-year federal and state tax audits and 2004 debt repurchases. This was offset partially by the reclassification of interest expense on our 6.50% Junior Subordinated Debentures due 2032 held by a subsidiary trust, Ford Motor Company Capital Trust II (prior to July 1, 2003, this interest expense was included in *Minority interests in net income/(loss) of subsidiaries*). For 2005, we expect pre-tax losses for Other Automotive to be in the range of $500 million to $900 million.

2003 COMPARED WITH 2002

Details by Automotive business unit of *Income/(loss) before income taxes* are shown below (in millions):

	Income/(Loss) Before Income Taxes		
	2003	2002	2003 Over/(Under) 2002
Americas			
- Ford North America	$ 196	$ 2,534	$ (2,338)
- Ford South America	(129)	(620)	491
Total Americas	67	1,914	(1,847)
Ford Europe and PAG			
- Ford Europe	(1,620)	(711)	(909)
- PAG	171	(858)	1,029
Total Ford Europe and PAG	(1,449)	(1,569)	120
Ford Asia Pacific and Africa/Mazda			
- Ford Asia Pacific and Africa	(23)	(173)	150
- Mazda and Associated Operations	69	(15)	84
Total Ford Asia Pacific and Africa/Mazda	46	(188)	234
Other Automotive	(572)	(1,211)	639
Total Automotive	$ (1,908)	$ (1,054)	$ (854)

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)%	3,810	4,146	(336)	(8)%
- Ford South America	1.9	1.5	0.4	27	210	195	15	8
Total Americas	85.5	88.6	(3.1)	(3)	4,020	4,341	(321)	(7)
Ford Europe and PAG								
- Ford Europe	22.2	18.9	3.3	17	1,609	1,561	48	3
- PAG	24.8	21.1	3.7	18	754	771	(17)	(2)
Total Ford Europe and PAG	47.0	40.0	7.0	18	2,363	2,332	31	1
Ford Asia Pacific and Africa	5.8	4.4	1.4	32	353	300	53	18
Other Automotive	-	1.1	(1.1)	-				
Total Automotive	$138.3	$134.1	$ 4.2	3	6,736	6,973	(237)	(3)

* Included in vehicle unit sales of Ford Asia Pacific and Africa are Ford-badged vehicles sold in China and Malaysia by our unconsolidated affiliates totaling 33,906 and 17,404 units in 2003 and 2002, respectively. "Sales" above does not include revenue from these units.

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*
Ford Europe and PAG				
- Ford Europe	8.6	8.6	0	Europe*
- PAG	1.3/2.1	1.2/2.2	0.1/(0.1)	U.S./Europe
Ford Asia Pacific and Africa	13.9	13.2	0.7	Australia*

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

The Americas Segment

Ford North America. The reduction in earnings primarily reflected the charges related to agreements with Visteon discussed above (see "2004 compared with 2003 – The Americas Segment: Ford North America"), lower vehicle unit sales, unfavorable net pricing and unfavorable changes in currency exchange rates, offset partially by cost reductions and favorable product mix.

Ford South America. The improvement in earnings primarily reflected the non-recurrence of the adverse effects of currency devaluation in Brazil and Argentina, increased market share and continuing improvement in the business structure.

Ford Europe and PAG Segment

Ford Europe. The increased loss primarily reflected the charges related to the Ford Europe Improvement Plan discussed above (see "2004 compared with 2003 – Ford Europe and PAG Segment: Ford Europe"), unfavorable net pricing, a less favorable product mix, unfavorable changes in currency exchange rates and a larger reduction in dealer stocks, offset partially by cost reductions and improved results at Ford Otosan, our joint venture in Turkey.

PAG. The improvement in earnings primarily reflected cost reductions and improved product mix, offset partially by unfavorable changes in currency exchange rates and the non-recurrence of employee separation charges incurred in 2002.

Ford Asia Pacific and Africa/Mazda Segment

Ford Asia Pacific and Africa. The improvement in earnings primarily reflected favorable changes in currency exchange rates, higher vehicle unit sales and positive net pricing.

Mazda. The improvement in earnings primarily reflected our share of Mazda's improved operating results.

Other Automotive

The improvement in loss primarily reflected the non-recurrence of a charge in 2002 related to the sale of non-core businesses, primarily Kwik-Fit Holdings Ltd.

FINANCIAL SERVICES SECTOR RESULTS OF OPERATIONS

2004 COMPARED WITH 2003

Details of the full year Financial Services sector *Income/(loss) before income taxes* for 2004 and 2003 are shown below (in millions):

	Income/(Loss) Before Income Taxes		
	2004	2003	2004 Over/(Under) 2003
Ford Credit	**$ 4,431**	$ 2,956	$ 1,475
Hertz*	**493**	228	265
Other Financial Services	**84**	63	21
Total Financial Services sector	**$ 5,008**	$ 3,247	$ 1,761

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

Ford Credit

The increase in income before income taxes of $1,475 million primarily reflected improved credit loss performance and improved leasing results. The improved credit loss performance primarily resulted from fewer repossessions and a lower average loss per repossession. The improvement in leasing results primarily reflected higher used vehicle prices and a reduction in the percentage of vehicles returned to Ford Credit at lease termination.

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

- On-balance sheet basis - includes the 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; and
- Serviced basis - includes managed receivables and receivables 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 securitizations, and with respect to subordinated retained interests, has credit risk. As a result, it evaluates credit losses, receivables and leverage on a managed basis as well as on an on-balance sheet basis. In contrast, Ford Credit does not have the same financial interest in the performance of receivables sold in whole-loan sale transactions, and as a result it generally reviews the performance of the serviced portfolio only to evaluate the effectiveness of its origination and collection activities. To evaluate the performance of these activities, Ford Credit monitors a number of measures, such as repossession statistics, losses on repossessions and the number of bankruptcy filings.

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

	December 31,	
	2004	2003
On-Balance Sheet (including on-balance sheet securitizations)		
Finance receivables		
Retail installment	**$ 81.7**	$ 77.0
Wholesale	**23.8**	22.4
Other	**5.3**	5.9
Total finance receivables, net	**110.8**	105.3
Net investment in operating leases	**21.9**	23.2
Total on-balance sheet	**$ 132.7**	$ 128.5
Memo: Allowance for credit losses included above	**$ 2.4**	$ 2.9
Securitized Off-Balance Sheet		
Finance receivables		
Retail installment	**$ 16.7**	$ 26.6
Wholesale	**18.9**	20.3
Other	**-**	-
Total finance receivables	**35.6**	46.9
Net investment in operating leases	**-**	-
Total securitized off-balance sheet	**$ 35.6**	$ 46.9
Managed		
Finance receivables		
Retail installment	**$ 98.4**	$ 103.6
Wholesale	**42.7**	42.7
Other	**5.3**	5.9
Total finance receivables, net	**146.4**	152.2
Net investment in operating leases	**21.9**	23.2
Total managed*	**$ 168.3**	$ 175.4
Serviced	**$ 172.3**	$ 182.7

* At December 31, 2004 and 2003, Ford Credit's retained interests in sold receivables were $9.2 billion and $12.6 billion, respectively. For more information regarding these retained interests, see "Off-Balance Sheet Arrangements" below.

On-Balance Sheet Receivables. At December 31, 2004 and 2003, about $16.9 billion and $14.3 billion, respectively, of finance receivables have been sold for legal purposes to consolidated securitization special purpose entities ("SPEs"). In addition, at December 31, 2004, interests in operating leases and the related vehicles of about $2.5 billion have been transferred for legal purposes to consolidated securitization SPEs. These receivables and interests in operating leases and the related vehicles are available only for repayment of debt issued by those entities, and to pay other securitization investors and other participants; they are not available to pay Ford Credit's other obligations or the claims of Ford Credit's other creditors.

Securitized Off-Balance Sheet Receivables. Total securitized off-balance sheet receivables decreased $11.3 billion from a year ago.

Managed Receivables. Total managed receivables decreased $7.1 billion from a year ago. The decrease primarily reflected lower retail and operating lease contract placement volumes. The lower level of managed receivables reflected Ford Credit's continued focus on financing Ford brand vehicles.

The following table shows actual credit losses net of recoveries, which are referred to as charge-offs, 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. Reacquired receivables reflect the amount of receivables that resulted from the accounting consolidation of FCAR Owner Trust ("FCAR") in the second quarter of 2003. The loss-to-receivables ratios, which equal charge-offs divided by the average amount of net receivables outstanding for the period, are shown for the on-balance sheet and managed portfolios.

	2004	2003	2004 Over/(Under) 2003
Charge-offs (in millions)			
On-Balance Sheet			
Retail installment and lease	$ 1,281	$ 1,737	$ (456)
Wholesale	43	148	(105)
Other	3	6	(3)
Total on-balance sheet (excluding reacquired receivables)	1,327	1,891	(564)
Reacquired Receivables (retail)	74	92	(18)
Total on-balance sheet (including reacquired receivables)	$ 1,401	$ 1,983	$ (582)
Securitized Off-Balance Sheet			
Retail installment and lease	$ 244	$ 551	$ (307)
Wholesale	-	-	-
Other	-	-	-
Total securitized off-balance sheet	$ 244	$ 551	$ (307)
Managed			
Retail installment and lease	$ 1,599	$ 2,380	$ (781)
Wholesale	43	148	(105)
Other	3	6	(3)
Total managed	$ 1,645	$ 2,534	$ (889)
Loss-to-Receivables Ratios			
On-Balance Sheet (including reacquired receivables)*			
Retail installment and lease	1.36%	1.86%	(0.50) pts.
Wholesale	0.20	0.79	(0.59)
Total including other	1.10%	1.60%	(0.50) pts.
Memo: On-Balance Sheet (excluding reacquired receivables)	1.04%	1.52%	(0.48) pts.
Managed			
Retail installment and lease	1.32%	1.77%	(0.45) pts.
Wholesale	0.10	0.37	(0.27)
Total including other	0.97%	1.40%	(0.43) pts.

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

In 2004, charge-offs for Ford Credit's on-balance sheet and its securitized off-balance sheet receivables declined from a year ago primarily reflecting fewer repossessions and a lower average loss per repossession in its U.S. retail installment and operating lease portfolio. These improvements resulted from Ford Credit's emphasis on purchasing higher quality retail installment and lease contracts and enhancements to its collection practices. The on-balance sheet loss-to-receivables ratio decreased primarily reflecting improvements in charge-offs as described above.

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):

	2004	2003
Allowance for Credit Losses		
Balance, beginning of year	$ 2.9	$ 3.0
Provision for credit losses	0.9	1.9
Deductions		
Charge-offs	1.8	2.4
Recoveries	(0.5)	(0.5)
Net charge-offs	1.3	1.9
Other changes, principally amounts related to finance receivables sold and translation adjustments	0.1	0.1
Net deductions	1.4	2.0
Balance, end of year	$ 2.4	$ 2.9
Allowance for credit losses as a percentage of end-of-period net receivables*	1.83%	2.26%

* Includes net investment in operating leases.

The decrease in the allowance for credit losses of approximately $500 million primarily reflected significantly improved charge-off performance in the United States, specifically fewer repossessions and a lower average loss per repossession in the Ford, Lincoln and Mercury brand U.S. retail installment sale and operating lease portfolio. Ford Credit's emphasis on purchasing higher quality receivables, enhancements to its collection practices and higher used vehicle prices resulted in a reduction in net charge-offs and the associated provision for credit losses.

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):

	2004	2003	2004 Over/(Under) 2003
Net gain on sales of receivables	$ 155	$ 373	$ (218)
Income on interest in sold wholesale receivables and retained securities	588	679	(91)
Servicing fees	372	618	(246)
Income from residual interest and other	815	941	(126)
Investment and other income related to sales of receivables	1,930	2,611	(681)
Less: Whole-loan income	(91)	(234)	143
Income related to off-balance sheet securitizations	$ 1,839	$ 2,377	$ (538)
Memo:			
Finance receivables sold	$ 6,933	$ 19,296	$ (12,363)
Servicing portfolio as of period-end	39,573	54,170	(14,597)
Pre-tax gain per dollar of retail receivables sold	2.2%	1.9%	(0.3) pts.

The decrease in investment and other income related to sales of receivables reflected lower levels of outstanding sold receivables compared with 2003.

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 income from residual interest in securitization transactions, 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 residual interest in the securitization transaction (see "Off-balance Sheet Arrangements – Sales of Receivables by Ford Credit" for definition) and neither impact the *Provision for credit and insurance losses* on the income statement nor influence the assessment of the adequacy of the *Allowance for credit losses* related to 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, income from residual interest in securitization transactions, 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 off-balance sheet securitizations as if Ford Credit had reported them as on-balance sheet and funded them through asset-backed financings for the periods indicated (in millions):

	2004	2003	2004 Over/(Under) 2003
Financing revenue			
Retail revenue	$ 1,926	$ 3,371	$ (1,445)
Wholesale revenue	1,097	1,080	17
Total financing revenue	3,023	4,451	(1,428)
Borrowing cost	(854)	(1,443)	589
Net financing margin	2,169	3,008	(839)
Credit losses	(244)	(551)	307
Income before income taxes	$ 1,925	$ 2,457	$ (532)
Memo:			
Income related to off-balance sheet securitizations	$ 1,839	$ 2,377	$ (538)
Recalendarization impact of off-balance sheet securitizations	(86)	(80)	(6)

In 2004, the impact on earnings of reporting the sold receivables as off-balance sheet securitizations was $86 million lower than had these transactions been structured as on-balance sheet securitizations. This difference resulted 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 securitizations 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 Ford Credit with significant borrowing cost savings compared with unsecured debt and funding flexibility in a difficult economic environment.

Hertz

The improvement in earnings primarily reflected higher vehicle and equipment rental volumes, lower fleet costs and higher proceeds received in excess of book value on the disposal of used vehicles and equipment, offset partially by lower pricing.

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	$ 2,956	$ 1,979	$ 977
Hertz *	228	200	28
Other Financial Services	63	(61)	124
Total Financial Services sector	$ 3,247	$ 2,118	$ 1,129

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

Ford Credit

The increase in income before income taxes primarily reflected improved credit loss performance and the net favorable market valuation of derivative instruments and associated exposures, offset partially by the impact of lower average net receivables.

Hertz

The improvement in earnings primarily reflected 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, maintaining committed credit facilities and funding long-term liabilities over time.

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, 2004, 2003 and 2002 is detailed below (in billions):

	December 31,		
	2004	2003	2002
Cash and cash equivalents	**$ 10.1**	$ 6.9	$ 6.2
Marketable securities	**8.3**	9.3	16.4
Loaned securities*	**1.1**	5.7	-
Total cash, marketable securities and loaned securities	**19.5**	21.9	22.6
Short-term VEBA assets	**4.1**	4.0	2.7
Gross cash	**$ 23.6**	$ 25.9	$ 25.3

* As part of our investment strategy, we engage in securities lending to improve the returns on our cash portfolios. See Note 5 of the Notes to the 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 funded 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 below (in billions):

	2004	2003	2002
Gross cash at end of period	**$ 23.6**	$ 25.9	$ 25.3
Gross cash at beginning of period	**25.9**	25.3	17.7
Total change in gross cash	**$ (2.3)**	$ 0.6	$ 7.6
Operating-related cash flows			
Automotive income/(loss) before income taxes	**$ (0.2)**	$ (1.9)	$ (1.1)
Non-cash portion of Visteon special items	**0.6**	1.6	-
Capital expenditures	**(6.3)**	(7.4)	(6.8)
Depreciation and special tools amortization	**6.4**	5.5	4.9
Changes in receivables, inventory and trade payables	**(0.4)**	(1.0)	(1.8)
All other	**0.9**	3.3	5.1
Total operating-related cash flows before pension/long-term VEBA contributions and tax refunds	**1.0**	0.1	0.3
Funded pension plans/long-term VEBA contributions	**(5.0)**	(4.8)	(0.5)
Tax refunds	**0.3**	1.7	2.6
Total operating-related cash flows	**(3.7)**	(3.0)	2.4
Capital transactions with Financial Services sector a/	**4.2**	3.6	0.4
Acquisitions and divestitures	**0.4**	0.5	0.6
Other			
Dividends paid to shareholders	**(0.7)**	(0.7)	(0.7)
Convertible preferred securities	**-**	-	4.9
Changes in total Automotive sector debt	**(2.4)**	(0.1)	(0.1)
Cash from FIN 46 consolidations b/	**-**	0.3	-
Other – primarily net issuance/(purchase) of stock	**(0.1)**	-	0.1
Total change in gross cash	**$ (2.3)**	$ 0.6	$ 7.6

a/ Primarily dividends, loans, and loan repayments.
b/ See Note 16 of the Notes to the Financial Statements for a discussion of the adoption of FIN 46.

Total 2004 operating-related cash flows before funded pension plan and long-term VEBA contributions and tax refunds were $1.0 billion positive. Other operating-related changes, primarily timing differences between expense or revenue recognition and the corresponding cash payments for costs such as health care, pension, marketing, and warranty, offset partially by higher year-end inventory, contributed about $900 million in 2004. The $1.1 billion decrease in capital expenditures in 2004 from 2003, primarily reflected the high level of North American spending in 2003 for new product launches consistent with our product-led revitalization plan.

Including funded pension plan and long-term VEBA contributions and tax refunds, operating-related cash flows were an outflow of $3.7 billion. Contributions to our worldwide funded pension plans totaled $2.2 billion in 2004, compared to approximately $2.8 billion in 2003. In 2004, we also contributed $2.8 billion to a long-term VEBA used to pre-fund a portion of Ford's other postretirement benefits liability. We made no contributions to our short-term VEBA in 2004 which we include in gross cash. The $4.1 billion of short-term VEBA assets are invested in a manner similar to our cash portfolio and are available to fund certain employee benefit obligations in the near term. The $5.2 billion of long-term VEBA assets are invested in a manner similar to our pension fund assets. The assets of the long-term VEBA are not included in gross cash, but are dedicated to pay longer-term healthcare obligations. See Note 22 of the Notes to the Financial Statements for plans to contribute to funded pension plans and VEBA.

Capital transactions with the Financial Services sector of $4.2 billion in 2004 reflected primarily dividends paid by Ford Credit. In addition, dividends of about $200 million from the Financial Services sector in 2004 are reflected in the table above as divestitures because they resulted primarily from the sale by the Financial Services sector of dealership and surplus properties.

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):

	2004	2003	2002
Cash flows from operating activities before securities trading a/	**$ 1.4**	$ 1.3	$ 9.5
Items included in operating-related cash flow			
Capital expenditures	**(6.3)**	(7.4)	(6.8)
Net transactions between Automotive and Financial Services sectors b/	**1.3**	1.2	(0.1)
Other, primarily exclusion of cash flow from short-term VEBA contribution/(draw-down)	**(0.1)**	1.9	(0.2)
Operating-related cash flows	**$ (3.7)**	$ (3.0)	$ 2.4

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, 2004, our Automotive sector had total senior debt of $13.3 billion compared with $15.0 billion a year ago. The decrease in debt primarily reflected the retirement of about $1.5 billion of relatively high-cost debt through open-market repurchases. Most of the retired debt had maturity dates between 2028 and 2032.

During 2005, we intend, depending on market conditions, to continue repurchasing our outstanding debt securities from time to time and to continue making contributions to our funded pension plans and VEBA. Such debt repurchases likely would be concentrated in, but not limited to, the following four debt issues, of which up to 50% of any one issue potentially may be purchased: 6-5/8% Debentures due October 1, 2028 with an original aggregate principal amount of $1.5 billion; 6-3/8% Debentures due February 1, 2029 with an original aggregate principal amount of $1.5 billion; 7.45% Global Landmark Securities due July 16, 2031 with an original aggregate principal amount of $4.8 billion; and 8.90% Debentures due January 15, 2032 with an original aggregate principal amount of $502 million.

Ford Motor Company Capital Trust II ("Trust II") had outstanding $5.0 billion of trust preferred securities at December 31, 2004. The dividend and liquidation preference on these securities are paid from interest and principal payments on our junior subordinated debentures held by Trust II in a principal amount of $5.2 billion.

On January 2, 2004, we redeemed our outstanding junior subordinated debentures held by Ford Motor Company Capital Trust I. This had the effect of reducing total Automotive subordinated debt by about $700 million.

At December 31, 2004, our Automotive sector had net cash (defined as gross cash less total senior and subordinated debt) of $5.2 billion, compared with $5.1 billion and $5.4 billion at the end of 2003 and 2002, respectively.

The weighted average maturity of our total long-term debt (including subordinated debt), substantially all of which is fixed-rate debt, is approximately 25 years with about $3.7 billion maturing by December 31, 2024. 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 15 of the Notes to the Financial Statements.

Seasonal Working Capital Funding. In July 2004, we raised $2.3 billion of short-term (i.e., less than 90 days) bank loans to finance our annual summer vacation plant shutdown. The shutdown period normally results in temporary cash outflow as cash payments to suppliers and dealers continue, but vehicles are not produced. The short-term seasonal working capital funding reduced the annual cash volatility that results from our shutdown period. Similarly, we raised $1.9 billion in January 2005 to finance our annual holiday shutdown at the end of 2004.

Credit Facilities. At December 31, 2004, the Automotive sector had $7.2 billion of contractually committed credit agreements with various banks, of which $7.1 billion were available for use. For further discussion of our committed credit facilities, see Note 15 of the Notes to the Financial Statements.

Financial Services Sector

Ford Credit

Debt and Cash. Ford Credit's total debt was $144.3 billion at December 31, 2004, down $5.4 billion compared with a year ago, primarily reflecting lower funding requirements due to lower asset levels. Ford Credit's outstanding unsecured commercial paper at December 31, 2004 totaled $8.9 billion, up $2.8 billion compared with a year ago and up approximately $700 million compared with year-end 2002, primarily reflecting increased investor demand.

At December 31, 2004, Ford Credit had cash and cash equivalents of $12.7 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, which provide liquidity for Ford Credit's short-term funding obligations and give Ford Credit 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 other structured financings, 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, 2004, the principal amount outstanding of such notes was $7.7 billion. Ford Credit does not hold reserves 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 2004, Ford Credit continued to meet a significant portion of its funding requirements through 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: 2004 - 24%, 2003 - 25%, 2002 - 28%.

The following table illustrates Ford Credit's term public funding issuances for 2003 and 2004 and its planned issuances for 2005 (in billions):

	2005 Forecast	**2004**	2003
Unsecured Term Debt			
Institutional	$ 5 – 9	**$ 7**	$ 15
Retail	5 – 6	**5**	4
Total unsecured term debt	10 – 15	**12**	19
Term Public Securitization*	10 – 15	**6**	11
Total term public funding	$ 20 – 30	**$ 18**	$ 30

* Reflects new issuance and includes funding from discontinued operations in 2004 and 2003; excludes 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, on an indicative basis, spreads on Ford Credit's securitized funding have fluctuated between 35 and 63 basis points above 3-year U.S. Treasury securities, while Ford Credit's unsecured long-term debt funding spreads have fluctuated between 124 and 638 basis points above comparable U.S. Treasury securities. In 2004, on an indicative basis, Ford Credit's unsecured term-debt spreads fluctuated between 124 and 205 basis points above 3-year U.S. Treasury securities, with an average spread of 162 basis points and a year-end spread of 165 basis points above comparable U.S. Treasury securities.

During 2002, Ford Credit began a program to sell retail installment sale contracts in transactions where it retains no interest and thus no exposure to the sold assets. These transactions, referred 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. Total outstanding receivables sold in whole-loan sale transactions at December 31, 2004 were $4.0 billion.

As a result of lower credit ratings over the last three years, Ford Credit focused its efforts on further diversification of funding sources and reduced its reliance on short-term funding, especially unsecured commercial paper. Ford Credit launched new asset-backed commercial paper and retail unsecured bond programs, and it expanded its securitization and other structured financing channels, including transactions by foreign affiliates and expansion of its bank-sponsored asset-backed commercial paper issuers program. As Ford Credit's short-term credit ratings have declined, asset-backed commercial paper programs have become more cost-effective compared with unsecured commercial paper, and allow Ford Credit access to a larger investor base. As a result of Ford Credit's funding strategy and the reduction in its managed receivables, lower credit ratings during the past three years have not had a material impact on Ford Credit's ability to fund its operations. Any further lowering of its credit ratings may increase Ford Credit's borrowing costs and potentially constrain its funding sources. This could cause Ford Credit to increase its use of securitization or other sources of liquidity or to reduce the amount of receivables it could purchase, thereby potentially adversely affecting its ability to support the sale of Ford vehicles.

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 $7.5 billion at December 31, 2004. This includes $4.3 billion of Ford Credit facilities ($3.9 billion global and approximately $400 million non-global) and $3.2 billion of FCE facilities ($3.0 billion global and approximately $200 million non-global). Approximately $800 million of the total facilities were in use at December 31, 2004. Additionally, at December 31, 2004, banks provided $18.0 billion of contractually committed liquidity facilities supporting two asset-backed commercial paper programs established by Ford Credit. Ford Credit also has entered into agreements with a number of bank-sponsored asset-backed commercial paper issuers under which such issuers are contractually committed to purchase from Ford Credit, at Ford Credit's option, up to $14.3 billion of receivables in the aggregate at December 31, 2004. For further discussion of these facilities and agreements, see Note 15 of the Notes to the 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 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, except for ratios):

	December 31,		
	2004	2003	2002
Total debt	**$ 144.3**	$ 149.7	$ 140.3
Total stockholder's equity	**11.5**	12.5	13.6
Debt-to-equity ratio (to 1)	**12.6**	12.0	10.3

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

	December 31,		
	2004	2003	2002
Total debt	**$ 144.3**	$ 149.7	$ 140.3
Securitized off-balance sheet receivables outstanding a/	**37.7**	49.4	71.4
Retained interest in securitized off-balance sheet receivables b/	**(9.5)**	(13.0)	(17.6)
Adjustments for cash and cash equivalents	**(12.7)**	(15.7)	(6.8)
Adjustments for SFAS No. 133	**(3.2)**	(4.7)	(6.2)
Total adjusted debt	**$ 156.6**	$ 165.7	$ 181.1
Total stockholder's equity (including minority interest)	**$ 11.5**	$ 12.5	$ 13.6
Adjustments for SFAS No. 133	**(0.1)**	0.2	0.5
Total adjusted equity	**$ 11.4**	$ 12.7	$ 14.1
Managed debt-to-equity ratio (to 1)	**13.7**	13.0	12.8

a/ Includes securitized funding from discontinued operations.
b/ Includes retained interest in securitized receivables from discontinued operations.

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, 2004, Ford Credit's managed leverage was 13.7 to 1, compared with 13.0 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. Based on profitability and managed receivable levels, Ford Credit paid dividends of $4.3 billion in 2004. In the first quarter of 2005, Ford Credit expects to decrease its managed leverage to the lower end of its target range, and remain at the low end of the range throughout the year.

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 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 secured and unsecured medium-term and long-term debt markets and in the unsecured international medium-term debt market.

Hertz has an asset-backed securitization ("ABS") program for its domestic car rental fleet to reduce its borrowing costs and enhance its financing flexibility. As of December 31, 2004, $898 million was outstanding under the ABS program consisting of $298 million of commercial paper and $600 million of medium-term notes.

At December 31, 2004, Hertz had committed credit facilities totaling $2.8 billion. Of this amount, $1.3 billion represented global and other committed credit facilities ($708 million of which are available through June 30, 2009 and $560 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 2006; $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 $16 billion at December 31, 2004, up $4.4 billion compared with December 31, 2003. The increase primarily reflected net income and foreign currency translation adjustments, offset partially by dividends and the change in our minimum pension liability. For additional discussion of foreign currency translation adjustments, see Note 2 of the Notes to the Financial Statements.

Pension. We sponsor defined benefit pension plans for our employees in many countries. 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 22 of the Notes to the Financial Statements and under "Critical Accounting Estimates" below.

Included in our stockholders' equity was a $4 billion adjustment for our worldwide minimum pension liability as of December 31, 2004. This was about $500 million greater than the 2003 adjustment, due to the decline 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, 2004, compared with December 31, 2003. The primary factor that contributed to the decline in the funded status was the decrease in discount rates at December 31, 2004 used to calculate the present value of benefit obligations compared with the prior year, partially offset by the actual return on plan assets for 2004 in excess of the expected asset return.

Credit 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 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[a/] credit ratings and the outlook assigned by the NRSROs since 2002:

	DBRS[b/]			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
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
May 2004	BBB (high)	R-1 (low)	Stable	BBB+	F2	Stable	Baa1	P-2	Negative	BBB-	A-3	Stable

a/ Moody's presently rates Ford Credit's long-term debt at "A3", and Hertz's long-term debt at "Baa2". All other May 2004 ratings and outlooks shown apply equally to Ford, Ford Credit, and Hertz.

b/ NRSRO designation granted on February 27, 2003.

The ratings and trend assigned to Ford and Ford Credit by DBRS have been in effect since April 2003 and were confirmed by DBRS in October 2004. DBRS changed the trend of the long-term rating for Hertz to Stable from Negative and confirmed the ratings in July 2004. Fitch changed Ford's rating outlook to Stable from Negative in May 2004, and the outlook was affirmed by Fitch in October 2004. The ratings assigned by Fitch have been in effect since January 2002 and were affirmed by Fitch in October 2004. The ratings and outlook assigned by Moody's have been in effect since January 2002 and were affirmed by Moody's in October 2004. The ratings and outlook assigned by S&P have been in effect since November 2003 and were affirmed by S&P in October 2004.

OUTLOOK

We have set and communicated certain planning assumptions, operational metrics and financial milestones for 2005, shown below:

Industry Volume (incl. heavy trucks)	Planning Assumptions
U.S.	17.2 million units
Europe	17.3 million units

Operation Metrics	2005 Milestones
Quality	Improve in all regions
Market share	Improve in all regions
Automotive cost performance *	Hold costs flat
Capital spending	$7 billion or lower

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

Our projection of first quarter 2005 production is as follows:

Business Unit	First Quarter 2005 Vehicle Unit Production	Over/(Under) First Quarter 2004
Ford North America	910,000	(98,000)
Ford Europe	460,000	8,000
PAG	200,000	(12,000)

Our current projection of second quarter 2005 production for Ford North America is 940,000 vehicles (290,000 cars and 650,000 trucks). In the second quarter of 2004, Ford North America produced 951,000 vehicles (252,000 cars and 699,000 trucks).

On October 22, 2004, President Bush signed into law *The American Jobs Creation Act of 2004* (the "Act"). The most significant component of the Act was the repeal of the extraterritorial income ("ETI") exclusion and the replacement of ETI with a domestic deduction for a range of broadly defined domestic production activities. The Act also provides for a one-year period to repatriate certain foreign earnings at a special tax rate. We continue to evaluate the application of the repatriation provisions. If we determine that we will repatriate earnings pursuant to these provisions, a favorable earnings impact would result. We expect to make a determination about the applicability of the repatriation provisions in the last quarter of 2005. The other provisions of the Act are not expected to have a material impact on future earnings. We expect our 2005 full-year effective tax rate to be between 25% and 28%, excluding any potential effect of the repatriation-of-foreign-earnings provisions of the Act.

As disclosed in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, we have been in discussions with Visteon regarding changes to improve the efficiency and operating results of both companies, and these discussions are ongoing. Actions that may result from these discussions could include modifications to our existing commercial arrangements with Visteon, including modifications with respect to Visteon's present obligation to reimburse us for the costs of the approximately 17,700 Ford employees assigned to Visteon. These modifications likely would result in a significant charge to earnings in the period in which they occur, but would not be expected to have a material adverse impact on future ongoing results of operations.

In order that Visteon continues to supply certain components without cost surcharges to us, on March 10, 2005, we agreed to provide Visteon with the following financial assistance at least through the end of 2005:

- relieving Visteon of a portion (about $25 million per month) of its obligation to reimburse us for the costs of our employees assigned to Visteon (e.g., wage costs);
- reducing by about one-fourth the number of days within which we are required to make payment to Visteon for materials and components that we purchase from Visteon; and
- acquiring up to about $150 million of new machinery and equipment for use by Visteon necessary for its production of components for us.

Any broader agreement that might result from our ongoing discussions with Visteon could substantially modify this and any other existing Visteon agreements.

Our earnings per share guidance and outlook for pre-tax profits excluding special items by business unit, sector and total company remains unchanged from that disclosed in our Current Report on Form 8-K dated January 25, 2005.

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;
- economic distress of suppliers that may require us to provide financial support or take other measures to ensure supplies of materials;
- work stoppages at 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, including rising steel prices;
- changes in interest rates;
- a market shift from truck sales in the U.S.;
- economic difficulties in any significant market;
- higher prices for or reduced availability of fuel;
- labor or other constraints on our ability to restructure our business;
- a change in our requirements or obligations under long-term supply arrangements pursuant to which we are obligated to purchase minimum quantities or a fixed percentage of output or pay minimum amounts;
- credit rating downgrades;
- 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

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.

See Note 26 of the Notes to the Financial Statements for more information regarding costs and assumptions for warranties and additional service actions.

Pensions

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
- Expected contributions
- Inflation
- Expected return on plan assets
- Mortality rates

We base the discount rate assumption on investment yields available at year-end on long-term bonds rated Aa- or better. In the United States we use the Moody's Aa long-term bond yield as the initial indicator of these yields. We also consider the yield derived from matching projected pension payments with maturities of a portfolio of available bonds rated Aa- or better. 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 various long-run inputs, including historical plan returns and peer data, as well as inputs from a range of internal and external advisors for capital market returns, inflation and other variables, adjusted for specific aspects of our strategy. The expected amount and timing of contributions is based on an assessment of minimum requirements, and additional amounts based on cash availability and other considerations (e.g., funded status, avoidance of Pension Benefit Guaranty Corporation ("PBGC") penalty premiums and tax efficiency). Retirement and mortality rates are developed to reflect actual and projected plan experience. Plan obligations and costs are based on existing retirement plan provisions. No assumption is made regarding any potential future changes to benefit provisions beyond those to which we are presently committed (e.g., in labor contracts). The effects of actual results differing from our assumptions and the effects of changing assumptions are included in unamortized net gains and losses. Unamortized gains and losses are amortized over future periods and, therefore, generally affect our recognized expense in future periods.

See Note 22 of the Notes to the Financial Statements for more information regarding costs and assumptions for employee retirement benefits.

Sensitivity Analysis. The December 31, 2004 funded status of our pension plans is affected by December 31, 2004 assumptions. Pension expense for 2004 is based on the plan design and assumptions as of December 31, 2003. Note that these sensitivities may be asymmetric, and are specific to 2004. 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 factors is shown below (in millions).

		Increase/(Decrease) in:			
		December 31, 2004			2004
	Percentage Point Change	U.S. Plans Funded Status	Non-U.S. Plans Funded Status	Equity	U.S. Expense
Discount rate	+/- 1 pt.	$4,490/$(5,240)	$3,960/$(5,000)	$3,320/$(6,970)	$(20)/$170
Actual return on assets	+/- 1	350/(350)	180/(180)	200/(610)	-
Expected return on assets	+/- 1	-	-	-	(360)/360

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, stockholders' equity and expense. As stated above, we base the discount rate assumption on investment yields available at year-end on long-term bonds rated Aa- or better. 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)

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:

- Discount rates
- Salary growth
- Retirement rates
- Expected contributions
- Health care cost trends
- 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 eligibility management, employee education and wellness, competitive sourcing and appropriate employee cost sharing) 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- or better. We use the Moody's Aa long-term bond yield as the initial indicator of these yields. We also consider the yield derived from matching projected other postretirement benefit payments with maturities of a portfolio of available bonds rated Aa- or better. The salary growth assumptions reflect our long-term actual experience, the near-term outlook and assumed inflation. The expected return on plan assets assumption reflects various long-run inputs, including historical plan returns and peer data, as well as inputs from a range of internal and external advisors for capital market returns, inflation and other variables, adjusted for specific aspects of our strategy. The expected amount and timing of contributions is based on an assessment of cash availability and other considerations (e.g., funded status and tax efficiency). Retirement and mortality rates are developed to reflect actual and projected plan experience. Plan obligations and costs are based on existing retirement plan provisions. No assumption is made regarding any potential future changes to benefit provisions beyond those to which we are presently committed (e.g., in labor contracts). The effects of actual results differing from our assumptions and the effects of changing assumptions are included in unamortized net gains and losses. Unamortized gains and losses are amortized over future periods and, therefore, generally affect our recognized expense in future periods.

See Note 22 of the Notes to the Financial Statements for more information regarding costs and assumptions for other postretirement benefits.

Sensitivity Analysis. The December 31, 2004 postretirement benefits obligation is affected by December 31, 2004 assumptions. Postretirement benefit expense for 2004 is based on the plan design and assumptions as of December 31, 2003. Note that these sensitivities may be asymmetric, and are specific to 2004. They are not 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, 2004 Obligation	2004 Expense
Discount rate	+/- 1.0 pt.	$(5,200)/$6,200	$(340)/$390
Health care cost trends – total expense	+/- 1.0	5,200/(4,200)	580/(460)
Health care cost trends – service and interest expense	+/- 1.0	5,200/(4,200)	330/(260)

Allowance for Credit Losses – Financial Services Sector

The allowance for credit losses is our estimate of credit losses related to impaired finance receivables and operating leases as of the date of the financial statements. We monitor credit loss performance monthly and we assess the adequacy of our allowance for credit losses quarterly. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain.

Nature of Estimates Required. We estimate the credit losses related to impaired finance receivables and operating leases by evaluating several 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.

Assumptions and Approach Used. We make projections of two key assumptions:

- Frequency – the number of finance receivables and operating lease contracts that we expect to default over a period of time, measured as repossessions; 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. See Note 13 of the Notes to the Financial Statements for more information regarding our allowance for credit losses.

Sensitivity Analysis. We believe the present level of our allowance for credit losses adequately reflects credit losses related to impaired finance receivables and operating leases. However, changes in the assumptions used to derive frequency and severity would affect the allowance for credit losses. Over the past twenty years, repossession rates for our Ford, Lincoln and Mercury brand 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):

		Increase/(Decrease)	
Assumption	Percentage Point Change	December 31, 2004 Allowance for Credit Losses	2004 Expense
Repossession rates	+/- 0.1 pt.	$50/$(50)	$50/$(50)
Loss severity	+/- 1.0	15/(15)	15/(15)

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

Accumulated depreciation on vehicles subject to operating leases reduces the value of the leased vehicles in our operating lease portfolio from their original acquisition value to their expected residual value at the end of the lease term.

We monitor residual values each month, and we review the adequacy of our accumulated depreciation on a quarterly basis. If we believe that the expected residual values for our vehicles have changed, we revise depreciation to ensure that our net investment in the operating leases (equal to our acquisition value of the vehicles minus accumulated depreciation) will be adjusted to reflect our revised estimate of the expected residual value at the end of the lease term. Such adjustments to depreciation expense would result in a change in the depreciation rates of the vehicles subject to operating leases and are recorded on a straight-line basis.

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. If the customer returns the vehicle to the dealer, the dealer may buy the vehicle from us or return it to us. Over the last three years, about 60% to 70% of Ford Credit's North America operating lease vehicles have been returned to us.

Nature of Estimates Required. Each operating lease in our portfolio represents a vehicle we own that has been leased to a customer. At the time we purchase a lease, we establish an expected residual value for the vehicle. We estimate the expected residual value by evaluating historical auction values, historical return rates for our leased vehicles, industry-wide used vehicle prices, our marketing plans and vehicle quality data.

Assumptions and Approach Used. Our accumulated depreciation on vehicles subject to operating leases is based on our assumptions of:

- Auction value – the market value of the vehicles when we sell them at the end of the lease; and
- Return rates – the percentage of vehicles that will be returned to us at lease end.

See Note 11 of the Notes to the Financial Statements for more information regarding accumulated depreciation on vehicles subject to operating leases.

Sensitivity Analysis. For returned vehicles, we face a risk that the amount we obtain from the vehicle sold at auction will be less than our estimate of the expected residual value for the vehicle. At year-end 2004, if future auction values for Ford, Lincoln and Mercury brand vehicles in the U.S. with 24 to 36 month operating lease terms were to decrease by one percent from our present estimates, the impact would be to increase our depreciation on these vehicles by about $45 million. Similarly, if return rates for our existing portfolio of 24 to 36 month term Ford, Lincoln and Mercury brand vehicles in the U.S. were to increase by one percentage point from our present estimates, the impact would be to increase our depreciation on these vehicles by about $5 million. These increases in depreciation would be charged to depreciation expense during the 2005 through 2007 period so that the net investment in operating leases at the end of the lease term for these vehicles is equal to the revised expected residual value. 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 *Depreciation,* in each case under the Financial Services sector.

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

In December 2004, the FASB issued a revision of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock – Based Compensation.* This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. In addition, this statement amends SFAS No. 95, *Statement of Cash Flows,* to require that excess tax benefits be reported as a financing cash inflow rather than a reduction of taxes paid. Effective January 1, 2003, we adopted the fair value recognition provision of SFAS No. 123 under a modified prospective method to all unvested employee awards as of January 1, 2003 and all new awards granted to employees after January 1, 2003 and forward. Although we are assessing its impact, we do not expect adoption of this revision to the standard to have a material impact on our consolidated financial position or results of operations.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs – an amendment of ARB No. 43, Inventory Pricing*, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. ARB No. 43 stated that the above-mentioned items under some circumstances are so abnormal that they require treatment as current period charges. SFAS No. 151 requires that items such as idle facility expense, excessive spoilage, double freight, and handling costs, be treated as current–period charges, regardless of whether they meet the criterion of "so abnormal." We have applied ARB No. 43 consistent with SFAS No. 151 and we do not expect any impact on our consolidated financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, *Accounting for Nonmonetary Assets – an amendment of APB Opinion No. 29*. APB No. 29 required that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged, with the exception for exchange of similar productive assets which should be measured based on the recorded amount. The SFAS No. 153 requires the exchange of nonmonetary assets to be measured on fair value with the exception of exchanges for such assets which lack commercial substance, the fair value is not determinable or an exchange transaction that facilitates sales to customers. We have adopted SFAS No. 153 and will apply on a prospective basis.

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.

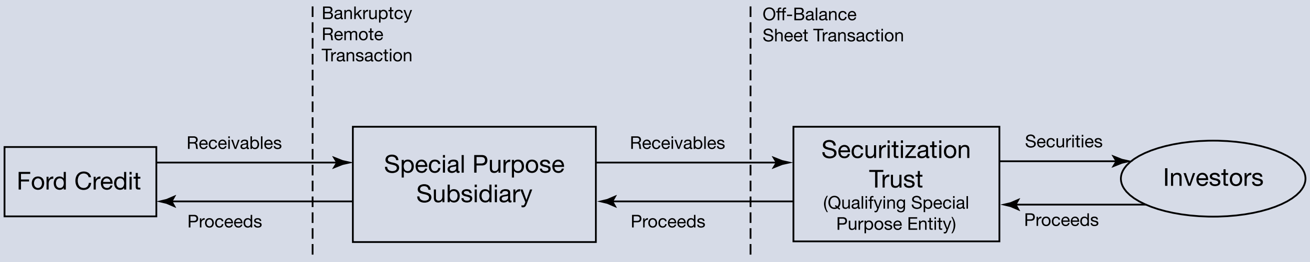
Guarantees

See Note 26 of the Notes to the Financial Statements for a discussion of our guarantees.

Sales of Receivables by Ford Credit

Securitization. Ford Credit regularly uses securitization to fund its operations. Ford Credit securitizes its receivables because the highly liquid and efficient market for securitization of financial assets provides it with a lower cost source of funding, compared with unsecured debt given its present credit ratings, diversifies its funding among different markets and investors, and provides additional liquidity. 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 if in compliance with SFAS No. 140 (discussed below), the receivables are no longer assets of Ford Credit and the sold receivables no longer appear on its 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 sold 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 flow chart diagrams Ford Credit's typical U.S. retail 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. Some 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 its balance sheet. The use of SPEs in the typical securitization structure, along with the use of various forms of credit and payment enhancements to reduce the risk of loss, allows the SPE to issue senior asset-backed securities that generally receive the highest short-term credit ratings and among the highest long-term credit ratings, thereby providing Ford Credit with a cost-effective source of funding.

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 retains interests in the securitized receivables. The retained interests may include senior and subordinated securities issued by the SPE, undivided interests in wholesale receivables, restricted cash held for the benefit of the SPEs (for example, a reserve fund) and residual interests in securitization transactions. Income from residual interest in securitization transactions represents 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. Ford Credit retains credit risk in securitizations. Ford Credit's retained interests include the most subordinated interests in the SPE, which are the first to absorb credit losses on the sold receivables. The impact of credit losses in the pool of sold receivables will likely be limited to Ford Credit's retained interests because securitizations are structured to protect the holders of the senior asset-backed securities.

At December 31, 2004 and 2003, the total outstanding principal amount of receivables sold by Ford Credit in securitizations was $35.6 billion and $46.9 billion, respectively. This decrease primarily reflected lower funding requirements. At December 31, 2004 and 2003, Ford Credit's retained interests in such sold receivables were $9.2 billion and $12.6 billion, respectively.

Ford Credit generally has no obligation to repurchase or replace any receivable sold to an SPE that subsequently becomes delinquent in payment or otherwise is in default. Investors holding securities issued by a SPE have no recourse to Ford Credit or its other assets for credit losses on the sold receivables and have no right to require it to repurchase the securities. Ford Credit does not guarantee any asset-backed securities and has no obligation to provide liquidity or make monetary contributions or contributions of additional receivables to its SPEs either due to the performance of the sold receivables or the credit rating of its short-term or long-term debt. However, as the seller and servicer of the finance receivables to the SPE, Ford Credit is obligated to provide certain kinds of support to its securitizations, which are customary in the securitization industry. These obligations consist of indemnifications, receivable repurchase obligations on receivables that do not meet eligibility criteria or that have been materially modified, the mandatory sale of additional receivables in revolving transactions, and servicer advances.

Risks to Future Sales of Receivables. Some of Ford Credit's securitization programs contain structural features that could prevent further funding from these sources if:

- the credit losses or delinquencies in a pool of sold receivables exceed specified levels;
- the delinquencies on a pool of sold receivables or our overall portfolio of receivables exceeds specified levels;
- the payment rates on wholesale receivables are lower than specified levels; or
- the amount 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 credit 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

See Note 16 of the Notes to the Financial Statements for a discussion of our variable interest entities.

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 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 liabilities at December 31, 2004 represent a payment obligation related to our acquisition of Land Rover in 2000.

The table below summarizes our contractual obligations as of December 31, 2004 (in millions):

			Payments Due by Period				
Obligations	Automotive	Financial Services	Total	2005	2006-2007	2008-2009	2010 and Thereafter
On-balance sheet:							
Long-term debt*	$ 18,165	$ 119,978	$138,143	$31,603	$ 45,509	$ 22,390	$ 38,641
Capital lease	246	-	246	39	63	62	82
Other liabilities	1,343	-	1,343	1,343	-	-	-
Off-balance sheet:							
Purchase obligations	5,650	4,020	9,670	5,845	2,166	1,162	497
Operating lease	1,749	1,867	3,616	863	1,210	619	924
Total	$ 27,153	$ 125,865	$153,018	$39,693	$ 48,948	$ 24,233	$ 40,144

* Principal obligation only.

For additional information to our long-term debt and operating lease obligations, see Notes 15 and 26 of the Notes to the Financial Statements.

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 other members of senior management.

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 the 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 and Finance Committees 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 19 of the Notes to the 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 EaR model is used as an estimation of risk and a management tool, but will not necessarily represent actual changes in earnings based on the combination of hedging and underlying exposures. 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; therefore, the EaR model may not accurately predict future market risk. 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. Accordingly, we use derivative instruments to hedge our economic exposure with respect to forecasted revenues and costs, 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, 2004, the EaR from foreign currency exchange movements over the next twelve months is projected at $360 million, within a 95% confidence level for the unhedged exposure. When calculated at the end of each quarter throughout the year, the high was $465 million, the low was $235 million and the average was $340 million; the risks impacting financial instruments are offset with underlying exposure being hedged. The 2004 year-end projection is approximately $10 million higher than the EaR projection for 2004 calculated as of December 31, 2003. The increased exposure results primarily from changes in the unhedged portfolio. 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), ferrous metals (e.g., steel and iron castings), 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 (primarily non-ferrous metals, precious metals and energies). 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, 2004, the EaR from commodity price movements over the next twelve months is projected at $147 million, within a 95% confidence level (when calculated at the end of each quarter throughout the year, the high was $147 million, the low was $97 million and the average was $115 million); the risks impacting financial instruments are offset with underlying exposure being hedged. The year-end level is approximately $57 million higher than the EaR projection for 2004 calculated as of December 31, 2003. The increased exposure results primarily from higher commodity prices and hedging levels consistent with our overall hedging strategy.

In addition, our purchasing organization (with the oversight of the GRMC) negotiates contracts to ensure continuous supply of raw materials. In some cases, these contracts stipulate minimum purchase amounts and specific prices and as such, play a role in managing price risk.

Interest Rate Risk. Interest rate risk relates to the gain or loss we could incur in our Automotive investment portfolio due to 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, 2004, we had $23.6 billion in our automotive investment portfolio, compared to $25.9 billion at December 31, 2003. We invest the portfolio in securities of various types and maturities, the value of which are subject to fluctuations in interest rates. These securities are generally classified as either 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 available-for-sale portfolios. As of December 31, 2004, the value of our trading portfolio was $19.6 billion, which is $4.6 billion lower than December 31, 2003. The value of our available-for-sale portfolio was $4.0 billion, which is $2.3 billion higher than December 31, 2003.

Assuming a hypothetical increase in interest rates of one percentage point, the value of our trading and available-for-sale portfolios would be reduced by $88 million and $45 million, respectively. This compares to $206 million and $29 million, respectively, as calculated as of December 31, 2003. The decrease in reported exposure is the result of using actual portfolio durations instead of long-term targets. Portfolio durations have been reduced below long-term targets to help shield the portfolios from the possible adverse impact of an increase in interest rates. Using the actual duration of our trading and available-for-sale portfolios as of December 31, 2003, the value of these portfolios would have been reduced by $114 million and $25 million, respectively, by a hypothetical increase in interest rates of one percentage point. While these are our best estimates 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 of this magnitude 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 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 rate 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 Treasurer.

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

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

FORD CREDIT MARKET RISKS

Overview. Ford Credit is exposed to a variety of 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 interest and currency exchange rates or prices will have an adverse impact on operating results;
- Credit risk – the possibility of loss from a customer's failure to make payments according to contract terms;
- Residual risk – the possibility that the actual proceeds Ford Credit receives at lease termination will be lower than its projections or return rates will be higher than its projections; and,
- Liquidity risk – the possibility that Ford Credit may be 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". A discussion of Ford Credit's market risks is included below.

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 rate changes 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 cycle, Ford Credit may issue debt with five- to ten-year maturities, which is generally longer than the terms of its assets. 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 to fixed or its fixed-rate debt 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 reported to the Treasurer each month.

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 80% of its total on-balance sheet finance receivables at December 31, 2004. For its other 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 discrete time bands based on their re-pricing characteristics. Under this process, Ford Credit enters into interest rate swaps, which effectively change the re-pricing profile of its debt, to ensure that any re-pricing mismatch (between assets and liabilities) 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 being 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 its 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 (a "parallel shift"), 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. The sensitivity as of year-end 2004 and 2003 was 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, 2004	$(93)	$ 93
December 31, 2003	(179)	179

Based on assumptions included in the analysis, sensitivity to a one percentage point instantaneous change in interest rates was lower at year-end 2004 than at year-end 2003. This change primarily reflects the results of normal fluctuations within the approved tolerances of risk management strategy. While the sensitivity analysis presented is Ford Credit's best estimate of the impacts of specified assumed interest rate scenarios, the model Ford Credit uses for this analysis is heavily dependent on assumptions, so that actual results could differ from those projected. Embedded in the model Ford Credit uses are assumptions regarding the reinvestment of maturing asset principal, refinancing of maturing debt, and predicted repayment of retail installment sale and lease contracts ahead of contractual maturity. Ford Credit's repayment projections of retail installment sale and lease contracts ahead of contractual maturity are based on historical experience. If interest rates or other factors were to change, the actual prepayment experience could be different than projected.

Additionally, interest rate changes of one percentage point or more are rarely instantaneous or parallel, and rates could move more or less than the one percentage point assumed in Ford Credit's analysis. As a result, the actual impact to pre-tax net interest income could be higher or lower than the results detailed above. The model used to conduct this analysis also relies heavily on assumptions 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 Ford Credit's net derivative financial instruments (derivative assets less derivative liabilities) as reported in Note 19 of the Notes to the Financial Statements as of December 31, 2004 was $6.0 billion. This was approximately $2.5 billion lower than a year ago. This decrease primarily reflects the maturity of swaps that were significantly in the money and lower mark-to-market adjustments resulting from interest rate changes. Increases related to the continued strengthening of foreign currencies relative to the U.S. dollar were a partial offset. For additional information on Ford Credit derivatives, please refer to the "Financial Services Sector" of Note 19 of the Notes to the Financial Statements.

Ford Motor Company and Subsidiaries
For the Years Ended December 31, 2004, 2003 and 2002
(in millions, except per share amounts)

	2004	2003	2002
AUTOMOTIVE			
Sales (Note 2)	$147,134	$138,260	$134,120
Costs and expenses (Note 2)			
Cost of sales	135,856	129,685	125,027
Selling, administrative and other expenses	11,455	10,131	9,697
Total costs and expenses	147,311	139,816	134,724
Operating income/(loss)	(177)	(1,556)	(604)
Interest expense	1,221	1,323	1,333
Interest Income and other non-operating income/(expense), net	988	897	974
Equity in net income/(loss) of affiliated companies	255	74	(91)
Income/(loss) before income taxes – Automotive	(155)	(1,908)	(1,054)
FINANCIAL SERVICES			
Revenues (Note 2)	24,518	26,078	28,138
Costs and expenses (Note 2)			
Interest expense	5,850	6,320	7,468
Depreciation	6,618	8,771	10,154
Operating and other expenses	5,830	5,492	5,345
Provision for credit and insurance losses	1,212	2,248	3,053
Total costs and expenses	19,510	22,831	26,020
Income/(loss) before income taxes - Financial Services	5,008	3,247	2,118
TOTAL COMPANY			
Income/(loss) before income taxes	4,853	1,339	1,064
Provision for/(benefit from) income taxes (Note 3)	937	123	342
Income/(loss) before minority interests	3,916	1,216	722
Minority interests in net income/(loss) of subsidiaries	282	314	367
Income/(loss) from continuing operations	3,634	902	355
Income/(loss) from discontinued operations (Note 4)	(147)	(143)	(333)
Cumulative effect of change in accounting principle (Note 16 and 9)	-	(264)	(1,002)
Net income/(loss)	$ 3,487	$ 495	$ (980)
Income/(loss) attributable to Common and Class B Stock after Preferred Stock dividends	$ 3,487	$ 495	$ (995)
Average number of shares of Common and Class B stock outstanding	1,830	1,832	1,819
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK (NOTE 17)			
Basic income/(loss)			
Income/(loss) from continuing operations	$ 1.99	$ 0.49	$ 0.19
Income/(loss) from discontinued operations	(0.08)	(0.08)	(0.19)
Cumulative effect of change in accounting principle	-	(0.14)	(0.55)
Net income/(loss)	$ 1.91	$ 0.27	$ (0.55)
Diluted income/(loss)			
Income/(loss) from continuing operations	$ 1.80	$ 0.49	$ 0.19
Income/(loss) from discontinued operations	(0.07)	(0.08)	(0.18)
Cumulative effect of change in accounting principle	-	(0.14)	(0.55)
Net income/(loss)	$ 1.73	$ 0.27	$ (0.54)
Cash dividends	$ 0.40	$ 0.40	$ 0.40

The accompanying notes are part of the financial statements.

CONSOLIDATED STATEMENT OF INCOME

Ford Motor Company and Subsidiaries
For the Years Ended December 31, 2004, 2003 and 2002
(in millions, except per share amounts)

	2004	2003	2002
Sales and revenues			
Automotive sales	$ 147,134	$ 138,260	$ 134,120
Financial Services revenues	24,518	26,078	28,138
Total sales and revenues	171,652	164,338	162,258
Costs and expenses			
Cost of sales	135,856	129,685	125,027
Selling, administrative and other expenses	23,903	24,394	25,196
Interest expense	7,071	7,643	8,801
Provision for credit and insurance losses	1,212	2,248	3,053
Total costs and expenses	168,042	163,970	162,077
Automotive interest income and other non-operating income/(expense), net	988	897	974
Automotive equity in net income/(loss) of affiliated companies	255	74	(91)
Income/(loss) before income taxes	4,853	1,339	1,064
Provision for/(benefit from) income taxes	937	123	342
Income/(loss) before minority interests	3,916	1,216	722
Minority interests in net income/(loss) of subsidiaries	282	314	367
Income/(loss) from continuing operations	3,634	902	355
Income/(loss) from discontinued operations	(147)	(143)	(333)
Cumulative effect of change in accounting principle	-	(264)	(1,002)
Net income/(loss)	$ 3,487	$ 495	$ (980)
Income/(loss) attributable to Common and Class B Stock after Preferred Stock dividends	$ 3,487	$ 495	$ (995)
Average number of shares of Common and Class B stock outstanding	1,830	1,832	1,819
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK			
Basic income/(loss)			
Income/(loss) from continuing operations	$ 1.99	$ 0.49	$ 0.19
Income/(loss) from discontinued operations	(0.08)	(0.08)	(0.19)
Cumulative effect of change in accounting principle	-	(0.14)	(0.55)
Net income/(loss)	$ 1.91	$ 0.27	$ (0.55)
Diluted income/(loss)			
Income/(loss) from continuing operations	$ 1.80	$ 0.49	$ 0.19
Income/(loss) from discontinued operations	(0.07)	(0.08)	(0.18)
Cumulative effect of change in accounting principle	-	(0.14)	(0.55)
Net income/(loss)	$ 1.73	$ 0.27	$ (0.54)
Cash dividends	$ 0.40	$ 0.40	$ 0.40

The accompanying notes are part of the financial statements.

Ford Motor Company and Subsidiaries
(in millions)

	December 31, 2004	December 31, 2003
ASSETS		
Automotive		
Cash and cash equivalents	$ 10,143	$ 6,856
Marketable securities (Note 5)	8,291	9,316
Loaned securities (Note 5)	1,058	5,667
Total cash, marketable and loaned securities	19,492	21,839
Receivables, less allowances of $388 and $384	2,896	2,698
Inventories (Note 6)	10,766	9,151
Deferred income taxes	3,837	3,225
Other current assets	7,712	6,829
Total current assets	44,703	43,742
Equity in net assets of affiliated companies	1,907	1,930
Net property (Note 8)	42,906	41,919
Deferred income taxes	10,894	12,090
Goodwill and other intangible assets (Note 9)	6,374	6,053
Assets of discontinued/held-for-sale operations	180	410
Other assets	9,458	9,300
Total Automotive assets	116,422	115,444
Financial Services		
Cash and cash equivalents	13,368	16,352
Investments in securities (Note 5)	1,216	1,123
Finance receivables, net (Note 10)	113,824	110,003
Net investment in operating leases (Note 11)	31,763	31,859
Retained interest in sold receivables (Note 12)	9,166	12,569
Goodwill and other intangible assets (Note 9)	897	947
Assets of discontinued/held-for-sale operations	2,186	1,810
Other assets	13,746	17,260
Receivable from Automotive (Note 1)	2,753	3,356
Total Financial Services assets	188,919	195,279
Total assets	$ 305,341	$ 310,723
LIABILITIES AND STOCKHOLDERS' EQUITY		
Automotive		
Trade payables	$ 16,030	$ 15,279
Other payables	3,065	2,940
Accrued liabilities (Note 14)	33,573	32,143
Debt payable within one year (Note 15)	977	1,806
Current payable to Financial Services (Note 1)	1,382	124
Total current liabilities	55,027	52,292
Senior debt (Note 15)	12,303	13,832
Subordinated debt (Note 15)	5,155	5,155
Total long-term debt	17,458	18,987
Other liabilities (Note 14)	35,699	39,889
Deferred income taxes	3,042	2,352
Liabilities of discontinued/held-for-sale operations	42	152
Payable to Financial Services (Note 1)	1,371	3,232
Total Automotive liabilities	112,639	116,904
Financial Services		
Payables	2,394	2,188
Debt (Note 15)	154,538	159,011
Deferred income taxes	10,549	11,079
Other liabilities and deferred income	8,206	9,148
Liabilities of discontinued/held-for-sale operations	93	83
Total Financial Services liabilities	175,780	181,509
Minority interests	877	659
Stockholders' equity		
Capital stock (Note 17)		
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	5,321	5,374
Accumulated other comprehensive income/(loss)	1,258	(414)
Treasury stock	(1,728)	(1,749)
Earnings retained for use in business	11,175	8,421
Total stockholders' equity	16,045	11,651
Total liabilities and stockholders' equity	$ 305,341	$ 310,723

The accompanying notes are part of the financial statements.

Ford Motor Company and Subsidiaries
(in millions)

	December 31, 2004	December 31, 2003
ASSETS		
Cash and cash equivalents	$ 23,511	$ 23,208
Marketable securities	9,507	10,439
Loaned securities	1,058	5,667
Finance receivables, net	110,749	106,850
Other receivables, net	5,971	5,851
Net investment in operating leases	31,763	31,859
Retained interest in sold receivables	9,166	12,569
Inventories	10,766	9,151
Equity in net assets of affiliated companies	2,835	2,959
Net property	44,551	43,506
Deferred income taxes	4,830	7,389
Goodwill and other intangible assets	7,271	7,000
Assets of discontinued/held-for-sale operations	2,366	2,220
Other assets	28,310	30,729
Total assets	$ 292,654	$ 299,397
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payables	$ 21,489	$ 20,407
Accrued liabilities	31,187	29,563
Debt	172,973	179,804
Other liabilities and deferred income	43,777	48,639
Deferred income taxes	6,171	8,439
Liabilities of discontinued/held-for-sale operations	135	235
Total liabilities	275,732	287,087
Minority interests	877	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	5,321	5,374
Accumulated other comprehensive income/(loss)	1,258	(414)
Treasury stock	(1,728)	(1,749)
Earnings retained for use in business	11,175	8,421
Total stockholders' equity	16,045	11,651
Total liabilities and stockholders' equity	$ 292,654	$ 299,397

The accompanying notes are part of the financial statements.

Ford Motor Company and Subsidiaries
For the Years Ended December 31, 2004, 2003 and 2002
(in millions)

	2004		2003		2002	
	Automotive	Financial Services	Automotive	Financial Services	Automotive	Financial Services
Cash and cash equivalents at January 1	$ 6,856	$ 16,352	$ 6,243	$ 7,071	$ 5,300	$ 3,137
Cash flows from operating activities before securities trading (Note 20)	1,398	15,501	1,318	15,962	9,465	14,686
Net sales/(purchases) of trading securities	5,600	92	1,630	524	(6,366)	(23)
Net cash flows from operating activities	6,998	15,593	2,948	16,486	3,099	14,663
Cash flows from investing activities						
Capital expenditures	(6,287)	(458)	(7,357)	(379)	(6,761)	(502)
Acquisitions of retail and other finance receivables and operating leases	-	(62,852)	-	(59,503)	-	(71,050)
Collections of retail and other finance receivables and operating leases	-	50,810	-	44,118	-	47,074
Net (increase)/decrease in wholesale receivables	-	(2,174)	-	(2,762)	-	(10,654)
Net acquisitions of daily rental vehicles	-	(2,492)	-	(1,505)	-	(1,846)
Purchases of securities	(7,590)	(880)	(8,925)	(1,149)	(3,446)	(609)
Sales and maturities of securities	7,615	799	8,673	709	3,445	479
Proceeds from sales of finance receivables and operating leases	-	10,438	-	19,367	-	40,138
Proceeds from sale of businesses	125	412	77	1,625	257	-
Net investing activity with Financial Services	4,361	-	3,708	-	1,053	-
Cash paid for acquisitions	(30)	-	-	-	(289)	-
Cash recognized on initial consolidation of joint ventures	-	-	256	-	-	-
Other	101	(465)	716	883	-	893
Net cash (used in)/provided by investing activities	(1,705)	(6,862)	(2,852)	1,404	(5,741)	3,923
Cash flows from financing activities						
Cash dividends	(733)	-	(733)	-	(743)	-
Net sales/(purchases) of Common Stock	(151)	-	9	-	287	-
Proceeds from mandatorily redeemable convertible preferred securities	-	-	-	-	4,900	-
Preferred Stock – Series B redemption	-	-	-	-	(177)	-
Changes in short-term debt	(342)	5,279	(237)	1,542	(31)	5,737
Proceeds from issuance of other debt	469	21,754	1,144	21,942	318	15,524
Principal payments on other debt	(2,585)	(33,436)	(1,097)	(27,683)	(859)	(15,760)
Net financing activity with Automotive	-	(4,361)	-	(3,708)	-	(1,053)
Other	(39)	(81)	(15)	(67)	(23)	(19,560)
Net cash (used in)/provided by financing activities	(3,381)	(10,845)	(929)	(7,974)	3,672	(15,112)
Effect of exchange rate changes on cash	117	388	260	551	37	336
Net transactions with Automotive/Financial Services	1,258	(1,258)	1,186	(1,186)	(124)	124
Net increase/(decrease) in cash and cash equivalents	3,287	(2,984)	613	9,281	943	3,934
Cash and cash equivalents at December 31	$ 10,143	$ 13,368	$ 6,856	$ 16,352	$ 6,243	$ 7,071

The accompanying notes are part of the financial statements.

Ford Motor Company and Subsidiaries
For the Years Ended December 31, 2004, 2003 and 2002
(in millions)

We have revised the presentation of our 2003 and 2002 Consolidated Statement of Cash Flows to conform to our 2004 presentation. (See Note 1 of the Notes to the Financial Statements)

	2004	2003	2002
Cash and cash equivalents at January 1	$ 23,208	$ 13,314	$ 8,437
Cash flows from operating activities before securities trading	18,822	15,126	18,128
Net sales/(purchases) of trading securities	5,692	2,154	(6,389)
Net cash flows from operating activities	24,514	17,280	11,739
Cash flows from investing activities			
Capital expenditures	(6,745)	(7,736)	(7,263)
Acquisitions of retail and other finance receivables and operating leases	(62,852)	(59,503)	(71,050)
Collections of retail and other finance receivables and operating leases	50,670	44,476	47,260
Net acquisitions of daily rental vehicles	(2,492)	(1,505)	(1,846)
Purchases of securities	(8,470)	(10,074)	(4,055)
Sales and maturities of securities	8,414	9,382	3,924
Proceeds from sales of retail and other finance receivables and operating leases	6,481	18,401	35,321
Proceeds from sale of businesses	537	1,702	257
Cash paid for acquisitions	(30)	-	(289)
Cash recognized on initial consolidation of joint ventures	-	256	-
Other	(364)	1,599	893
Net cash (used in)/provided by investing activities	(14,851)	(3,002)	3,152
Cash flows from financing activities			
Cash dividends	(733)	(733)	(743)
Net sales/(purchases) of Common Stock	(151)	9	287
Proceeds from mandatorily redeemable convertible preferred securities	-	-	4,900
Preferred Stock – Series B redemption	-	-	(177)
Changes in short-term debt	4,937	1,305	5,706
Proceeds from issuance of other debt	22,223	23,086	15,842
Principal payments on other debt	(36,021)	(28,780)	(16,619)
Other	(120)	(82)	(19,583)
Net cash (used in)/provided by financing activities	(9,865)	(5,195)	(10,387)
Effect of exchange rate changes on cash	505	811	373
Net increase/(decrease) in cash and cash equivalents	303	9,894	4,877
Cash and cash equivalents at December 31	$ 23,511	$ 23,208	$ 13,314

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, 2004, 2003 and 2002
(in millions)

	Capital Stock	Capital in Excess of Par Value of Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss) Foreign Currency Translation	Accumulated Other Comprehensive Income/(Loss) Minimum Pension Liability	Accumulated Other Comprehensive Income/(Loss) Derivative Instruments and Other	Other	Total
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 19)				(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 19)				(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
YEAR ENDED DECEMBER 31, 2004								
Balance at beginning of year	**$ 19**	**$ 5,374**	**$ 8,421**	**$ 1,593**	**$(3,533)**	**$ 1,526**	**$(1,749)**	**$ 11,651**
Comprehensive income/(loss)								
Net income			**3,487**					**3,487**
Foreign currency translation				**2,352**				**2,352**
Net gain on derivative instruments (net of tax of $98) (Note 19)				**(121)**		**(62)**		**(183)**
Minimum pension liability (net of tax of $255)					**(473)**			**(473)**
Net holding gain (net of tax of $13)						**(24)**		**(24)**
Comprehensive income								**5,159**
Common Stock issued for employee benefit plans and other		**(53)**						**(53)**
ESOP loan and treasury stock							**21**	**21**
Cash dividends			**(733)**					**(733)**
Balance at end of year	**$ 19**	**$ 5,321**	**$11,175**	**$ 3,824**	**$(4,006)**	**$ 1,440**	**$ (1,728)**	**$ 16,045**

The accompanying notes are part of the financial statements.

NOTE 1. 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 enables 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 and, beginning July 1, 2003, consolidated Variable Interest Entities ("VIEs") of which we are the primary beneficiary. 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. Described below are accounting policies applicable to us and our consolidated majority-owned subsidiaries.

We have reclassified certain prior-year amounts to conform to current year presentation and certain amounts previously disclosed in our Current Report on Form 8-K dated January 20, 2005 have been revised, including *Revenues* and *Operating and other expenses* due to a reclassification by Hertz.

Transactions Between Automotive and Financial Services Sectors

Intersector transactions occur in the ordinary course of business. We formally documented certain long-standing business practices with Ford Motor Credit Company ("Ford Credit"), a wholly owned subsidiary, 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):

	2004		2003	
	Automotive	**Financial Services**	Automotive	Financial Services
Finance receivables, net a/		**$ 3.1**		$ 3.2
Net investment in operating leases b/		**4.0**		4.1
Other assets c/		**0.8**		1.2
Intersector non-current receivables/(payables) d/	**$ (1.4)**	**1.4**	$ (3.2)	3.2
Intersector current receivables/(payables) e/	**(1.4)**	**1.4**	(0.1)	0.1

a/ Automotive sector receivables (generated primarily from vehicle and parts sales to third parties) sold to Ford Credit. These receivables have been reclassified from *Finance receivables, net* to *Receivables, net* for presentation on our Consolidated Balance Sheet.

b/ Primarily Automotive sector vehicles used by Hertz for rental ($3.1 billion in 2004 and $3.2 billion in 2003) and Ford Credit vehicles leased to employees ($0.9 billion in 2004 and $0.9 billion in 2003).

c/ Primarily used vehicles purchased by Ford Credit pursuant to the Automotive sector'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 the Automotive sector under a tax sharing agreement.

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

Additionally, amounts recorded as revenue by the Financial Services sector and billed to the Automotive sector for interest and special financing and leasing programs were $3.3 billion in 2004, $3.3 billion in 2003, and $3.5 billion in 2002.

Beginning with our year ended December 31, 2004 Consolidated Statement of Cash Flows, we have changed our presentation of cash flows from wholesale finance receivables. The change stemmed from concerns raised by the staff of the Securities and Exchange Commission about the previous presentation. Prior-year amounts have been reclassified to conform to current year presentation.

Wholesale finance receivables are generated by Ford Credit's financing of dealer purchases of vehicles. The vehicles financed are primarily vehicles sold by our Automotive sector to the dealers. Dealer purchases of our inventory financed by Ford Credit do not generate cash on a consolidated basis until settlement of the wholesale receivable by the dealer. Historically, in the period in which we sold a vehicle to a dealer and the dealer financed the purchase through Ford Credit, we had presented the related cash flows as separate transactions in our Consolidated Statement of Cash Flows. The cash inflow resulting from the sale of inventory was presented as an operating cash flow. The cash outflow from the origination by Ford Credit of a wholesale finance receivable was presented as an investing cash flow.

In our revised presentation, our Consolidated Statement of Cash Flows has been adjusted to reflect the fact that there was no cash received by the consolidated entity upon the initial sale of inventory, to reflect the elimination of the effects of the intercompany transactions and to properly classify cash receipts from the settlement of Ford Credit's wholesale receivables related to the sale of inventory as operating activities.

NOTE 1. Principles of Presentation and Consolidation (Continued)

The table below reconciles the revised presentation of our Consolidated Statement of Cash Flows for the years ended December 31, 2004, 2003 and 2002 to the prior presentation (in millions):

	2004	2003	2002
Net cash flows from operating activities:			
Automotive sector	**$ 6,998**	$ 2,948	$ 3,099
Financial Services sector	**15,593**	16,486	14,663
Sum of sector operating cash flows (prior presentation)	**22,591**	19,434	17,762
Reclassification from investing cash flows*	**1,923**	(2,154)	(6,023)
Consolidated net cash flows from operating activities	**$ 24,514**	$ 17,280	$ 11,739
Net cash flows from investing activities:			
Automotive sector	**$ (1,705)**	$ (2,852)	$ (5,741)
Financial Services sector	**(6,862)**	1,404	3,923
Elimination of net intersector investing activity	**(4,361)**	(3,708)	(1,053)
Sum of sector investing cash flows (prior presentation)	**(12,928)**	(5,156)	(2,871)
Reclassification to operating cash flows*	**(1,923)**	2,154	6,023
Consolidated net cash flows from investing activities	**$ (14,851)**	$ (3,002)	$ 3,152

* In addition to vehicles sold by us, the cash flows from wholesale finance receivables being reclassified from investing to operating include financing by Ford Credit of used and non-Ford vehicles. 100% of cash flows from wholesale finance receivables have been reclassified for consolidated presentation as the portion of these cash flows from used and non-Ford vehicles are impracticable to separate.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES

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.*

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 is included in other current assets and, as of December 31, 2004, was $2.9 billion.

Income generated from cash and cash equivalents, investments in marketable securities, loaned securities and other miscellaneous receivables is reported as *Interest income and other non-operating income/(expense), net.*

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 receivables is discontinued at the time a receivable is determined to be uncollectible. 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.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the periods reported. Estimates are used when accounting for certain items such as marketing accruals, warranty costs, employee benefit programs, etc. Estimates are based on historical experience, where applicable, and other assumptions that management believes are reasonable under the circumstances. Due to the inherent uncertainty involved in marketing estimates, actual results may differ from those estimates under different assumptions or conditions.

Marketing Incentives

Automotive marketing incentives, including customer and dealer cash payments and costs for special financing and leasing programs 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. Costs for marketing incentives are based on assumptions regarding the number of vehicles that will have a specific incentive applied against them.

Selected Other Costs

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

	2004	2003	2002
Advertising	**$ 3.2**	$ 2.7	$ 2.9
Engineering, research and development	**7.4**	7.3	7.5

Sale of Receivables

Ford Credit periodically sells finance receivables in securitization transactions. In many of our securitization transactions, we surrender control over these assets by selling finance receivables to securitization special purpose entities ("SPEs"). Securitization entities are a common, required element of securitization transactions to meet certain legal and transaction requirements that assure that the sold assets have been isolated from our creditors and us.

Receivables are considered sold for accounting purposes 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. If these criteria are satisfied, the receivables are removed from our balance sheet at the time they are sold.

For off-balance sheet sales of receivables, estimated gains or losses are recognized in the period in which the sale occurs. We retain certain interests in receivables sold in securitization transactions. These interests are recorded at fair value with unrealized gains or losses recorded, net of tax, as *Accumulated other comprehensive income/(loss)*, a component of stockholder's equity.

Certain sales of receivables do not qualify for off-balance sheet treatment, and sold receivables and associated debt are not removed from our balance sheet. As a result, no gain or loss is recorded for these transactions.

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 of a location, and the results of our foreign currency hedging activities (Note 19). The net income effects of these adjustments were gains of $596 million and $454 million, and losses of $19 million in 2004, 2003, and 2002 respectively.

Foreign currency translation adjustments related to foreign subsidiaries using the local currency as their functional currency are included in *Accumulated other comprehensive income/(loss)*. Net adjustments increased $2.2 billion, $2.9 billion and $2.9 billion in 2004, 2003 and 2002 respectively. The adjustments include a $23 million gain, a $1 million loss and a $32 million loss for 2004, 2003 and 2002, respectively that were reclassified from *Accumulated other comprehensive income/(loss)* and included in determining the gain or loss on entities sold.

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. The estimated useful lives generally are 30 years for buildings and land improvements and 14.5 years for machinery and equipment. 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 over the expected vehicle model cycle life. 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 generally on an operating business unit basis or at the individual asset (or asset group) 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 provisions of SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*, stock-based employee compensation expense recognized in 2004 and 2003 equals the expense that 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.

NOTE 2. Summary of Accounting Policies (Continued)

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

	2004	2003	2002
Income/(loss) attributable to Common and Class B Stock after Preferred Stock dividends, as reported	$ 3,487	$ 495	$ (995)
Add: Employee stock option expense included in reported net income, net of related tax effects	77	112	-
Deduct: Total employee stock option expense determined under fair value method for all awards, net of related tax effects	(77)	(112)	(179)
Pro forma net income/(loss)	$ 3,487	$ 495	$ (1,174)
Amounts per share:			
Basic – as reported	$ 1.91	$ 0.27	$ (0.55)
Basic – pro forma	1.91	0.27	(0.65)
Diluted – as reported	$ 1.73	$ 0.27	$ (0.54)
Diluted – pro forma	1.73	0.27	(0.64)

NOTE 3. INCOME TAXES

Components of income taxes, excluding discontinued operations, cumulative effects of changes in accounting principles and equity in net results of affiliated companies accounted for after-tax, are as follows:

	2004	2003	2002
Income/(loss) before income taxes (in millions)			
U.S.	$ 3,099	$ (246)	$ 1,211
Non-U.S.	1,501	1,501	(67)
Total	$ 4,600	$ 1,255	$ 1,144
Provision for income taxes (in millions)			
Current:			
Federal	$ (119)	$ (149)	$ (423)
Non-U.S.	1,038	653	547
State and local	(148)	32	-
Total Current	771	536	124
Deferred:			
Federal	958	(209)	261
Non-U.S.	(804)	(141)	(116)
State and local	12	(63)	73
Total Deferred	166	(413)	218
Total	$ 937	$ 123	$ 342
Reconciliation of effective tax rate			
U.S. statutory rate	35 %	35 %	35 %
Non-U.S. income taxes	(2)	(2)	(3)
State and local income taxes	1	(2)	5
Deductible dividends	(3)	(4)	(7)
General business credits	(3)	(12)	(20)
Dispositions and restructurings	-	-	20
Prior year settlements & claims	(6)	-	-
Other	(2)	(5)	-
Effective rate	20 %	10 %	30 %

Annual tax provisions include amounts considered sufficient to pay probable assessments for examination of prior-year tax returns by federal, foreign, state and local jurisdictions. Actual assessments may differ; however, we do not expect that such an outcome would have a material effect on the future financial statements for a particular year, although such an outcome is possible. No provision for deferred taxes has been made on $860 million of unremitted earnings (primarily earnings for periods 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):

	2004	2003
Deferred tax assets		
Employee benefit plans	$ 6,082	$ 6,721
Dealer and customer allowances and claims	3,196	3,177
Tax credit carryforwards	2,452	2,370
Other foreign deferred tax assets	2,639	2,012
Allowance for credit losses	1,957	1,930
All other	5,859	5,196
Total deferred tax assets	22,185	21,406
Deferred tax liabilities		
Leasing transactions	7,662	7,956
Depreciation and amortization (excluding leasing transactions)	7,234	6,511
Finance receivables	2,826	2,953
All other	5,804	5,036
Total deferred tax liabilities	23,526	22,456
Net deferred tax assets/(liabilities)	$ (1,341)	$ (1,050)

Operating loss carryforwards for tax purposes were $7.5 billion at December 31, 2004. A substantial portion of these losses has an indefinite carryforward period; the remaining losses will begin to expire in 2005. Tax credits available to offset future tax liabilities are $2.5 billion. A substantial portion has an indefinite carryforward period; the remainder begins to expire in 2010. 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.

On October 4, 2004, President Bush signed the *Working Families Tax Relief Act of 2004*, which retroactively reinstated the research tax credit from the June 30, 2004 expiration date. The reinstatement of the research tax credit was reflected in our fourth quarter 2004 results.

During the fourth quarter, we settled various issues related to federal and state audits of the period 1990 to 2000. The primary settlement relates to foreign sales corporation claims. The acceptance by the Internal Revenue Service of these claims, as well as the settlement of other issues related to the tax years ended 1999 to 2000, resulted in a tax benefit of $270 million.

NOTE 4. DISCONTINUED AND HELD-FOR-SALE OPERATIONS

Automotive Sector

Held-for-sale Operations. Consistent with our objectives to build on the basics and focus on core businesses, management committed in December 2004 to sell certain consolidated dealerships in the Asia Pacific and Africa/Mazda segment. The sale of these dealerships will allow us to concentrate on the production and marketing of our products in the Asia Pacific region rather than the day-to-day retailing operations. We expect to sell these operations during the next twelve months and have reported them as held for sale. We recorded a pre-tax charge of $16 million reflected in *Income/(loss) before income taxes* related to the anticipated loss on the sale of the net assets. The charge represents the difference between the anticipated selling price of the net assets, less costs to sell them, and their recorded book values. We also recorded a pre-tax goodwill impairment of $64 million reflected in *Income/(loss) before income taxes* related to the disposal of these operations.

At December 31, 2004, the assets of the held-for-sale operations consisted primarily of receivables and inventory totaling approximately $49 million and $114 million, respectively.

NOTE 4. Discontinued and Held-for-Sale Operations (Continued)

Discontinued Operations. The Automotive sector completed the disposition of several of its non-core businesses initiated in 2002 and 2003, including our former automotive recycling businesses in the United States and Canada, our electric vehicle business in Norway, and our insurance-related products and services business in the U.K. Associated with the disposition of the entities, we recorded pre-tax charges of $9 million, $105 million, and $168 million in 2004, 2003, and 2002 respectively, reflected in gain/(loss) on discontinued operations.

In 2004, management committed to sell our Formula One racing operations, as these operations were not consistent with our Premier Automotive Group ("PAG") Improvement Plan nor our goals to build on the basics and focus on our core business. We recorded a pre-tax charge of $69 million related to the anticipated loss on the sale of the net assets and a pre-tax impairment of goodwill of $204 million. We reclassified $45 million of pre-tax operating losses for the first nine months of 2004 and recorded a pre-tax charge of $23 million related to the write-down of inventory to *Operating income/(loss) from discontinued operations*. During the fourth quarter of 2004, we completed the sale of our Formula One racing operations and recorded additional pre-tax losses of $8 million.

The results of all discontinued Automotive sector operations are as follows (in millions):

	2004	2003	2002
Sales	**$ 186**	$ 396	$ 665
Operating income/(loss) from discontinued operations	**$ (185)**	$ (64)	$ (247)
Gain/(loss) on discontinued operations	**(165)**	(105)	(168)
(Provision for)/benefit from income taxes	**122**	29	89
Income/(loss) from discontinued operations	**$ (228)**	$ (140)	$ (326)

As of December 31, 2004, there are no significant assets or liabilities remaining on our balance sheet related to discontinued operations.

Financial Services Sector

Discontinued Operations. Consistent with our strategy to focus on our core business, we expect to either complete the sale during 2005 or have already completed the disposition of the operations referenced below.

During 2003, we completed the sale of Axus, our all-makes vehicle fleet leasing operations in Europe, New Zealand and Australia. In 2002, we recognized a pre-tax charge of $31 million, reflected in loss on discontinued operations. This amount represented the difference between the selling price of these assets, less costs to sell them, and their recorded book value.

During 2004, we completed the sale of AMI Leasing and Fleet Management Services, our operation in the United States that offered full service car and truck leasing. In 2003, we recognized a pre-tax charge of $50 million, reflected in loss on discontinued operations. This amount represented the difference between the selling price of these assets, less costs to sell them, and their recorded book value.

During the fourth quarter of 2004, management committed to a plan to sell Triad Financial Corporation, our operation in the U.S. that specializes in automobile retail installment sales contracts with borrowers who generally would not be expected to qualify, based on their credit worthiness, for traditional financing sources such as those provided by commercial banks or automobile manufacturers' affiliated finance companies. We expect to complete the sale of this business during 2005 for an amount approximately equal to book value.

The results of all discontinued Financial Services sector discontinued operations are as follows (in millions):

	2004	2003	2002
Revenues	**$ 395**	$ 446	$ 665
Operating income/(loss) from discontinued operations	**$ 138**	$ 83	$ 27
Gain/(loss) on discontinued operations	**-**	(50)	(31)
(Provision for)/benefit from income taxes	**(57)**	(36)	(3)
Income/(loss) from discontinued operations	**$ 81**	$ (3)	$ (7)

At December 31, 2004 and December 31, 2003, assets of our discontinued operations totaled approximately $2.2 billion and $1.8 billion, respectively, and consisted primarily of net finance receivables of about $1.7 billion and $850 million, respectively; net investment in operating leases of about $300 million at December 31, 2003; and retained interest in securitized assets of about $350 million and $450 million, respectively.

NOTE 5. 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.

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. Ford received securities as collateral in the amount of $399 million and $5.4 billion for 2004 and 2003, respectively. This collateral has not been pledged or sold. 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 and other non-operating income/(expense), net.*

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

	2004				2003			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Book/Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Book/Fair Value
Automotive sector								
Trading	$ 7,648	$ 12	$ 23	$ 7,637	$ 13,069	$ 69	$ 4	$ 13,134
Available-for-sale:								
U.S. government and agency	1,179	3	10	1,172	1,402	6	5	1,403
Other debt securities	548	1	9	540	448	4	6	446
Subtotal	1,727	4	19	1,712	1,850	10	11	1,849
Total	$ 9,375	$ 16	$ 42	$ 9,349	$ 14,919	$ 79	$ 15	$ 14,983
Financial Services sector								
Trading	$ 560	$ -	$ -	$ 560	$ 501	$ -	$ -	$ 501
Available-for-sale:								
Other debt securities	552	14	1	565	524	17	2	539
Equity	50	37	3	84	47	31	3	75
Subtotal	602	51	4	649	571	48	5	614
Held-to-maturity:								
U.S. government	7	-	-	7	8	-	-	8
Total	$ 1,169	$ 51	$ 4	$ 1,216	$ 1,080	$ 48	$ 5	$ 1,123

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

	Proceeds			Gains/(Losses)		
	2004	2003	2002	2004	2003	2002
Automotive sector	$ 7,615	$ 8,673	$ 3,445	$ (12)	$ 9	$ 24
Financial Services sector	787	703	479	6	14	6

NOTE 5. Marketable, Loaned and Other Securities (Continued)

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 at December 31, 2004 were as follows (in millions):

	Automotive		Financial Services			
	Available-for-Sale		Available-for-Sale		Held-to-Maturity	
Contractual Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
1 year	$ 52	$ 52	$ 8	$ 8	$ 1	$ 1
2-5 years	1,218	1,209	212	212	4	4
6-10 years	211	205	80	85	-	-
11 years and later	246	246	69	73	2	2
Mortgage-backed securities	-	-	184	187	-	-
Equity securities	-	-	49	84	-	-
Total	$ 1,727	$ 1,712	$ 602	$ 649	$ 7	$ 7

The fair value of the Company's investments in an unrealized loss position at December 31, 2004, aggregated by investment category and length of time that the investments have been in a continuous loss position, are as follows (in millions):

	Less Than 12 Months		12 Months or Greater		Total	
Description of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Automotive sector						
U.S. government and agency	$ 737	$ 7	$ 76	$ 3	$ 813	$ 10
Other debt securities	435	4	11	5	446	9
Total	$ 1,172	$ 11	$ 87	$ 8	$ 1,259	$ 19
Financial Services sector						
Other debt securities	$ 186	$ 1	$ 17	$ -	$ 203	$ 1
Equity securities	2	-	4	3	6	3
Total	$ 188	$ 1	$ 21	$ 3	$ 209	$ 4

We also hold an additional $2.5 billion investment in marketable securities as of December 31, 2004 in a Voluntary Employees Beneficiary Association trust ("VEBA"), which assets are used to fund certain employee benefit obligations in the near term. These investments are recorded at fair value and classified as other assets in our balance sheet. At December 31, 2004, the fair value and unrealized loss of these assets that have been in a continuous loss position for less than twelve months was $2 billion and $7 million, respectively, and the fair value and unrealized loss of these assets in a continuous loss position for twelve months or greater was $7 million and $4 million, respectively.

Management has determined that the unrealized losses on our investments in debt and equity securities at December 31, 2004 are temporary in nature. Factors considered in determining whether a loss is temporary include the length of time and extent to which fair value has been below cost, the financial condition and near-term prospects of the issuer and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

NOTE 6. INVENTORIES – AUTOMOTIVE SECTOR

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

	2004	2003
Raw materials, work-in-process and supplies	**$ 3,968**	$ 3,813
Finished products	**7,799**	6,334
Total inventories at FIFO	**11,767**	10,147
Less LIFO adjustment	**(1,001)**	(996)
Total inventories	**$ 10,766**	$ 9,151

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

NOTE 7. EQUITY IN NET ASSETS OF AFFILIATED COMPANIES

Mazda-related Investments. We have a 33.4% ownership interest in Mazda Motor Corporation ("Mazda") and we account for this investment under the equity method. The carrying value of our investment in Mazda was $767.8 million and $655.9 million at December 31, 2004 and 2003, respectively. Included in our investment of Mazda is $88.4 million of goodwill. Dividends received from Mazda were $7.8 million, $6.9 million and $6.9 million for the years ended December 31, 2004, 2003 and 2002, respectively. The market value of our investment in Mazda as of December 31, 2004 is $1.5 billion.

Summarized income statement information from the published Mazda's audited financial statements for the twelve months ended September 30, 2004, 2003 and 2002 are as follows (in millions):

	2004	2003	2002
Net sales	**$ 28,015**	$ 20,281	$ 18,146
Cost and expenses	**27,226**	24,568	13,177
Income or loss from continuing operations	**419**	368	163
Net income	**384**	250	107

Included in our *Equity in net income/(loss) of affiliated companies* was income/(loss) of $108.2 million, $73.5 million and $(3.5) million in 2004, 2003 and 2002, respectively, representing our share of Mazda's results on a U.S. GAAP basis. There have been no events at Mazda subsequent to September 30, 2004 that would materially affect Ford's consolidated financial position or results of operations. Balance sheet information for Mazda is insignificant to our consolidated balance sheet.

Included in our investment in Mazda are convertible bonds issued by Mazda. The bonds are accounted for as an available-for-sale security and as of December 31, 2004 and 2003, these bonds had a fair value of $219 million and $210 million, respectively.

Other Investments. During the year we evaluated and impaired three of our equity method investments; Ballard, Inc., Vastera, Inc. and certain Ford Credit unconsolidated investments in the Asia-Pacific region. The impairment tests considered the severity and duration of the decline in the investment's fair value and the forecasted recovery of the investment's fair value. We recorded a charge of $224 million related to the goodwill associated with these investments.

NOTE 8. NET PROPERTY AND RELATED EXPENSES – AUTOMOTIVE SECTOR

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

	2004	2003
Land	**$ 727**	$ 675
Buildings and land improvements	**12,598**	12,204
Machinery, equipment and other	**46,387**	44,449
Construction in progress	**2,089**	2,647
Total land, plant and equipment	**61,801**	59,975
Accumulated depreciation	**(31,013)**	(30,048)
Net land, plant and equipment	**30,788**	29,927
Special tools, net of amortization	**12,118**	11,992
Net property	**$ 42,906**	$ 41,919

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

	2004	2003	2002
Depreciation	**$ 3,242**	$ 2,802	$ 2,424
Amortization of special tools	**3,156**	2,658	2,461
Total	**$ 6,398**	$ 5,460	$ 4,885
Maintenance and rearrangement	**$ 1,971**	$ 1,791	$ 1,952

NOTE 9. GOODWILL AND OTHER INTANGIBLES

We perform our annual goodwill and intangible asset impairment test in the second quarter. The goodwill test is conducted on a reporting unit level that is aligned with our current senior management structure. To test for impairment, the carrying value of each reporting unit, including goodwill is compared with its fair value. Fair value is estimated using the present value of free cash flows method. No impairment resulted from our annual test in the second quarter of 2004.

We impaired $64 million of goodwill related to dealerships in the Asia Pacific region that were classified as held for sale during the fourth quarter of 2004. In measuring the impairment, the carrying value of these dealerships, including goodwill, was compared against offers received from third parties.

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

	Automotive Sector			Financial Services Sector	
	The Americas	Ford Europe/PAG	Ford Asia Pacific and Africa/Mazda	Ford Credit	Hertz
Beginning balance, December 31, 2003*	$ 154	$ 4,951	$ 72	$ 68	$ 640
Goodwill acquired	34	11	-	-	-
Goodwill impairment	-	-	(64)	-	-
Exchange translation/other	-	286	(8)	(48)	8
Ending balance, December 31, 2004	$ 188	$ 5,248	$ -	$ 20	$ 648

* Beginning balance has been adjusted to reflect the reclassification of goodwill to assets of *Discontinued/held-for-sale operations* for entities classified as held for sale during the year.

In addition, included within *Equity in net assets of affiliated companies* was goodwill of $166 million at December 31, 2004.

The components of identifiable intangible assets are as follows as of December 31, 2004 (in millions):

	Automotive Sector		Financial Services Sector	
	Amortizable	Non-amortizable	Amortizable	Non-amortizable
Gross carrying amount	$ 604	$ 484	$ 94	$ 189
Less: accumulated amortization	(150)	-	(54)	-
Net intangible assets	$ 454	$ 484	$ 40	$ 189

Pre-tax amortization expense related to these intangible assets for the years ended December 31, 2004 and 2003 was $36 million and $35 million, respectively. Intangible asset amortization is forecasted to range from $30 million to $40 million per year for the next five years.

In 2002 we adopted SFAS No. 142, *Goodwill and Other Intangible Assets.* As a result we recognized transition charges of $1,002 million. The charges primarily relate to the impairment of goodwill in Kwik-Fit, our former all-makes European vehicle repair business and the impairment of goodwill in Hertz' industrial and construction equipment rental business.

NOTE 10. FINANCE RECEIVABLES – FINANCIAL SERVICES SECTOR

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

	2004	2003
Retail	**$ 84,843**	$ 80,017
Wholesale	**22,666**	22,910
Other finance receivables	**8,409**	9,083
Total finance receivables	**115,918**	112,010
Allowance for credit losses	**(2,166)**	(2,338)
Other	**72**	331
Net finance and other receivables	**$ 113,824**	$ 110,003

Finance receivables that originated outside the U.S. were $52.7 billion and $47.5 billion at December 31, 2004 and 2003, respectively. Other finance receivables consisted primarily of real estate, commercial and other collateralized loans and accrued interest.

Included in net finance and other receivables at December 31, 2004 and 2003 were $16.9 billion and $14.3 billion, respectively, of receivables that have been sold for legal purposes to consolidated securitization SPEs and are available only for repayment of debt issued by those entities, and to pay other securitization investors and other participants; they are not available to pay our other obligations or the claims of our other creditors.

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): 2005 - $64.7; 2006 - $24.3; 2007 - $13.9; thereafter - $10.1. 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, 2004 and 2003 were $106.2 billion and $102.0 billion, respectively. The fair value of these finance receivables at December 31, 2004 and 2003 was $106.4 billion and $103.8 billion, respectively.

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

	2004	2003
Total minimum lease rentals to be received	$ 4,972	$ 5,532
Less: Unearned income	(758)	(972)
Loan origination costs	50	42
Estimated residual values	3,367	4,017
Less: Allowance for credit losses	(82)	(139)
Net investment in direct financing leases	$ 7,549	$ 8,480

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): 2005 - $2.1; 2006 - $1.5; 2007 - $1; thereafter - $0.4.

NOTE 11. NET INVESTMENT IN OPERATING LEASES – FINANCIAL SERVICES SECTOR

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

	2004	2003
Vehicles and other equipment, at cost	$ 41,545	$ 44,098
Accumulated depreciation	(9,477)	(11,615)
Allowances for credit losses	(305)	(624)
Net investment in operating leases	$ 31,763	$ 31,859

Included in net investment in operating leases at December 31, 2004 were interests in operating leases and the related vehicles of about $2.5 billion that have been transferred for legal purposes to consolidated securitization SPEs and are available only for repayment of debt issued by those entities, and to pay other securitization investors and other participants; they are not available to pay our other obligations or the claims of our other creditors.

Minimum rentals on operating leases are contractually due as follows: 2005 - $4.7 billion; 2006 - $2.2 billion; 2007 - $1.3 billion; 2008 - $548 million; 2009 - $135 million; thereafter - $407 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 $6.4 billion in 2004, $8.5 billion in 2003, and $9.9 billion in 2002.

NOTE 12. SALES OF RECEIVABLES – FINANCIAL SERVICES SECTOR

Servicing Portfolio

We retain servicing rights for receivables sold in off-balance sheet securitization and whole-loan sale transactions. The servicing portfolio is summarized in the following table (in millions):

	Retail & Wholesale Receivables
Servicing portfolio at December 31, 2002	$ 75,071
Receivables sales	19,296
Collections	(40,197)
Servicing portfolio at December 31, 2003	$ 54,170
Receivables sales	6,933
Collections	(21,530)
Servicing portfolio at December 31, 2004	$ 39,573

Retained Interest

Components of retained interest in securitized assets at December 31 include (in millions):

	2004	2003
Interest in sold wholesale receivables	$ 6,904	$ 9,249
Subordinated securities	875	1,455
Residual interest in securitization transactions	756	834
Restricted cash held for benefit of securitization SPEs	503	511
Senior securities	128	520
Retained interest in securitized assets	$ 9,166	$ 12,569

Most of the retained interest in sold wholesale receivables ($5.5 billion and $8 billion at December 31, 2004 and December 31, 2003, respectively) represents our undivided interest in wholesale receivables that are available to support the issuance of additional securities by a securitization SPE; the balance represents credit enhancements.

Retained interests are recorded at fair value. For wholesale receivables, book value approximates fair value because of their short-term maturities. The fair value of subordinated and senior securities is estimated based on market prices. In determining the fair value of residual interest in securitization transactions, we discount the present value of the projected cash flows retained at various discount rates based on economic factors in individual countries. Investments in subordinated securities and restricted cash are senior to the residual interest in securitization transactions.

Investment and Other Income

The following table summarizes the activity related to off-balance sheet sales of receivables reported in *Revenues* for the years ended December 31 (in millions):

	2004	2003	2002
Net gain on sales of receivables	$ 155	$ 373	$ 489
Income on interest in sold wholesale receivables and retained securities	588	679	606
Servicing fees	372	618	689
Income on residual interest and other	815	941	775
Investment and other income related to sales of receivables	$ 1,930	$ 2,611	$ 2,559

For the year ended December 31, 2004, we utilized certain point-of-sale assumptions in our retail transactions, which included discount rates of 11% to 13.5%, a prepayment speed of 0.8% to 1.5% (which represents expected payments earlier than scheduled maturity dates) and credit losses of 0.8% to 2.8% over the life of sold receivables. The weighted-average life of the underlying assets was 50.2 months. Our wholesale transactions included discount rates of 11% to 12%.

Cash Flow

The following table summarizes the cash flow movements between the transferees and us in our off-balance sheet sales of receivables for the years ended December 31 (in millions):

	2004	2003	2002
Proceeds from sales of receivables	**$ 10,319**	$ 19,337	$ 40,138
Net change in retained interest	**(374)**	2,033	(5,355)
Servicing fees	**372**	618	689
Interest on retained securities and residual interest in securitization transactions	**1,646**	1,545	1,150
Repurchased retail receivables	**(143)**	(193)	(340)

Other Disclosures

The following table summarizes key assumptions used in estimating cash flows from sold retail receivables and the corresponding sensitivity of the current fair values to 10% and 20% adverse changes (in millions):

	Assumption Percentage	Impact on Fair Value Based on Adverse Change	
	(annual rate)	10% Change	20% Change
Cash flow discount rate	11.0% - 13.5%	$ (10)	$ (18)
Estimated net credit loss rate	0.5% - 6.0%	(27)	(49)
Prepayment speed	0.8% - 2.0%	(18)	(37)

The effect of a variation in a particular assumption on the fair value of residual interest in securitization transactions was calculated without changing any other assumptions and changes in one factor may result in changes in another.

Outstanding delinquencies over 30 days related to the off-balance sheet securitized portfolio were $410 million and $704 million at December 31, 2004 and 2003, respectively. Credit losses, net of recoveries, were $244 million and $551 million for the years ended December 31, 2004 and 2003, respectively. Expected static pool credit losses related to outstanding securitized retail receivables were 2.07% at December 31, 2004. To calculate the static pool credit losses, actual and projected future credit losses are added together and divided by the original balance of each pool of assets.

On-Balance Sheet Securitization Special Purpose Entities

We use SPEs, including on-balance sheet SPEs, in a variety of securitization transactions as a source of funds for our operations. At December 31, 2004 and 2003, about $16.9 billion and $14.3 billion, respectively, of finance receivables have been sold for legal purposes to consolidated securitization SPEs. In addition, at December 31, 2004, interests in operating leases and the related vehicles of about $2.5 billion have been transferred for legal purposes to consolidated securitization SPEs. These receivables and interests in operating leases and the related vehicles are only available to pay the obligations or claims of the SPEs; they are not available to pay our other obligations or the claims of our other creditors. The associated debt issued by the SPEs was $16.5 billion and $9.3 billion at December 31, 2004 and 2003, respectively, and includes both asset-backed commercial paper and notes payable out of collections on these receivables and interests in operating leases and the related vehicles. This debt is the legal obligation of the SPEs, but for financial statement reporting purposes is reported as debt on our balance sheet.

NOTE 13. ALLOWANCE FOR CREDIT LOSSES – FINANCIAL SERVICES SECTOR

The allowance for credit losses is our estimate of the 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. 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):

	2004	2003	2002
Beginning balance	$ 2,962	$ 3,054	$ 2,610
Provision for credit losses	923	1,928	2,778
Total charge-offs and recoveries:			
Charge-offs	(1,843)	(2,409)	(2,613)
Recoveries	477	475	469
Net charge-offs	(1,366)	(1,934)	(2,144)
Other changes, principally amounts related to finance receivables sold and translation adjustments	(48)	(86)	(190)
Ending balance	$ 2,471	$ 2,962	$ 3,054

NOTE 14. LIABILITIES – AUTOMOTIVE SECTOR (IN MILLIONS)

Accrued Liabilities (Current)	2004	2003
Dealer and customer allowances and claims	$ 16,356	$ 16,098
Deferred revenue	3,502	2,587
Deferred income taxes	2,514	2,996
Employee benefit plans	1,990	1,732
Postretirement benefits other than pensions	1,572	1,397
Accrued interest	1,538	1,814
Other	6,101	5,519
Total accrued liabilities	$ 33,573	$ 32,143
Other Liabilities (Non-current)		
Postretirement benefits other than pensions	$ 15,306	$ 17,136
Dealer and customer allowances and claims	8,557	9,097
Employee benefit plans	5,010	5,189
Pension liability	3,735	4,382
Other	3,091	4,085
Total other liabilities	$ 35,699	$ 39,889

NOTE 15. 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	
	2004	2003	2004	2003	2004	2003	2004	2003
Debt payable within one year								
Short-term			$ 270	$ 608			$ 1,868	$ 1,238
Commercial paper			-	-			23,303	17,295
Other short-term			-	-			9,389	9,234
Total short-term debt	8.6%	5.3%	270	608	2.8%	2.1%	34,560	27,767
Long-term payable within one year								
Senior indebtedness			707	510			30,896	30,480
Subordinated indebtedness	-	-	-	688	-	-	-	-
Total debt payable within one year			977	1,806			65,456	58,247
Long-term debt								
Senior indebtedness								
Notes and bank debt	7.4%	7.3%	12,303	13,832	4.1%	4.3%	88,328	99,987
Unamortized discount			-	-			(89)	(66)
Total senior indebtedness			12,303	13,832			88,239	99,921
Subordinated indebtedness	6.5%	6.5%	5,155	5,155	9.4%	9.4%	843	843
Total long-term debt			17,458	18,987			89,082	100,764
Total debt			$ 18,435	$20,793			$ 154,538	$ 159,011
Fair value b/			$ 18,301	$20,120			$ 156,967	$ 162,635

	2005	2006	2007	2008	2009	There-After	Maturity Average (Years)
Long-term debt maturities							
Automotive	$ 707	$ 538	$ 422	$ 335	$ 157	$ 16,006	25
Financial Services	30,896	24,444	20,105	7,759	14,139	22,635	4

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

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 $5.2 billion 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, 2004, the Automotive sector had $7.2 billion of contractually committed credit agreements with various banks, of which $7.1 billion were available for use. Eighty percent of the total facilities are committed through June 30, 2009. Of the $7.2 billion, $6.9 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, $2.6 billion of such global credit facilities to Ford Credit and $518 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).

NOTE 15. Debt and Commitments (Continued)

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 $7.5 billion at December 31, 2004. This includes $4.3 billion of Ford Credit facilities ($3.9 billion global and approximately $400 million non-global) and $3.2 billion of FCE facilities ($3.0 billion global and approximately $200 million non-global). Approximately $800 million of the total facilities were in use at December 31, 2004. These facilities have various maturity dates. Of the $7.5 billion, about 39% of these facilities are committed through June 30, 2009. 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 have substantially identical contract terms (other than commitment amounts) and 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, 2004, banks provided $18.0 billion of contractually committed liquidity facilities supporting two asset-backed commercial paper programs; $17.5 billion supported FCAR Owner Trust ("FCAR") program and $500 million supported Ford Credit's off-balance sheet wholesale securitization program. Unlike the credit facilities described above, these facilities provide liquidity exclusively to each individual asset-backed commercial paper program. Utilization of these facilities is subject to conditions specific to each program. At December 31, 2004, about $15.7 billion of FCAR's bank credit facilities were available to support FCAR's asset-backed commercial paper or subordinated debt. The remaining $1.8 billion of available credit lines could be accessed for additional funding if FCAR issued additional subordinated debt.

At December 31, 2004, Hertz had committed credit facilities totaling $2.8 billion. Of this amount, $1.3 billion represented global and other committed credit facilities ($708 million of which are available through June 30, 2009 and $560 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 2006; $215 million consisted of asset-backed letters of credit, and $814 million consisted of 364-day asset-backed commercial paper facilities.

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

NOTE 16. VARIABLE INTEREST ENTITIES

Effective July 1, 2003, we adopted Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* ("FIN 46"), for VIEs formed prior to February 1, 2003. In December 2003, the FASB issued FIN 46R, which revised FIN 46, in order to clarify the provisions of the original interpretation. As a result of consolidating VIEs of which we are the primary beneficiary, in 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, 2004 balance sheet are $4.0 billion of VIE assets.

Automotive Sector

VIEs of which we are the primary beneficiary:

The activities with the joint ventures described below 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.

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

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 December 31, 2004, we consolidated a portfolio of approximately 135 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 us 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 our equity interest over a period of time.

VIEs of which we are not the primary beneficiary:

At December 31, 2004, we had an investment in Trust II that is a VIE of which we are not the primary beneficiary. Another subsidiary trust, Ford Motor Company Capital Trust ("Trust I"), held debentures, which were redeemed on January 2, 2004. Effective July 1, 2003, we deconsolidated Trust I and Trust II. Our obligation to Trust I was satisfied in 2004 and our obligation to Trust II is presented as *Subordinated debt* on our balance sheet. For further discussion of Trust II, see Notes 15 and 17.

We had 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 $11 million at December 31, 2004) 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

Ford Credit uses SPEs in a variety of on-balance sheet and off-balance sheet securitization transactions. On-balance sheet SPEs, discussed in Note 12, are considered VIEs under FIN 46 and have been consolidated.

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 $141 million at December 31, 2004) to any potential losses, should they occur, associated with these VIEs is limited to its equity investments.

We also sell, in contractually committed agreements, finance receivables and notes backed by interests in vehicles subject to operating leases to bank-sponsored asset-backed commercial paper issuers that are SPEs of the sponsor bank; these SPEs are not consolidated by us. At December 31, 2004, approximately $5.0 billion of finance receivables and notes have been sold.

NOTE 17. CAPITAL STOCK AND AMOUNTS PER SHARE

All general voting power is vested in the holders of Common Stock and 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 15, 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 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, 2004 and 2003	1,837	71	0.000
Authorized at December 31, 2004 and 2003	6,000	530	30

NOTE 17. Capital Stock and Amounts Per Share (Continued)

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):

	2004	2003	2002
Basic and Diluted Income/(Loss)			
Income/(loss) from continuing operations	$ 3,634	$ 902	$ 355
Preferred Stock dividends	-	-	(15)
Basic income/(loss) from continuing operations attributable to Common and Class B Stock	3,634	902	340
Effect of dilutive convertible preferred securities	199	-	-
Diluted income/(loss) from continuing operations attributable to Common and Class B Stock	$ 3,833	$ 902	$ 340
Diluted Shares			
Average shares outstanding	1,830	1,832	1,819
Restricted and uncommitted-ESOP shares	(4)	(2)	(1)
Basic shares	1,826	1,830	1,818
Net dilutive options and restricted and uncommitted ESOP shares	18	13	11
Dilutive convertible preferred securities	282	-*	-*
Diluted shares	2,126	1,843	1,829

* Not included in calculation of diluted earnings per share due to their antidilutive effect are 282 million shares related to convertible preferred securities in 2003 and 2002.

NOTE 18. 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 January 1, 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, 2004, the number of unused shares carried forward aggregated to 49.7 million shares.

	2004		2003		2002	
Stock Option Activity	Shares (millions)	Weighted-Average Exercise Price	Shares (millions)	Weighted-Average Exercise Price	Shares (millions)	Weighted-Average Exercise Price
Outstanding, beginning of year	234.7	$ 19.34	212.9	$ 20.88	172.1	$ 22.01
Granted	26.7	13.46	31.3	7.93	50.6	16.29
Exercised*	(11.7)	10.60	(4.2)	11.06	(4.3)	7.63
Terminated/expired or surrendered	(4.3)	18.68	(5.3)	19.90	(5.5)	24.37
Outstanding, end of year	245.4	19.13	234.7	19.34	212.9	20.88
Exercisable, end of year	183.0	21.41	161.7	21.44	134.0	21.02

* Exercised at option prices ranging from $7.55 to $12.53 during 2004, $10.99 to $13.54 during 2003, and $7.09 to $12.53 during 2002.

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
$ 7.40 – $10.58	29.9	8.2	$ 8.04	8.9	$ 8.11
10.62 – 15.81	67.7	4.7	12.84	41.5	12.53
15.91 – 23.88	91.3	5.6	20.07	76.3	20.70
23.97 – 35.79	55.8	5.2	30.88	55.6	30.91
41.03 – 42.52	0.7	3.3	41.42	0.7	41.42
Total options	245.4			183.0	

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

	2004	2003	2002
Fair value per option	$ 4.71	$ 2.07	$ 5.76
Assumptions:			
Annualized dividend yield	3.0%	5.1%	2.5%
Expected volatility	42.2%	39.3%	35.0%
Risk-free interest rate	3.4%	3.7%	5.1%
Expected option term (in years)	7	7	7

See Note 2 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 19. DERIVATIVE FINANCIAL INSTRUMENTS

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 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.

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. Regardless of hedge accounting treatment, derivative positions are used only to manage identified exposures.

The use of derivatives to manage market risk results in counterparty risk, or the risk of a counterparty defaulting on a derivative contract. We enter into master netting agreements with counterparties that usually allow for netting of certain exposures. We establish exposure limits for each counterparty to minimize risk and provide counterparty diversification. Substantially all our counterparty exposures are with counterparties that have long-term debt ratings of single-A or better.

Automotive Sector

Cash Flow Hedges. We use forward contracts and options, 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.

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. The impact to earnings associated with hedge ineffectiveness from cash flow hedges was recorded in *Cost of sales* as a gain of $1 million in 2004 and a gain of $36 million in 2003.

NOTE 19. Derivative Financial Instruments (Continued)

Net Investment Hedges. We use foreign currency 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.* Losses of $2 million and gains of $95 million were recorded in 2004 and 2003, respectively.

Other Derivative Instruments. As previously stated, some derivatives do not qualify for hedge accounting treatment or we elect not to apply hedge accounting. We refer to these as non-designated hedges. In such cases, both the unrealized and realized gains and losses are reported in *Cost of sales*. The impact to earnings associated with non-designated hedges were gains of $338 million and $268 million in 2004 and 2003, respectively. These earnings include gains of $257 million and $128 million for 2004 and 2003, respectively, related to the revaluation of foreign currency derivatives that were offset by revaluation losses on foreign denominated debt, also reported in *Cost of sales.*

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 gains of $12 million and $3 million in 2004 and 2003, respectively. 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 $354 million and $482 million in 2004 and 2003, respectively, and recorded 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; these adjustments in 2004 and 2003 were amounts that were not significant. While net interest settlements and accruals and foreign currency adjustments 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, 2004, the maximum term of these hedges is 37 months.

Fair Value Hedges. Ford Credit uses interest rate swaps to hedge its exposure to interest rate risk. Unrealized gains and losses related to derivatives in fair value hedges, along with changes in the fair value of the underlying hedged exposure are recognized and recorded in *Revenues*. The impact to earnings from hedge ineffectiveness were gains of $10 million and $255 million in 2004 and 2003, respectively. In assessing hedge effectiveness, we exclude accrued interest on the receive and pay legs of the swaps. Net interest settlements and accrual income of $2.1 billion and $1.8 billion in 2004 and 2003, respectively, were 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 $0.4 billion in 2004 and $1.3 billion in 2003. 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 adjustments related to the foreign currency derivatives reported above were offset by 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 assets 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*, were losses of $29 million and $17 million in 2004 and 2003, respectively.

Other Derivative Instruments. As previously stated, some 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 gains of $289 million and $58 million in 2004 and 2003, respectively, 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 $52 million and $105 million in 2004 and 2003, respectively. 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 $0.4 billion in 2004 and $1.9 billion in 2003. The adjustments related to foreign currency derivatives reported above were offset by 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*.

Total Company

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):

	2004	2003
Beginning of year		
Net unrealized gain/(loss) on derivative financial instruments	$ 1,302	$ 313
Increase/(decrease) in fair value of derivatives	961	1,072
(Gains)/losses reclassified from OCI	(1,023)	(83)
End of year		
Net unrealized gain/(loss) on derivative financial instruments	$ 1,240	$ 1,302

We expect to reclassify for Automotive and Financial Services sectors, existing net gains of $786 million from OCI to net income during the next twelve months as the underlying exposures are realized.

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):

	2004		2003	
	Fair Value Assets	Fair Value Liabilities	Fair Value Assets	Fair Value Liabilities
Automotive sector				
Total derivative financial instruments	$ 3.1	$ 0.9	$ 2.3	$ 0.6
Financial Services sector				
Foreign currency swaps, forwards and options	$ 4.2	$ 1.1	$ 6.3	$ 1.5
Interest rate swaps	3.1	0.2	3.9	0.2
Impact of netting agreements	(0.3)	(0.3)	(0.3)	(0.3)
Total derivative financial instruments	$ 7.0	$ 1.0	$ 9.9	$ 1.4

The Automotive and Financial Services sectors held derivative instruments with notional values of $71 billion and $166 billion, respectively, at December 31, 2004.

NOTE 20. 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):

	2004		2003		2002	
	Automotive	**Financial Services**	Automotive	Financial Services	Automotive	Financial Services
Net income/(loss) from continuing operations	**$ 490**	**$ 3,144**	$ (1,060)	$ 1,963	$ (915)	$ 1,571
Depreciation and special tools amortization	**6,398**	**6,618**	5,460	8,771	4,885	10,155
Amortization of intangibles	**26**	**10**	24	11	21	19
Net losses/(earnings) from equity investments in excess of dividends received	**3**	**-**	(2)	-	134	13
Provision for credit/insurance losses	**-**	**1,212**	-	2,248	-	3,053
Foreign currency adjustments	**1**	**-**	160	-	51	-
Loss on sale of business	**16**	**-**	-	-	519	-
Stock option expense	**105**	**14**	154	19	-	-
Provision for deferred income taxes	**2,781**	**1,502**	783	1,274	(1,378)	595
Decrease/(increase) in accounts receivable and other assets	**(425)**	**4,279**	(1,789)	1,229	2,751	(2,904)
Decrease/(increase) in inventory	**(112)**	**-**	(505)	-	(644)	-
Increase/(decrease) in accounts payable and accrued and other liabilities	**(8,571)**	**(928)**	(2,017)	1,078	3,817	2,654
Other	**686**	**(350)**	110	(631)	224	(470)
Cash flows from operating activities before securities trading	**$ 1,398**	**$ 15,501**	$ 1,318	$ 15,962	$ 9,465	$ 14,686

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

	2004	2003	2002
Interest	**$ 7,355**	$ 7,543	$ 7,748
Income taxes	**211**	(1,046)	(1,883)

NOTE 21. ACQUISITIONS, DISPOSITIONS, RESTRUCTURINGS AND OTHER ACTIONS

Automotive Sector

Acquisitions. In 2004, we acquired 100% ownership of ZF Batavia, LLC (renamed Batavia Transmissions, LLC) from ZF Transmissions Technologies LLC. Batavia Transmissions, LLC produces front wheel drive continuously variable transmissions and front wheel drive 4-speed automatic transmissions for use in certain of our vehicles sold in North America and Europe. We acquired Batavia Transmissions, LLC from ZF Transmission Technologies LLC, a company we jointly own (49%) with ZF Friedrichshafen Germany (51%). Prior to this acquisition we consolidated ZF Batavia LLC in accordance with FIN 46.

Employee Separation Actions. In 2004, we announced the PAG Improvement Plan including hourly and salaried employee separation programs and the planned closure in 2005 of assembly operations at our Browns Lane facility. We recognized a pre-tax charge of $94 million in the Ford Europe and PAG segment related to the PAG Improvement Plan, $71 million of which was recognized in the fourth quarter. Estimated 2005 pre-tax charges related to the planned closure of Browns Lane in 2005 are $75 million. Additionally, pre-tax charges of $40 million related to hourly and salaried employee separation programs in Canada and Mexico were recognized in the Americas segment in 2004.

In 2003, we initiated planned shift pattern changes at our Genk vehicle assembly plant and manufacturing, engineering and staff efficiency actions in Cologne and various UK locations. We recognized pre-tax charges of $92 million in 2004, $17 million of which was recognized in the fourth quarter, and $486 million in 2003 in employee separation costs associated with these actions. Also recorded in 2003 were pre-tax charges of $27 million related to other actions, including supplier claims.

The charges for employee separation actions were recognized in *Cost of sales*. The table below summarizes the pre-tax charges incurred in 2004 for the employees separation actions described above, the related liability at December 31, 2004 and the estimated total charges related to these actions (in millions):

Segment	Liability at December 31, 2003	Accrued in 2004	Paid in 2004	Other*	Liability at December 31, 2004	Estimated Total Costs
Ford Europe and PAG	$ 354	$ 186	$ (273)	$ 8	$ 275	$ 774
The Americas	-	40	(40)	-	-	40
Total	$ 354	$ 226	$ (313)	$ 8	$ 275	$ 814

* Includes foreign currency translation adjustments.

Additionally, in 2002, we recognized a pre-tax charge of $173 million related to the transfer of Transit vehicle production to Turkey, die-casting rationalization and other manufacturing actions in our Ford Europe and PAG segment. We also recognized a pre-tax charge of $157 million in 2002 related to line speed reduction at our Halewood facilities and other efficiency actions in our Ford Europe and PAG segment.

Dispositions. In 2002, we completed the sale of our interest in Kwik-Fit Holdings Ltd. ("Kwik-Fit"), a 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.

Financial Services Sector

During 2004, Ford Credit announced a sales branch integration plan, which includes the consolidation of regional sales offices and an integration of branch locations. The sales branch integration plan will be completed during 2006. The costs associated with this restructuring action are reported in *Operating and other expenses*. The table below summarizes the pre-tax charge incurred, the related liability at December 31, 2004 and the estimated total charges related to these actions (in millions):

Segment	Liability at December 31, 2003	Accrued in 2004	Paid in 2004	Other	Liability at December 31, 2004	Estimated Total Costs
Ford Credit	$ -	$ 11	$ (1)	$ -	$ 10	$ 66

NOTE 22. RETIREMENT BENEFITS

Employee Retirement and Savings 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 Ford employees assigned to Visteon Corporation ("Visteon Hourly Employees") are charged to Visteon Corporation ("Visteon"), our largest supplier.

For our plans that provide benefits based on salary, we project employee future salary growth for such salary-related benefits. Certain of our defined benefit pension plans provide benefits that are not based on salary (e.g., U.S. Ford-UAW Retirement Plan, noncontributory portion of the U.S. General Retirement Plan, and Canada Ford-UAW Retirement Plan). The salary growth assumption is not applicable to these benefits.

Plan obligations and costs are based on existing retirement plan provisions. No assumption is made regarding any potential future changes to benefit provisions beyond those to which we are presently committed (e.g., in labor contracts).

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

NOTE 22. Retirement Benefits (Continued)

The expense for our worldwide defined contribution plans was $80 million in 2004, $37 million in 2003 and $23 million in 2002. This includes the expense for company matching contributions to our primary savings plans (U.S. and Canada) of $40 million in 2004 and $0 in 2003 and 2002. The 2004 increase in savings plan expense was due to reinstatement of company matching contribution on salaried employee contributions in the U.S. and Canada.

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. The Ford UAW Hospital-Surgical-Medical-Drug-Dental-Vision Program covers hourly employees represented by the UAW, and the Ford Salary Healthcare Plan covers substantially all other Ford employees in the U.S. hired before June 1, 2001. In December 2003, we announced a new postretirement health care plan for U.S. salary employees hired on or after June 1, 2001. The plan provides for annual company allocations to employee-specific notional accounts to be used to fund postretirement health care benefits. We also offer company-paid postretirement life insurance benefits to U.S. salary employees hired before January 1, 2004 and all U.S. hourly employees. Our employees generally may become eligible for benefits when 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 our spin off of Visteon at June 30, 2000 for the Visteon Hourly Employees. This resulted in a one-time charge to expense in 2003 of $1.6 billion, 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 is also charged to Visteon.

At December 31, 2004, we had a long-term receivable of $835 million representing Visteon's responsibility for the postretirement health care and life insurance benefits of the Visteon Employees pursuant to the 2003 agreement. The receivable increased with expense charged to Visteon during 2004 and is expected to decrease as Visteon or the Visteon Voluntary Employees Beneficiary Association trust ("Visteon 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.

At December 31, 2004, there was objective evidence that Visteon would be undertaking structural and strategic changes to its operations. Based on this and other considerations, we recorded a valuation allowance of $600 million against the receivable from Visteon in order to reflect our assessment of its recoverability. The receivable will be analyzed for recoverability on an on-going basis as future postretirement health care and life insurance expenses are allocated to Visteon. The effect of the valuation allowance is not included in the table below.

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 health care 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 by reducing our 2004 expense by $250 million. We also recorded an unrecognized gain, which reduced our benefit obligation by $1.8 billion at December 31, 2003.

The measurement date for substantially all of our worldwide postretirement benefit plans is December 31. Our expense for defined benefit 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					
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Service cost	**$ 636**	$ 600	$ 556	**$ 554**	$ 492	$ 377	**$ 542**	$ 521	$ 427
Interest cost	**2,445**	2,442	2,453	**1,332**	1,170	977	**1,964**	2,004	1,801
Expected return on assets	**(3,219)**	(3,202)	(3,646)	**(1,651)**	(1,382)	(1,265)	**(289)**	(37)	(85)
Amortization of:									
Prior service costs	**502**	472	529	**106**	135	137	**(220)**	(179)	(145)
(Gains)/losses and other	**23**	33	(130)	**204**	148	25	**610**	532	310
Separation programs	**1**	-	107	**78**	128	39	**-**	-	16
Visteon pre-spin liability	**-**	-	-	**-**	-	-	**-**	1,646	-
Allocated costs to Visteon	**(107)**	(88)	(62)	**-**	-	-	**(228)**	(314)	(228)
Net expense/(income)	**$ 281**	$ 257	$ (193)	**$ 623**	$ 691	$ 290	**$ 2,379**	$ 4,173	$ 2,096

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			
	2004	2003	**2004**	2003	**2004**	2003
Change in Benefit Obligation						
Benefit obligation at January 1	**$40,463**	$37,153	**$24,790**	$20,698	**$32,362**	$ 30,263
Service cost	**636**	600	**554**	492	**542**	521
Interest cost	**2,445**	2,442	**1,332**	1,170	**1,965**	2,004
Amendments	**-**	1,282	**118**	5	**2**	(372)
Separation programs	**74**	-	**78**	80	**-**	-
Plan participant contributions	**42**	39	**144**	134	**31**	28
Benefits paid	**(2,832)**	(2,697)	**(1,160)**	(1,018)	**(1,540)**	(1,419)
Foreign exchange translation	**-**	-	**1,944**	3,269	**86**	12
Actuarial (gain)/loss	**2,249**	1,644	**1,652**	(40)	**5,667**	1,325
Benefit obligation at December 31	**$43,077**	$40,463	**$29,452**	$24,790	**$39,115**	$ 32,362
Change in Plan Assets						
Fair value of plan assets at January 1	**$37,016**	$29,877	**$16,548**	$12,363	**$ 3,565**	$ 2,834
Actual return on plan assets	**4,568**	7,687	**1,936**	2,070	**397**	10
Company contributions	**872**	2,168	**1,775**	1,029	**2,800**	3,500
Plan participant contributions	**42**	39	**144**	134	**-**	-
Benefits paid	**(2,832)**	(2,697)	**(1,160)**	(1,018)	**-**	(877)
Foreign exchange translation	**-**	-	**1,321**	1,924	**-**	-
Visteon Promissory Notes/Other	**(38)**	(58)	**31**	46	**-**	(1,902)
Fair value of plan assets at December 31	**$39,628**	$37,016	**$20,595**	$16,548	**$ 6,762**	$ 3,565
Funded status	**$ (3,449)**	$ (3,447)	**$ (8,857)**	$ (8,242)	**$(32,353)**	$(28,797)
Unamortized prior service costs	**3,146**	3,640	**853**	790	**(1,128)**	(1,352)
Unamortized net (gains)/losses and other	**4,838**	3,917	**8,794**	7,122	**16,054**	11,075
Net amount recognized	**$ 4,535**	$ 4,110	**$ 790**	$ (330)	**$(17,427)**	$(19,074)
Amounts Recognized on the Balance Sheet						
Consisting of Assets/(Liabilities)						
Prepaid assets*	**$ 2,460**	$ 2,567	**$ 1,566**	$ 182	**$ -**	$ -
Accrued liabilities*	**(2,643)**	(3,144)	**(5,364)**	(5,250)	**(17,427)**	(19,074)
Intangible assets	**2,517**	2,916	**526**	874	**-**	-
Accumulated other comprehensive income	**2,201**	1,771	**4,062**	3,864	**-**	-
Net amount recognized	**$ 4,535**	$ 4,110	**$ 790**	$ (330)	**$(17,427)**	$(19,074)
Pension Plans in Which Accumulated Benefit Obligation Exceeds Plan Assets at December 31						
Accumulated benefit obligation	**$ 23,583**	$ 22,334	**$ 18,580**	$21,145		
Fair value of plan assets	**20,940**	19,378	**13,145**	15,832		
Accumulated Benefit Obligation at December 31	**$ 41,096**	$ 38,786	**$ 25,866**	$21,797		
Weighted Average Assumptions at December 31						
Discount rate	**5.75%**	6.25%	**5.18%**	5.61%	**5.75%**	6.25%
Expected return on assets	**8.75%**	8.75%	**7.76%**	8.38%	**7.93%**	6.20%
Average rate of increase in compensation	**4.50%**	4.50%	**4.00%**	3.98%	**4.50%**	4.50%
Initial health care cost trend rate	**-**	-	**-**	-	**9%**	9%
Ultimate health care cost trend rate	**-**	-	**-**	-	**5%**	5%
Year ultimate trend rate is reached	**-**	-	**-**	-	**2011**	2010

* For plans with both prepaid assets and accrued liabilities, prepaid assets have been netted with accrued liabilities for presentation on our Sector and Consolidated Balance Sheets. Prior year presentation has been reclassified to conform to current presentation.

NOTE 22. Retirement Benefits (Continued)

	Pension Benefits				Health Care and Life Insurance	
	U.S. Plans		Non-U.S. Plans			
	2004	2003	**2004**	2003	**2004**	2003
Assumptions Used to Determine Net Benefit Cost for the Year Ending 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%	**3.98%**	3.98%	**4.50%**	5.20%
Weighted Average Asset Allocation at December 31						
Equity securities	**72.7%**	72.2%	**62.4%**	63.7%	**54.3%**	0.0%
Debt securities	**26.7%**	26.3%	**36.4%**	34.5%	**45.7%**	100.0%
Real estate	**0.0%**	0.2%	**0.9%**	1.1%	**0.0%**	0.0%
Other assets	**0.6%**	1.3%	**0.3%**	0.7%	**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 $5.2 billion/$(4.2) billion and the service and interest component of health care expense by $330 million/$(260) million. The actual retiree health care cost trend for 2004 was 9%.

Plan 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.

Pension. In 2004, we made over $2.3 billion of cash contributions to our funded pension plans. During 2005, we expect to contribute $2.8 billion to our worldwide pension plans, including about $300 million of benefit payments paid directly by the Company in respect of unfunded plans. Based on current assumptions and regulations, we do not expect to have a legal requirement to fund our major U.S. pension plans in 2005. We also do not expect to be required to pay any variable-rate premiums for our major plans to the Pension Benefit Guaranty Corporation in 2005.

Health Care and Life Insurance. In 2004, we contributed $2.8 billion to our previously established VEBA for U.S. hourly retiree health care and life insurance benefits. During 2005, we expect to contribute $200 million to the VEBA.

Estimated Future Benefit Payments

The following table presents estimated future gross benefit payments and subsidy receipts related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (in millions):

	Pension Benefits		Health Care and Life Insurance	
	U.S. Plans	Non-U.S. Plans		
	Benefit Payments	Benefit Payments	Benefit Payments	Subsidy Receipts
2005	$ 2,740	$ 1,290	$ 1,660	$ -
2006	2,800	1,300	1,790	(80)
2007	2,870	1,320	1,930	(90)
2008	2,940	1,350	2,060	(100)
2009	2,990	1,410	2,180	(110)
2010 - 2014	15,320	7,840	12,270	(650)

Plan Asset Information

Pension. Our investment strategy for pension assets 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 (e.g., private equity) 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 2004 and 2003.

Investment managers are permitted to use derivatives as efficient substitutes for traditional securities and to manage exposure to foreign exchange and interest rate risks. Interest rate and foreign currency derivative instruments are used for the purpose of hedging changes in the fair value of assets that result from interest rate changes and currency fluctuations. Derivatives may not be used to leverage or to alter the economic exposure to an asset class outside the scope of the mandate to which an investment manager has been appointed.

The equity allocation shown at year-end 2004 and 2003 includes public equity securities, private equity investments, and REITS. Direct 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 2004 is 8.75% for U.S. plans, 8.00% for U.K. plans and averages 7.76% for non-U.S. plans. A generally consistent approach is used worldwide to develop this assumption. This approach considers various inputs, including a review of historical plan returns and peer data, as well as long-run inputs from a range of internal and external advisors for capital market returns, inflation and other variables, adjusted for specific aspects of our strategy.

At December 31, 2004, our actual 10-year annual rate of return on pension plan assets was 11.20% and 8.41% for U.S. and the U.K. plans, respectively.

Health Care and Life Insurance. VEBA assets totaling $6.8 billion at December 31, 2004 include $5.2 billion of long-term investments, which are managed in a strategy similar to the pension investment strategy described previously. The remaining VEBA assets are invested in short-term fixed income securities, a portion of which is managed internally, with the remainder managed externally. Ford securities comprised less than one-half of one percent of the market value of the total retiree VEBA assets during 2004 and 2003.

The equity allocation shown at year-end 2004 includes public equity securities and REITS. There were no investments in private equity or direct real estate investments at year-end 2004. Cash held by investment managers for liquidity purposes is included in the appropriate asset class balance.

Investment managers are permitted to use derivatives as efficient substitutes for traditional securities and to manage exposure to foreign exchange and interest rate risks. Interest rate and foreign currency derivative instruments are used for the purpose of hedging changes in the fair value of assets that result from interest rate changes and currency fluctuations. Derivatives may not be used to leverage or to alter the economic exposure to an asset class outside the scope of the mandate to which an investment manager has been appointed.

The expected return assumption applicable to the total retiree VEBA is 7.93%, reflecting the weighted average of the expected returns on the long-term and short-term portions of the portfolio. Since the assets in the long-term portion of the portfolio are managed in a strategy similar to the U.S. pension plan, the expected return on this portion of the portfolio is identical to that used for the U.S. pension plan. The methodology used to develop the expected return assumption for the short-term portion of the portfolio considers inputs from a range of internal and external advisors for capital market returns.

NOTE 23. SEGMENT INFORMATION

Our operating activity consists of two operating sectors, Automotive and Financial Services. Segment selection is based on the organizational structure 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. During 2004, we changed the reporting of our Automotive sector to show three segments, The Americas, Ford Europe and PAG, and Ford Asia Pacific and Africa/Mazda. Automotive sector prior period information has been reclassified to conform to current period presentation.

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, together with the associated costs to design, develop, manufacture and service these vehicles and parts.

The Ford Europe and PAG segment includes primarily the sale of Ford-brand vehicles and related service parts in Europe and Turkey and the sale of PAG-brand vehicles (i.e., Volvo, Jaguar, Land Rover and Aston Martin) and related service parts throughout the world (including North America and South America), together with the associated costs to design, develop, manufacture and service these vehicles and parts.

The Asia Pacific and Africa/Mazda segment includes primarily the sale of Ford-brand vehicles and related service parts in the Asia Pacific region and South Africa, together with the associated costs to design, develop, manufacture and service these vehicles and parts, and also includes our share of the results of Mazda and certain of our Mazda-related investments.

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

Transactions among 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.

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

NOTE 23. Segment Information (Continued)

	Automotive Sector				
(in millions)	Americas	Ford Europe and PAG	Ford Asia Pacific & Africa /Mazda	Other	Total
2004					
Revenues					
External customer	**$ 86,015**	**$54,163**	**$ 6,956**	**$ -**	**$ 147,134**
Intersegment	**3,588**	**2,630**	**113**	**-**	**6,331**
Income					
Income/(loss) before income taxes	**824**	**(785)**	**82**	**(276)**	**(155)**
Other disclosures					
Depreciation and amortization	**3,569**	**2,634**	**221**	**-**	**6,424**
Automotive interest income	**132**	**-**	**-**	**981**	**1,113**
Interest expense	**-**	**-**	**-**	**1,221**	**1,221**
Cash out flow for capital expenditures					**6,287**
Unconsolidated affiliates					
Equity in net income/(loss)	**75**	**6**	**174**	**-**	**255**
Investment in					**1,907**
Total assets at year end					**116,422**
2003					
Revenues					
External customer	$ 85,474	$46,947	$ 5,839	$ -	$ 138,260
Intersegment	3,628	1,568	120	-	5,316
Income					
Income/(loss) before income taxes	67	(1,449)	46	(572)	(1,908)
Other disclosures					
Depreciation and amortization	3,346	1,924	214	-	5,484
Automotive interest income	119	-	-	751	870
Interest expense	-	-	-	1,323	1,323
Cash out flow for capital expenditures					7,357
Unconsolidated affiliates					
Equity in net income/(loss)	(73)	17	130	-	74
Investment in					1,930
Total assets at year end					115,444
2002					
Revenues					
External customer	$ 88,619	$ 40,035	$ 4,379	$ 1,087	$ 134,120
Intersegment	4,104	1,295	-	-	5,399
Income					
Income/(loss) before income taxes	1,914	(1,569)	(188)	(1,211)	(1,054)
Other disclosures					
Depreciation and amortization	3,191	1,550	130	35	4,906
Automotive interest income	95	-	-	739	834
Interest expense	-	-	-	1,333	1,333
Cash out flow for capital expenditures					6,761
Unconsolidated affiliates					
Equity in net income/(loss)	(154)	9	54	-	(91)
Investment in					2,470
Total assets at year end					102,770

(in millions)	Financial Services Sector a/					Total Company	
2004	Ford Credit	Hertz	Other	Elims	Total	Elims b/	Total
Revenues							
External customer	**$ 17,404**	**$ 6,681**	**$ 433**	**$ -**	**$ 24,518**	**$ -**	**$171,652**
Intersegment	**478**	**19**	**13**	**(13)**	**497**	**(6,828)**	**-**
Income							
Income/(loss) before income taxes	**4,431**	**493**	**84**	**-**	**5,008**	**-**	**4,853**
Other disclosures							
Depreciation and amortization	**4,981**	**1,612**	**35**	**-**	**6,628**	**-**	**13,052**
Automotive interest income							**1,113**
Interest expense	**5,333**	**408**	**109**	**-**	**5,850**	**-**	**7,071**
Cash out flow for capital expenditures	**62**	**325**	**71**	**-**	**458**	**-**	**6,745**
Unconsolidated affiliates							
Equity in net income/(loss)	**(2)**	**-**	**-**	**-**	**(2)**	**-**	**253**
Investment in	**170**	**-**	**-**	**-**	**170**	**-**	**2,077**
Total assets at year end	**172,621**	**14,417**	**1,881**	**-**	**188,919**	**-**	**305,341**
2003							
Revenues							
External customer	$ 19,774	$ 5,926	$ 378	$ -	$ 26,078	$ -	$164,338
Intersegment	316	26	48	(51)	339	(5,655)	-
Income							
Income/(loss) before income taxes	2,956	228	63	-	3,247	-	1,339
Other disclosures							
Depreciation and amortization	7,076	1,658	48	-	8,782	-	14,266
Automotive interest income							870
Interest expense	5,831	373	116	-	6,320	-	7,643
Cash out flow for capital expenditures	30	254	95	-	379	-	7,736
Unconsolidated affiliates							
Equity in net income/(loss)	12	-	(3)	-	9	-	83
Investment in	196	-	37	-	233	-	2,163
Total assets at year end	179,135	12,920	3,224	-	195,279	-	310,723
2002							
Revenues							
External customer	$ 22,169	$ 5,615	$ 354	$ -	$ 28,138	$ -	$162,258
Intersegment	269	33	61	(76)	287	(5,686)	-
Income							
Income/(loss) before income taxes	1,979	200	(61)	-	2,118	-	1,064
Other disclosures							
Depreciation and amortization	8,493	1,639	42	-	10,174	-	15,080
Automotive interest income							834
Interest expense	6,929	377	162	-	7,468	-	8,801
Cash out flow for capital expenditures	83	255	164	-	502	-	7,263
Unconsolidated affiliates							
Equity in net income/(loss)	11	-	-	-	11	-	(80)
Investment in	197	-	29	-	226	-	2,696
Total assets at year end	170,369	11,479	5,584	-	187,432	-	290,202

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

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

NOTE 24. GEOGRAPHIC INFORMATION

(in millions)	United States	Europe	All Other	Total Company
2004				
External revenues	**$ 100,208**	**$ 46,101**	**$ 25,343**	**$ 171,652**
Net property	**18,309**	**20,400**	**5,842**	**44,551**
2003				
External revenues	$ 103,482	$ 39,310	$ 21,546	$ 164,338
Net property	18,692	19,100	5,714	43,506
2002				
External revenues	$ 108,163	$ 35,190	$ 18,905	$ 162,258
Net property	18,006	14,980	4,840	37,826

NOTE 25. SUMMARY QUARTERLY FINANCIAL DATA (UNAUDITED)

	2004				2003			
(in millions, except per share amounts)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Automotive sector								
Sales	**$38,802**	**$36,662**	**$32,799**	**$38,871**	$34,109	$34,101	$30,243	$39,807
Operating income/(loss)	**2,003**	**206**	**(716)**	**(1,670)**	831	(45)	(653)	(1,689)
Financial Services sector								
Revenues	**5,923**	**6,212**	**6,324**	**6,059**	6,691	6,538	6,597	6,252
Income/(loss) before income taxes	**1,043**	**1,528**	**1,391**	**1,046**	654	713	1,023	857
Total Company								
Income/(loss) from continuing operations	**1,958**	**1,153**	**459**	**64**	894	432	236	(660)
Net income/(loss)	**1,952**	**1,165**	**266**	**104**	896	417	(25)	(793)
Common and Class B per share from continuing operations								
Basic	**$ 1.07**	**$ 0.63**	**$ 0.25**	**$ 0.04**	$ 0.49	$ 0.24	$ 0.13	$ (0.36)
Diluted	**0.95**	**0.56**	**0.24**	**0.03**	0.45	0.23	0.13	(0.36)

Certain amounts for prior periods were reclassified to conform with current period presentation. Reclassifications include the presentation of discontinued operations and *Interest income and other non-operating income/(expense), net.*

NOTE 26. 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):

	2005	2006	2007	2008	2009	Thereafter
Automotive sector	$ 472	$ 338	$ 281	$ 165	$ 136	$ 357
Financial Services sector	391	327	264	183	135	567

Rental expense was $1.7 billion in 2004, $1.6 billion in 2003 and $1.3 billion in 2002.

Guarantees

The fair values of guarantees and indemnifications issued during 2004 and 2003 are recorded in the financial statements and are de minimis. At December 31, 2004, 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 $471 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, we 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 (we became secondarily liable for the entire principal amount).

We also have guarantees outstanding associated with a subsidiary trust, Trust II. For further discussions of Trust II, refer to Notes 15 and 17.

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; power generation contracts; 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. Additional service actions such as 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):

	2004	2003
Beginning balance	$ 5,443	$ 5,401
Payments made during the year	(3,694)	(3,524)
Changes in accrual related to warranties issued during the year	3,611	3,562
Changes in accrual related to pre-existing warranties	161	(266)
Foreign currency translation and other	230	270
Ending balance	$ 5,751	$ 5,443

Extended Service Plans. Fees or premiums 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.

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; shareholder or investor matters; and financial reporting 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 and reasonably estimable. 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, 2004. 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS FORD MOTOR COMPANY:

We have completed an integrated audit of Ford Motor Company's 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

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, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 9 to the financial statements, on January 1, 2002, the Company adopted SFAS 142, "Goodwill and Other Intangible Assets." As discussed in Note 2 to the financial statements, on January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." As discussed in Note 16 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."

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting in this Annual Report, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control – Integrated Framework* issued by COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan
March 9, 2005

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15 (f) under the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the Company conducted an assessment of the effectiveness of its internal control over financial reporting as of December 31, 2004. The assessment was based on criteria established in the framework *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2004. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included herein.

NEW YORK STOCK EXCHANGE REQUIRED DISCLOSURES

On May 25, 2004, our Chief Executive Officer certified that he was not aware of any violation by the Company of the New York Stock Exchange's Corporate Governance listing standards, other than has been notified to the Exchange pursuant to Section 303A.12 (b), of which there was none.

We have filed with the Securities and Exchange Commission, as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2004, our Chief Executive Officer's and Chief Financial Officer's certifications required by Section 302 of the Sarbanes-Oxley Act of 2002.

SELECTED FINANCIAL DATA

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). Prior-year amounts have been reclassified to conform to current year presentation.

	2004	2003	2002	2001	2000
SUMMARY OF OPERATIONS					
Total Company					
Sales and revenues	$ 171,652	$ 164,338	$ 162,258	$ 160,654	$ 169,298
Income/(loss) before income taxes	$ 4,853	$ 1,339	$ 1,064	$ (7,325)	$ 8,387
Provision/(credit) for income taxes	937	123	342	(2,064)	2,750
Minority interests in net income of subsidiaries	282	314	367	24	127
Income/(loss) from continuing operations	3,634	902	355	(5,285)	5,510
Income/(loss) from discontinued operations	(147)	(143)	(333)	(168)	(2,043)
Cumulative effects of change in accounting principle	-	(264)	(1,002)	-	-
Net income/(loss)	$ 3,487	$ 495	$ (980)	$ (5,453)	$ 3,467
Automotive sector					
Sales	$ 147,134	$ 138,260	$ 134,120	$ 130,601	$ 140,621
Operating income/(loss)	(177)	(1,556)	(604)	(7,471)	5,276
Income/(loss) before income taxes	(155)	(1,908)	(1,054)	(8,762)	5,421
Financial Services sector					
Revenues	$ 24,518	$ 26,078	$ 28,138	$ 30,053	$ 28,677
Income/(loss) before income taxes	5,008	3,247	2,118	1,437	2,966
Total Company Data Per Share of Common and Class B Stock a/					
Basic:					
Income/(loss) from continuing operations	$ 1.99	$ 0.49	$ 0.19	$ (2.93)	$ 3.73
Income/(loss) from discontinued operations	(0.08)	(0.08)	(0.19)	(0.09)	(1.39)
Cumulative effects of change in accounting principle	-	(0.14)	(0.55)	-	-
Net income/(loss)	$ 1.91	$ 0.27	$ (0.55)	$ (3.02)	$ 2.34
Diluted:					
Income/(loss) from continuing operations	$ 1.80	$ 0.49	$ 0.19	$ (2.93)	$ 3.66
Income/(loss) from discontinued/held-for-sale operations	(0.07)	(0.08)	(0.18)	(0.09)	(1.36)
Cumulative effects of change in accounting principle	-	(0.14)	(0.55)	-	-
Net income/(loss)	$ 1.73	$ 0.27	$ (0.54)	$ (3.02)	$ 2.30
Cash dividends b/	$ 0.40	$ 0.40	$ 0.40	$ 1.05	$ 1.80
Common stock price range (NYSE Composite)					
High	$ 17.34	$ 17.33	$ 18.23	$ 31.42	$ 31.46
Low	12.61	6.58	6.90	14.70	21.69
Average number of shares of Common and Class B stock outstanding (in millions)	1,830	1,832	1,819	1,820	1,483
SECTOR BALANCE SHEET DATA AT YEAR-END					
Assets					
Automotive sector	$ 116,422	$ 115,444	$ 102,770	$ 88,319	$ 94,312
Financial Services sector	188,919	195,279	187,432	188,224	189,078
Total assets	$ 305,341	$ 310,723	$ 290,202	$ 276,543	$ 283,390
Long-term Debt					
Automotive sector	$ 17,458	$ 18,987	$ 13,607	$ 13,467	$ 11,769
Financial Services sector	89,082	100,764	106,505	106,741	86,877
Total long-term debt	$ 106,540	$ 119,751	$ 120,112	$ 120,208	$ 98,646
Stockholders' Equity	$ 16,045	$ 11,651	$ 5,590	$ 7,786	$ 18,610

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 Visteon spin-off, a recapitalization known as our Value Enhancement Plan, and The Associates spin-off.

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 in consolidated entities (including entities we do not control), by business unit, at December 31, 2004 and 2003 was:

	2004	2003
Automotive sector		
The Americas		
Ford North America	**122,877**	130,174
Ford South America	**12,222**	10,102
Ford Europe and PAG		
Ford Europe	**69,149**	68,340
Premier Automotive Group	**50,403**	52,347
Ford Asia Pacific and Africa	**21,378**	17,946
Financial Services sector		
Ford Motor Credit Company	**17,424**	19,270
The Hertz Corporation	**31,398**	29,347
Other Financial Services	**13**	5
Total	**324,864**	327,531

As shown in the employment data above, from December 31, 2003 to December 31, 2004, the number of people we employ decreased approximately one percent. This decrease primarily reflects capacity reductions and improved manufacturing efficiencies in North America and Europe, offset partially by the addition of newly consolidated European dealerships and our expanding business in South America, Asia Pacific and at Hertz. The employment numbers in the table above exclude approximately 17,700 hourly employees of Ford who are assigned to Visteon Corporation ("Visteon"), our largest supplier, and, pursuant to our collective bargaining agreement with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the "UAW"), remain Ford employees. Visteon reimburses us for most of the costs associated with these employees.

Shareholder Services

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

Telephone:
Within the U.S. and Canada: (800) 279-1237
Outside the U.S. and Canada: (781) 575-2692
E-mail: **fordteam@equiserve.com**

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

Company Information

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

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

Telephone:
Within the U.S. and Canada: (800) 555-5259
Outside the U.S. and Canada: (313) 845-8540
Fax: (313) 845-6073
E-mail: **stockinf@ford.com**

Security analysts and institutional investors may contact:

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

Telephone: (313) 323-8221 or (313) 390-4563
Fax: (313) 845-6073
E-mail: **fordir@ford.com**

To view this report, the Ford Motor Company Fund Annual Report and the Ford Motor Company Sustainability Report, 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

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

Annual Meeting

The 2005 Annual Meeting of Shareholders will be held in Wilmington, Delaware, on May 12, 2005. 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 2004 team members are:

Editor: Frank Sopata, Manager, Shareholder Relations
Editorial Services: Tom Morrisey, Chuck Snearly, Kim Boscan, Frank Frohling, Terry Herron, Margaret Mellott, and Rob Maleszyk
Photo Coordinator & Editorial Services: Ana Holland Krawec
Art Direction and Design: Pat Barney
Graphic Artists: David McWilliams and Nariman Tahir
Principal Photography: Tom Wojnowski
Cover Photo Base Art: Rosebud Pictures
Additional Photography: Ford Motor Company and Morphoto Inc.

Digital imaging technology has been used for retouching and to produce some composite photos in this report. The report was printed by St Ives Inc. The report was designed by Ford Communication Services.

This report is printed on recycled and recyclable paper using soy ink.