Ford Motor Company

2001 ANNUAL REPORT

Building Our Future

Contents

On the cover:

Susan Custer-Beller, who builds Ford Mustangs, is the fifth generation of her family to work at the Ford Rouge Center in Dearborn, Michigan. Susan and her family represent the generations of employees, dealers and suppliers who have made Ford a highly successful company for nearly 100 years. The photo behind Susan shows an earlier generation of Ford Rouge employees. Throughout the 2001 annual report, we mix photos of our past and present to show how we are using our incredible heritage to help us in building our future.

Operating Highlights

	2001	2000	Percent Change
FINANCIAL RESULTS			
Worldwide vehicle unit sales of cars and trucks (in thousands)			
- North America	**4,292**	4,933	
- Outside North America	**2,699**	2,491	
Total	**6,991**	7,424	down 5.8%
Sales and revenues (in millions)			
- Automotive	**$ 131,528**	$ 141,230	
- Financial Services	**30,884**	28,828	
Total	**$ 162,412**	$ 170,058	down 4.5%
Automotive Capital Expenditures			
- Amount (in millions)	**$ 6,357**	$ 7,393	down 14.0%
- As a percentage of sales	**4.8%**	5.2%	
Automotive cash at year end (in millions)			
- Gross cash and marketable securities, including VEBA	**$ 17,667**	$ 20,146	
- Net cash and marketable securities, including VEBA	**$ 3,873**	$ 8,100	
Adjusted net income from continuing operations a/			
- Amount (in millions)	**$ (782)**	$ 6,668	
- Per fully diluted share of common and and Class B stock	**$ (0.44)**	$ 3.26 b/	
FINANCIAL RETURNS			
After-tax returns on:			
- North American automotive sales	**(6.1)%**	4.8%	
- Total automotive sales	**(4.7)%**	2.6%	
SHAREHOLDER VALUE			
- Dividends per share	**$ 1.05**	$ 1.80	down 41.7%
- Total shareholder returns	**(31)%**	(16)%	

a/ Adjusted net income on a continuing operations basis excludes the unusual items shown on page 30 of Management's Discussion and Analysis of Financial Condition and Results of Operations.

b/ Diluted operating earnings per share has been adjusted to reflect our recapitalization, known as the Value Enhancement Plan, as if it was a stock split followed by a share repurchase.

Prior periods have been restated conform to current reporting.

Building Our Future

Our results in 2001 were unacceptable.

For most of the past decade, Ford Motor Company led the industry in profits and shareholder returns. In the previous five years, we distributed nearly $50 billion in cash and securities to our shareholders.

Last year, we suffered a substantial loss.

Many factors contributed to our loss. We encountered difficult economic conditions and tough competition. The costs and controversy associated with our tire replacement program for Ford Explorer clearly took their toll. We pursued strategies that were either poorly conceived or poorly timed. The real cause of our poor performance, however, was that we lost track of the things that made us great.

If you look at our history, it is clear that our success has always been driven by our products and our people.

At the beginning of the last century, the Model T put the world on wheels and launched the Company as a global presence. The Model A restored our momentum when Model T sales slipped. The 1949 Ford, our first all-new postwar car, revitalized the Company at a critical time. Ford Falcon in the 1950s, Ford Cortina in Europe in the 1960s, Ford Taurus in the 1980s and Ford Explorer in the 1990s led us out of recessions and took us to new levels of achievement.

The other major factor in our success over the last 100 years has been our people. One of the great advantages we've always had is that we're not another nameless, faceless corporation. The Ford family involvement has given the Company a special relationship with the people who work here. Our dealer and supplier partners also are part of our extended family. Many of them have been with us since the beginning and have been a part of the Ford success story.

In 2001, we lost focus on the critical elements of products and people. It cost us dearly. But difficult times provide an opportunity to re-examine core values and to take bold action. We have done both.

In November of last year we put a product-focused leadership team with a proven record of strong results in place. By January, we had launched a major revitalization plan with three key elements:

- A strong focus on products.
- An emphasis on cost reductions.
- A commitment to right-sizing our business.

The plan will improve our quality and rationalize our capacity in North America from 5.7 million units to 4.8 million. It includes the closing of five plants and the elimination of four low-margin vehicles by mid-decade. By then we will be introducing 10 new and 10 freshened models annually in North America.

In Europe, we will continue to build on the successful transformation strategy launched in 2000. That strategy, which includes 45 new or significantly improved products over a five-year period, has already improved market share and returned Ford of Europe to profitability.

Foreground: Chairman and CEO Bill Ford; background: Company founder Henry Ford.


Ford

We are leveraging the brands in our Premier Automotive Group – Lincoln, Volvo, Jaguar, Land Rover and Aston Martin – to increase their contribution to our earnings. Already the leader in luxury sales in the United States, the Premier Automotive Group will introduce 25 new models in the next five years. At that point we expect they will be contributing more than a third of the Company's global profits.

Mercury and Mazda also will play significant roles in our future.

"We are going to polish the Ford blue oval, one of the most valuable and widely recognized brand icons in the world."

We are going to polish the Ford blue oval, one of the most valuable and widely recognized brand icons in the world. We need to get it shining brightly again because the oval is our core, high-volume nameplate. It is our identity.

Ford Credit will concentrate its efforts on providing financial services for the brands in Ford Motor Company's portfolio. It will focus again on profitability and customer loyalty and not on rapid growth.

Our commitment is to make our balance sheet strong and robust again and maintain its strength in the future. We are selling our non-core assets to concentrate our resources and attention on the automobile business. We reduced our dividend to conserve cash, but our dividend yield remains almost twice as large as the average yield in the major markets. A highly successful convertible securities issue in January helped us raise additional funds.

In total, our plan is projected to deliver $9 billion of pre-tax profit improvement by the middle of the decade, including $2 billion this year. It also will deliver the biggest wave of new products in our history. It is a bold first step on a long journey. We plan to reward those who join us on our journey, especially our shareholders.

In that regard, I have asked our Board of Directors to pay me no salary, bonus or long-term compensation other than stock options. That is how much I believe in the ultimate success of our Company.

Our revitalization plan is focused on getting back to the basics and executing on the fundamentals of our business. Our first priority is to improve our product quality. We also are aggressively attacking our cost structure and more effectively managing our revenue to improve our results.

We know that we cannot cost-cut our way to a product-led recovery. We will address our cost structure concerns in ways that protect our key product programs and maintain a strong cycle plan. Great products made us what we are, and they will take us where we're going.

We also realize that some of the things that must be done will be painful and will impact people's lives in adverse ways. Despite the difficult actions that we must take, a high priority for us, and for me personally, is restoring the relationships we have with our extended family of Ford employees, dealers and suppliers around the world. Employees are the only sustainable competitive advantage that any company has. I won't forget that.

We face serious challenges, but we also have many strengths. Unlike some of the difficult times we have faced in the past, today we already have an outstanding product lineup in place. We make the best-selling car in the world, Ford Focus, and the best-selling truck in the world, Ford F-Series.

In the United States, we have the best-selling truck, compact truck, SUV, small SUV and full-size van. In Europe, we've launched a string of successful new products, including the Ford Focus, Mondeo, Galaxy, Transit and Fiesta. All around the world, we are adding new vehicles such as the Jaguar X-Type, Aston Martin Vanquish, Mercury Marauder, Ford GT40, Lincoln Aviator, Land Rover Range Rover, Mazda 6, Volvo XC90 and more.

Getting back to the basics does not mean we are going backwards. It means we are going to provide the highest levels of quality and value for our customers. Those are timeless fundamentals. They are the price of entry into the market. We must get them right.

We also are going to apply innovative technology to our core business to differentiate ourselves and make our products irresistible to our customers and beneficial to society. I believe those will be the fundamentals of the future. New technology, such as hybrid-electric and fuel cell powered vehicles, will help us achieve those goals and reward our shareholders.

Ford is a great company with an incredible heritage. Next year we celebrate our centennial. In our case, looking back is not a way to retreat into the past, but a way to prepare for the future.

We have learned a lot in the last 100 years.

We've learned that innovative, breakthrough products are what make us successful. We know

Chairman and CEO Bill Ford (left), President and COO Nick Scheele (center) and Group Vice President North America Jim Padilla address Wall Street analysts and news media at the announcement of the Company's revitalization plan in January.

that we have a special relationship with the people whose lives we touch, including our employees, dealers, suppliers and customers.

We have learned how to survive and prosper in a fiercely competitive industry, and how to bounce back from difficult circumstances. We are committed to being a good corporate citizen, and being open and honest with all of our stakeholders.

We will use all of these lessons to build an even greater legacy in the 21st century. We are looking forward and moving forward.

Thank you for your support of our efforts.

William Clay Ford, Jr.
Chairman and CEO
March 14, 2002

In the background, Henry and Edsel Ford sit amid the framework of the Rouge industrial complex under construction. Begun in 1917, the Rouge was their vision that became the icon of 20th-century manufacturing. In the foreground is the new Dearborn Truck Plant now under construction. It is a key component of the Ford Rouge Center redevelopment project that is creating Ford's 21st-century vision of lean, flexible and sustainable manufacturing.

Below is the Ford Ranger Super Cab.

Restructuring to Improve Results

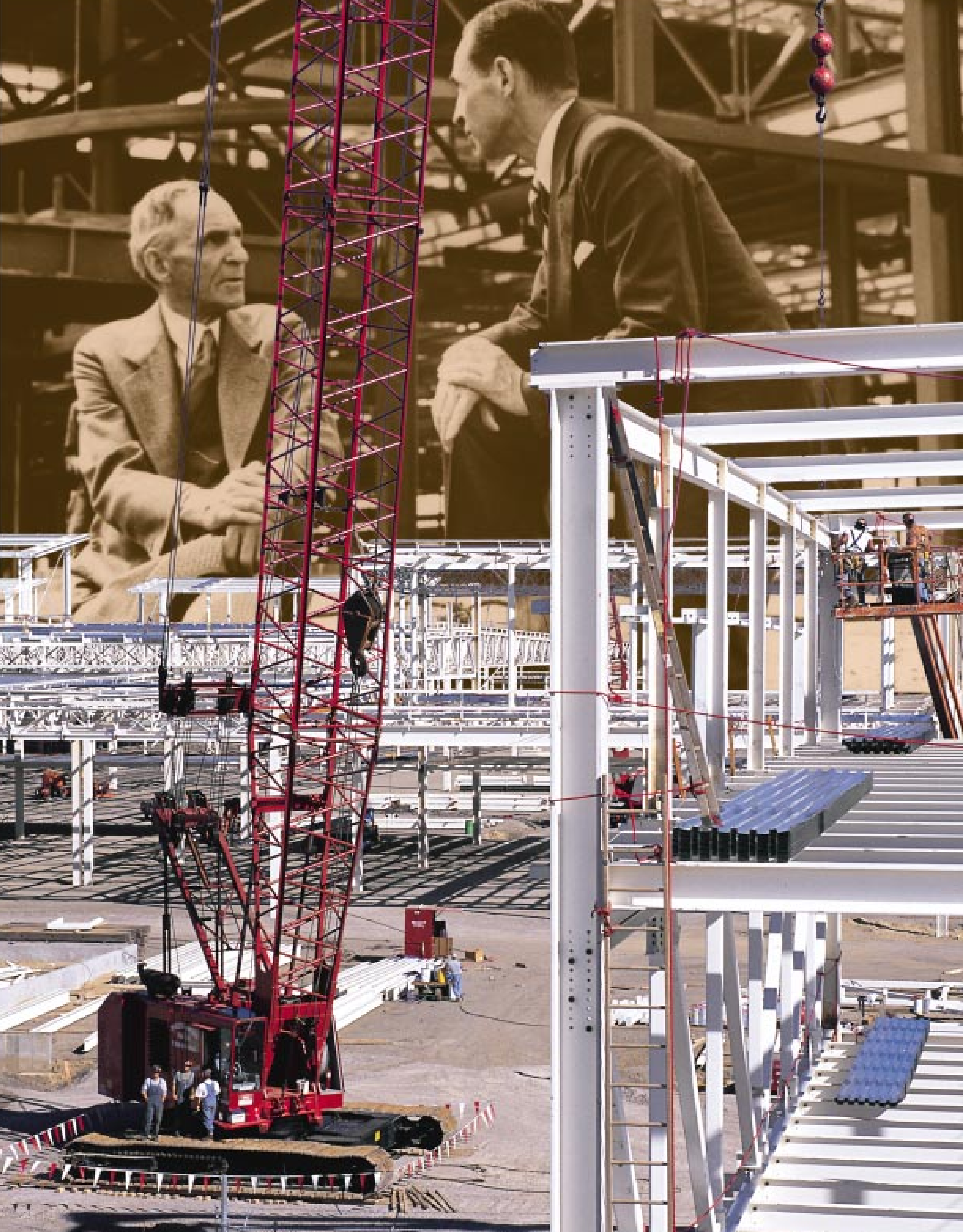
At Ford Motor Company, preparing for our second century means concentrating on the timeless fundamentals that made us great. In January, Ford senior management announced a revitalization plan that focuses on products, emphasizes cost reductions and positions us for greater profitability.

Great products such as Ford Focus and Ford F-Series trucks are key to Ford's vitality. We will introduce on average 20 new or freshened products each year across our brands in North America. The number of major new products will ramp up dramatically in the 2004-2005 period.

To make room, four low-volume model lines will be discontinued this year. We're also eliminating 900,000 units of excess capacity. These and other cost-saving initiatives, such as lean, flexible manufacturing, will close five plants and help accomplish the painful but necessary goal of reducing our global work force by more than 10 percent by mid-decade. We also are redoubling efforts to uncover new reductions in material costs and strengthen relationships with key business stakeholders. The result of these efforts will be a leaner Ford Motor Company, poised to grow in image and profits.

This new Ford will place keener emphasis on the Ford brand. The brands within our uniquely positioned Premier Automotive Group will continue to increase our market share in the highly profitable and growing premium car segment. And Ford Credit – the world's leader in automotive financing – will refocus its business on financing the Company's own automotive brands.

These efforts are geared toward achieving an ongoing annual pre-tax profit improvement of $9 billion by mid-decade, $2 billion of which will be realized in 2002 alone.



Superior Industries' Van Nuys Plant employee John Goldson embodies the commitment to quality found in Ford's supplier partners. An example was Superior's 6-Sigma partnership with Ford to increase production of chrome-plated wheels in support of the demand for Lincoln LS (shown below) and Ford Thunderbird. Through their joint efforts, the project resulted in increased manufacturing throughput with higher quality and improved customer satisfaction.

Quality is Job 1 . . . Again

Great products made Ford a leader in the automotive industry, and great products will take us to greater profitability. Knowing we cannot cost-cut our way to a product-led recovery, we are protecting key product programs and maintaining a strong cycle plan as we address cost structure concerns. A fundamental element of that strategy is restoring Ford's reputation for quality.

Our quality has not declined in recent years – it simply hasn't advanced at the rate we desire. Efforts to correct this have already shown results. In the United States, Ford Motor Company has shown steady and consistent improvement since 1997 in terms of long-term durability as measured by the J.D. Power and Associates U.S. Vehicle Dependability Study℠ – in that same study, Ford led domestic manufacturers for vehicle dependability in 2001. In Europe, Ford significantly improved its relative position among the competition in the J.D. Power and Associates UK Customer Satisfaction Study. And in January of this year, the German TÜV, an authoritative industry body, declared Ford Focus Germany's No. 1 car in terms of quality and durability.

To accelerate this trend, Ford is applying a combination of employee teamwork – especially to instill pride in workmanship – and technology. Consumer Driven 6-Sigma, a powerful tool to significantly improve customer satisfaction and shareholder value by reducing variability in every aspect of our business, is especially effective when used with proven processes such as the Ford Production System and Ford's Quality Operating System. Teams are assigned to address and correct the top 25 customer concerns across all vehicle lines. And special emphasis is now placed on the Company's highest volume models to achieve maximum impact on customer satisfaction and warranty costs.


SUPERIOR

Tenvoorde Ford of St.Cloud, Minn., franchised by Henry Ford in 1903 and pictured in the background, is the oldest Ford dealership still owned by the same family. Four generations of the family have sold and serviced Ford products. The present dealer principals, third-generation brothers (from left) Paul, Jack and David, continue the tradition of superb customer service established by their grandfather, Steve Tenvoorde.

Shown below is the Ford Thunderbird.

Rebuilding Our Relationships

Although Ford Motor Company's revitalization plan is comprehensive, positive results won't be automatic. It will take employees, suppliers and dealers to make it work.

At Ford, we understand that *information* can be kept in a database, but *knowledge* resides within people. Their creativity, understanding and values are a company's only sustainable advantages. An intrinsic part of our revitalization is restoring the relationships Ford has long enjoyed with its employees around the world. We regularly review personnel policies and programs for salaried employees. In cooperation with unions, we also give hourly employees a greater voice in designing and manufacturing our products. We value the views and efforts of all our employees and the representatives of those in unions.

In today's increasingly complex automotive industry, suppliers not only provide parts and services, they provide significant input into our component system designs. Recognizing this, Ford has made its suppliers partners. With cost reductions, we're providing them with a positive incentive – for every cost-reduction dollar suppliers deliver in North America, Ford will return 35 cents to reward their initiative.

Dealers have long been Ford's principal allies in finding and retaining customers – a network of independently owned and operated Ford dealerships first put the world on wheels. To strengthen our connection to dealers – and to focus on our core competencies – Ford is selling its Company-owned dealerships and supporting the sales and service efforts of those who have excelled for nearly a century.

A production model of the GT40 concept car is now planned. The concept was inspired by the race car brought to life by Henry Ford II (shown in the background) that thrilled the racing world with its 1-2-3 win at LeMans. Shown developing the clay model is its chief designer, Camilo Pardo (second right). The GT40 is part of the Living Legends product series, which includes the Mustang Bullitt and Thunderbird and concepts like the Forty-Nine. Together they are "the polish that puts the luster on the Ford oval."

Shown below is the Ford GT40 Concept Car.

Polishing the Oval

Throughout its history – from when Henry Ford outsold all his competitors combined to more recently in Europe when the economy softened – the Ford brand traditionally led the way to restore our Company's vitality.

Our blue oval is one of the world's most widely recognized and highly valued brand icons. The Ford F-Series truck – the world's best-selling vehicle – the Ford Mustang and the Ford Thunderbird are legends among the millions who love them. So it's only natural that a key to Ford's revitalization lies in doing what we do best: leveraging the outstanding reputation and world-reaching power of the Ford brand.

Ford is more than a brand. It is the name of the family that founded and still leads the Company. We are underscoring this in a series of commercial messages featuring Bill Ford discussing the heritage and power of the Ford brand. Our approaching centennial in 2003 reminds customers that Ford was a brand they (and their grandparents) grew up with.

Exciting new products, such as the Ford CrossTrainer, which combines the attributes of a family car and an SUV, will join world leaders Ford Focus, Ford Explorer, Ford Transit and Ford F-Series in vividly demonstrating how our most popular brand remains the popular choice for its times.


FORD

Ford strives to satisfy its customers' diverse personal transportation needs and desires. As our Premier Automotive Group demonstrates, Ford is committed to providing variety, quality and luxury – from the 2003 Lincoln Navigator (right) to the Land Rover Range Rover (below). At bottom is Sill-TerHar Motors in Denver, Colo., the Group's first dealership to showcase under one roof the wide variety of our luxury portfolio.

Leveraging Our Strong Portfolio of Brands

Ford. Lincoln. Mercury. Mazda. Jaguar. Land Rover. Aston Martin. Volvo. Only Ford Motor Company offers such a wealth of variety to the auto consumer, particularly when you add Ford Credit, the industry's largest captive finance organization, and Hertz, the world's largest car-rental company.

We are in a better position than at any time in our history to appeal to the widest range of potential customers. Lincoln, Jaguar, Land Rover, Aston Martin and Volvo, the five luxury brands of our Premier Automotive Group – the world's largest suite of luxury marques – also provide an opportunity to earn premium returns from a market segment less sensitive than others to economic fluctuations. And they give the Company a broad base of vehicles with which to develop and introduce new technologies and features – many of which are introduced into our other brands when cost structures make it feasible.

Each of our automotive brands has a unique personality and distinct customer interface. The vehicles also are unique – from the way they ride to the character of the design and the feel of the interior. But beyond these distinguishing features, Ford is maximizing economies of scale by using common development processes and fewer component architectures. This lowers costs and leads to superior quality and reliability.

Ford has a proud history of pioneering atmospheric science research. The quality, longevity and breadth of this effort in the Ford Research Laboratories is unmatched by any other company in the world. Mike Hurley (foreground) prepares the smog chamber in the Dearborn laboratory to study vehicle emissions. In the background is the 1956 emissions lab. Below is the Escape Hybrid prototype.

New Technologies Driving Our Second Century

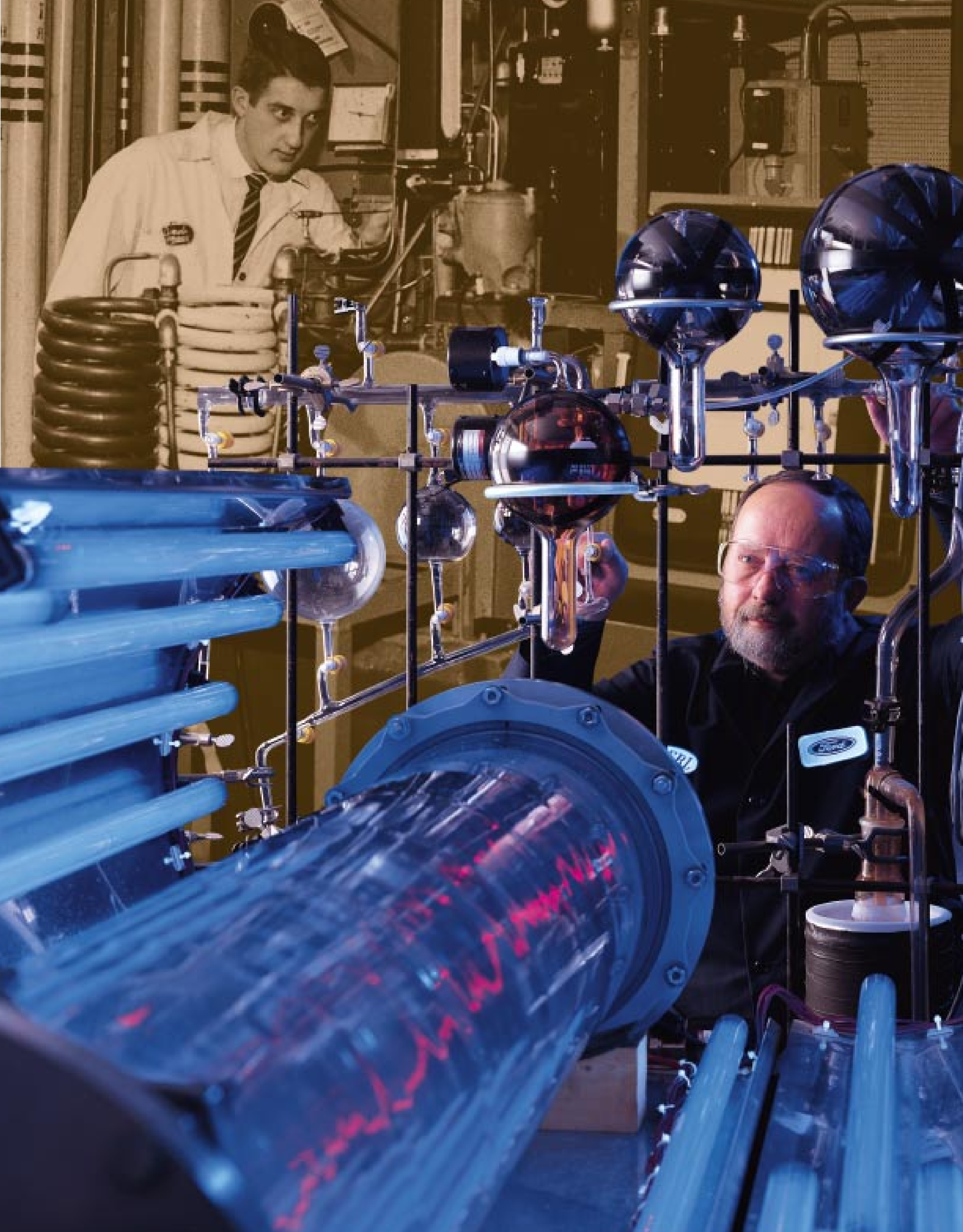
Last October, Ford's P2000 fuel cell vehicle traveled a world-record 1,391 miles in 24 hours averaging 65 mph. It used no gasoline and produced no harmful emissions. P2000 and the Ford Focus fuel cell vehicle demonstrate hydrogen fuel used to power an electric motor. Fuel cells are but one of the many new technologies changing the automobile. The Ford Escape Hybrid SUV, powered by a 65 kW electric motor and a 4-cylinder gasoline engine, debuts next year.

Increasingly sophisticated technologies should also enhance our customers' safety and well being. We have a history of breakthroughs, including the first factory-installed safety belt in 1955, and BeltMinder™ in 1999, with chimes and lights to encourage drivers to buckle up. Volvo invented the three-point belt in 1959, and is now working with us on more sophisticated belt systems.

We currently offer groundbreaking technology, including the Personal Safety System™ that analyzes a crash real time, changing air bag deployment based on the driver's seat position, among other factors. We are now extending this to other occupants. Ford has also introduced the first side air-curtain, Safety Canopy™, to help protect people in vehicle rollovers.

Looking forward, developing technologies such as pre-crash sensing – predicting a crash – provides avoidance opportunities or even more enhanced protection if a crash occurs. It can also help us further improve pedestrian safety and call emergency help to an accident faster.

External data show that, generally speaking, our cars and trucks perform better than the industry average in protecting people in accidents. Engineering expertise in safety at Volvo and our Scientific Research Laboratories will progress even further, and at a faster pace during our second century of innovation.



Ford Motor Company

A Global Overview

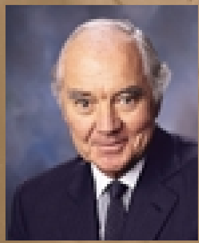
	Automotive Core Brands			Premier Automotive Group		
Primary Brands	Ford	Mercury	Mazda	Aston Martin	Jaguar	Lincoln
Dealers, Customers & Competitors	• Over 13,000 dealers worldwide • 139 markets worldwide • Major Competitors: DaimlerChrysler, Fiat, General Motors, Honda, Nissan, Toyota and Volkswagen • Major Customers: GE, Hertz, Budget, Enterprise Rent-A-Car, Hewlett-Packard, Merck, Sixt, other commercial accounts, governments and millions of individuals	• 2,229 dealers worldwide • 24 markets worldwide • Major Competitors: DaimlerChrysler, General Motors, Honda, Nissan, Toyota and Volkswagen • Major Customers: McDonald's, Hertz, Budget, Enterprise Rent-A-Car, Hewlett-Packard, CNA, other commercial accounts and thousands of individuals	• 6,518 dealers worldwide • 148 markets worldwide • Major Competitors: Toyota, Nissan, Honda, Mitsubishi, General Motors, DaimlerChrysler and Volkswagen • Major Customers: LDS Church, AstraZeneca, Hertz, other commercial vehicle accounts and thousands of individuals	• 81 dealers worldwide • 31 markets worldwide • Major Competitors: Ferrari, Porsche • Major Customers: individuals	• 694 dealers worldwide • 64 markets worldwide • Major Competitors: DaimlerChrysler (Mercedes), BMW, Toyota (Lexus) and Porsche • Major Customers: Hewlett-Packard, Hertz, other commercial accounts and thousands of individuals	• 1,610 dealers worldwide • 38 markets worldwide • Major Competitors: General Motors, DaimlerChrysler, Toyota, Nissan, Honda and BMW • Major Customers: Hertz, Budget, Carey International, Boston Coach, Hewlett-Packard, CNA, other commercial accounts and thousands of individuals
2001 Highlights	• 5,747,982 vehicle retail sales worldwide **SALES MIX:** 66% North America 25% Europe 4% Latin America 4% Asia Pacific 1% Rest-of-World	• 311,787 vehicle retail sales worldwide **SALES MIX:** 98% North America 2% Rest-of-World	• 968,324 vehicle retail sales worldwide* **SALES MIX:** 35% North America 17% Europe 3% Latin America 37% Asia-Pacific 8% Rest-of-World	• 1,506 vehicle retail sales worldwide **SALES MIX:** 30% North America 70% Europe	• 100,791 vehicle retail sales worldwide **SALES MIX:** 48% North America 44% Europe 8% Rest-of-World	• 168,082 vehicle retail sales worldwide **SALES MIX:** 99% North America 1% Rest-of-World
Customer Assistance	www.fordvehicles.com 1-800-392-3673 e-mail: fordcrc@ford.com	www.mercuryvehicles.com 1-800-392-3673 e-mail: fordcrc@ford.com	www.mazda.com 1-800-222-5500 Mazda N.A. Operations Attn.: CAC P.O. Box 19734 Irvine, CA 92623-9734 No e-mail at this time.	www.astonmartin.com +44 1908 610620 e-mail: enquiry@astonmartin.com	www.jaguar.com 1-800-452-4827 e-mail: jaguarowner@jaguar.com	www.lincolnvehicles.com 1-800-521-4140 e-mail: fordcrc@ford.com
New Products/ Services for 2001/2002	• Fiesta • Expedition • SVT Focus • SVT Mustang Cobra • Fusion	• Marauder	• Premacy • Friendee • Protégé 5 • MPV • Tribute	• V12 Vanquish • DB7 Vantage	• X-Type Compact Premium Sedan	• Aviator

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

		Financial Services		Automotive Consumer Services	
VOLVO	LAND ROVER	Ford Credit	Hertz	QualityCare Auto Service	Motorcraft
• 2,500 dealers worldwide • 100 markets worldwide • Major Competitors: BMW, Volkswagen, General Motors, DaimlerChrysler, Toyota, Nissan and Honda • Major Customers: Glaxo SmithKline, Enterprise Rent-A-Car, Hertz, Coca-Cola, Schering Plough, other commercial accounts and thousands of individuals	• 2,300 dealers worldwide • 120 markets worldwide • Major Competitors: BMW, DaimlerChrysler (Jeep, Mercedes), General Motors, Nissan and Toyota (including Lexus) • Major Customers: Enterprise-Rent-A-Car, Hertz and thousands of individuals	• Operations in 38 countries • Nearly 320 locations worldwide • 12,500 dealerships worldwide use Ford Credit financing • More than 10 million customers • More than 5.5 million vehicle financing contracts written – an all-time record • Major Competitors: major banks and credit unions • Major Customers: dealers, automotive loan and lease customers and commercial accounts	• Hertz and its affiliates, associates and independent licensees operate what the Company believes is the largest worldwide car rental business based upon revenues and a major international equipment rental business • Operations in more than 140 countries and jurisdictions • Approximately 7,000 worldwide locations • Major Competitors: Alamo, Avis, Budget, Dollar, Thrifty, Enterprise, Europcar and National • Major Customers: commercial accounts including numerous Fortune 500 companies, as well as millions of individual customers worldwide	• Quality Service in Ford, Lincoln and Mercury dealerships worldwide • Major Competitors: Pep Boys, Penske, Midas, Goodyear, Jiffy Lube, Firestone and Master Care • Major Customers: Ford, Lincoln and Mercury owners, as well as large and small commercial accounts with fleets of Ford Motor Company branded vehicles	• Available in Ford, Lincoln and Mercury franchised dealers worldwide, Ford Authorized Distributors and select major retail accounts • Major Competitors: NAPA, AC Delco, Dana and Moog • Major Customers: Ford, Lincoln and Mercury vehicle owners
• 412,390 vehicle retail sales worldwide **SALES MIX:** 33% North America 56% Europe 11% Rest-of-World	• 164,010 vehicle retail sales worldwide **SALES MIX:** 17.7% North America 66.5% Europe 1.8% Latin America 14% Rest-of-World	• $207.8 billion of assets managed • More than $100 billion of vehicle financing written	• $4.9 billion revenue • 77% revenue from U.S. • 23% revenue from Rest-of-World	• Over 35 million customers served • Continued to establish Automotive Training Programs for disadvantaged youth • Saturday service hours available at over 80% of U.S. dealers	• Launched motorcraft.com to provide parts information and sources • Expanded key product lines – full line of brake parts, transmissions and motor oil • Primary sponsor for NASCAR #21 Elliot Sadler
www.volvocars.com 1-800-458-1552 e-mail: customerservice@ volvocars.com	www.landrover.com 1-800-637-6837 e-mail: lrownerrelations@ landroverna.com	www.fordcredit.com 1-800-727-7000 e-mail form at: www.fordcredit.com	www.hertz.com 1-800-654-3131 e-mail form at: www.hertz.com	www. qualitycareservice.com Ford/Mercury: 1-800-392-3673 Lincoln: 1-800-521-4140 e-mail: fordcrc@ford.com	www.motorcraft.com 1-800-392-3673
• S60 AWD • New diesel engine • Bi-fuel vehicles • XC90	• North American – Specification Freelander • Range Rover		• Introduction of Hertz Prestige Collection • Online #1 Club Gold enrollment with e-sign	• Service appointments and vehicle service status available on-line • “Best-in-Class” parts delivery service to the dealer network	• Expand key product line – transmissions and engines

Board of Directors

(as of March 15, 2002)



Sir John R. H. Bond
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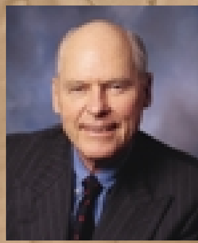

Michael D. Dingman
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Edsel B. Ford II
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William Clay Ford
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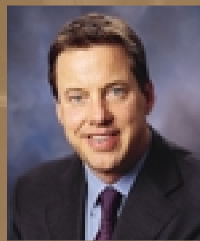

William Clay Ford, Jr.
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Irvine O. Hockaday, Jr.
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Sir John R. H. Bond, 60, is group chairman, HSBC Holdings plc, London, United Kingdom. He joined the Hongkong and Shanghai Banking Corporation in 1961 and served as its executive director from 1988-1992. From 1991-1993, he was president and chief executive officer of Marine Midland Bank, Inc., now known as HSBC USA, Inc. He served as group chief executive of HSBC Holdings from 1993-1998 before being named its group chairman in 1998. In 1999, Queen Elizabeth II knighted him for his services to the banking industry. He joined Ford's board in 2000.

Michael D. Dingman, 70, is president and chief executive officer of Shipston Group, Ltd., a diversified international holding company. In addition, he is the former chairman and current board member of Fisher Scientific International, a leader in serving science by providing products and services to research, health care, industry, education and governments worldwide. Mr. Dingman joined Ford's board in 1981 and is chairman of the board's Compensation Committee.

Edsel B. Ford II, 53, is a retired vice president of Ford Motor Company and former president and chief operating officer of Ford Credit. He joined Ford in 1974 and was elected to its board of directors in 1988. Mr. Ford held numerous positions in the Company's Ford and Lincoln-Mercury divisions and served in Ford Australia before being named to the Ford Credit post in 1991. Mr. Ford presently is a consultant to the Company and is also a board director of the Detroit Branch of the Chicago Federal Reserve Bank and the Skillman Foundation.

William Clay Ford, 77, is retired chairman of Ford's Finance Committee and owner and chairman of The Detroit Lions, Inc. He was elected a Ford director in 1948 and began his employment with the Company in 1949. Throughout his career at Ford, Mr. Ford held numerous executive positions and in 1978 became chairman of the board's Executive Committee and was named a member of the Office of the Chief Executive. In 1980, Mr. Ford was elected vice chairman of the board, and in 1987, he was elected chairman of the Finance Committee. Mr. Ford retired from his post as vice chairman in 1989 and as chairman of the Finance Committee in 1995.

William Clay Ford, Jr., 44, is chairman of the board and chief executive officer of Ford Motor Company. He also is vice chairman of The Detroit Lions, Inc. Mr. Ford began his employment with the Company in 1979 and was elected a Company director in 1988. He held a number of management positions at Ford, including international assignments, culminating in vice president, Commercial Truck Vehicle Center in 1994-1995. In 1995, he became chairman of the board's Finance Committee, a position he held until becoming chief executive officer of the Company. He was named chairman of the board's Environmental and Public Policy Committee in 1997 and became chairman of the Board of Directors and chairman of the Nominating and Governance Committee January 1, 1999. He was named chief executive officer October 30, 2001.

Irvine O. Hockaday, Jr., 65, is retired president and chief executive officer of Hallmark Cards, Inc. He joined Hallmark in 1983 as its executive vice president and was named to his former post in 1986. Mr. Hockaday was elected a Hallmark director in 1978 and is also a director of Crown Media Holdings, Inc. He was elected a Ford director in 1987 and is chairman of the board's Audit Committee.

Marie-Josée Kravis, 52, is a senior fellow of the Hudson Institute Inc., a position she has held since 1994. Prior to that and since 1978, Ms. Kravis served as the executive director of the Hudson Institute of Canada. From 1973 to 1976, she was an economist with the Hudson Institute (USA). Ms. Kravis joined the Ford board of directors in 1995.

Richard A. Manoogian, 65, is chairman of the board and chief executive officer of Masco Corporation, a leading manufacturer of home improvement products. Mr. Manoogian joined Masco in 1958 and was elected vice president and director in 1964. He was named president in 1968 and has served as chairman and chief executive officer since 1985. Mr. Manoogian joined Ford's board in 2001.

Ellen R. Marram, 55, is managing director of North Castle Partners, LLC, a private equity firm. Most recently she served as president and chief executive officer of efdex, Inc. Prior to that, Ms. Marram served as president and chief executive officer of The Tropicana Beverage Group from 1997-1998 and was president of the

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

Marie-Josée Kravis
2, 5

Richard A. Manoogian
2

Ellen R. Marram
1, 3, 5

Dr. Homer A. Neal
1, 3, 5

Jorma Ollila
1, 3, 5

Carl E. Reichardt
4, 5

Robert E. Rubin
2, 4, 5

Nicholas V. Scheele

John L. Thornton
1, 5

Pictured in the first row of the background are the Whiz Kids, a group of gifted young men led by Charles Thornton, who joined Henry Ford II in 1946 to revitalize the almost bankrupt company and convert it back to civilian production. Several had long and distinguished careers with the Company, and three, J. Edward Lundy, Robert S. McNamara, and Arjay Miller, became Directors of the Company.

group from 1993-1997. Ms. Marram served as senior vice president of the Nabisco Foods Group and president and chief executive officer of Nabisco Biscuit Company from 1988-1993. She was president of the Nabisco Grocery Division from 1987-1988. Ms. Marram was elected a Ford director in 1988.

Dr. Homer A. Neal, 59, is director, University of Michigan ATLAS Project, Samuel A. Goudsmit Distinguished University Professor of Physics, and interim president emeritus of the University of Michigan. He joined the University as chairman of its physics department in 1987 and in 1993 was named vice president for research. Dr. Neal has served as a member of the U.S. National Science Board and of the Advisory Board of the Oak Ridge National Laboratory. He is also Regent Emeritus of the Smithsonian Institution. Dr. Neal is currently a director of the Covanta Energy Corporation and a member of the Board of Trustees of the Center for the Study of the Presidency. He joined Ford's board in 1997.

Jorma Ollila, 51, is chairman of the board, chief executive officer and chairman of the group executive board of Nokia Corporation, Finland. Mr. Ollila joined Nokia in 1985 and has been chairman and CEO since 1999 and a member of Nokia's board of directors since 1995. Prior to joining Nokia, he held a number of positions with Citibank Oy and Citibank NA from 1978-1985. Mr. Ollila joined Ford's board in 2000.

Carl E. Reichardt, 70, is vice chairman of Ford Motor Company. He retired in 1994 as chairman and chief executive officer of Wells Fargo & Company. He joined Wells Fargo in 1970 and was elected president in 1978 and chief operating officer in 1981. He served as chairman and chief executive officer from 1983 until his retirement in 1994. Mr. Reichardt was elected a Ford director in 1986. He was named vice chairman of Ford Motor Company October 30, 2001, and is chairman of the board's Finance Committee.

Robert E. Rubin, 63, is director, chairman of the executive committee and member of the Office of the Chairman, Citigroup, Inc. He served as U.S. Secretary of Treasury from 1995-1999. Prior to that, he served in the White House as Assistant to the President for Economic Policy from 1993-1995. Mr. Rubin previously served 26 years at Goldman, Sachs & Co. He joined Goldman, Sachs & Co. in 1966 as an associate and held numerous executive positions including co-senior partner and co-chairman from 1990-1992. Mr. Rubin joined the Ford board in 2000.

Nicholas V. Scheele, 58, was named president and chief operating officer of Ford Motor Company on October 30, 2001. Prior to this appointment, he was group vice president – Ford North America. Mr. Scheele's career at Ford began in 1966 where he held several successive purchasing appointments in Ford's British and European Operations. In 1988, he became president of Ford of Mexico. From 1992-1999, he was chairman and chief executive officer of Jaguar Cars Ltd. Mr. Scheele joined the Ford board of directors in 2001.

John L. Thornton, 48, is president and co-chief operating officer of The Goldman Sachs Group, Inc. He is also a member of the firm's board of directors and its management committee. Mr. Thornton was chairman of Goldman Sachs-Asia from 1996-1998 and served previously as co-chief executive of Goldman Sachs International, the firm's business in Europe, the Middle East and Africa. Mr. Thornton joined Goldman Sachs in 1980 and was named a partner in 1988. He was elected to the Ford board of directors in 1996.

Company Officers *(as of March 15, 2002)*

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

Nicholas V. Scheele *
President and Chief Operating Officer

Carl E. Reichardt*
Vice Chairman

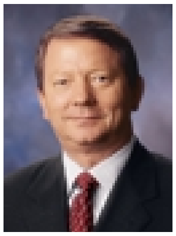
John M. Rintamaki
Chief of Staff and Secretary

Mr. Rintamaki, 60, assumed his present position on January 1, 2000. Prior to that, he served as vice president-General Counsel and Secretary. Mr. Rintamaki joined Ford in 1973 as an attorney and has served in various legal positions at Ford. Mr. Rintamaki was appointed assistant secretary and assistant general counsel—SEC and Corporate Matters in 1991. He served as corporate secretary and assistant general counsel from 1993 to 1999 and continues to serve as corporate secretary.

** Photographs and biographies of Messrs. Ford, Reichardt and Scheele appear on pages 20-21.*

Group Vice Presidents

I. Martin Inglis
Chief Financial Officer



Mr. Inglis, 51, assumed his present position on August 1, 2001. Prior to this, he served as vice president, Ford North America. Mr. Inglis began his career in 1971 in the Company's Great Britain operations working in various supervisory and managerial positions. In 1985, he was appointed director of finance for Ford Lio Ho in Taiwan. Mr. Inglis moved to North America in 1987 and held finance manager and assistant director positions for Large Rear Wheel Drive Programs and Car Programs Finance. In 1991, he was named director of finance for Car Product Development. In 1993, Mr. Inglis became director of International Automotive Operations Business Strategy and Latin American Automotive Operations. Mr. Inglis was named executive director – New Markets Development in 1994, and later that same year was appointed executive director – Product Strategy Office, Product Development. He became a vice president of Ford in 1996. In 1999, he became president of Ford's South American Operations.

Roman J. Krygier, Jr.
Manufacturing and Quality

Mr. Krygier, 59, assumed his present position on November 7, 2001. Prior to this appointment, he was vice president, Powertrain Operations, 1999-2001, and Advanced Manufacturing Engineering, 1997-1998, in Ford Automotive Operations. Mr. Krygier joined Ford in 1964 and held a variety of positions at the Chicago Stamping Plant. In 1974, Mr. Krygier was named assistant to the plant operations manager at the Metal Stamping Division's General Office. He held several other positions within manufacturing and was appointed plant manager of the Buffalo Stamping Plant in 1977. From 1983 to 1994, Mr. Krygier held several management positions within Body & Assembly Operations. In 1994, he was named executive director of Advanced Manufacturing Engineering and Process Leadership, Ford Automotive Operations.

Carlos E. Mazzorin
Asia Pacific Operations, South American Operations and Global Purchasing

Mr. Mazzorin, 60, assumed his present position in November 2001. Previously, he was group vice president of Global Purchasing and South America. Mr. Mazzorin joined Ford in 1972 and served in a variety of purchasing and procurement positions, including posts in Brazil and Spain. In 1991, he was appointed executive director, Production Purchasing for Ford's North American Automotive Operations. He subsequently became vice president, Production Purchasing and then vice president of Purchasing.

James J. Padilla
North America

Mr. Padilla, 55, assumed his present position on November 1, 2001. Previously, he was group vice president, Global Manufacturing and Quality. From November 1996 to December 1998, he served as president of South American Operations. He has held management positions in product engineering and manufacturing, including the Company's Small Car Segment and within Jaguar. He joined Ford in 1966.

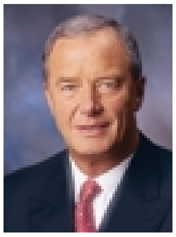
Richard Parry-Jones
Chief Technical Officer

Mr. Parry-Jones, 50, has held his present position since August 1, 2001. Prior to this appointment, he was group vice president of Global Product Development and Quality. Previously, he was vice president of the European Vehicle Center from 1994-1998. Mr. Parry-Jones joined Ford's European Product Development Group in 1969 as an apprentice and, upon graduating, held a variety of positions in product planning, engineering and manufacturing operations, including international assignments.

Dr. Wolfgang Reitzle
Premier Automotive Group

Dr. Reitzle, 53, joined Ford Motor Company in his present position on March 19, 1999. Prior to that, he was for 14 years head of Product Development at BMW. He was appointed a member of the BMW Board of Management in 1986 where his responsibilities included Research and Development, and later the addition of Global Purchasing. In 1998, BMW sales and marketing were added to his portfolio of responsibilities.

David W. Thursfield
Chairman, President and
Chief Executive Officer
Ford of Europe Incorporated



Mr. Thursfield, 56, assumed his present position on August 1, 2001. He was previously president, Ford of Europe. Prior to this, he held the position of vice president, Vehicle Operations, Ford Automotive Operations. Mr. Thursfield came to Ford in 1979 as a plant manager. From 1984-1992, he worked as general manufacturing manager and general operations manager in various locations in Europe. He later became director, Body and Assembly Operations, Ford of Europe. In 1996, he moved to the United States and began working as Vehicle Operations manager for Ford Automotive Operations. He was appointed a group vice president on November 7, 2001.

Dr. Martin B. Zimmerman
Corporate Affairs

Dr. Zimmerman, 55, was appointed to his present position on November 7, 2001. He was previously vice president, Governmental Affairs. Prior to this, he was executive director, Governmental Relations and Corporate Economics. Dr. Zimmerman joined Ford Motor Company in 1987 as the Company's chief economist. Before joining Ford, he was a professor and chairman of the Business Economics Department at the University of Michigan's Graduate School of Business Administration.

Vice Presidents

Marvin W. Adams
Chief Information Officer

William W. Boddie
Global Core Engineering

Thomas K. Brown
Global Purchasing

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

Susan M. Cischke
Environmental and Safety Engineering

William J. Cosgrove
Chief of Staff and Chief Financial Officer,
PremierAutomotive Group

Robert A. Dover
President, Jaguar Land Rover

Mark Fields

Karen C. Francis
ConsumerConnect

Louise K. Goeser
Quality

Joseph Greenwell
Global Automotive and
Product Promotions and Associations

Janet M. Grissom
Washington Affairs

Lloyd E. Hansen
Revenue Management

Darryl B. Hazel
Ford Customer Service Division

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

Brian P. Kelley
President, Lincoln and Mercury

Joe W. Laymon
Corporate Human Resources

Martin Leach
Vice President,
Product Development,
Ford of Europe Incorporated

Donat R. Leclair
Controller

Kathleen A. Ligocki
Strategy, Business Development,
Canada and Mexico

Malcolm S. Macdonald
Finance and Treasurer

Philip R. Martens
Vehicle Programs and Processes

J. C. Mays
Design

Timothy J. O'Brien
Real Estate

James G. O'Connor
President, Ford Division

Hans-Olov Olsson
President, Volvo Cars

Dennis E. Ross
General Counsel

Shamel T. Rushwin
North America Business Operations

Gerhard Schmidt
Research

Mark A. Schulz
President, Ford Asia Pacific

Greg C. Smith
President and Chief Operating Officer,
Ford Motor Credit Company

Anne Stevens
North America Vehicle Operations

David T. Szczupak
Powertrain Operations

Chris P. Theodore
North America Product Development

Janet E. Valentic
Global Marketing

James G. Vella
Corporate Public Affairs

Alex P. Ver
Advanced Manufacturing Engineering

Rolf Zimmermann
Vice President,
Craftsmanship and Launch,
Ford of Europe Incorporated

Glossary

Brand

An identity of a product or service that is marketed to customers, satisfying both tangible needs and emotional desires. Today, consumers define brands, not manufacturers.

Consumer Driven 6-Sigma

A statistical methodology that provides a quantitative measure of quality. If a process is said to operate at 6-Sigma levels, it is producing just 3.4 defects per million opportunities. Ford's approach, called Consumer Driven 6-Sigma, applies the methodology to improve the vehicle attributes that provide the highest opportunity for improved customer satisfaction. Using the five distinct phases of Define, Measure, Analyze, Improve and Control, projects identify and solve an issue's root cause by eliminating variability and waste in the process. Approaching 6-Sigma projects with a customer focus is allowing Ford Motor Company to realize significant customer satisfaction improvements and bottom-line profitability contributions.

DirectSERVICE™

A convenient, low-cost investment and stock-purchase program of EquiServe Trust Company N.A., which permits investors to purchase their first share of Ford stock directly through the program. New Ford investors can call 1-800-279-1237 for details.

Flexible Manufacturing

Flexible Manufacturing provides Ford with the ability to match customer demand with our production capability. It allows Ford to respond to changes in consumer preference for models, options, vehicles and volume on a timely basis without large capital investment or significant variable marketing. It supports mass customization and personalization within the assembly plant. Flexible Manufacturing is a powerful strategic advantage when combined with effective platform and product/process strategies.

2002 Mercury Mountaineer

Fuel Cells

A power source that very efficiently generates electricity from hydrogen and oxygen, producing water as the only reaction byproduct, thereby making it a true zero emission energy converter.

Hybrid Vehicle

Hybrid vehicles use smaller power sources that easily meet the cruising needs of the vehicle, while relying on other assistance, such as an electric motor, to provide the extra power necessary for acceleration and hill climbs. The Escape Hybrid is designed to recover and store energy during braking. In traditional vehicles, the energy used to accelerate the car is lost as heat when the driver applies the brakes. The Escape Hybrid, on the other hand, is engineered to recover a substantial portion of what would otherwise be "lost energy" by generating electricity and storing it for later use by the electric motor for power assistance.

J.D. Power and Associates

An international firm best known for its marketing information services in key business sectors including market research, forecasting and customer satisfaction. The firm's quality and satisfaction measurements are based on actual customer responses from over a million consumers annually.

Milestones

Financial or operating targets established early in the year that allow an assessment of our progress. Ford has issued annual Financial Milestones for the past six years.

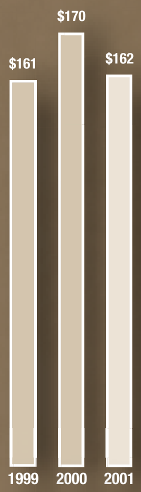
PAG

Abbreviation for Ford's Premier Automotive Group that includes five legendary luxury brands – Lincoln, Volvo, Land Rover, Jaguar and Aston Martin.

Original stock certificate, issued to Henry Ford on June 26, 1903, for 255 shares of the new Ford Motor Company. Ford was named Director and General Manager.

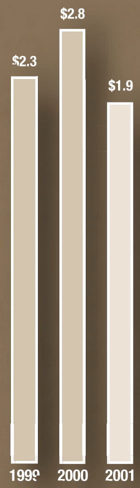
Ford Motor Company

Financial Contents

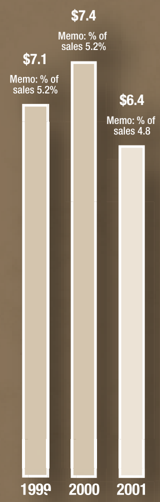


Total Sales and Revenues
(in billions)

Automotive Cash
(in billions)



Common Stock Dividends
(in billions)



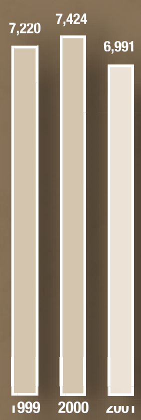
Automotive Capital Spending
(in billions)

Total Company sales revenue was $162 billion in 2001, a decline of 4.7% from the Company record of $170 billion in 2000.

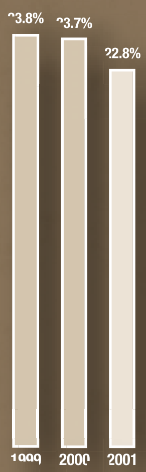
Following spending for new acquisitions and share repurchases, Ford ended the year with automotive cash of $15.0 billion.

Ford's regular common stock dividend declined to $1.9 billion in 2001, down 32% from the prior year.

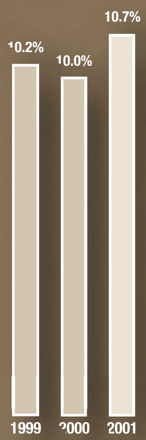
Automotive capital spending in 2001 was $6.4 billion, down $1.0 billion from 2000. This was 4.8% of sales, down 0.4 points from the percentage of sales in 2000.



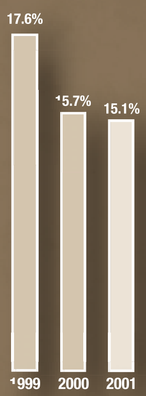
Worldwide Vehicle Unit Sales
(in thousands)



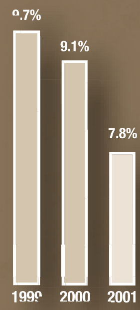
U.S. Market Share



European Market Share



Australian Market Share



Brazilian Market Share

Worldwide vehicle unit sales in 2001 were down 5.8% from the Company vehicle sales record of 7.4 million units sold in 2000.

Ford ranks second in the U.S. market with a combined car and truck market share of 22.8%, down 0.9 points from 2000.

Ford ranks fourth in the European market with a combined car and truck market share of 10.7%, up 0.7 points from 2000.

Ford ranks third in the Australian market with a combined car and truck share of 15.1%, down 0.6 points from 2000 reflecting continued strong competitive pressures in that market.

Ford ranks fourth in the Brazilian market with a combined car and truck share of 7.8%, down 1.3 points from 2000 reflecting strong competitive pressures in that market.

Henry Ford in his first car, the 1896 Quadricycle. He was seven years from putting the world on wheels.

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

FOURTH QUARTER 2001 RESULTS OF OPERATIONS

Our worldwide losses, including charges of $4,106 million primarily related to our Revitalization Plan, were $5,068 million in the fourth quarter of 2001, or $2.81 per diluted share of Common and Class B Stock. In the fourth quarter of 2000, earnings were $1,077 million (including charges for unusual items of $133 million), or $0.57 per diluted share. Worldwide sales and revenues were $41.2 billion in the fourth quarter of 2001, down $1.4 billion, reflecting primarily lower vehicle sales in North America, partially offset by higher vehicle sales in Europe. Unit sales of cars and trucks were 1,808,000 units, down 32,000 units, reflecting primarily lower market share in the United States, partially offset by higher market share in Europe.

Results of our operations by business sector for the fourth quarter of 2001 and 2000 are shown below (in millions):

	Fourth Quarter Net Income/(Loss)		
	2001	2000	2001 Over/(Under) 2000
Automotive sector	**$(4,708)**	$ 629	$(5,337)
Financial Services sector	**(360)**	448	(808)
Total Company net income/(loss)	**$(5,068)**	$1,077	$(6,145)

Following an extensive review of Ford's North and South American operations, on January 11, 2002, we announced the operating and financial goals of our Revitalization Plan, which we expect to achieve by mid-decade. The pre-tax impact of the Revitalization Plan and other fourth quarter charges include (in billions):

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

These substantially non-cash charges included $3.9 billion and $204 million for the Automotive sector and the Financial Services sector, respectively. The Automotive-related charge included asset impairment charges, write-down of precious metals and forward contracts related thereto, employee separation costs (primarily for employees who voluntarily accepted separation offers in 2001) and other charges, such as an accounting charge for Mazda pension expense and the impact of the devaluation of the Argentine peso. See Note 16 of the Notes to our Consolidated Financial Statements for more information regarding these charges.

We expect that the effects of our Revitalization Plan will improve our pre-tax operating results to $7 billion annually, an improvement of $9 billion, by mid-decade. This expectation is based on assumptions for the U.S. market for 2003 and beyond with respect to industry sales (16 million units annually), Ford-brand market share (19%) and net pricing (negative).

AUTOMOTIVE SECTOR

Worldwide losses for our Automotive sector were $4,708 million in the fourth quarter of 2001 on sales of $33.8 billion. Earnings in the fourth quarter of 2000 were $629 million on sales of $35.1 billion.

Details of our Automotive sector earnings for the fourth quarter of 2001 and 2000 are shown below (in millions):

	Fourth Quarter Net Income/(Loss)		
	2001	2000	2001 Over/(Under) 2000
North American Automotive	**$(4,068)**	$ 607	$(4,675)
Automotive Outside North America			
– Europe	**61**	33	28
– South America	**(598)**	(31)	(567)
– Rest of World	**(103)**	20	(123)
Total Automotive Outside North America	**(640)**	22	(662)
Total Automotive sector	**$(4,708)**	$ 629	$(5,337)

Henry and Edsel Ford in the 15 Millionth Ford. This was officially the last production Model T built before the changeover to the Model A.

The decrease in our fourth quarter Automotive sector earnings in North America reflected primarily the asset impairments and other charges outlined on the previous page, lower vehicle unit sales volumes, significantly increased marketing costs for Ford, Lincoln and Mercury brands (16.7% of sales compared with 10.7% a year ago), and an increase in warranty and other costs associated with customer satisfaction initiatives.

The improved fourth quarter results in Europe reflected an increase in vehicle unit sales and the benefits of last year's restructuring actions. The decline in South America reflected primarily asset impairments related to the Revitalization Plan and other charges, lower operating results due to a weaker currency in Brazil, the devaluation of the Argentine peso and lower industry volumes in Brazil and Argentina.

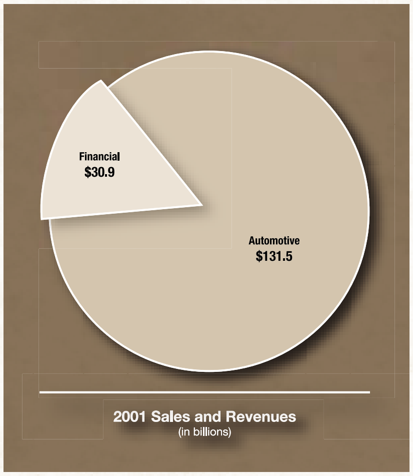
FINANCIAL SERVICES SECTOR

Details of our Financial Services sector earnings are shown below (in millions):

	Fourth Quarter Net Income/(Loss)		
	2001	2000	2001 Over/(Under) 2000
Ford Credit	**$ (297)**	$ 410	$ (707)
Hertz	**(58)**	56	(114)
Minority interests and other	**(5)**	(18)	13
Total Financial Services sector	**$ (360)**	$ 448	$ (808)

Ford Credit's consolidated loss in the fourth quarter of 2001 was $297 million, compared with earnings of $410 million in 2000. This result included charges associated with the Revitalization Plan ($204 million) and the ongoing impact of Statement of Financial Accounting Standards ("SFAS") No. 133 ($99 million). The Revitalization Plan charges included costs for strategic partnering actions in Brazil, including writedowns and losses related to the disposition of certain assets ($126 million); government initiatives in Argentina related to currency devaluation and consumer debt ($65 million); and voluntary employee separation costs in North America ($13 million). Excluding these charges and the impact of SFAS No. 133, Ford Credit earned $6 million, down $404 million from the same period a year earlier. The reduction was more than accounted for by a higher provision for credit losses ($913 million after taxes in 2001 compared with $360 million in 2000), offset partially by favorable volumes, margins and investment and other income related to securitizations. The higher provision for credit losses was in response to higher credit loss experience in the fourth quarter of 2001, reflecting significant weakening economic conditions in the United States.

Losses at Hertz in the fourth quarter of 2001 were $58 million, compared with earnings of $56 million a year ago. The profit decline was primarily due to the lower car rental volume in the United States, reflecting the adverse impact on business travel and pricing following the terrorist attacks of September 11, 2001 and the slowdown in the U.S. economy.



In 2001, 81% of worldwide sales and revenues was earned by the Automotive sector and 19% by the Financial Services sector.

FULL-YEAR 2001 RESULTS OF OPERATIONS

Our worldwide sales and revenues were $162.4 billion in 2001, down $7.7 billion from 2000, reflecting primarily lower vehicle sales in North America, offset partially by higher vehicle sales in Europe. We sold 6,991,000 cars and trucks in 2001, down 433,000 units, reflecting primarily lower market share in the United States, partially offset by higher market share in Europe.

Results of our operations by business sector for 2001, 2000, and 1999 are shown below (in millions):

	Net Income/(Loss)		
	2001	2000	1999
Automotive sector	**$(6,267)**	$ 3,624	$4,986
Financial Services sector	**814**	1,786	1,516
Income/(loss) from continuing operations	**(5,453)**	5,410	6,502
Income from discontinued operation*	**-**	309	735
Loss on spin-off of discontinued operation	**-**	(2,252)	-
Total Company net income/(loss)	**$(5,453)**	$ 3,467	$7,237

* *Visteon Corporation, our former automotive components subsidiary, was spun off to Ford Common and Class B stockholders on June 28, 2000.*

The following unusual items were included in our 2001, 2000, and 1999 income from continuing operations (in millions):

	Automotive Sector					
	North America	Europe	South America	Rest of World	Total Auto Sector	Financial Services Sector
2001						
Derivative instruments (SFAS No. 133) transition adjustment and ongoing effects	**$ (95)**				**$ (95)**	**$ (157)**
Mazda restructuring actions in the second quarter				**$ (114)**	**(114)**	
Write-down of E-commerce and Automotive-related ventures in the third quarter	**(199)**				**(199)**	
Revitalization Plan and other fourth quarter charges (includes portion of SFAS No. 133)	**(3,149)**		**$ (552)**	**(201)**	**(3,902)**	**(204)**
Total 2001 unusual items	**$ (3,443)**	**-**	**$ (552)**	**$ (315)**	**$ (4,310)**	**$ (361)**
2000						
Asset impairment and restructuring costs for Ford brand operations in Europe in the second quarter		$ (1,019)			$ (1,019)	
Inventory-related profit reduction for Land Rover in the third quarter	$ (13)	(76)		$ (17)	(106)	
Write-down of assets associated with the Nemak joint venture in the fourth quarter	(133)				(133)	
Total 2001 unusual items	$ (146)	$ (1,095)	-	$ (17)	$ (1,258)	-
1999						
Gain from the sale of our interest in AutoEuropa to Volkswagen AG in the first quarter		$ 165			$ 165	
Inventory-related profit reduction for Volvo Car in the second quarter	$ (16)	(125)		$ (5)	(146)	
Visteon-related postretirement adjustment in the third quarter (incl. in Total Auto sector)					(125)	
Employee separation costs in the third quarter	(79)				(79)	$ (23)
Lump-sum payments relating to ratification of the 1999 United Auto Workers and Canadian Auto Workers contracts in the fourth quarter	(80)				(80)	
Total 1999 unusual items	$ (175)	$ 40	-	$ (5)	$ (265)	$ (23)

Excluding these unusual items, losses from continuing operations would have been $782 million in 2001, compared with income from continuing operations of $6,668 million in 2000 and $6,790 million in 1999.

President Harry S. Truman standing in a 1949 Lincoln Cosmopolitan convertible.

We established and communicated the financial milestones listed below for 2001, which excluded Visteon in both the 2000 base period and 2001. Our results against these milestones, excluding the unusual items described on the previous page, are listed below.

	2001 Milestone	Actual Result
TOTAL COMPANY		
– Revenue	**Grow $5 billion**	Declined $8 billion
AUTOMOTIVE		
– North America	**4%+ return on sales**	(2.3)%
– Europe	**1%+ return on sales**	0.8%
– South America	**Improve results**	Improved by $12 million
– Rest of World	**Achieve profitability**	Earned $156 million
– Total Costs	**Reduce $1 billion (at constant volume and mix)**	Increased $1 billion*
– Capital Spending	**Contain at $8 billion or less**	Spent $6.4 billion
FINANCIAL SERVICES		
– Ford Credit	**Improve returns**	Declined 3.6 percentage points
	Grow earnings 10%	Declined 22%

** Excludes costs related to our Firestone tire replacement action.*

AUTOMOTIVE SECTOR RESULTS OF OPERATIONS

Details of our Automotive sector earnings from continuing operations for 2001, 2000, and 1999 are shown below (in millions):

	Net Income/(Loss)		
	2001	2000	1999
North American Automotive	**$ (5,597)**	$ 4,886	$ 5,418
Automotive Outside North America			
– Europe	**266**	(1,130)	50
– South America	**(777)**	(240)	(444)
– Rest of World	**(159)**	108	87
Total Automotive Outside North America	**(670)**	(1,262)	(307)
Visteon-related postretirement adjustment	**-**	-	(125)
Total Automotive sector	**$ (6,267)**	$ 3,624	$ 4,986

2001 COMPARED WITH 2000

Worldwide losses from continuing operations for our Automotive sector were $6,267 million in 2001 on sales of $131.5 billion, compared with earnings of $3,624 million in 2000 on sales of $141.2 billion. Adjusted for constant volume and mix and excluding unusual items and costs related to our Firestone tire replacement action, our total costs in the Automotive sector increased $1.0 billion compared with 2000.

Our Automotive sector losses from continuing operations in North America were $5,597 million in 2001 on sales of $91.0 billion, compared with earnings of $4,886 million in 2000 on sales of $103.9 billion. The earnings deterioration reflected primarily lower vehicle unit sales volumes, the charges associated with the Revitalization Plan and the other charges previously outlined, significantly increased marketing costs, costs associated with the Firestone tire replacement action and increased warranty and other costs associated with customer satisfaction initiatives.

In 2001, approximately 17.5 million new cars and trucks were sold in the United States, down from 17.8 million units in 2000. Our share of those unit sales was 22.8% in 2001, down 0.9 percentage points from a year ago, due primarily to increased competition resulting from new model entrants into the truck and sport utility vehicle segments, as well as the continued weakness of the Japanese yen, which creates favorable pricing opportunities for our Japanese competitors.

Screen stars Ronald Reagan and his then-wife, Jane Wyman, admire the 1949 Lincoln Cosmopolitan.

Marketing costs for our Ford, Lincoln and Mercury brands increased to 14.7% of sales of those brands, up from 11.1% a year ago, reflecting increased competitive pricing in the form of subsidized financing and leasing programs (such as 0.0% financing during the fourth quarter), cash rebates and other incentive programs.

Our Automotive sector earnings in Europe were $266 million from continuing operations in 2001, compared with losses of $1,130 million a year ago. The increase reflected the non-recurrence of the 2000 charge related to asset impairments and restructuring, as well as increased vehicle unit sales and the effect on depreciation from last year's asset impairment and restructuring actions.

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

Our Automotive sector losses in South America were $777 million from continuing operations in 2001, compared with a loss of $240 million in 2000. The decrease is more than explained by asset impairment charges and the devaluation of the Argentine peso.

Industry sales in 2001 were 1.6 million units in Brazil, up about 10% from 2000, and approximately 201,000 units in Argentina, down 41% from 2000. Brazil's economy has recently entered into a recession as a result of tight fiscal and monetary policies and election year uncertainties, which have restrained growth. We expect industry volumes in Brazil to deteriorate in 2002. Economic conditions continue to remain weak in Argentina primarily as a result of the recent peso devaluation. Our combined car and truck market share in these markets in 2001 was 7.8% in Brazil (down 1.3 percentage points) and 14.3% in Argentina (down 1.4 percentage points).

Automotive sector losses from continuing operations outside North America, Europe, and South America ("Rest of World") were $159 million in 2001, compared with earnings of $108 million in 2000. The earnings deterioration reflected Ford's share of a non-cash charge relating to Mazda's pension expenses and other restructuring actions at Mazda.

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

2000 COMPARED WITH 1999

Worldwide earnings from continuing operations for our Automotive sector were $3,624 million in 2000 on sales of $141 billion, compared with $4,986 million in 1999 on sales of $135 billion. The decrease in earnings reflected asset impairments and restructuring charges in Europe and lower earnings in North America, offset partially by improved results in South America. Adjusted for constant volume and mix, our total costs in the Automotive sector declined $500 million compared with 1999.

Our Automotive sector earnings from continuing operations in North America were $4,886 million in 2000 on sales of $103.9 billion, compared with $5,418 million in 1999 on sales of $99.2 billion. The earnings deterioration reflected primarily costs associated with the Firestone tire recall and higher warranty costs related to our 3.8 liter engine, offset partially by increased volume. The after-tax return on sales for our Automotive sector in North America was 4.8% in 2000, down 0.7 percentage points from 1999.

In 2000, approximately 17.8 million new cars and trucks were sold in the United States, up from 17.4 million units in 1999. Our share of those unit sales was 23.7% in 2000, down 0.1 percentage points from 1999.

Our Automotive sector losses in Europe were $1,130 million from continuing operations in 2000, compared with earnings of $50 million a year ago. The decline reflected primarily the second quarter 2000 charge of $1,019 million related to asset impairment and restructuring costs for Ford brand operations.

In 2000, approximately 17.9 million new cars and trucks were sold in our nineteen primary European markets, down from 18.2 million units in 1999. Our share of those unit sales was 10% in 2000, down 0.2 percentage points from 1999, reflecting primarily an increase in market share related to our acquisitions of Volvo Car and Land Rover, offset by a decrease in market share for Ford-brand vehicles. The decrease in our Ford brand share reflected primarily continued aggressive competition.

Our Automotive sector in South America lost $240 million from continuing operations in 2000, compared with a loss of $444 million in 1999. The improvement reflected primarily higher vehicle margins resulting from cost reductions and improved product mix and pricing.

In 2000, approximately 1.5 million new cars and trucks were sold in Brazil, compared with 1.3 million in 1999. Our share of those unit sales was 9.1% in 2000, down 0.6 percentage points from 1999. The decline in market share reflected increased competition.

Automotive sector earnings from continuing operations in the Rest of World were $108 million in 2000, compared with earnings of $87 million in 1999.

New car and truck sales in Australia, our largest market in Rest of World, were approximately 788,000 units in 2000, essentially unchanged from 1999. In 2000, our combined car and truck market share in Australia was 15.7%, down 1.9 percentage points from 1999, reflecting primarily strong competitive pressures.

FINANCIAL SERVICES SECTOR RESULTS OF OPERATIONS

Earnings of our Financial Services sector consist primarily of two segments, Ford Credit and Hertz. Details of our Financial Services sector earnings for 2001, 2000, and 1999 are shown below (in millions):

	Net Income/(Loss)		
	2001	2000	1999
Ford Credit	**$ 839**	$ 1,536	$ 1,261
Hertz	**23**	358	336
Minority interests and other	**(48)**	(108)	(81)
Total Financial Services sector	**$ 814**	$ 1,786	$ 1,516

2001 COMPARED WITH 2000

Ford Credit's consolidated net income in 2001 was $839 million, down $697 million or 45% from 2000. Excluding Ford Credit's share of the charges associated with the Revitalization Plan and the ongoing impact of SFAS No. 133, net income was $1.2 billion, down $336 million compared with 2000, due primarily to a higher provision for credit losses, offset partially by favorable earnings effects related to securitization transactions, higher financing volumes of finance receivables and operating leases and improved financing margins.

The following table summarizes the effects of securitization transactions on Ford Credit's earnings for the years indicated (in millions on a pre-tax basis):

	2001	2000	1999
Gains on sales of receivables	**$ 739**	$ 14	$ 83
SFAS No. 133 fair value basis adjustment	**(327)**	-	-
Net gain	**412**	14	83
Servicing fees collected	**456**	190	136
Interest income from retained securities	**379**	152	173
Excess spread and other	**186**	201	41
Total investment and other income related to securitization	**$1,433**	$ 557	$ 433
Memo:			
Total investment and other income related to securitization (excluding SFAS No. 133)	**$1,760**	$ 557	$ 433

Securitization revenue includes the gains on sales of finance receivables, as well as the interest earned on retained securities, servicing fee income from sold receivables that Ford Credit continues to service, and other income related to interest-only strips. Interest-only strips, also referred to as excess spread, represent Ford Credit's right to receive collections on sold receivables in excess of the amount needed to pay principal and interest payments to investors and servicing fees.

Gains or losses on sales of receivables are recognized in the period in which they are sold. As shown above, in 2001 such gains were $412 million, compared with $14 million and $83 million in 2000 and 1999, respectively. The sale of receivables has the impact of reducing Ford Credit's financing margins in the year the receivables are sold as well as in future years. The net impact of securitizations on Ford Credit's earnings in a given year will vary depending on the amount, type of receivable and timing of securitizations in the current year and the preceding two to three year period, as well as the interest rate environments at the time the finance receivables were originated and securitized. The following table shows the estimated after-tax impact of securitization for the years indicated, net of the effect of reduced financing margins resulting from the foregone earnings of sold receivables (in millions):

	2001	2000	1999
Total investment and other income related to securitization (excluding SFAS No. 133)	**$ 1,760**	$ 557	$ 3
Impact of current-year receivable sales on financing margin	**(1,059)**	(243)	(218)
Impact of prior-year receivable sales on financing margin	**(611)**	(521)	(158)
Pre-tax impact of securitization	**90**	(207)	57
Tax	**(33)**	77	(21)
After-tax impact of securitization	**$ 57**	$(130)	$ 36

Because we do not expect another sharp decline in interest rates, and Ford Credit is planning to sell a smaller amount of finance receivables, we do not anticipate that the gains on sales of receivables will continue at the level experienced in 2001.

As a result of the large increase in the use of securitization in 2001, we also anticipate that there will be a significant unfavorable effect on Ford Credit's financing margin in 2002.

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

2000 COMPARED WITH 1999

Ford Credit's consolidated net income in 2000 was $1,536 million, up $275 million or 22% from 1999. Compared with 1999, the increase in earnings reflected primarily improved net financing margins and a higher level of receivables, offset partially by higher credit losses and operating costs.

Earnings at Hertz in 2000 were $358 million. In 1999, Hertz had earnings of $336 million. The increase in earnings reflected primarily strong volume-related performance, offset partially by downward pricing pressure and higher interest costs.

LIQUIDITY AND CAPITAL RESOURCES

AUTOMOTIVE SECTOR

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

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

	December 31,		
	2001	2000	1999
Cash and cash equivalents	**$ 4.1**	$ 3.4	$ 2.8
Marketable securities	**10.9**	13.1	18.9
VEBA	**2.7**	3.7	3.7
Gross cash	**$ 17.7**	$ 20.2	$ 25.4

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

	December 31,		
	2001	2000	1999
Present year-end gross cash	**$ 17.7**	$ 20.2	$ 25.4
Prior year-end gross cash	**20.2**	25.4	25.7
Present over/(under) prior	**$ (2.5)**	$ (5.2)	$ (0.3)
Operating related cash flows			
Automotive net income/(loss)	**$ (6.3)**	$ 3.6	$ 5.0
Capital expenditures	**(6.4)**	(7.4)	(7.1)
Depreciation and amortization	**5.3**	5.4	5.2
Impairment charges (depreciation and amortization)	**3.8**	1.1	-
Changes in working capital a/	**4.6**	4.1	(1.9)
Capital transactions with Financial Services sector b/	**0.4**	0.7	0.4
All other	**(0.1)**	(0.7)	4.5
Total operating related	**1.3**	6.8	6.1
Acquisitions and divestitures	**(2.3)**	(2.7)	(5.8)
Financing related			
Value Enhancement Plan	**-**	(5.6)	-
Dividends to shareholders	**(1.9)**	(2.8)	(2.3)
Issuance of common stock	**0.5**	0.6	0.3
Purchase of common stock	**(1.8)**	(1.8)	(0.7)
Changes in total Automotive sector debt	**1.7**	0.3	2.1
Total financing related	**(1.5)**	(9.3)	(0.6)
Total change in gross cash	**$ (2.5)**	$ (5.2)	$ (0.3)

a/ *Working capital includes current assets (excluding cash and marketable securities) less current liabilities (excluding the current portion of long-term debt).*

b/ *Includes capital contributions, dividends, loans, loan repayments and asset sales.*

In 2001, we spent $6.4 billion for capital goods, such as machinery, equipment, tooling, and facilities, used in our Automotive sector. This was down $1.0 billion from 2000, reflecting primarily a reduced number of product introductions. Capital expenditures were 4.8% of sales in 2001, down 0.4 percentage points from a year ago.

The $4.6 billion improvement in working capital in 2001 reflected primarily lower receivables ($2.2 billion in 2001 compared with $4.7 billion in 2000), resulting largely from implementation of Ford's best practices for receivables management (mainly at Volvo and Land Rover) and inventory improvements across much of the company ($6.2 billion in 2001 compared with $7.5 billion in 2000).

Dividends totaling $400 million were paid from Ford Credit to Ford in 2001. However, no dividend payments were made in the fourth quarter of 2001. Additionally, in January 2002, $700 million of cash was contributed from Ford to Ford Credit as additional equity, which lowered Ford Credit's debt-to-equity ratio to 14.1 to 1 (calculated on a basis that treats proceeds from securitized funding as debt).

In 2001, we spent $2.0 billion for acquisitions of other companies (primarily the final payment of $1.6 billion to AB Volvo for our acquisition of Volvo Car) and contributed $735 million to the Financial Services sector for the purchase of the minority interest in Hertz. These expenditures were offset partially by divestitures (primarily proceeds of about $400 million from the sale of assets to our Getrag transmissions joint venture).

In 2001, we spent $1.8 billion for purchases of our common stock under our $5 billion share repurchase program ($1.2 billion) and our anti-dilutive share repurchase program. Issuances of common stock in 2001, reflecting primarily employee stock option exercises, resulted in the receipt of proceeds of $500 million.

Debt and Net Cash – At December 31, 2001, our Automotive sector had total debt of $13.8 billion, up $1.7 billion from a year ago. The weighted average maturity of this debt is approximately 28 years, of which $902 million matures by December 31, 2006. At December 31, 2001, our Automotive sector had net cash (defined as gross cash less total of long-term debt and current portion of long-term debt) of $3.9 billion, compared with $8.1 billion and $13.7 billion at the end of 2000 and 1999, respectively.

Credit Facilities – At December 31, 2001, the Automotive sector had $8.6 billion of contractually committed credit agreements with various banks; 87.4% of this amount is available through June 30, 2006. Ford also has the ability to transfer, on a non-guaranteed basis, $7.4 billion and $598 million of these credit lines to Ford Credit and Ford Credit Europe, respectively.

Cumulative Convertible Trust Preferred Securities – On January 30, 2002, we sold 100 million shares of Cumulative Convertible Trust Preferred Securities to the public at a price of $50 per share, for net proceeds (after underwriting commissions, but before expenses) of $4,900,000,000. The proceeds will be used for general corporate purposes. The preferred securities were issued by Ford Motor Company Capital Trust II, the sole assets of which are the junior subordinated convertible debentures due January 15, 2032 of Ford Motor Company. The preferred securities can be converted into shares of Ford common stock at any time at a conversion price of $17.70 per share. If converted, the aggregate amount of additional shares of Ford common stock that would be outstanding would be about 282 million shares.

FINANCIAL SERVICES SECTOR

FORD CREDIT

Debt and Cash – Ford Credit's total debt was $146.3 billion at December 31, 2001, equal to last year. Outstanding commercial paper at December 31, 2001 totaled $15.7 billion at Ford Credit, with an average remaining maturity of 48 days. At December 31, 2001, Ford Credit had cash and cash equivalents of $2.9 billion. In the normal course of its funding activities, Ford Credit may generate more proceeds than are necessary for its immediate funding needs. This excess funding is referred to as "overborrowings." Of the $2.9 billion of cash and cash equivalents, $1.9 billion represented these overborrowings.

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

Funding sources for Ford Credit include the sale of commercial paper, issuance of term debt, the sale of receivables and, in the case of Ford Credit Europe, the issuance of certificates of deposit to diverse investors in various markets.

Ford Credit's commercial paper issuances are used to meet short-term funding needs. Ford Credit has commercial paper programs in the United States, Europe, Canada and other international markets. It reduced the amount of its outstanding global commercial paper from $42.3 billion at the end of 2000 to $15.7 billion ($13.8 billion net of overborrowings) at December 31, 2001 by replacing such funding with term-debt and proceeds from the sale of receivables. During 2002, Ford Credit plans to maintain its commercial paper outstanding at levels of around $5 billion to $7 billion, net of overborrowings. Ford Credit also obtains short-term funding through the issuance of variable denomination, floating rate demand notes through its Ford Money Market Account program. At December 31, 2001, $4.0 billion of such notes were outstanding. Bank borrowings by Ford Credit's foreign affiliates are an additional source of short-term funding.

Long-term funding requirements for Ford Credit are met through the issuance of a variety of debt securities underwritten in both the United States and international capital markets. During 2001, Ford Credit issued approximately $40.3 billion of term-debt with maturities of two to ten years. During 2002, Ford Credit plans to raise $15 billion to $20 billion through term debt issuances and $15 billion to $20 billion through securitization transactions (excluding securitization transactions relating to asset backed commercial paper programs), which are discussed below. Other sources of funds include bank borrowings, mainly in countries where capital markets are less competitive.

Beginning in 2000, Ford Credit modified its funding strategy to reduce its reliance on short-term funding. Ford Credit increased its use of selling finance receivables in securitization transactions because of its lower relative cost (as described below) and issued a larger amount of unsecured long-term debt to improve its liquidity. Ford Credit will continue to use securitization as long as it provides added funding and remains cost efficient. Ford Credit also developed additional funding sources and capacity to maintain a diversified funding portfolio, such as wholesale receivables securitization and asset-backed commercial paper programs.

As a result of this funding strategy, the decline in debt ratings Ford Credit experienced in 2001 and 2000 did not have a material impact on its abilty to fund operations and maintain liquidity, although its access to the commercial paper market has declined. In 2002, Ford Credit's funding strategy will continue to focus on improving liquidity and making diverse and competitive funding sources available. We believe that this funding strategy will allow Ford Credit to maintain liquidity through difficult economic conditions. Any further lowering of Ford Credit's debt ratings would increase its borrowing costs and potentially constrain certain funding availability from the capital markets. This in turn likely would cause Ford Credit to rely more heavily on funding through securitization transactions. However, Ford Credit's ability to securitize 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, and Ford Credit's debt ratings. If as a result of any of these or other factors, the cost of securitized funding significantly increased or securitized funding was no longer available to Ford Credit, its liquidity would be adversely impacted.

The cost of both unsecured term debt and funding through securitization transactions is based on the margin (or spread) over a benchmark interest rate, such as the London Interbank Offered Rate or interest rates paid on U.S. Treasury Notes of similar maturities. Spreads are typically measured in basis points, where one basis point equals one one-hundredth of one percent (0.01%). The relative stability of spreads for funding through securitization transactions compared with unsecured term-debt funding spreads and diversification of funding sources are the primary reasons Ford Credit securitizes assets as a funding source. Since 1998, the fixed rate spread on Ford Credit's securitized funding has been at a level between 48 and 99 basis points above comparable U.S. Treasury rates, while Ford Credit's unsecured term-debt funding spreads have fluctuated from as low as 50 basis points to over 264 basis points above comparable U.S. Treasury rates.

Over the last year, Ford Credit significantly increased its use of securitization transactions because, as discussed above, they have become a more cost-effective source of funds than unsecured financing sources. For 2001, 2000 and 1999, Ford Credit's proceeds from the sale of finance receivables are shown below (in billions):

Receivable Type	2001	2000	1999
Retail	**$32.0**	$19.2	$8.7
Wholesale	**8.8**	0.3	1.2
Net Proceeds	**$40.8**	$19.5	$9.9

In addition, in January of 2002 Ford Credit sold receivables resulting in $9.6 billion of proceeds.

For additional liquidity, Ford Credit maintains contractually committed credit facilities with banking institutions that totaled $14 billion at December 31, 2001, including $4.5 billion available for Ford Credit Europe. The majority of these facilities are available through June 30, 2006 and $1 billion was in use at December 31, 2001 (primarily by affiliates outside of the United States and Europe). In addition, Ford Credit and Ford Credit Europe may at Ford's option use $7.4 billion and $598 million, respectively, of Ford's committed credit facilities, which also are available through June 30, 2006. At December 31, 2001, banks also provided $12.5 billion of facilities to support Ford Credit's asset-backed commercial paper program.

Ford Credit also has entered into agreements with several bank-sponsored, commercial paper issuers under which such issuers are contractually committed to purchase from Ford Credit, at Ford Credit's option, up to an aggregate of $12.4 billion of receivables. These agreements have varying maturity dates between June 27, 2002 and December 12, 2002. As of December 31, 2001, approximately $5.6 billion of these commitments were utilized.

Special Purpose Entities – Ford Credit regularly uses securitization to finance its operations. Ford Credit securitizes retail installment sales contracts with the most frequency. Ford Credit also securitizes receivables from Ford-franchised dealers and non-Ford dealers representing loans used to finance their automobile floorplan inventories, generally referred to as wholesale receivables or floorplan receivables. Ford Credit occasionally engages in securitization of operating leases.

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

Ford Credit uses SPEs in securitization transactions to achieve, for the benefit of securitization investors, isolation of the sold receivables so that the receivables securing the securities issued by the SPE would be beyond the reach of Ford Credit's creditors. The use of SPEs in this way allows the SPE to issue highly-rated securities in a highly-liquid and efficient market, thereby providing Ford Credit with a cost-effective source of funding. The two-tiered sale of receivables to a wholly-owned subsidiary and then to the SPE is conventional in the asset backed securitization market. Most of these SPEs 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. None of our or Ford Credit's officers, directors or employees holds any equity interest in the SPEs or receives any direct or indirect compensation from the SPEs. The SPEs do not own stock in either Ford or Ford Credit or any of their affiliates.

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

At December 31, 2001 and 2000, the total outstanding principal amount of receivables sold by Ford Credit that was held by SPEs was $58.7 billion and $28.4 billion, respectively. At those dates, Ford Credit's retained interests in such sold receivables were $12.5 billion and $3.7 billion, respectively.

Ford Credit has no obligation to repurchase any sold receivable that becomes delinquent in payment or otherwise is in default. The holders of the asset-backed securities have no recourse to Ford Credit or its other assets for credit losses on the sold receivables and have no ability to require Ford Credit to repurchase their securities. Ford Credit does not guarantee any securities issued by SPEs. However, as is customary in asset-backed securitization transactions, Ford Credit as the seller of the finance receivables to the SPE, is obligated to provide certain kinds of support. These support obligations fall into three basic categories:

Indemnification. Ford Credit is obligated to indemnify the SPE for breaches of representations and warranties made at the time the receivables are originally transferred to the SPE, and certain tax liabilities incurred by the trust or the holder of the securities issued by the SPE.

Receivable repurchase obligations. The rating agencies specify eligibility criteria for receivables permitted to be included in securitizations. Ford Credit makes representations and warrants to the SPE that the sold receivables meet the eligibility criteria. If a breach of any of our representations and warranties as to the eligibility of a sold receivable is later discovered, the SPE may require us to repurchase the non-conforming receivable from the SPE. The repurchase price is the face value of the receivable plus accrued interest.

Mandatory sale of additional receivables. Ford Credit uses both amortizing and revolving structures in its securitizations. In most amortizing structures, the SPE issues securities that will receive monthly payments of principal and interest and therefore amortize down as principal collections are received. In revolving structures, the SPE issues securities that only receive monthly interest payments for a set period of time, called the revolving period, before receiving repayments of principal. Because the principal amount of the issued securities remains constant during the revolving period while the principal balance of the underlying finance receivables are declining, Ford Credit, as the sponsor of the securitization transaction, is required to replenish or "top up" the SPE with new receivables, which are paid for by the SPE with proceeds from principal collections on the sold receivables during the revolving period.

In addition, in connection with securitization transactions, the SPE engages Ford Credit to collect and service the sold receivables for a servicing fee of 1% of the principal amount of the receivables. As servicer of the sold receivables, Ford Credit is entitled to grant extensions and make adjustments to obligors if such extensions and adjustments are consistent with our servicing policies and procedures. However, if Ford Credit makes material changes to a receivable, including changes to the interest rate, changes in the amount or number of monthly payments or extensions of the final payment date of any receivable beyond certain established dates, Ford Credit is required to repurchase the affected receivable from the SPE at face value plus accrued interest.

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's fleet size, and its related financing requirements, generally peak in the months of June and July, and decline during the months of December and January. Hertz accesses the global capital markets to meet its funding needs.

Hertz maintains domestic and foreign commercial paper programs 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 medium-term and long-term debt markets.

During 2001, Hertz aligned its funding strategy with Ford Credit's by reducing its reliance on commercial paper and increasing its use of long-term funding sources to improve its liquidity, and is planning on launching an asset-backed securitization program during the second quarter of 2002.

At December 31, 2001, Hertz had committed credit facilities totaling $3.4 billion. Of this amount, $2.6 billion represents global and other committed credit facilities ($1.1 billion of which are available through June 30, 2006 and $1.6 billion of which have various maturities of up to four years); $200 million consists of seasonal short-term facilities; and $500 million consists of a revolving credit line provided by Ford, which currently expires in June 2003.

TOTAL COMPANY

Stockholders' Equity – Our stockholders' equity was $7.8 billion at December 31, 2001, down $10.8 billion compared with December 31, 2000. This decrease reflected primarily net losses of $5.5 billion, dividend payments of $1.9 billion, foreign currency translation adjustments of $1.2 billion (primarily reflecting weakening currencies in Europe), a net charge to equity on derivative financial instruments in accordance with SFAS No. 133 of $1.1 billion (primarily foreign currency hedges and interest rate swaps) and $1.2 billion spent on share repurchases.

Dividends and Share Repurchases – In October 2001, our board of directors declared a fourth quarter 2001 dividend on Ford's common and Class B stock of $0.15 per share, which represented a 50% reduction from the $0.30 per share dividend that had been paid since the fourth quarter of 2000. On January 11, 2002, our board of directors further reduced the quarterly dividend on common and Class B stock by declaring a first quarter 2002 dividend of $0.10 per share, which represented a 33% reduction from the fourth quarter 2001 dividend. These dividend reductions will yield cash savings of nearly $1.5 billion annually. Also, during 2001 we purchased $1.2 billion of our common stock under our $5 billion share repurchase program that had commenced in September 2000. However, in May 2001, we suspended share repurchases indefinitely.

Debt Ratings – Our short- and long-term debt are rated by three major rating agencies: Fitch, Inc. ("Fitch"); Moody's Investors Service, Inc. ("Moody's"); and Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc. ("S&P"). In addition to these three rating agencies, we also are rated in several local markets by locally recognized rating agencies. Debt ratings reflect an assessment by the rating agencies of the credit risk associated with particular securities we issue, and are based on information provided by us or other sources that rating agencies consider reliable. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. Long- and short-term debt ratings of BBB- and F3 or higher by Fitch, Baa3 and P-3 or higher by Moody's and BBB- and A3 or higher by S&P are considered "investment grade." However, debt ratings are not recommendations to buy, sell, or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria in evaluating the risk associated to a company, and therefore ratings should be evaluated independently for each rating agency.

Fitch ratings. On September 26, 2001, Fitch lowered the long-term debt ratings of Ford, Ford Credit and Hertz from A+ to A- and lowered Ford Credit's and Hertz's short-term debt ratings from F1 to F2 with a negative outlook for all entities. On January 11, 2002, Fitch lowered the long-term debt ratings of Ford, Ford Credit and Hertz from A- to BBB+, confirmed Ford Credit's and Hertz's short-term debt rating at F2, and confirmed the rating outlook for all companies as negative.

Moody's ratings. On October 18, 2001, Moody's lowered Ford's long-term debt rating from A2 to A3, affirmed Ford Credit's long- and short-term debt ratings at A2 and Prime-1, respectively, and changed the rating outlook for both companies from stable to negative. Moody's also lowered Hertz's long- and short-term debt ratings from A3 to Baa1 and from Prime-1 to Prime-2, respectively, and changed its rating outlook on Hertz to negative. On January 16, 2002, Moody's lowered Ford's long-term debt rating from A3 to Baa1, lowered Ford Credit's long- and short-term debt ratings from A2 to A3 and from Prime-1 to Prime-2, respectively, and confirmed the rating outlook of both companies as negative. Moody's also lowered Hertz's long-term debt rating from Baa1 to Baa2, confirmed its short-term debt rating at Prime-2 and confirmed its rating outlook as negative.

S&P ratings. On October 15, 2001, S&P lowered the long-term debt ratings of Ford and Ford Credit from A to BBB+, lowered Ford Credit's short-term debt rating from A-1 to A-2, and changed the rating outlook for both companies from negative to stable. S&P also lowered Hertz's long- and short-term debt ratings from A- to BBB and from A-1 to A-2, respectively, and changed its rating outlook to stable. On January 11, 2002, S&P changed the rating outlook for all companies to negative.

Contractual Obligations and Commitments – For information regarding debt and other obligations of the Automotive and Financial Services sectors, including amounts maturing in each of the next five years, see Note 11 of the Notes to our Consolidated Financial Statements. In addition, we, as part of our normal business practices, enter into long-term arrangements with suppliers for purchases of certain raw materials, components and services. These arrangements may contain fixed/minimum quantity purchase requirements. We enter into such arrangements to facilitate adequate supply of these materials and services.

HERTZ PURCHASE

In March 2001, through a tender offer and a merger transaction, we acquired (for a total price of about $735 million) the common stock of Hertz that we did not own, which represented about 18% of the economic interest in Hertz. As a result, Hertz has become an indirect, wholly-owned subsidiary.

NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations", effective for all business combinations initiated after June 30, 2001. The Statement requires that the purchase method of accounting be used for all business combinations and specifies that certain acquired intangible assets in a business combination be recognized as assets separately from goodwill and existing intangible assets and goodwill be evaluated for these new separation requirements. We do not expect adoption of this Statement to have a material impact on our consolidated financial position or results of operations.

We adopted SFAS No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002. Goodwill and certain intangible assets will no longer be amortized, but will be subject to an annual impairment test. At year-end 2001, we had goodwill of $6.6 billion and other intangible assets of $1.3 billion. We are presently evaluating the amount of the transitional impairment, which may range up to $2 billion or more, related to Kwik-Fit and other investments. Goodwill and indefinite-lived intangible asset amortization of about $250 million after taxes was charged to income in 2001.

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

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This Statement superseded SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and addresses financial accounting and reporting for impairment of long-lived assets to be held and used, and long-lived assets and components of an entity to be disposed of. We adopted this Statement on January 1, 2002. Although we are assessing the impact, we do not expect this Statement to have a material impact on our consolidated financial position or results of operations.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in conformity with United States generally accepted accounting principles. The preparation of these financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting principles which we believe are the most important to aid in fully understanding our financial results are the following:

Product warranties – estimated warranty costs for each vehicle sold by us are accrued at the time the vehicle is sold to a dealer. Estimates for warranty costs are made based primarily on historical warranty claim experience. Included in our warranty cost accruals are costs for basic warranties on vehicles we sell, extended service plans (i.e., where customers pay a fee to have extended warranty coverage beyond the base warranty period), product recalls and customer satisfaction actions outside the base warranty. An example of a customer satisfaction action would be our Firestone tire replacement action begun in May 2001, in which we offered to replace 13 million Firestone tires installed on our vehicles. Warranty cost accruals are adjusted from time to time when actual warranty claim experience differs from that estimated.

Marketing incentives – costs for customer and dealer cash incentives and costs for special financing and leasing programs that we sponsor through Ford Credit (e.g., 0.0% financing program) are recognized as sales reductions at the later of the date the related vehicle sales are recorded or at the date the incentive program is both approved and communicated. In general, the amount of financing cost that we provide to Ford Credit is the difference between the amounts offered to retail customers and a market-based interest or lease rate. Costs for marketing incentives are based upon assumptions regarding the number of vehicles that will have a specific incentive applied against them. To the extent the actual number of vehicles differs from this estimate, or if a different mix of incentives occurs, the marketing expense accruals are adjusted.

Retirement benefits – our employee pension and other postretirement benefit (i.e., health care and life insurance) costs and obligations are dependent on our assumptions used by actuaries in calculating such amounts. These assumptions include discount rates, health care cost trends rates, inflation, salary growth, long-term return on plan assets, retirement rates, mortality rates and other factors. We base the discount rate assumption on investment yields available at year-end on AA-rated corporate long-term bond yields. Our health care cost trend assumptions are developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends. Our inflation assumption is based on an evaluation of external market indicators. The salary growth assumptions reflect our long-term actual experience, the near-term outlook and assumed inflation. Retirement and mortality rates are based primarily on actual plan experience. Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expense and recorded obligation in such future periods. While we believe that the assumptions used are appropriate, significant differences in actual experience or significant changes in assumptions would affect our pension and other postretirement benefits costs and obligations. See Note 17 of the Notes to our Consolidated Financial Statements for more information regarding costs and assumptions for employee retirement benefits.

Impairment of long-lived assets – we periodically review the carrying value of our long-lived assets held and used and assets to be disposed of, including goodwill and other intangible assets, when events and circumstances warrant such a review. We evaluate the carrying value of long-lived assets for potential impairment on a regional operating business unit basis using undiscounted after-tax estimated cash flows or on an individual asset basis if the asset is held for sale. See Note 16 of the Notes to our Consolidated Financial Statements for information regarding impairment charges incurred in respect of our North and South American Automotive operations in 2001 and our European Automotive operations in 2000.

Allowance for credit losses – the allowance for credit losses reflects our estimate of losses inherent in Ford Credit's portfolio of finance receivables and operating leases. These losses result from obligors or lessees failing to timely make principal, interest or lease payments. Our estimates are based on several factors, including prices of used vehicles, loan-to-value ratios, the number of payments remaining to be made on the obligation (all of which affect severity of loss) and economic conditions and the credit risk quality of the portfolio (both of which affect the frequency of defaults). We monitor credit loss performance monthly and we assess the adequacy of our allowance for credit losses quarterly. When we determine an account to be uncollectible, we reduce our finance receivables and lease investments and write off the loss through our allowance for credit losses. We increase our allowance for credit losses by amounts we recover on finance receivables and lease investments we previously charged off as an uncollectible account. For information regarding how Ford Credit manages its credit loss risk, see "Quantitative and Qualitative Disclosures About Market Risk – Ford Credit Market and Other Risks – Credit Risk."

Depreciation expense on operating leases and residual values – we have a significant number of vehicles in Ford Credit's operating lease portfolio. Our operating lease customers pay us fixed monthly rental payments that we cannot subsequently alter. At lease termination, our operating lease customers have the opportunity of either purchasing the vehicle for the lease-end value specified in their lease contract or returning the vehicle to us. We sell at auction substantially all vehicles returned to us. We estimate the lease-end value based on a proprietary econometric model that uses historical experience and forward-looking information, such as our new product plans, marketing programs and quality metrics. We record depreciation expense for vehicles subject to operating leases on a straight-line basis over the term of the lease in amounts necessary to reduce the vehicle to its estimated residual value at the end of the lease term. Accumulated depreciation is reflected on our balance sheet and is included in our net investment in operating leases.

Initially, depreciation expense is based on our assessment of lease-end residual value at the time of contract origination. Monthly, we monitor vehicle line performance and, quarterly, we review the adequacy of our accumulated depreciation reserve. The most significant factors we examine to assess whether adjustments are required are: lease termination volumes, vehicle return rates and expected used-car values at the end of the lease terms. If we determine that modifications are necessary, we will record adjustments to accumulated depreciation through earnings over the remaining life of the affected vehicles in our portfolio.

Movie idol Clark Gable and the 1947 Lincoln Continental cabriolet.

OUTLOOK

INDUSTRY SALES VOLUMES AND FINANCIAL RESULTS

Our outlook for car and truck (including heavy trucks) industry sales in 2002 in our major markets is as follows:

Market		Outlook
United States	—	approximately 16.5 million units, compared with the 17.5 units sold in 2001
Europe	—	approximately 16.9 million units, compared with the 17.8 million units sold in 2001 (both figures based on nineteen markets)
Brazil	—	approximately 1.4 million units, compared with the 1.6 million units sold in 2001
Australia	—	approximately 790,000 units, compared with the 773,000 units sold in 2001

Based on these and other assumptions (e.g., assumptions regarding marketing costs, which are expected to be higher in 2002), we expect 2002 earnings (excluding unusual items) to be about breakeven, with the Automotive sector incurring significant losses and the Financial Services sector providing offsetting profits. In addition, we expect the operating related changes in gross cash for the Automotive sector (calculated on the basis described under "Liquidity and Capital Resources – Automotive Sector – Gross Cash") to be negative in 2002. Similar to the improvements in cost and the other expected benefits of the Revitalization Plan, we expect to achieve meaningful improvements in such operating cash flow by mid-decade.

2002 FINANCIAL MILESTONES

We have set and communicated certain financial milestones for 2002. While we hope to achieve these goals, they should not be interpreted as projections, expectations or forecasts of 2002 results. The financial milestones for 2002 are as follows:

	2002 Milestone
RESTRUCTURING PRIORITIES	
Communicate/implement plans	Report on progress
Quality (U.S.)	Improve J.D. Power Initial Quality Survey
Capacity utilization (North America)	Improve by 10%
Non-product-related cost	Reduce by $2 billion
Divest non-core operations	$1 billion cash realization
FINANCIAL RESULTS	
Corporate	
Pre-tax earnings (excluding unusual items)	Positive
Capital spending	$7 billion
Europe	Improve results
South America	Improve results

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: increasing price competition in the U.S. and Europe resulting from industry overcapacity, currency fluctuations or other factors; a significant decline in industry sales, particularly in the United States or Europe, resulting from slowing economic growth or other factors; lower-than-anticipated market acceptance of our new or existing products; currency or commodity price fluctuations; availability of fuel; a market shift from truck sales in the United States; lower-than-anticipated residual values for leased vehicles; a credit rating downgrade, labor or other constraints on our ability to restructure our business; increased safety, emissions, fuel economy or other regulation resulting in higher costs and/or sales restrictions; work stoppages at key Ford or supplier facilities or other interruptions of supplies; the discovery of defects in vehicles resulting in delays in new model launches, recall campaigns, increased warranty costs or litigation; insufficient credit loss reserves; and our inability to implement the Revitalization Plan.

Quantitative and Qualitative Disclosures About Market Risk

OVERVIEW

We are exposed to a variety of market and other risks, including the effects of changes in foreign currency exchange rates, commodity prices, interest rates, as well as risks to availability of funding sources, hazard events, and specific asset risks. These risks affect our Automotive and Financial Services sectors differently. We monitor and manage these exposures as an integral part of our overall risk management program, which includes regular reports to a central management committee that oversees global risk management practices. Our risk management program recognizes the unpredictability of markets and seeks to reduce profit volatility. For more information on these financial exposures, see Notes 1 and 14 of the Notes to Consolidated Financial Statements.

Our Automotive and Financial Services sectors also 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 any economic or business cycle. As discussed in greater detail in our Management's Discussion and Analysis, our funding sources include commercial paper, term debt, sale of receivables through securitization transactions, committed lines of credit from major banks, and other sources.

We also 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.

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 affiliates. 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.

FOREIGN CURRENCY RISK

Foreign currency risk is the possibility that our financial results could be better or worse than planned because of changes in exchange rates. We use derivative instruments to hedge assets, liabilities and firm commitments denominated in foreign currencies. Our hedging policy is designed to reduce income volatility and is based on clearly defined guidelines. Speculative actions are not permitted. In our hedging actions, we use primarily instruments commonly used by corporations to reduce foreign exchange, interest rate and other price risks (e.g., forward contracts, options and interest rate swaps). We use a value-at-risk ("VAR") analysis to evaluate our exposure to changes in foreign currency exchange rates. The primary assumptions used in the VAR analysis are as follows:

- A Monte Carlo simulation model is used to calculate changes in the value of currency derivative instruments (e.g., forwards and options) and all significant underlying exposures. The VAR analysis includes an 18-month exposure and derivative hedging horizon and a one-month holding period.
- The VAR analysis calculates the potential risk, within a 99% confidence level, on cross-border currency cash flow exposures, including the effects of foreign currency derivatives. (Translation exposures are not included in the VAR analysis). The Monte Carlo simulation model uses historical volatility and correlation estimates of the underlying assets to produce a large number of future price scenarios, which have a statistically lognormal distribution.
- Estimates of correlations and volatilities are drawn primarily from the RiskMetrics™ datasets.

Hedging actions substantially reduce our risk to changes in currency rates. Based on our overall currency exposure (including derivative positions) during 2001, the risk during 2001 to our pre-tax cash flow from currency movements was on average $300 million, with a high of $350 million and a low of $275 million. At December 31, 2001, currency movements are projected to affect our pre-tax cash flow over the next 18 months by less than $275 million, within a 99% confidence level. Compared with our projection at December 31, 2000, the 2001 VAR amount is approximately $25 million lower, primarily because of decreased currency exchange rate volatility.

COMMODITY PRICE RISK

Commodity price risk is the possibility of higher or lower costs due to changes in the prices of commodities, such as non-ferrous (e.g., aluminum) and precious metals (e.g., palladium, platinum and rhodium), ferrous alloys (e.g., steel), energy (e.g., natural gas) and plastics (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. The fair value liability of such contracts, excluding the underlying exposures, as of December 31, 2001 and 2000 was approximately a negative $259 million and a positive $56 million, respectively. The potential change in the fair value of commodity forward and option contracts, assuming a 10% change in the underlying commodity price, would be approximately $267 million and $280 million at December 31, 2001 and 2000, respectively. This amount excludes the offsetting impact of the price change we would experience in purchasing the underlying commodities.

In addition to these price-hedging activities, our procurement activities ensure that we have adequate supplies of raw materials used in our business. These procurement activities utilize forward purchase contracts, long-term supply contracts and stockpiles. The $1 billion pre-tax write-down of precious metals, discussed in Note 16 of the Notes to our Consolidated Financial Statements, related to these procurement activities. In conjunction with this write-down, we modified our processes so that any price-hedging inherent in our procurement activities is executed by or coordinated with our Treasurer's Office, which manages our price-hedging activity.

Our price-hedging policy is based on clearly defined guidelines. Speculative actions are not permitted. In 2001, we enhanced our risk evaluation to include a VAR analysis, using historical volatilities, to evaluate our exposure to changes in commodity prices given our financial hedges, forward procurement and supply contracts on those commodities which we hedge.

Based on our commodity exposure and related hedging activity, at December 31, 2001, commodity price movements are projected to affect our pre-tax cash flow over the next twelve months by up to $167 million, within a 99% confidence level. Over the last year the VAR measurements averaged $339 million, with a high of $625 million and a low of $167 million. These risk levels are substantially lower than they would otherwise be without hedging actions.

COUNTERPARTY RISK

Counterparty risk relates to the loss we could incur if a counterparty defaulted on an investment or a derivative contract. Exposures managed are financial and primarily relate to investments in fixed-income products and derivative transactions for the purpose of managing interest rate, currency and commodity risk. We, together with Ford Credit, establish exposure limits for each counterparty to minimize risk and provide counterparty diversification. Exposures are monitored on a regular basis.

Our approach to managing counterparty risk is forward-looking and proactive, allowing us to take risk mitigation actions. Exposure limits are established for both mark-to-market and future potential exposure, based on our overall risk tolerance and ratings-based historical default probabilities. A Monte Carlo simulation technique is utilized to generate the potential exposure by tenor, within a 95% confidence level (market convention). Estimates of correlations and volatilities are drawn from RiskMetrics™ datasets.

FORD CREDIT MARKET AND OTHER RISKS

OVERVIEW

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

- Credit risk – the possibility of loss from a customers' failure to make payments according to contract terms.
- Residual risk – the possibility that the actual proceeds received by Ford Credit upon the sale of returned lease vehicles at lease termination will be lower than its internal forecast of residual values.
- Market risk – the possibility that changes in future market interest and currency exchange rates or prices will make Ford Credit's positions less valuable.
- Liquidity risk – the possibility of being unable to meet all current and future obligations in a timely manner.
- Operating risk – the possibility of errors relating to transaction processing and systems, actions that could result in compliance deficiencies with regulatory standards or fraud by Ford Credit's own employees or outside persons.

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. See Ford Motor Credit Company's Annual Report on Form 10-K for the year ended December 31, 2001 for more information on this subject.

CREDIT RISK

Ford Credit extends consumer credit by purchasing retail vehicle installment sale and lease contracts from vehicle dealers. These contracts are divided into segments by credit risk tier, term and whether the vehicle financed or leased is new or used. Segment data are used to ensure that pricing and servicing procedures are commensurate with the risk associated with each contract. Ford Credit has behavioral models to assist in determining the best collection strategies. In general, collection procedures are designed to keep accounts current and to collect on delinquent accounts. As a final step, after reasonable collection efforts have failed, vehicles are repossessed; however, collection efforts of any remaining balance continue until the account is paid in full or determined to be uncollectible.

Ford Credit also extends non-consumer loans, which include wholesale and other loans to dealers as well as automotive financing for commercial entities. To monitor credit performance, Ford Credit requires dealers to submit monthly financial statements, performs periodic physical audits of vehicles (with more frequent audits for higher risk dealers), and monitors inventory payoffs daily to detect adverse deviations from typical payoff patterns, in which case appropriate actions are taken.

RESIDUAL RISK

Ford Credit's lease contracts are written with vehicle lease-end values that approximate residual values published in Automotive Leasing Guide. For financial reporting purposes, however, Ford Credit sets the internal value of expected residual values (net of costs) based on a proprietary econometric model that uses historical experience and forward looking information such as new product plans, marketing programs and quality metrics. Any unfavorable difference between the customer contract lease-end value and Ford Credit's internal forecast is accrued and expensed as depreciation. Ford Credit reviews the depreciation rates on leased vehicles quarterly and adjusts them as needed to reflect changes in the projected residual values.

At lease termination, Ford Credit maximizes residual proceeds through the use of models to determine which geographic market would yield the highest resale value, net of transportation cost. Sometimes, lease extensions or early terminations are offered to take advantage of seasonal resale patterns.

MARKET RISK

The goal of financial market risk management is to reduce the profit volatility effect of changes in interest rates and currency exchange rates. Ford Credit uses various financial instruments, particularly interest rate and currency swaps to manage market risk. Ford Credit is exclusively an end user of these instruments, which are commonly referred to as derivatives; and, does not engage in any trading, market-making or other speculative activities in the derivative markets.

Since Ford Credit's principal use of derivatives is to eliminate mismatches between the terms of assets and liabilities, changes in interest rates and exchange rates would have generally offsetting effects on the value of Ford Credit's financial assets and derivative instruments and, therefore, would not be expected to have a material impact on Ford Credit's financial position or results of operations. For instance, assuming an instantaneous increase of one percentage point in interest rates applied to all financial assets, debt and hedging instruments, Ford Credit's after-tax earnings would decline by $66 million over the ensuing twelve-month period.

LIQUIDITY RISK

One of Ford Credit's major objectives is to maintain funding availability through any economic or business cycle. Ford Credit focuses on developing funding sources to support growth and refinancing of maturing debt. Ford Credit also issues debt that, on average, matures later than assets liquidate, further enhancing overall liquidity.

Global funding activities include the direct and dealer-placed commercial paper, the placement of term debt to retail and institutional investors and public and private sale of receivables. Ford Credit's ability to raise funds at a competitive cost is linked to its debt ratings.

Management closely monitors the amount of short-term funding and mix of short-term funding to total debt, the overall composition of total debt and the availability of committed credit facilities in relation to the level of outstanding short-term debt. Stress testing of Ford Credit's liquidity position is conducted periodically.

For a detailed discussion of Ford Credit's funding sources and debt ratings, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

OPERATING RISK

Ford Credit operates in many locations and relies on the abilities of its employees and systems to process a large number of transactions. Improper operation of systems or improper employee actions could result in financial loss, regulatory action and damage to our reputation. To address this risk, we and Ford Credit maintain internal control processes that identify transaction authorization requirements, safeguard assets from misuse or theft, and ensure the reliability of financial and other data. We also maintain system controls to maintain the accuracy of information about our operations. These controls are designed to manage operating risk throughout our operations.

Management's Financial Responsibility

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

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

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

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

William Clay Ford, Jr.
William Clay Ford, Jr.
President and
Chief Executive Officer

Martin Inglis
I. Martin Inglis
Group Vice President and
Chief Financial Officer

Report of Independent Accountants

PRICEWATERHOUSECOOPERS

To the Board of Directors and Stockholders
Ford Motor Company:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Ford Motor Company and Subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These 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 statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 14 to the consolidated financial statements, on January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities".

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan
February 15, 2002

CONSOLIDATED STATEMENT OF INCOME

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2001, 2000 and 1999
(in millions, except for per share amounts)

	2001	2000	1999
AUTOMOTIVE			
SALES (NOTE 1)	**$ 131,528**	$ 141,230	$ 135,073
COSTS AND EXPENSES (NOTES 1 AND 16)			
Costs of sales	**129,159**	126,114	119,030
Selling, administrative and other expenses	**9,937**	9,884	8,874
Total costs and expenses	**139,096**	135,998	127,904
OPERATING INCOME/(LOSS)	**(7,568)**	5,232	7,169
Interest income	**766**	1,488	1,418
Interest expense	**1,378**	1,383	1,347
Net interest income/(expense)	**(612)**	105	71
Equity in net income/(loss) of affiliated companies (Note 1)	**(856)**	(70)	35
INCOME/(LOSS) BEFORE INCOME TAXES - AUTOMOTIVE	**(9,036)**	5,267	7,275
FINANCIAL SERVICES			
REVENUES (NOTE 1)	**30,884**	28,828	25,630
COSTS AND EXPENSES (NOTE 1)			
Interest expense	**9,470**	9,519	7,679
Depreciation	**10,564**	9,408	9,254
Operating and other expenses	**5,733**	4,971	4,653
Provision for credit and insurance losses	**3,665**	1,963	1,465
Total costs and expenses	**29,432**	25,861	23,051
INCOME BEFORE INCOME TAXES - FINANCIAL SERVICES	**1,452**	2,967	2,579
TOTAL COMPANY			
INCOME/(LOSS) BEFORE INCOME TAXES	**(7,584)**	8,234	9,854
Provision for income taxes (Note 2)	**(2,151)**	2,705	3,248
INCOME/(LOSS) BEFORE MINORITY INTERESTS	**(5,433)**	5,529	6,606
Minority interests in net income of subsidiaries	**20**	119	104
INCOME/(LOSS) FROM CONTINUING OPERATIONS	**(5,453)**	5,410	6,502
Income from discontinued operation (Note 3)	**-**	309	735
Loss on spin-off of discontinued operation (Note 3)	**-**	(2,252)	-
NET INCOME/(LOSS)	**$ (5,453)**	$ 3,467	$ 7,237
Income/(loss) attributable to Common and Class B Stock after Preferred Stock dividends	**$ (5,468)**	$ 3,452	$ 7,222
Average number of shares of Common and Class B Stock outstanding (Note 1)	**1,820**	1,483	1,210
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK (NOTE 1)			
BASIC INCOME			
Income/(loss) from continuing operations	**$ (3.02)**	$ 3.66	$ 5.38
Income from discontinued operation	**-**	0.21	0.61
Loss on spin-off of discontinued operation	**-**	(1.53)	-
Net income/(loss)	**$ (3.02)**	$ 2.34	$ 5.99
DILUTED INCOME			
Income/(loss) from continuing operations	**$ (3.02)**	$ 3.59	$ 5.26
Income from discontinued operation	**-**	0.21	0.60
Loss on spin-off of discontinued operation	**-**	(1.50)	-
Net income/(loss)	**$ (3.02)**	$ 2.30	$ 5.86
CASH DIVIDENDS	**$ 1.05**	$ 1.80	$ 1.88

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
As of December 31, 2001 and 2000
(in millions)

	2001	2000
ASSETS		
AUTOMOTIVE		
Cash and cash equivalents	**$ 4,079**	$ 3,374
Marketable securities (Note 4)	**10,949**	13,116
Total cash and marketable securities	**15,028**	16,490
Receivables	**2,214**	4,685
Inventories (Note 5)	**6,191**	7,514
Deferred income taxes	**2,595**	2,239
Other current assets (Note 1)	**6,155**	5,318
Current receivable from Financial Services (Note 1)	**938**	1,587
Total current assets	**33,121**	37,833
Equity in net assets of affiliated companies (Note 1)	**2,450**	2,949
Net property (Note 6)	**33,121**	37,508
Deferred income taxes	**5,996**	3,342
Other assets (Note 1)	**13,631**	12,680
Total Automotive assets	**88,319**	94,312
FINANCIAL SERVICES		
Cash and cash equivalents	**3,139**	1,477
Investments in securities (Note 4)	**628**	817
Finance receivables, net (Note 7)	**111,958**	125,164
Net investment in operating leases (Note 8)	**47,262**	46,593
Retained interest in sold receivables (Note 7)	**12,548**	3,687
Other assets	**8,977**	8,703
Receivable from Automotive (Note 1)	**3,712**	2,637
Total Financial Services assets	**188,224**	189,078
TOTAL ASSETS	**$276,543**	$283,390
LIABILITIES AND STOCKHOLDERS' EQUITY		
AUTOMOTIVE		
Trade payables	**$ 15,677**	$ 15,075
Other payables	**4,577**	4,011
Accrued liabilities (Note 10)	**23,990**	23,369
Income taxes payable	**-**	449
Debt payable within one year (Note 11)	**302**	277
Total current liabilities	**44,546**	43,181
Long-term debt (Note 11)	**13,492**	11,769
Other liabilities (Note 10)	**30,868**	29,610
Deferred income taxes	**362**	353
Payable to Financial Services (Note 1)	**3,712**	2,637
Total Automotive liabilities	**92,980**	87,550
FINANCIAL SERVICES		
Payables	**3,095**	5,297
Debt (Note 11)	**153,543**	153,510
Deferred income taxes	**9,703**	8,677
Other liabilities and deferred income	**7,826**	7,486
Payable to Automotive (Note 1)	**938**	1,587
Total Financial Services liabilities	**175,105**	176,557
Company-obligated mandatorily redeemable preferred securities of a subsidiary trust holding solely junior subordinated debentures of the Company (Note 1)	**672**	673
STOCKHOLDERS' EQUITY		
Capital stock (Notes 12 and 13)		
Preferred Stock, par value $1.00 per share (aggregate liquidation preference of $177 million)	*****	*
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	**6,001**	6,174
Accumulated other comprehensive income	**(5,913)**	(3,432)
ESOP loan and treasury stock	**(2,823)**	(2,035)
Earnings retained for use in business	**10,502**	17,884
Total stockholders' equity	**7,786**	18,610
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$276,543**	$283,390

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 2001, 2000 and 1999
(in millions)

	2001		2000		1999	
	Automotive	Financial Services	Automotive	Financial Services	Automotive	Financial Services
CASH AND CASH EQUIVALENTS AT JANUARY 1	**$ 3,374**	**$ 1,477**	$ 2,793	$ 1,588	$ 3,143	$ 1,151
Cash flows from operating activities before securities trading (Note 15)	**7,809**	**13,919**	12,023	15,335	12,535	12,697
Net sales/(purchases) of trading securities	**916**	**120**	6,858	122	2,316	(157)
Net cash flows from operating activities	**8,725**	**14,039**	18,881	15,457	14,851	12,540
Cash flows from investing activities						
Capital expenditures	**(6,357)**	**(651)**	(7,393)	(955)	(7,069)	(590)
Acquisitions of other companies (Note 16)	**(1,998)**	**(737)**	(2,662)	(112)	(5,763)	(144)
Acquisitions of receivables and lease investments	**-**	**(96,505)**	-	(96,512)	-	(80,422)
Collections of receivables and lease investments	**-**	**46,961**	-	54,290	-	46,646
Net acquisitions of daily rental vehicles	**-**	**(1,412)**	-	(2,107)	-	(1,739)
Purchases of securities	**(12,489)**	**(734)**	(6,136)	(564)	(3,609)	(900)
Sales and maturities of securities	**13,772**	**759**	5,105	557	2,352	1,100
Proceeds from sales of receivables and lease investments	**-**	**41,419**	-	19,439	-	9,931
Net investing activity with Financial Services	**186**	**-**	645	-	1,329	-
Other	**367**	**250**	-	(320)	(70)	119
Net cash used in investing activities	**(6,519)**	**(10,650)**	(10,441)	(26,284)	(12,830)	(25,999)
Cash flows from financing activities						
Cash dividends	**(1,929)**	**-**	(2,751)	-	(2,290)	-
Issuance of Common Stock	**453**	**-**	592	-	274	-
Purchase of treasury stock	**(1,838)**	**-**	(1,821)	-	(707)	-
Changes in short-term debt	**38**	**(18,311)**	(776)	(6,406)	(429)	5,547
Proceeds from issuance of other debt	**2,088**	**44,129**	2,363	37,086	3,143	37,184
Principal payments on other debt	**(1,122)**	**(26,135)**	(1,277)	(17,158)	(821)	(28,672)
Value Enhancement Plan payments (Note 12)	**-**	**-**	(5,555)	-	-	-
Net debt repayments from discontinued operation	**-**	**-**	650	-	-	-
Net cash distribution to discontinued operation	**-**	**-**	(85)	-	-	-
Net financing activity with Automotive	**-**	**(186)**	-	(645)	-	(1,329)
Other	**261**	**(424)**	139	(585)	(127)	88
Net cash (used in)/provided by financing activities	**(2,049)**	**(927)**	(8,521)	12,292	(957)	12,818
Effect of exchange rate changes on cash	**(101)**	**(151)**	(55)	(859)	(57)	(279)
Net transactions with Automotive/ Financial Services	**649**	**(649)**	717	(717)	(1,357)	1,357
Net increase/(decrease) in cash and cash equivalents	**705**	**1,662**	581	(111)	(350)	437
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**$ 4,079**	**$ 3,139**	$ 3,374	$ 1,477	$ 2,793	$ 1,588

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES
For the Years Ended December 31, 1999, 2000 and 2001
(in millions)

	Capital Stock	Capital in Excess of Par Value of Stock	Retained Earnings	Other Comprehensive Income: Foreign Currency Translation	Other Comprehensive Income: Minimum Pension Liability	Other Comprehensive Income: Derivative Instruments and Other	Other	Total
YEAR ENDED DECEMBER 31, 1999								
Balance at beginning of year	$1,222	$5,283	$19,659	$ (992)	$ (698)	$ 45	$(1,085)	$23,434
COMPREHENSIVE INCOME								
Net income			7,237					7,237
Foreign currency translation				(573)				(573)
Minimum pension liability (net of tax of $174)					324			324
Net holding gain (net of tax of $20)						38		38
Comprehensive income								7,026
Common Stock issued for employee benefit plans and other		(234)						(234)
ESOP loan and treasury stock							(332)	(332)
Cash dividends			(2,290)					(2,290)
Balance at end of year	$1,222	$5,049	$24,606	$ (1,565)	$ (374)	$ 83	$(1,417)	$27,604
YEAR ENDED DECEMBER 31, 2000								
Balance at beginning of year	$1,222	$5,049	$24,606	$ (1,565)	$ (374)	$ 83	$(1,417)	$27,604
COMPREHENSIVE INCOME								
Net income			3,467					3,467
Foreign currency translation				(1,538)				(1,538)
Minimum pension liability (net of tax of $36)					(66)			(66)
Net holding gain (net of tax of $15)						28		28
Comprehensive income								1,891
Common Stock issued for employee benefit plans and other		(78)						(78)
ESOP loan and treasury stock							(618)	(618)
Value Enhancement Plan	(1,203)	1,203	(5,731)					(5,731)
Stock dividend (Spin-off of Visteon)			(1,707)					(1,707)
Cash dividends			(2,751)					(2,751)
Balance at end of year	$ 19	$6,174	$17,884	$ (3,103)	$ (440)	$ 111	$(2,035)	$18,610
YEAR ENDED DECEMBER 31, 2001								
Balance at beginning of year	**$ 19**	**$6,174**	**$17,884**	**$ (3,103)**	**$ (440)**	**$ 111**	**$(2,035)**	**$18,610**
COMPREHENSIVE INCOME								
Net loss			**(5,453)**					**(5,453)**
Foreign currency translation				**(1,240)**				**(1,240)**
Net loss on derivative instruments (net of tax of $592) (Note 14)						**(1,099)**		**(1,099)**
Minimum pension liability (net of tax of $3)					**(5)**			**(5)**
Net holding loss (net of tax of $74)						**(137)**		**(137)**
Comprehensive loss								**(7,934)**
Common Stock issued for employee benefit plans and other		**(173)**						**(173)**
ESOP loan and treasury stock							**(788)**	**(788)**
Cash dividends			**(1,929)**					**(1929)**
Balance at end of year	**$ 19**	**$6,001**	**$10,502**	**$ (4,343)**	**$ (445)**	**$ (1,125)**	**$(2,823)**	**$ 7,786**

The accompanying notes are part of the financial statements.

NOTE 1 ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

Our consolidated financial statements include our majority-owned subsidiaries and reflect our two business sectors: Automotive and Financial Services. Affiliates that we do not control, but have a significant influence over operating and financial policies, are accounted for using the equity method. Subsidiaries where control is expected to be temporary, principally investments in certain dealerships, are also accounted for on an equity basis. We prepare our financial statements using accounting principles generally accepted in the United States which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates and assumptions. Certain amounts previously disclosed in our press release and current report on Form 8-K dated January 17, 2002 have been reclassified, and certain reclassifications have been made to prior periods to conform with current reporting.

STRUCTURE OF OPERATIONS

Our company's sectors, Automotive and Financial Services, are managed as three primary operating segments (Note 18). The Automotive sector (and segment) consists of the design, manufacture, sale, and service of cars and trucks. The Financial Services sector primarily includes two segments, Ford Credit and Hertz. Ford Credit is comprised of subsidiaries that provide vehicle-related financing, leasing, and insurance. Hertz rents and leases cars and trucks and rents industrial and construction equipment. Segment selection was based upon internal organizational structure, the way in which these operations are managed and their performance evaluated by our management and our board of directors, the availability of separate financial results and materiality considerations.

TRANSACTIONS BETWEEN AUTOMOTIVE AND FINANCIAL SERVICES SECTORS

Ford and Ford Credit formally documented certain long-standing business practices in an agreement dated October 18, 2001. Intersector transactions occur in the ordinary course of business. Additional details on some of the main intersector transactions and the effect on each sector's balance sheet at December 31 is shown below (in billions):

	2001		2000	
	Automotive	**Financial Services**	Automotive	Financial Services
Finance receivables net a/		**$ 4.7**		$ 5.6
Net investment in operating leases b/		**4.2**		4.1
Other assets c/		**0.9**		1.1
Intersector non-current receivables/(payables) d/	**$(3.7)**	**3.7**	$(2.6)	2.6
Intersector current receivables/(payables) e/	**0.9**	**(0.9)**	1.6	(1.6)

a/ Automotive receivables (generated primarily from vehicle and parts sales to third parties) sold to Ford Credit.
b/ Primarily Ford Credit vehicles leased to employees of Ford ($1.2 billion in 2001 and $1.0 billion in 2000) and Automotive vehicles sold to Hertz for rental ($3.0 billion in 2001 and $3.1 billion in 2000).
c/ Primarily used vehicles purchased by Ford Credit on behalf of Ford pursuant to Ford Automotive's obligations to repurchase such vehicles from daily rental car companies, including Hertz. These vehicles subsequently are sold at auction by Ford Credit.
d/ Reflects amounts due Ford Credit from Automotive under a tax sharing agreement.
e/ Net result of all other transactions.

Periodically, Ford Credit receives interest supplements and other support costs from Automotive for providing special vehicle financing for low-interest-rate marketing programs. Ford Credit records these transactions as revenue over the life of the contract. Amounts recorded as revenue by the Financial Services sector, and billed to the Automotive sector, were $4.0 billion in 2001, $3.4 billion in 2000, and $3.2 billion in 1999. For the Automotive sector, estimated costs for these sales incentive programs are recorded as sales reductions as described below under "Revenue Recognition – Automotive Sector."

REVENUE RECOGNITION - AUTOMOTIVE SECTOR

Sales are generally recorded when products are shipped to customers and ownership is transferred. Sales with a guaranteed repurchase option are accounted for as operating leases over the expected period prior to repurchase. The carrying value of these vehicles, included in other current assets, was $2 billion at both December 31, 2001 and 2000. Estimated costs for sales incentive programs are recognized as sales reductions at the later of the date the related sales are recorded, or at the date the program is both approved and communicated.

REVENUE RECOGNITION - FINANCIAL SERVICES SECTOR

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

WARRANTY

Estimated warranty costs for each vehicle sold by us are accrued at the time the vehicle is sold to a dealer. Estimates for warranty costs are made based primarily on historical warranty claim experience. Included in our warranty cost accruals are costs for basic warranties on vehicles we sell, extended service plans (i.e., where customers pay a fee to have extended warranty coverage beyond the base warranty period), product recalls and customer satisfaction actions outside the base warranty.

SELECTED OTHER COSTS

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

	2001	2000	1999
Advertising	**$3.1**	$3.0	$2.7
Engineering, research and development	**7.4**	6.8	6.0

SPECIAL PURPOSE ENTITIES

Ford Credit sells finance receivables to special purpose entities (or SPEs) in securitization transactions. These SPEs typically issue securities in the form of notes and certificates that are structured into several classes with senior classes having priority of payment over subordinated classes. In these transactions, Ford Credit retains certain securities and other interests in the sold receivables referred to as retained interests. The retained interests may include senior notes, subordinated certificates, restricted cash held for the benefit of SPEs and interest-only strips. Subordinated certificates represent lower rated classes of securities issued by SPEs. Restricted cash consists of a portion of proceeds from the sale of receivables that may be used to pay interest and principal to investors if collections on the sold receivables are insufficient, with any remaining restricted cash returned to Ford Credit after investors are fully paid. Interest-only strips, also referred to as excess spread, represent the right to receive collections on the sold receivables in excess of amounts needed to pay interest and principal to investors and servicing fees. The retained interests (other than senior notes) serve as credit enhancement to the holders of the more senior securities issued by the SPEs.

In the period the sale occurs, estimated gains or losses from the sale of finance receivables are recognized based on the relative fair value of the portion sold and the portion allocated to retained interests. The retained interests are recorded at fair value with changes in fair value recorded, net of tax, as a separate component of accumulated other comprehensive income.

In Ford Credit's wholesale receivables securitization program, the SPE owns a pool of wholesale receivables from selected dealer accounts. Ford Credit is required to sell wholesale receivables generated under the selected dealer accounts from time to time to the SPE. Ford Credit retains the portion of the sold wholesale receivables that is in excess of the minimum receivables level required to support the securities issued by the SPE. A part of this retained interest is available as credit enhancement to senior noteholders. This retained interest fluctuates as receivables levels increase or decrease over time and as additional series of securities are issued by the SPE or are paid off. This retained interest is recorded at fair value.

The number of off-balance sheet SPEs and the amount of assets (in billions) held by such SPEs were as follows:

	Number	December 31, 2001
Ford Credit		
Retail finance receivables	47	$41.3
Wholesale finance receivables	3	17.4
Total Ford Credit	50	58.7
Ford Automotive receivables	1	0.1
Hertz	-	-
Total	51	$58.8

Screen siren Rita Hayworth and a 1947 Lincoln Continental.

NOTE 1 ACCOUNTING POLICIES *(continued)*

INCOME 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, considered to be potentially dilutive. Basic and diluted income per share were calculated using the following number of shares (in millions): (Also see Note 12)

	2001	2000	1999
Average shares outstanding	**1,820**	1,483	1,210
Issuable and uncommitted ESOP shares	**(9)**	(9)	(4)
Basic shares	**1,811**	1,474	1,206
Contingently issuable shares	**(1)**		
Net dilutive effect of options	**-** *	30	27
Diluted shares	**1,810**	1,504	1,233

** 30 million shares relating to employee stock options were not included in the calculation of diluted EPS for 2001 due to their antidilutive effect.*

FOREIGN CURRENCY TRANSLATION

Foreign currency exchange transaction and translation gains/(losses) included in consolidated net income in 2001, 2000, and 1999 amounted to ($283) million, ($115) million, and $308 million, respectively.

GOODWILL AND OTHER INTANGIBLES

Goodwill and other intangible assets are carried at cost less accumulated amortization. Intangible assets acquired prior to June 30, 2001 were amortized through year-end 2001 using the straight-line method over periods not exceeding 40 years. Statement of Financial Accounting Standards (SFAS) No. 142 eliminates the requirement to amortize goodwill and certain intangible assets, which will be subject to an annual impairment test. The total goodwill included in the Automotive sector's other assets was $5.3 billion and $5.8 billion at December 31, 2001 and 2000, respectively. Total goodwill included in the Financial Services sector's other assets was $1.3 billion and $1.0 billion at December 31, 2001 and 2000, respectively. Other intangibles included in the Automotive sector's other assets were $1.2 billion and $1.0 billion at December 31, 2001 and 2000, respectively. We are presently evaluating the amount of the transitional impairment, which may range up to $2 billion or more, related to Kwik-Fit and other investments. Goodwill and indefinite-lived intangible asset amortization of about $250 million after taxes was charged to income in 2001.

IMPAIRMENT OF LONG-LIVED ASSETS

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

COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF A SUBSIDIARY TRUST

Ford Motor Company Capital Trust I (the "Trust") has outstanding $632 million 9% Trust Originated Preferred Securities (the "Preferred Securities"). The sole assets of the Trust are $651 million aggregate principal amount of Ford Motor Company 9% Junior Subordinated Debentures due December 2025 (the "Debentures"). At our option, we may redeem the Debentures, in whole or in part, on or after December 1, 2002. To the extent we redeem the Debentures and upon the maturity of the Debentures, the Trust is required to redeem the Preferred Securities at $25 per share plus accrued and unpaid distributions. We guarantee the payment of all distributions and other payments on the Preferred Securities to the extent not paid by the Trust, but only if and to the extent we have made a payment of interest or principal on the Debentures.

EUROPEAN PARLIAMENT END OF LIFE VEHICLE DIRECTIVE

Member states of the European Union are presently proposing laws that are expected to require us and other original equipment manufacturers to take back, recycle, and dispose of certain vehicles. We will record an estimate for those potential liabilities upon enactment of the individual member states' legislation.

NOTE 2 INCOME TAXES

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

INCOME/(LOSS) BEFORE INCOME TAXES (IN MILLIONS)

	2001	2000	1999
U.S.	**$(6,015)**	$ 9,559	$9,299
Non-U.S.	**(1,085)**	(1,241)	537
Total	**$(7,100)**	$ 8,318	$9,836

PROVISION FOR INCOME TAXES (IN MILLIONS)

	2001	2000	1999
Current:			
Federal	**$ 22**	$ 154	$ 491
Non-U.S.	**103**	760	727
State and local	**-**	116	117
Total Current	**125**	1,030	1,335
Deferred:			
Federal	**(2,126)**	2,617	2,178
Non-U.S.	**(248)**	(1,153)	(455)
State and local	**98**	211	190
Total Deferred	**(2,276)**	1,675	1,913
Total	**$(2,151)**	$ 2,705	$3,248

RECONCILIATION OF EFFECTIVE TAX RATE

	2001	2000	1999
U.S. statutory rate	**35 %**	35 %	35 %
Non-U.S. income taxes	**(2)**	(2)	(2)
State and local income taxes	**(1)**	3	2
Other	**(2)**	(3)	(2)
Effective rate	**30 %**	33 %	33 %

DEFERRED TAXES AT DECEMBER 31 (IN MILLIONS)

	2001	2000
Deferred tax assets		
Employee benefit plans	**$ 5,895**	$ 5,138
Dealer and customer allowances and claims	**1,919**	2,364
Allowance for credit losses	**1,518**	1,067
Other foreign deferred tax assets	**2,251**	1,403
All other	**5,966**	2,782
Total deferred tax assets	**17,549**	12,754
Deferred tax liabilities		
Leasing transactions	**8,213**	8,306
Depreciation and amortization (excluding leasing transactions)	**3,571**	3,447
Finance receivables	**2,388**	2,593
All other	**5,084**	2,153
Total deferred tax liabilities	**19,256**	16,499
Net deferred tax liabilities	**$ 1,707**	$ 3,745

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

Non-U.S. net operating loss carryforwards for tax purposes were $3.5 billion at December 31, 2001. A substantial portion of these losses has an indefinite carryforward period; the remaining losses will begin to expire in 2003. Tax benefits of operating loss carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances.

NOTE 3 DISCONTINUED OPERATION

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

In connection with the spin-off of Visteon, about 24,000 hourly employees working for Visteon who were represented by the UAW remained Ford employees, with Visteon agreeing to reimburse Ford for the costs of those employees. The average number of these employees in 2001 was approximately 20,500. Ford retains certain pension and postretirement benefit obligations for qualified salaried employees that are working or who have worked for Visteon.

Visteon's revenues, not included in Ford's revenues for periods prior to spin-off, totaled $10.5 billion and $19.4 billion for the years ended December 31, 2000 and 1999. Income from discontinued operations for the years ended December 31, 2000 and 1999 is reported net of income tax expense of $182 million and $422 million.

NOTE 4 MARKETABLE AND OTHER SECURITIES

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

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

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

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

	2001				2000			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Book/ Fair Value**	Amortized Cost	Unrealized Gains	Unrealized Losses	Book/ Fair Value
AUTOMOTIVE SECTOR								
Trading	**$ 9,374**	**$32**	**$30**	**$ 9,376**	$10,214	$73	$ 4	$10,283
Available-for-sale								
Corporate debt	**1,557**	**20**	**4**	**1,573**	1,480	8	-	1,488
Held-to-maturity *	**-**	**-**	**-**	**-**	1,345	-	-	1,345
Total	**$10,931**	**$52**	**$34**	**$10,949**	$13,039	$81	$ 4	$13,116
FINANCIAL SERVICES SECTOR								
Trading	**$ 95**	**$ -**	**$ -**	**$ 95**	$258	$ 1	$ 1	$258
Available-for-sale								
U.S. government and agency	**78**	**2**	**1**	**79**	94	4	-	98
Municipal	**-**	**-**	**-**	**-**	13	1	-	14
Government – non U.S.	**18**	**1**	**-**	**19**	14	1	-	15
Corporate debt	**163**	**6**	**1**	**168**	198	4	1	201
Mortgage-backed	**207**	**4**	**2**	**209**	167	2	2	167
Equity	**29**	**27**	**4**	**52**	27	34	3	58
Total	**495**	**40**	**8**	**527**	513	46	6	553
Held-to-maturity								
U.S. government	**6**	**-**	**-**	**6**	6	-	-	6
Total	**$596**	**$40**	**$ 8**	**$628**	$777	$47	$ 7	$817

** Sold for $1,377 million in cash and realized a gain of $32 million in 2001.*

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

	Proceeds		Gains/(Losses)		
	2001	2000	**2001**	2000	1999
Automotive	**$12,395**	$4,938	**$47**	$2	$(7)
Financial Services	**745**	557	**11**	3	19

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

	2001				2000			
	Available-for-Sale		**Held-to-Maturity**		Available-for-Sale		Held-to-Maturity	
Contractual Maturity	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value	Amortized Cost	Fair Value
1 year	**$ 22**	**$ 22**	**$ -**	**$ -**	$ 66	$ 66	$ 180	$ 180
2-5 years	**1,284**	**1,302**	**1**	**1**	1,525	1,536	1,167	1,167
6-10 years	**289**	**292**	**3**	**3**	79	81	3	3
11 years and later	**221**	**223**	**2**	**2**	129	133	1	1
Mortgage-backed securities	**207**	**209**	**-**	**-**	167	167	-	-
Equity securities	**29**	**52**	**-**	**-**	27	58	-	-
Total	**$2,052**	**$2,100**	**$ 6**	**$ 6**	$1,993	$2,041	$1,351	$1,351

NOTE 5 INVENTORIES - AUTOMOTIVE SECTOR

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

	2001	2000
Raw materials, work-in-process and supplies	**$2,436**	$ 3,284
Finished products	**4,660**	5,325
Total inventories at FIFO	**7,096**	8,609
Less LIFO adjustment	**(905)**	(1,095)
Total inventories	**$6,191**	$ 7,514

Inventories are stated at lower of cost or market. About one-third of inventories were determined under the last-in, first-out method. Reduction of FIFO inventory in 2001 resulted in a decrement of a base year LIFO layer, reducing cost of sales by $63 million.

NOTE 6 NET PROPERTY AND RELATED EXPENSES - AUTOMOTIVE SECTOR

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

	Average Life (Years)	**2001**	2000
Land	-	**$ 583**	$ 639
Buildings and land improvements	30	**9,921**	9,896
Machinery, equipment and other	14	**38,715**	38,434
Construction in progress	-	**2,614**	2,333
Total land, plant and equipment		**51,833**	51,302
Accumulated depreciation		**(27,510)**	(24,327)
Net land, plant and equipment		**24,323**	26,975
Special tools, net of amortization	5	**8,798**	10,533
Net property		**$ 33,121**	$ 37,508

NOTE 6 NET PROPERTY AND RELATED EXPENSES - AUTOMOTIVE SECTOR *(continued)*

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

	2001	2000	1999
Depreciation	**$5,300**	$3,507	$2,592
Amortization of special tools	**3,265**	2,451	2,459
Total	**$8,565** *	$5,958 *	$5,051
Maintenance and rearrangement	**$2,035**	$2,146	$1,698

* *Includes impairment charges of $3,555 million and $866 million in 2001 and 2000, respectively (see Note 16).*

NOTE 7 FINANCE RECEIVABLES - FINANCIAL SERVICES SECTOR

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

	2001	2000
Retail	**$ 78,607**	$ 74,220
Wholesale	**15,785**	34,303
Other finance receivables	**12,105**	10,446
Total finance receivables	**106,497**	118,969
Allowance for credit losses	**(2,283)**	(1,240)
Other	**267**	417
Net finance and other receivables	**$104,481**	$118,146

Finance receivables that originated outside the U.S. are $41.6 billion and $37.6 billion at December 31, 2001 and 2000, respectively. Other finance receivables consisted primarily of real estate, commercial, and other collateralized loans and accrued interest. Included in other finance receivables at both December 31, 2001 and 2000 were $1.6 billion of accounts receivable purchased by certain Financial Services sector operations from Automotive sector operations.

The Financial Services sector has sold receivables to special purpose entities (additional SPE information is provided in Note 1). Retained interests in sold receivables were as follows (in millions):

	2001	2000
Wholesale receivables sold to securitization trusts	**$ 7,586**	$ -
Subordinated certificates	**2,039**	1,068
Senior notes	**1,311**	1,664
Interest-only strips	**1,235**	698
Restricted cash held for the benefit of securitization trusts	**377**	257
Total	**$12,548**	$3,687

Most of the retained interest in sold wholesale receivables (about $6.5 billion) represents the company's undivided interest in wholesale receivables that are available to support the issuance of additional securities by the SPE (securitization trust). The balance represents credit enhancement to the holders of the more senior securities issued by the SPEs. Interest-only strips represent the present value of monthly collections on the sold finance receivables in excess of amounts needed by the SPE (securitization trust) to pay interest and principal to investors and servicing fees that will be realized by Ford Credit. Subordinated securities, restricted cash and interest-only strips are credit enhancement assets. Investments in subordinated securities and restricted cash are senior to interest-only strips for credit enhancement purposes.

The fair value of receivables subject to fair value disclosure requirements, was estimated by discounting future cash flows using a rate that reflected the credit, interest, and prepayment risks associated with similar types of instruments. The amount of net finance receivables subject to fair value at December 31, 2001 and 2000 was (in millions) $103,878 and $117,664, respectively. The fair value of these finance receivables at December 31, 2001 and 2000 was (in millions) $104,032 and $118,988, respectively.

Maturities, exclusive of SFAS No. 133, of total finance receivables were as follows (in millions): 2002 - $61,150; 2003 - $23,436; 2004 - $10,610; thereafter - $10,598. Experience indicates that a substantial portion of the portfolio generally is repaid before the contractual maturity dates.

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

	2001	2000
Total minimum lease rentals to be received	**$5,183**	$4,922
Unearned income	**(997)**	(923)
Loan origination costs	**49**	58
Estimated residual values	**3,288**	3,081
Allowance for credit losses	**(46)**	(120)
Net investment in direct financing leases	**$7,477**	$7,018

The investment in direct financing leases relates to the leasing of vehicles, various types of transportation and other equipment, and facilities. Minimum direct financing lease rentals are contractually due as follows (in millions): 2002 - $1,946; 2003 - $1,480; 2004 - $1,132; thereafter - $625.

NOTE 8 NET INVESTMENT IN OPERATING LEASES

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

	2001	2000
Vehicles and other equipment, at cost	**$ 60,608**	$ 58,082
Accumulated depreciation	**(12,858)**	(11,155)
Allowances for credit losses	**(488)**	(334)
Net investment in operating leases	**$ 47,262**	$ 46,593

Minimum rentals on operating leases are contractually due as follows (in millions): 2002 - $8,701; 2003 - $6,115; 2004 - $3,317; 2005 - $1,362; 2006 - $123; thereafter - $506.

Vehicles 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, based on assumptions for used car prices at lease termination and the number of vehicles that are expected to be returned. Depreciation expense (which includes gains and losses on disposal of assets) was $10.4 billion in 2001, $9.2 billion in 2000, and $8.8 billion in 1999.

NOTE 9 ALLOWANCE FOR CREDIT LOSSES

The allowance for probable credit losses includes a provision for certain non-homogeneous impaired loans. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. Finance receivables and lease investments are charged to the allowance for credit losses after consideration of the financial condition of the borrower, the value of the collateral, recourse to guarantors and other factors. Recoveries are credited to the allowance for credit losses.

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

	2001	2000	1999
Beginning balance	**$ 1,694**	$ 1,572	$ 1,577
Provision for credit losses	**3,400**	1,706	1,211
Total charge-offs and recoveries:			
Charge-offs	**(2,527)**	(1,618)	(1,287)
Recoveries	**375**	300	275
Net losses	**(2,152)**	(1,318)	(1,012)
Other changes	**(125)**	(266)	(204)
Ending balance	**$ 2,817**	$ 1,694	$ 1,572

NOTE 10 LIABILITIES - AUTOMOTIVE SECTOR (IN MILLIONS)

	2001	2000
ACCRUED LIABILITIES (CURRENT)		
Dealer and customer allowances and claims	**$13,412**	$11,660
Deferred revenue	**2,460**	2,209
Employee benefit plans	**1,790**	2,029
Postretirement benefits other than pensions	**1,230**	1,076
Other	**5,098**	6,395
Total accrued liabilities	**$23,990**	$23,369
OTHER LIABILITIES (NON-CURRENT)		
Postretirement benefits other than pensions	**$15,451**	$14,093
Dealer and customer allowances and claims	**6,805**	6,202
Employee benefit plans	**3,853**	4,145
Unfunded pension obligation	**1,143**	1,188
Other	**3,616**	3,982
Total other liabilities	**$30,868**	$29,610

NOTE 11 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	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
DEBT PAYABLE WITHIN ONE YEAR								
Short-term			**$ 263**	$ 225			**$ 1,531**	$ 1,904
Commercial paper			**-**	-			**16,683**	44,596
Other short-term			**-**	-			**6,381**	6,234
Total short-term debt	**12.3%**	9.0%	**263**	225	**4.8%**	6.8%	**24,595**	52,734
Long-term payable within one year			**39**	52			**21,682**	13,658
Total debt payable within one year			**302**	277			**46,277**	66,392
Long-term debt								
Senior indebtedness								
Notes and bank debt	**7.6%**	7.5%	**13,492**	11,769	**5.7%**	6.9%	**106,234**	85,734
Unamortized discount			**-**	-			**(61)**	(108)
Total senior indebtedness			**13,492**	11,769			**106,173**	85,626
Subordinated indebtedness			**-**	-	**8.8%**	8.2%	**1,093**	1,492
Total long-term debt			**13,492**	11,769			**107,266**	87,118
Total debt			**$13,794**	$12,046			**$153,543**	$153,510
Fair value b/			**$13,029**	$11,970			**$157,870**	$155,862

1933's Miss America, 16-year-old Marion Bergeron from Connecticut, and the 1933 Ford V-8 Fordor sedan.

	2002	2003	2004	2005	2006	There-after	Maturity Average (Years)
LONG-TERM DEBT MATURITIES							
Automotive	$ 39	$ 128	$ 135	$ 246	$ 354	$12,629	28
Financial Services	21,682	23,146	26,453	17,325	12,488	27,854	4
MINIMUM RENTAL COMMITMENTS UNDER NON-CANCELABLE OPERATING LEASES							
Automotive	$ 499	$ 434	$ 338	$ 255	$ 212	$ 1,051	
Financial Services	400	296	180	127	88	399	

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.

Effective January 1, 2002, we have no synthetic leases.

Rental expense for all operating leases was $962 million in 2001, $906 million in 2000, and $860 million in 1999.

SUPPORT FACILITIES

At December 31, 2001, the Automotive sector had $8.6 billion of contractually committed credit agreements with various banks; 87.4% are available through June 30, 2006. Ford also has the ability to transfer, on a non-guaranteed basis, $8.0 billion of these credit lines to Ford Credit and FCE Bank plc.

At December 31, 2001, various subsidiaries of the Financial Services sector had an additional $16.9 billion of contractually committed support facilities; 49.3% of which are available through June 30, 2006 and $1.0 billion were in use. In addition, banks provide $12.5 billion of facilities to support Ford Credit's asset-backed commercial paper program.

Ford Credit also has entered into agreements with several bank-sponsored, commercial paper issuers under which such issues are contractually committed to purchase from Ford Credit, at Ford Credit's option, up to an aggregate of $12.4 billion of receivables. These agreements expire between June 27, 2002 and December 12, 2002. As of December 31, 2001, approximately $5.6 billion of these commitments have been utilized.

NOTE 12 CAPITAL STOCK

All general voting power is vested in the holders of Common Stock and the holders of Class B Stock. Holders of Common Stock have 60% of the general voting power and holders of Class B Stock are entitled to such number of votes per share as would give them, in the aggregate, 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 the company is liquidated, each share of Common Stock will be entitled to the first $0.50 available for distribution to holders of Common Stock and Class B Stock, each share of Class B Stock will be entitled to the next $1.00 so available, each share of Common Stock will be entitled to the next $0.50 so available and each share of Common and Class B Stock will be entitled to an equal amount thereafter.

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

Heavyweight boxing champion Joe Louis and the 1936 Lincoln Willoughby Sports Sedan.

NOTE 12 CAPITAL STOCK *(continued)*

Series B Depositary Shares, representing 1/2000 of a share of $1.00 par value Series B Cumulative Preferred Stock, have a liquidation preference of $25 per Depositary Share. Depositary Shares outstanding at December 31, 2001 were 7,096,688. Dividends are payable at a rate of $2.0625 per year per Depositary Share. On and after December 1, 2002, and upon satisfaction of certain conditions, the stock is redeemable for cash at Ford's option, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, plus an amount equal to the sum of all accrued and unpaid dividends. The Series B Cumulative Preferred Stock ranks senior to the Common Stock and Class B Stock in respect of dividends and liquidation rights.

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, 1998	1,151	71	0.004
2000 – Value Enhancement Plan	686		
Issued at December 31, 2001	**1,837**	**71**	**0.004**
Authorized at December 31, 2001	**6,000**	**530**	**30**

NOTE 13 STOCK OPTIONS

We have stock options outstanding under the 1990 Long-Term Incentive Plan (LTIP) and the 1998 LTIP. No further grants may be made under the 1990 LTIP and all outstanding options are exerciseable. Grants may be made under the 1998 LTIP through April 2008. All outstanding options under the 1990 LTIP continue to be governed by the terms and conditions of the existing option agreements for those grants. Under the 1998 LTIP, 33% of the options are generally exercisable after the first anniversary of the date of grant, 66% after the second anniversary, and 100% after the third anniversary. Stock options expire 10 years from the grant date. Performance stock rights (PSRs) and restricted stock units (RSUs) are based on performance achievement. At December 31, 2001, 6.5 million PSRs and 2.8 million RSUs were outstanding. Stock options, SARs, PSRs, and RSUs are described in Ford's Proxy Statement.

Under the 1998 LTIP, 2% of our issued common stock as of December 31 becomes available for granting plan awards in the succeeding calendar year. Any unused portion is available for later years. The limit may be increased up to 3% in any year, with a corresponding reduction in shares available for grants in future years. At December 31, 2001, the number of unused shares carried forward aggregated to 42.3 million shares.

	2001		2000		1999	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
STOCK OPTION ACTIVITY						
Outstanding, beginning of period	**153.7**	**$19.16**	75.3	$32.66	70.9	$25.67
Granted	**35.3**	**30.49**	15.8	41.02	14.9	57.84
Adjustment a/			71.4			
Exercised b/	**(14.0)**	**12.07**	(6.9)	15.15	(9.1)	20.26
Terminated/expired or surrendered	**(2.9)**	**25.91**	(1.9)	32.94	(1.4)	27.98
Outstanding, end of period	**172.1**	**22.01**	153.7	19.16	75.3	32.66
Exercisable, end of period	**113.2**	**18.74**	100.3	15.59	41.8	23.51

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

b/ Exercised at option prices ranging from $5.75 to $26.59 during 2001, $5.75 to $23.87 during 2000, and $10.43 to $44.75 during 1999.

Details on various option price ranges are as follows:

	Outstanding Options			Exercisable Options	
Option Price Range	Weighted-Shares (millions)	Weighted-Average Life (years)	Weighted-Average Price	Shares (millions)	Weighted-Average Price
$ 7.09 - $10.58	4.2	0.8	$ 7.16	4.2	$ 7.16
10.76 - 15.81	52.8	4.0	12.07	52.8	12.07
16.19 - 23.88	53.3	7.2	22.62	37.2	22.58
23.97 - 35.79	61.1	8.3	30.83	18.3	31.89
41.03 - 42.52	0.7	6.3	41.42	0.7	41.42
Total options	172.1			113.2	

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

	2001	2000	1999
Fair value per option	**$8.88**	$6.27 *	$17.53
ASSUMPTIONS:			
Annualized dividend yield	**4.0%**	4.9%	3.2%
Expected volatility	**43.9%**	38.8%	36.5%
Risk-free interest rate	**5.1%**	6.3%	5.2%
Expected option term (in years)	**6**	5	5

* *Adjusted for the Value Enhancement Plan.*

We measure compensation cost using the intrinsic value method. Since the option exercise price is set at fair value at the date of grant, no compensation cost for stock options has been recognized. If compensation cost had been determined based on the estimated fair value of options granted since 1995, our pro forma net income and earnings per share would have been as follows:

	2001		2000		1999	
	As Reported	**Pro Forma**	As Reported	Pro Forma	As Reported	Pro Forma
Net income/(loss) (in millions)	**$(5,453)**	**$(5,606)**	$3,467	$3,343	$7,237	$7,129
Income/(loss) per share-Basic	**(3.02)**	**(3.10)**	2.34	2.26	5.99	5.90
Income/(loss) per share-Diluted	**(3.02)**	**(3.10)**	2.30	2.22	5.86	5.77

NOTE 14 DERIVATIVE FINANCIAL INSTRUMENTS

We adopted Statement of Financial Accounting Standard (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, on January 1, 2001. Our operations are exposed to global market risks, including the effect of changes in currency exchange rates, commodity prices, and interest rates. We use derivatives to manage these financial exposures as an integral part of our overall risk management program. We do not use derivatives for speculative purposes. We recognize fair value hedges through earnings and cash flow hedges through other comprehensive income. In prior years, gains and losses on currency and interest rate derivatives were deferred and recognized through earnings with the related underlying transactions.

Edsel Ford joins George Washington Carver, internationally renowned for his discoveries of hundreds of uses for the peanut, sweet potato and soybean, in Carver's Tuskegee soybean laboratory.

NOTE 14 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Exchange rate risk is managed by use of foreign currency agreements, including forward contracts, swaps, and options. Commodity price risk is managed by use of forward price contracts and options. Exchange rate and commodity risk derivatives are primarily accounted for as cash flow hedges and generally mature in 3 years or less, with a maximum maturity of 8 years. Interest rate risk is managed by entering into interest rate swap agreements to change the interest rate characteristics of our debt (primarily used in the Financial Services sector) to match the interest rate characteristics of related assets. These interest rate derivatives are designated as either cash flow or fair value hedges. In addition, we use forward contracts to hedge certain net investments in foreign operations and hold other derivatives that presently do not qualify for hedge accounting treatment under SFAS No. 133. During the fourth quarter of 2001, we reevaluated our plans with respect to certain forward purchase commitments for various precious metals commodities that were previously excluded from the scope of SFAS No. 133 and determined that they no longer qualify for exclusion. Accordingly, we recorded a mark-to-market adjustment of $449 million in our Automotive sector as of December 31, 2001 (Note 16). Derivatives accounted for as cash flow hedges comprise most of the balance of SFAS No. 133 activity reported as a part of stockholders' equity.

Adjustments to income and to stockholders' equity at December 31, 2001, were (in millions):

	Automotive	Financial Services	Total
Income before income taxes a/	$(588)	$(251)	$ (839)
Net income	(387)	(157)	(544)
Stockholders' equity b/			(1,099)

a/ Automotive recorded in cost of sales; Financial Services recorded in revenues.
b/ Recorded in accumulated other comprehensive income.

The $1,099 million recorded in stockholders' equity is comprised of amounts remaining from the $550 million transition adjustment on January 1, 2001 and net losses on derivative instruments for the year (net of $144 million of such amounts reclassified to income/(loss) during the year). We expect to reclassify losses of $663 million ($96 million relates to transition adjustment) from stockholders' equity to net income during the next twelve months. These amounts are net of tax impact. Consistent with our comprehensive, non-speculative risk-management practices, neither these nor future reclassifications are anticipated to have a material effect on our net earnings, as they should be substantially offset by the opposite effects on related underlying transactions.

NOTE 15 OPERATING CASH FLOWS BEFORE SECURITIES TRADING

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

	2001		2000		1999	
	Automotive	**Financial Services**	Automotive	Financial Services	Automotive	Financial Services
Net income/(loss) from continuing operations	**$(6,267)**	**$ 814**	$ 3,624	$ 1,786	$ 4,986	$ 1,516
Depreciation and special tools amortization	**5,010**	**10,564**	5,092	9,408	5,051	9,254
Impairment charges (depreciation and amortization)	**3,828**	**-**	1,100	-	-	-
Amortization of goodwill, intangibles	**303**	**45**	305	44	193	44
Net losses/(earnings) from equity investments in excess of dividends remitted	**845**	**(5)**	86	17	(14)	25
Provision for credit/insurance losses	**-**	**3,665**	-	1,963	-	1,465
Foreign currency adjustments	**(201)**	**-**	(58)	-	284	-
Provision for deferred income taxes	**(2,257)**	**538**	706	1,449	258	1,565
Decrease/(increase) in accounts receivable and other current assets	**1,194**	**(672)**	(509)	(695)	(822)	(331)
Decrease/(increase) in inventory	**1,122**	**-**	(1,369)	-	955	-
Increase/(decrease) in accounts payable and accrued and other liabilities	**4,951**	**(762)**	2,444	1,509	1,154	(1,213)
Other	**(719)**	**(268)**	602	(146)	490	372
Cash flows	**$ 7,809**	**$13,919**	$12,023	$15,335	$12,535	$12,697

We consider all highly liquid investments with a maturity of three months or less, including short-term time deposits and government, agency and corporate obligations, to be cash equivalents. Automotive sector cash equivalents at December 31, 2001 and 2000 were $3.3 billion and $2.9 billion, respectively; Financial Services sector cash equivalents at December 31, 2001 and 2000 were $2.2 billion and $1.0 billion, respectively. Cash flows resulting from futures contracts, forward contracts and options that are accounted for as hedges of identifiable transactions are classified in the same category as the item being hedged.

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

	2001	2000	1999
Interest	**$9,975**	$10,354	$8,381
Income taxes	**879**	1,976	870

NOTE 16 AUTOMOTIVE SECTOR ACQUISITIONS, DISPOSITIONS, RESTRUCTURINGS AND OTHER ACTIONS

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

2001

Fourth Quarter Impairment and Other Charges – Charges of $5.7 billion before taxes and $4.1 billion after taxes are summarized below, followed by explanatory detail.

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

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

Precious metals (primarily palladium) are used in catalytic converters, required to meet automotive emission standards. Our business objective has been to ensure adequate supply of these critical commodities. In 2000 and early 2001, we acquired precious metals and entered into forward purchase contracts at then-prevailing market prices in an environment of uncertain supply and outlook (characterized by periodic supply interruptions by a major producer, Russia, and substantial increases in commodity prices – e.g., palladium prices rose from about $200 an ounce in 1997 to about $1,100 an ounce in January 2001).

Enrolled as "Purchaser Number One" in a sale made through Edsel Ford, Mary Pickford received this 1928 Model A Sport Coupe for Christmas from her husband, screen legend Douglas Fairbanks.

NOTE 16 AUTOMOTIVE SECTOR ACQUISITIONS, DISPOSITIONS, RESTRUCTURINGS AND OTHER ACTIONS *(continued)*

In the fourth quarter of 2001, our engineers validated a breakthrough catalyst design, which will help reduce our usage of palladium (2002 usage is projected to be down more than 50% from our usage in 2000). For our precious metals physically held, we have accordingly revised our stocking requirements and are in the process of reducing metals that are in excess of those stocking requirements (including market sales to the extent the market can absorb the metal in an orderly fashion). We have written down the value of the excess metal to its estimated realizable value (equal to year-end market price). For precious metal forward purchase contracts (all of which were previously planned for normal use in production), we now are planning a number of actions, including cash settling contracts in lieu of taking physical delivery of the related metal. Therefore, as required by SFAS No.133, precious metal forward purchase contracts have been marked-to-market as of December 31, 2001. The total pre-tax charge for precious metals was $953 million.

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

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

Purchase of Remainder of Hertz Corporation – In March, we acquired (for $735 million) the common stock of Hertz that we did not own, which represented about 18% of the economic interest in Hertz. The excess of the purchase price over the fair market value of net assets acquired was approximately $390 million and was amortized over 40 years in 2001.

2000

Purchase of Land Rover Business – In June, we purchased the Land Rover sport utility vehicle business from the BMW Group for 3 billion euros (equivalent to $2.6 billion). We paid two-thirds of the purchase price at closing and will pay the remainder in 2005. The excess of the purchase price over the fair market value of net assets acquired was approximately $775 million and was amortized over 40 years in 2000 and 2001.

European Charges – Following an extensive review of the Ford brand Automotive operations in Europe, we recorded a pre-tax charge in Automotive cost of sales of $1.6 billion in the second quarter. This charge included $1.1 billion for asset impairments and $468 million for restructuring costs. Employee separation included a workforce reduction of about 3,300 employees (2,900 hourly and 400 salaried) related to the planned cessation of vehicle production at the Dagenham (U.K.) Body and Assembly Plant. As of December 31, 2001, we have utilized $197 million of the $468 million restructuring charge relating to a workforce reduction of 2,365 employees and $20 million of other exit related costs.

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

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

1999

Purchase of AB Volvo's Worldwide Passenger Car Business ("Volvo Car") – In March, we purchased Volvo Car for $6.45 billion. The acquisition price included a cash payment of $2 billion on March 31, 1999, a deferred payment obligation to AB Volvo of $1.6 billion paid April 2, 2001, and Volvo Car automotive net indebtedness of $2.9 billion. Most automotive indebtedness was repaid April 12, 1999. The excess of the purchase price over the fair market value of net assets acquired was approximately $2.5 billion and was amortized over 40 years during 1999, 2000, and 2001.

Purchase of Kwik-Fit Holdings plc – During the third quarter, we completed the purchase of all the outstanding stock of Kwik-Fit plc ("Kwik-Fit"). Kwik-Fit was Europe's largest independent vehicle maintenance and light repair chain. The purchase price was $1.6 billion and consisted of cash payments of $1.4 billion and loan notes to certain Kwik-Fit shareholders of $200 million, redeemable beginning April 30, 2000 and on any subsequent interest payment date. The excess of the purchase price over the fair market value of net assets acquired was approximately $1.1 billion and was amortized over 30 years during 1999, 2000, and 2001.

Dissolution of AutoEuropa Joint Venture – On January 1, 1999, we dissolved our minivan joint venture with Volkswagen AG in Portugal (AutoEuropa) resulting in a $255 million pre-tax gain credited to Automotive cost of sales.

NOTE 17 RETIREMENT BENEFITS

EMPLOYEE RETIREMENT PLANS

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

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

Our policy for funded plans is to contribute annually, at a minimum, amounts required by applicable laws, regulations, and union agreements. Plan assets consist principally of investments in stocks and government and other fixed income securities. At December 31, 2001, stocks represented 73% of the market value of pension assets for our principal U.S. plans and fixed income securities represented 27%. Ford securities comprised less than one-half of one percent of the value of our worldwide pension plan assets during 2000 and 2001.

We also sponsor defined contribution plans for certain of our U.S. and non-U.S. employees. Our expense, primarily for matching contributions, for these plans was (in millions): $153 in 2001, $145 in 2000, and $140 in 1999. Effective January 1, 2002, we suspended matching contributions to these plans.

POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

We and certain of our subsidiaries sponsor plans to provide selected health care and life insurance benefits for retired employees. Our U.S. and Canadian employees generally may become eligible for those benefits if they retire; however, benefits and eligibility rules may be modified from time to time. Postretirement health care and life insurance expense accruals for hourly employees assigned to Visteon and for salaried Visteon employees who met certain age and service conditions at June 30, 2000 are charged to Visteon. A portion of U.S. hourly and salary retiree health and life insurance benefits has been prepaid. At December 31, 2001, the market value of this pre-funding was $2.7 billion, including $1.7 billion of Visteon promissory notes contributed to a segregated trust.

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

	Pension Benefits						Health Care and Life Insurance		
	U.S. Plans			Non-U.S. Plans					
	2001	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Service cost	**$ 531**	$ 495	$ 522	**$ 396**	$ 405	$ 402	**$ 374**	$ 320	$ 275
Interest cost	**2,410**	2,345	1,713	**974**	918	823	**1,697**	1,483	972
Expected return on assets	**(3,697)**	(3,281)	(2,475)	**(1,184)**	(1,162)	(1,026)	**(161)**	(135)	(82)
Amortization of:									
Prior service costs	**532**	620	363	**138**	133	105	**(114)**	(38)	(35)
(Gains)/losses and other	**(367)**	(418)	(41)	**(101)**	17	145	**161**	28	29
Separation programs	**303**	122	108	**8**	184*	48	**114**	54	48
Allocated costs to Visteon	**(58)**	(71)	-	**-**	-	-	**(149)**	(159)	-
Net expense/(income)	**$ (346)**	$ (188)	$ 190	**$ 231**	$ 495	$ 497	**$1,922**	$1,553	$1,207

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

Humanitarian, bandleader and actor who was awarded Hollywood's first Oscar, Charles "Buddy" Rogers with Jeanie Lang at the Rouge with a 1935 Ford Fodor V-8 sedan.

NOTE 17 RETIREMENT BENEFITS *(continued)*

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

	Pension Benefits				Health Care and Life Insurance	
	U.S. Plans		Non-U.S. Plans			
	2001	2000	**2001**	2000	**2001**	2000
CHANGE IN BENEFIT OBLIGATION						
Benefit obligation at January 1	**$33,282**	$31,846	**$16,918**	$16,484	**$ 23,374**	$ 15,744
Service cost	**531**	535	**396**	405	**374**	320
Interest cost	**2,410**	2,388	**974**	918	**1,697**	1,483
Amendments	**6**	-	**133**	232	**(923)**	(226)
Separation programs	**330**	141	**24**	83	**114**	54
Net transfers in/(out)	**-**	(89)	**(170)**	357	**-**	3,714
Plan participant contributions	**40**	45	**83**	71	**-**	-
Benefits paid	**(2,496)**	(2,273)	**(768)**	(744)	**(1,145)**	(1,055)
Foreign exchange translation	**-**	-	**(637)**	(1,117)	**(26)**	2
Actuarial (gain)/loss	**1,120**	689	**(962)**	229	**1,968**	3,338
Benefit obligation at December 31	**$35,223**	$33,282	**$15,991**	$16,918	**$ 25,433**	$ 23,374
CHANGE IN PLAN ASSETS						
Fair value of plan assets at January 1	**$39,830**	$40,845	**$14,714**	$15,432	**$ 3,135**	$ 1,258
Actual return on plan assets	**(1,558)**	979	**(931)**	233	**200**	168
Company contributions	**-**	8	**277**	185	**142**	1,935
Net transfers in/(out)	**(300)***	90	**(152)**	520	**-**	425
Plan participant contributions	**40**	45	**83**	71	**-**	-
Benefits paid	**(2,496)**	(2,273)	**(768)**	(744)	**(758)**	(651)
Foreign exchange translation	**-**	-	**(515)**	(1,041)	**-**	-
Other	**303**	136	**227**	58	**(27)**	-
Fair value of plan assets at December 31	**$35,819**	$39,830	**$12,935**	$14,714	**$ 2,692**	$ 3,135
Funded status	**$ 596**	$ 6,548	**$(3,056)**	$(2,204)	**$(22,741)**	$(20,239)
Unamortized prior service costs	**3,358**	3,912	**768**	814	**(1,043)**	(231)
Unamortized net (gains)/losses and other	**(1,939)**	(8,557)	**1,642**	430	**6,655**	4,850
Net amount recognized	**$ 2,015**	$ 1,903	**$ (646)**	$ (960)	**$(17,129)**	$(15,620)
AMOUNTS RECOGNIZED IN THE BALANCE SHEET CONSIST OF ASSETS/(LIABILITIES):						
Prepaid assets	**$ 3,099**	$ 2,856	**$ 1,259**	$ 1,040	**$ -**	$ -
Accrued liabilities	**(1,356)**	(1,244)	**(2,779)**	(2,900)	**(17,129)**	(15,620)
Intangible assets	**72**	116	**352**	490	**-**	-
Accumulated other comprehensive income	**200**	175	**522**	410	**-**	-
Net amount recognized	**$ 2,015**	$ 1,903	**$ (646)**	$ (960)	**$(17,129)**	$(15,620)
PENSION PLANS IN WHICH ACCUMULATED BENEFIT OBLIGATION EXCEEDS PLAN ASSETS AT DECEMBER 31						
Accumulated benefit obligation	**$ 1,302**	$ 1,085	**$ 5,109**	$ 5,174		
Fair value of plan assets	**184**	62	**2,721**	2,751		
WEIGHTED AVERAGE ASSUMPTIONS AS OF DECEMBER 31						
Discount rate	**7.25%**	7.50%	**6.10%**	6.10%	**7.25%**	7.50%
Expected return on assets	**9.50%**	9.50%	**8.70%**	8.80%	**6.00%**	6.00%
Average rate of increase in compensation	**5.20%**	5.20%	**3.80%**	4.10%	**-**	-
Initial health care cost trend rate	**-**	-	**-**	-	**9.45%**	8.97%
Ultimate health care cost trend rate	**-**	-	**-**	-	**5.00%**	5.00%
Number of years to ultimate trend rate	**-**	-	**-**	-	**6**	7

** Payment of retiree health care benefits.*

The assumption for expected return on assets reflects our expectation of the long-term average rate of earnings on pension funds invested to provide for the benefits included in the projected benefit obligation. In making this assumption, we review the outlook for inflation, fixed income returns and equity returns, taking into consideration our plans' historical returns, our asset allocation and investment strategy, as well as the views of investment managers and other large pension plan sponsors. Although not a guarantee of future results, the average annual return of our U.S. pension fund has exceeded 9.5% for the last 10, 20, and 30-year periods. As a sensitivity measure, a one-half point decrease/increase in our U.S. assumed return would increase/decrease future annual U.S. pension pre-tax expense by about $190 million and would have no effect on pension funded status or contribution requirements.

A one percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the postretirement health care benefit obligation by approximately $3.1 billion/($2.6 billion) and the service and interest component of this expense by $310 million/($241) million.

NOTE 18 SEGMENT INFORMATION (IN MILLIONS)

		Financial Services Sector					
	Automotive	Ford Credit	Hertz	Other Fin Svcs	Eliminations/ Other b/	Total
2001						
REVENUES						
External customer	**$131,528**	**$ 24,996**	**$ 4,898**	**$ 966**	**$ 24**	**$162,412**
Intersegment	**3,260**	**455**	**27**	**106**	**(3,848)**	**-**
Total Revenues	**$134,788**	**$ 25,451**	**$ 4,925**	**$ 1,072**	**$(3,824)**	**$162,412**
INCOME						
Income/(loss) before taxes	**$ (9,036)**	**$ 1,508**	**$ 3**	**$ (59)**	**$ -**	**$ (7,584)**
Provision for income tax	**(2,808)**	**668**	**(20)**	**9**	**-**	**(2,151)**
Income/(loss) from continuing operations	**(6,267)**	**839**	**23**	**(67)**	**19**	**(5,453)**
OTHER DISCLOSURES						
Depreciation and amortization	**$ 9,141**	**$ 8,861**	**$ 1,620**	**$ 54**	**$ 74**	**$ 19,750**
Interest income a/	**766**	**-**	**-**	**-**	**-**	**766**
Interest expense	**1,378**	**8,951**	**414**	**105**	**-**	**10,848**
Capital expenditures	**6,357**	**182**	**310**	**159**	**-**	**7,008**
Unconsolidated affiliates						
Equity in net income/(loss)	**(856)**	**5**	**-**	**-**	**-**	**(851)**
Investments in	**2,450**	**177**	**-**	**11**	**-**	**2,638**
Total assets at year-end	**88,319**	**173,096**	**10,525**	**4,616**	**(13)**	**276,543**
2000						
REVENUES						
External customer	$141,230	$ 23,412	$ 5,057	$ 336	$ 23	$170,058
Intersegment	3,783	194	30	154	(4,161)	-
Total Revenues	$145,013	$ 23,606	$ 5,087	$ 490	$(4,138)	$170,058
INCOME						
Income before taxes	$ 5,267	$ 2,495	$ 581	$ (109)	$ -	$ 8,234
Provision for income tax	1,597	926	223	(41)	-	2,705
Income from continuing operations	3,624	1,536	358	(35)	(73)	5,410
OTHER DISCLOSURES						
Depreciation and amortization	$ 6,497	$ 7,846	$ 1,504	$ 46	$ 56	$ 15,949
Interest income a/	1,488	-	-	-	-	1,488
Interest expense	1,383	8,970	428	121	-	10,902
Capital expenditures	7,393	168	291	496	-	8,348
UNCONSOLIDATED AFFILIATES						
Equity in net income/(loss)	(70)	(22)	-	1	-	(91)
Investments in	2,949	79	-	7	-	3,035
Total assets at year-end	94,312	174,258	10,620	3,731	469	283,390
1999						
REVENUES						
External customer	$135,073	$ 20,020	$ 4,695	$ 911	$ 4	$160,703
Intersegment	4,082	340	33	170	(4,625)	-
Total Revenues	$139,155	$ 20,360	$ 4,728	$ 1,081	$(4,621)	$160,703
INCOME						
Income before taxes	$ 7,275	$ 2,104	$ 560	$ (85)	$ -	$ 9,854
Provision for income tax	2,251	791	224	(18)	-	3,248
Income from continuing operations	4,986	1,261	336	(15)	(66)	6,502
OTHER DISCLOSURES						
Depreciation and amortization	$ 5,244	$ 7,565	$ 1,357	$ 326	$ 50	$ 14,542
Interest income a/	1,418	-	-	-	-	1,418
Interest expense	1,347	7,193	354	132	-	9,026
Capital expenditures	7,069	82	351	157	-	7,659
Unconsolidated affiliates						
Equity in net income/(loss)	35	(25)	-	-	-	10
Investments in	2,539	97	-	8	-	2,644
Total assets at year-end	99,201	156,631	10,137	4,210	70	270,249

a/ Ford Credit's and Hertz's interest income is recorded as Revenues.
b/ Includes intersegment transactions occurring in the ordinary course of business.

NOTE 19 GEOGRAPHIC INFORMATION (IN MILLIONS)

	United States	Europe	All Other	Total Company
2001				
External revenues	**$108,296**	**$35,532**	**$18,584**	**$162,412**
Income from continuing operations	**(4,493)**	**513**	**(1,473)**	**(5,453)**
Net property	**16,199**	**12,567**	**5,925**	**34,691**
2000				
External revenues	$118,367	$32,132	$19,559	$170,058
Income from continuing operations	6,009	(862)	263	5,410
Net property	19,424	13,614	6,260	39,298
1999				
External revenues	$111,468	$32,709	$16,526	$160,703
Income from continuing operations	6,008	376	118	6,502
Net property	18,286	13,098	6,719	38,103

NOTE 20 LITIGATION AND CLAIMS

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

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. We have established reserves for certain of the matters discussed in the foregoing paragraph where losses are deemed probable. It is reasonably possible, however, that some of the matters discussed in the foregoing paragraph for which reserves 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, 2001. We do not reasonably expect, based on our analysis, that such matters would have a material effect on future consolidated financial statements for a particular year, although such an outcome is possible.

NOTE 21 SUMMARY QUARTERLY FINANCIAL DATA (UNAUDITED)

(in millions, except amounts per share)

	2001				2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
AUTOMOTIVE								
Sales	**$34,650**	**$34,552**	**$28,554**	**$33,772**	$36,175	$37,366	$32,582	$35,107
Operating income/(loss)	**1,329**	**(1,432)**	**(1,084)**	**(6,381)**	2,322	1,413	574	923
FINANCIAL SERVICES								
Revenues	**7,796**	**7,762**	**7,948**	**7,378**	6,729	7,133	7,473	7,493
Income/(loss) before income taxes	**594**	**690**	**626**	**(458)**	643	764	856	704
TOTAL COMPANY								
Income/(loss) from continuing operations	**1,059**	**(752)**	**(692)**	**(5,068)**	1,932	1,513	888	1,077
COMMON AND CLASS B PER SHARE								
Basic income/(loss) from continuing operations	**$ 0.58**	**$ (0.42)**	**$ (0.39)**	**$ (2.81)**	$ 1.61	$ 1.26	$ 0.54	$ 0.58
Diluted income/(loss) from continuing operations	**0.56**	**(0.42)***	**(0.39)***	**(2.81)**	1.58	1.24	0.53	0.57
-As previously reported		**(0.41)**	**(0.38)**					

** Diluted earnings per share amounts for second and third quarters of 2001 have been corrected to exclude the antidilutive effect of stock options.*

SUMMARY OF VEHICLE UNIT SALES *
(in thousands)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
NORTH AMERICA											
United States											
Cars	**1,427**	1,775	1,725	1,563	1,614	1,656	1,767	2,036	1,925	1,820	1,588
Trucks	**2,458**	2,711	2,660	2,425	2,402	2,241	2,226	2,182	1,859	1,510	1,253
Total United States	**3,885**	4,486	4,385	3,988	4,016	3,897	3,993	4,218	3,784	3,330	2,841
Canada	**245**	300	288	279	319	258	254	281	256	237	259
Mexico	**162**	147	114	103	97	67	32	92	91	126	112
Total North America	**4,292**	4,933	4,787	4,370	4,432	4,222	4,279	4,591	4,131	3,693	3,212
EUROPE											
Britain	**637**	476	518	498	466	516	496	520	464	420	471
Germany	**383**	320	353	444	460	436	409	386	340	407	501
Italy	**249**	222	209	205	248	180	193	179	172	266	301
Spain	**178**	180	180	155	155	155	160	163	117	165	128
France	**163**	158	172	171	153	194	165	180	150	194	190
Other countries	**551**	526	528	377	318	339	286	281	250	270	296
Total Europe	**2,161**	1,882	1,960	1,850	1,800	1,820	1,709	1,709	1,493	1,722	1,887
OTHER INTERNATIONAL											
Brazil	**125**	134	117	178	214	190	201	164	151	117	137
Australia	**115**	125	125	133	132	138	139	125	120	105	104
Taiwan	**53**	63	56	77	79	86	106	97	122	119	107
Argentina	**29**	49	60	97	147	64	48	54	49	49	26
Japan	**18**	26	32	25	40	52	57	50	53	64	83
Other countries	**198**	212	83	93	103	81	67	63	65	71	67
Total other international	**538**	609	473	603	715	611	618	553	560	525	524
Total worldwide vehicle unit sales	**6,991**	7,424	7,220	6,823	6,947	6,653	6,606	6,853	6,184	5,940	5,623

* *Vehicle unit sales generally are reported worldwide on a "where sold" basis and include sales of all Ford Motor Company-badged units, as well as units manufactured by Ford and sold to other manufacturers.*

COMMON STOCK DATA

	2001				2000			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
COMMON STOCK PRICE PER SHARE*								
High	**$31.37**	**$31.42**	**$25.93**	**$19.08**	$30.33	$31.46	$29.88	$27.00
Low	**23.75**	**23.50**	**14.70**	**14.83**	22.12	23.08	23.63	21.69
DIVIDENDS PER SHARE OF COMMON AND CLASS B STOCK	**$ 0.30**	**$ 0.30**	**$ 0.30**	**$ 0.15**	$0.286	$0.286	$0.286	$ 0.30

* *New York Stock Exchange composite interday prices as provided by the www.NYSEnet.com price history database. All prices and dividends prior to August 9, 2000 have been adjusted to reflect the effects of our recapitalization, known as the Value Enhancement Plan ("VEP"), which became effective at that time, and all prices prior to June 28, 2000 have been adjusted to reflect the spin-off of Visteon Corporation, our former automotive components subsidiary, completed on that date.*

As of February 26, 2002, stockholders of record of Ford included 184,938 holders of Common Stock (which number does not include 30,925 former holders of old Ford Common Stock who have not yet tendered their shares pursuant to the VEP) and 111 holders of Class B Stock.

The following tables set forth selected financial data and other data concerning Ford for each of the last eleven years (dollar amounts in millions, except per share amounts). 1996-1999 data (except employee data) have been restated to reflect Visteon as a discontinued operation. 1990-1995 data is as previously reported.

SUMMARY OF OPERATIONS

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
AUTOMOTIVE											
Sales	**$131,528**	$141,230	$135,073	$118,017	$121,976	$116,886	$110,496	$107,137	$91,568	$84,407	$72,051
Operating income/(loss)	**(7,568)**	5,232	7,169	5,376	6,060	1,843	3,142	5,782	1,408	(1,760)	(3,797)
Income/(loss) before income taxes	**(9,036)**	5,267	7,275	5,842	6,267	1,967	3,166	5,997	1,291	(1,952)	(4,052)
Net income/(loss)	**(6,267)**	3,624	4,986	4,049	4,203	1,271	2,056	3,913	1,008	(8,628)	(3,186)
FINANCIAL SERVICES											
Revenues	**$ 30,884**	$ 28,828	$25,630	$25,524	$30,796	$29,053	$26,780	$21,346	$16,977	$15,710	$16,263
Income before income taxes	**1,452**	2,967	2,579	18,438	3,857	4,222	3,539	2,792	2,712	1,825	1,465
Net income a/b/c/	**814**	1,786	1,516	17,319	2,206	2,791	2,083	1,395	1,521	1,243	928
TOTAL COMPANY											
Income/(loss) before income taxes	**$ (7,584)**	$ 8,234	$ 9,854	$24,280	$10,124	$ 6,189	$ 6,705	$ 8,789	$ 4,003	$ (127)	$ (2,587)
Provision/(credit) for income taxes	**(2,151)**	2,705	3,248	2,760	3,436	1,943	2,379	3,329	1,350	295	(395)
Minority interests in net income of subsidiaries	**20**	119	104	152	279	184	187	152	124	80	66
Income/(loss) from continuing operations a/b/c/	**(5,453)**	5,410	6,502	21,368	6,409	4,062	4,139	5,308	2,529	(502)	(2,258)
Income from discontinued operation		309	735	703	511	384					
Loss on spin-off of discontinued operation		(2,252)									
Income/(loss) before cumulative effects of changes in accounting principles	**(5,453)**	3,467	7,237	22,071	6,920	4,446	4,139	5,308	2,529	(502)	(2,258)
Cumulative effects of changes in accounting principles d/	**-**	-	-	-	-	-	-	-	-	(6,883)	-
Net income/(loss)	**$ (5,453)**	$ 3,467	$ 7,237	$22,071	$ 6,920	$ 4,446	$ 4,139	$ 5,308	$ 2,529	$ (7,385)	$ (2,258)

TOTAL COMPANY DATA PER SHARE OF COMMON AND CLASS B STOCK e/

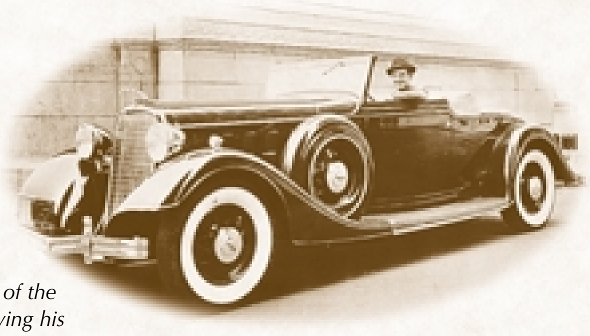
	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
BASIC:											
Income/(loss) from continuing operations	**$(3.02)**	$3.66	$5.38	$17.59	$5.32	$3.40	$3.58	$4.97	$2.27	$(0.73)	$(2.40)
Income/(loss) before cumulative effects of changes in accounting principles	**(3.02)**	2.34	5.99	18.17	5.75	3.73	3.58	4.97	2.27	(0.73)	(2.40)
Net income/(loss)	**(3.02)**	2.34	5.99	18.17	5.75	3.73	3.58	4.97	2.27	(7.81)	(2.40)
DILUTED:											
Income/(loss) from continuing operations	**$(3.02)**	$3.59	$5.26	$17.19	$5.20	$3.32	$3.33	$4.44	$2.10	$(0.73)	$(2.40)
Income/(loss) before cumulative effects of changes in accounting principles	**(3.02)**	2.30	5.86	17.76	5.62	3.64	3.33	4.44	2.10	(0.73)	(2.40)
Net income/(loss)	**(3.02)**	2.30	5.86	17.76	5.62	3.64	3.33	4.44	2.10	(7.81)	(2.40)
Cash dividends f/	**$1.05**	$1.80	$1.88	$1.72	$1.645	$1.47	$1.23	$0.91	$0.80	$0.80	$0.98
Common stock price range (NYSE Composite)											
High	**31.42**	31.46	37.30	33.76	18.34	13.59	12.00	12.78	12.06	8.92	6.89
Low	**14.70**	21.69	25.42	15.64	10.95	9.94	9.03	9.44	7.85	5.07	4.27
Average number of shares of Common and Class B stock outstanding (in millions)	**1,820**	1,483	1,210	1,211	1,195	1,179	1,071	1,010	986	972	952

a/ 1998 includes a non-cash gain of $15,955 million that resulted from Ford's spin-off of The Associates.
b/ 1997 includes a gain of $269 million on the sale of Hertz Common Stock.
c/ 1996 includes a gain of $650 million on the sale of The Associates' Common Stock.
d/ The cumulative effects of changes in accounting principles of $(6,883) in 1992 reflects $(7,094) for the Automotive sector and $211 for the Financial Services sector.
e/ 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, the Value Enhancement Plan, and The Associates Spin-off and reflect inter-day high and low stock price range.
f/ Adjusted for Value Enhancement Plan, 2000 cash dividends would have been $1.16.

SUMMARY OF OPERATIONS *(continued)*

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
TOTAL COMPANY BALANCE SHEET DATA AT YEAR-END											
ASSETS											
Automotive	**$ 88,319**	$ 94,312	$ 99,201	$ 83,911	$ 80,339	$ 75,008	$ 72,772	$ 68,639	$ 61,737	$ 57,170	$ 52,397
Financial Services	**188,224**	189,078	171,048	148,801	194,018	183,209	170,511	150,983	137,201	123,375	122,032
Total assets	**$276,543**	$283,390	$270,249	$232,712	$274,357	$258,217	$243,283	$219,622	$198,938	$180,545	$174,429
LONG-TERM DEBT											
Automotive	**$ 13,492**	$ 11,769	$ 10,398	$ 8,589	$ 6,964	$ 6,385	$ 5,475	$ 7,103	$ 7,084	$ 7,068	$ 6,539
Financial Services	**107,266**	87,118	67,517	55,468	73,198	70,641	68,259	58,104	47,900	42,369	43,680
STOCKHOLDERS' EQUITY g/	**7,786**	18,610	27,604	23,434	30,787	26,765	24,547	21,659	15,574	14,753	22,690
TOTAL COMPANY FACILITY AND TOOLING DATA											
Capital expenditures for facilities (excluding special tools)	**$ 4,671**	$ 5,315	$ 4,332	$ 4,369	$ 4,906	$ 4,529	$ 5,455	$ 5,236	$ 4,339	$ 3,613	$ 3,611
Depreciation	**15,864**	12,915	11,846	10,890	9,865	9,070	8,954	7,207	5,456	4,658	3,956
Expenditures for special tools	**2,337**	3,033	3,327	3,388	2,894	3,154	3,542	3,310	2,475	2,177	2,236
Amortization of special tools	**3,265**	2,451	2,459	2,880	3,126	3,211	2,765	2,129	2,012	2,097	1,822
TOTAL COMPANY EMPLOYEE DATA – WORLDWIDE											
Payroll	**$ 17,433**	$ 18,081	$ 18,390	$ 16,757	$ 17,187	$ 17,616	$ 16,567	$ 15,853	$ 13,750	$ 13,754	$ 12,850
Total labor costs	**23,553**	25,783	26,881	25,606	25,546	25,689	23,758	22,985	20,065	19,850	17,998
Average number of employees	**354,431**	350,117	374,093	342,545	363,892	371,702	346,989	337,728	321,925	325,333	331,977
TOTAL COMPANY EMPLOYEE DATA – U.S. OPERATIONS											
Payroll	**$ 10,832**	$ 11,274	$ 11,418	$ 10,548	$ 10,840	$ 10,961	$ 10,488	$ 10,381	$ 8,889	$ 8,019	$ 7,393
Average number of employees	**165,512**	164,853	173,045	171,269	189,787	189,718	186,387	180,861	166,995	158,501	156,203
Average hourly labor costs h/											
Earnings	**$ 27.38**	$ 26.73	$ 25.58	$ 24.30	$ 22.95	$ 22.30	$ 21.79	$ 21.81	$ 20.94	$ 19.92	$ 19.10
Benefits	**20.35**	21.71	21.79	21.42	20.60	19.47	18.66	19.13	18.12	19.24	17.97
Total hourly labor costs	**$ 47.73**	$ 48.44	$ 47.37	$ 45.72	$ 43.55	$ 41.77	$ 40.45	$ 40.94	$ 39.06	$ 39.16	$ 37.07

g/ *The cumulative effects of changes in accounting principles reduced equity by $6,883 million in 1992.*
h/ *Per hour worked (in dollars). Excludes data for most subsidiary companies.*



Fred Waring, band leader and inventor of the Waring Blendor, driving his 1933 Lincoln.

EMPLOYMENT AND PAYROLL DATA

In 2001, average-year worldwide working employment increased approximately one percent reflecting primarily the full year effect of acquisitions and newly consolidated subsidiaries. Worldwide payroll was $17.4 billion in 2001, a 3.6% decrease from 2000.

Average-year working employment by geographic area, compared with 2000, was:

	2001	2000
United States	**165,512**	164,853
Europe	**135,283**	132,528
Other	**53,636**	52,736
Total	**354,431**	350,117

U.S. REPRESENTATION OF MINORITY-GROUP MEMBERS AND WOMEN IN EEO-1 JOB CATEGORIES AT YEAR-END a/

	African-Americans		Hispanic-Americans		Other Minorities c/		Women	
Job Categories b/	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
Officials and Managers	**11.1%**	10.1%	**2.4%**	1.9%	**3.9%**	3.1%	**17.5%**	15.1%
Professionals	**11.5%**	9.4%	**3.7%**	2.7%	**7.7%**	6.5%	**32.4%**	29.8%
Technicians	**7.4%**	8.7%	**4.0%**	2.9%	**2.0%**	2.6%	**19.2%**	18.9%
Office and Clerical	**22.2%**	19.5%	**6.9%**	5.6%	**1.7%**	1.5%	**49.4%**	49.0%
Craft Workers (skilled)	**8.5%**	8.4%	**1.4%**	1.3%	**0.8%**	0.7%	**3.0%**	2.8%
Operatives (semiskilled)	**25.9%**	25.8%	**3.0%**	2.9%	**1.0%**	0.9%	**22.5%**	22.3%
Laborers (nonskilled)	**33.1%**	31.3%	**1.8%**	2.1%	**0.8%**	0.8%	**13.3%**	13.5%
Service Workers	**34.1%**	32.7%	**2.6%**	2.5%	**0.3%**	0.4%	**11.8%**	11.2%
Percentage of Work Force	**19.0%**	18.5%	**3.1%**	2.7%	**2.6%**	2.2%	**22.8%**	21.7%

a/ Employment for Ford Motor Company and Ford Credit at year-end. (The data excludes Hertz, Land Rover, Volvo and other wholly owned subsidiaries and joint ventures). The year-end U.S. employment does not include non-U.S. employees assigned to International Service in the United States and year-end 2001 data does not reflect the separation decreases. Hourly employees assigned to Visteon who are covered under the Ford/UAW contract are included.

b/ Excludes sales workers (retail), a job category that is not applicable to Ford Motor Company.

c/ Includes Asian American, Pacific Islanders, and American Indian or Alaskan natives only.

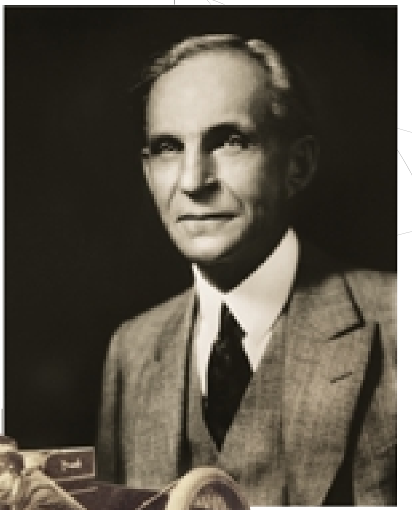
Eleanor Roosevelt driving a 4-door 1942 Lincoln Zephyr.

What we've learned in the last 100 years

What we've learned in the last 100 years

Be courageous

Henry Ford faced countless obstacles when he envisioned and started Ford Motor Company. His tenacity and can-do spirit are at the core of this company.



"Life is a series of experiences, each one of which makes us bigger, even though it is hard to realize this. For the world was built to develop character, and we must learn that the setbacks and grief we endure help us in our marching onward." Henry Ford

"As important as it is for our customers to love our cars and trucks, it's even more important that the people who make them love them. What makes a great car company is passion." Bill Ford

SHOW PASSION

It begins at the drawing board and goes down the line – to the people who build it, sell it, buy it or just pull up alongside it.

Stay curious

What we've learned in the last 100 years

A thirst for knowledge.

Insatiable questioning.

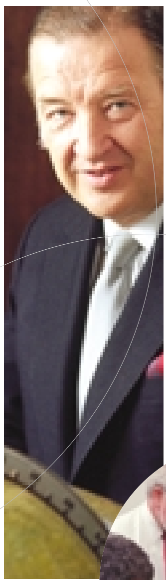
The creative mind.

The ability to discover new connections.

Nurture these things and you'll stretch beyond the boundaries.

"We at Ford feel that industry is a symphony – the symphony of Nature, Labor and Mind. The earth that provides the material; the hand that fashions it; the creative mind that brings the parts together and applies them to social needs – what are these but the movements of a symphony of civilization?" Edsel Ford

"It has been very interesting for me to observe in many different parts of the world – particularly our plants – that when something has been done extremely well you will invariably find it has been done by a recognizable team and coordinated team effort." Henry Ford II



What we've learned in the last 100 years

TEAMWORK WORKS

It's the theory behind the assembly line. When each does his or her part, and takes pride in what they do, the results can far exceed one individual's efforts.

What we've learned in the last 100 years

GIVE BACK

If a company is to be successful,

it has to be part of a community.

The two depend on each other.

"Corporate profitability and corporate responsibility are not competing and mutually exclusive objectives. On the contrary, they go hand in hand." Henry Ford II

Stay True

Ford trucks are tough. Ford cars have soul. And, right from the start, Ford vehicles have been within reach. Focusing on the basics keeps our customers confident in, and proud to own the products we make.

What we've learned in the last 100 years

"The issues we face are complex, but our goals are simple. We're going to build a stronger business, and make a better world. We should always remain focused on having the best cars and trucks in the world. Period." Bill Ford

What we've learned in the last 100 years

CELEBRATE MILESTONES

June 16, 2003, will mark the 100th anniversary of Ford Motor Company. It's been an amazing journey, but not without its bumps. We're proud of what we've accomplished. The road ahead is ours.

Join us as we begin our second century.

For information on Ford Motor Company's centennial, log on to ford.com.

Ford Motor Company
100 YEARS

Information for Shareholders

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

Company Information

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

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Stock Exchanges

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

The NYSE trading symbols are as follows:

F Listed NYSE THE NEW YORK STOCK EXCHANGE

F	Common Stock
F.PrB	Depository Shares representing Series B 8.25% Preferred Stock
F.PrT	9% Trust Originated Preferred Securities[SM] (TOPrS[SM]) of Ford Motor Company Capital Trust I
F.PrS	6.5% Convertible Trust Preferred Securities of Ford Motor Company Capital Trust II

Annual Meeting

The 2002 Annual Meeting of the Shareholders will be held at 10:00 a.m. (PDT) Thursday, May 9, 2002, at the Premier Automotive Group North American Headquarters, One Premier Place, Irvine, California. 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 2001 team members are:

Editor: **Steve Harper,** *Manager, Shareholder Relations*
Editorial Services: **Douglas Dawes, Tom Morrisey and Chuck Snearly**
Photo Coordinator: **Suzanne Fleming**
Art Direction and Design: **Pat Barney**
Graphic Artist: **Terry Burke**
Cover and Principal Photography: **Tom Wojnowski**
Additional Photography: **Keith Tolman and Roy Feldman**

Digital imaging technology has been used for retouching and to produce some composite photos in this report. The report was printed by the Case-Hoyt Corporation of Rochester, New York.

Some of the photographs that appear in this report are from the collections of Henry Ford Museum & Greenfield Village and Ford Motor Company.

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