

FORD MOTOR CO
Form 10-K/A
November 14, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K/A

(Mark One)

☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2005

or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 1-3950

Ford Motor Company

(Exact name of Registrant as specified in its charter)

Delaware

(State of incorporation)

38-0549190

(I.R.S. employer identification no.)

One American Road, Dearborn, Michigan

(Address of principal executive offices)

48126

(Zip code)

313-322-3000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered(a)
Common Stock, par value \$.01 per share	New York Stock Exchange Pacific Stock Exchange
7.50% Notes Due June 10, 2043	New York Stock Exchange
Ford Motor Company Capital Trust II 6.50% Cumulative Convertible Trust Preferred Securities, liquidation preference \$50 per share	New York Stock Exchange

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(a) In addition, shares of Common Stock of Ford are listed on certain stock exchanges in Europe.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes R No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to section 13 or Section 15(d) of the Act.
Yes ☒ No R

Indicate by check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is *not* contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. R

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)
Large accelerated filer R Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No R

As of June 30, 2005, Ford had outstanding 1,777,590,246 shares of Common Stock and 70,852,076 shares of Class B Stock. Based on the New York Stock Exchange Composite Transaction closing price of the Common Stock on that date (\$10.24 per share), the aggregate market value of such Common Stock was \$18,202,524,119. Although there is no quoted market for our Class B Stock, shares of Class B Stock may be converted at any time into an equal number of shares of Common Stock for the purpose of effecting the sale or other disposition of such shares of Common Stock. The shares of Common Stock and Class B Stock outstanding at June 30, 2005 included shares owned by persons who may be deemed to be "affiliates" of Ford. We do not believe, however, that any such person should be considered to be an affiliate. For information concerning ownership of outstanding Common Stock and Class B Stock, see the Proxy Statement for Ford's Annual Meeting of Stockholders currently scheduled to be held on May 11, 2006 (our "Proxy Statement"), which is incorporated by reference under various Items of this Report as indicated below.

As of February 10, 2006, Ford had outstanding 1,793,286,393 shares of Common Stock and 70,852,076 shares of Class B Stock. Based on the New York Stock Exchange Composite Transaction closing price of the Common Stock on that date (\$8.27 per share), the aggregate market value of such Common Stock was \$14,830,478,470.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Where Incorporated
Proxy Statement*	Part III (Items 10, 11, 12, 13 and 14)

* As stated under various Items of this Report, only certain specified portions of such document are incorporated by reference in this Report.

Exhibit Index begins on page 69

EXPLANATORY NOTE- RESTATEMENT OF FINANCIAL INFORMATION

EXPLANATORY NOTE

Ford Motor Company (generally referred to herein as "Ford," "the Company", "we," "our" or "us") is filing this Annual Report on Form 10-K/A for the year ended December 31, 2005 ("Amendment" or "2005 Form 10-K/A Report") to amend our Annual Report on Form 10-K for the year ended December 31, 2005 ("Original Filing" or "2005 Form 10-K Report") that was filed with the Securities and Exchange Commission ("SEC") on March 1, 2006.

In October 2006, we reviewed our application of paragraph 68 of Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, and its use at our indirect wholly-owned subsidiary Ford Motor Credit Company ("Ford Credit"). One of the general requirements of SFAS No. 133 is that hedge accounting is appropriate only for those hedging relationships that a company expects will be highly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged. To determine whether transactions satisfy this requirement, companies must periodically assess the effectiveness of hedging relationships both prospectively and retrospectively. Paragraph 68 of SFAS No. 133 ("Paragraph 68") contains an exception from these periodic assessment requirements in the form of an "assumption of no ineffectiveness" for certain hedges of interest rate risk that involve interest rate swaps and recognized interest-bearing assets or liabilities. The exception identifies the specific requirements for the derivative and hedged items that must be met, such as a derivative fair value of zero at inception of the hedging relationship, matching maturity dates, and contemporaneous formal documentation.

Based on our review, we concluded that all of our interest rate swaps were and continue to be highly effective economic hedges; nearly all of these transactions, however, failed to meet the requirements set forth in Paragraph 68, primarily because:

- Transactions that we designated as fair value hedges involved interest rate swaps hedging the back-end of debt instruments or involved longer-than-normal settlement periods.
- We paid or received fees when entering into a derivative contract or upon changing counterparties.
- Interest rate swaps included terms that did not exactly match the terms of the debt, including prepayment optionality.

Although we now have determined that the hedging relationships at issue in this restatement did not meet the specific criteria for an assumption of no ineffectiveness pursuant to Paragraph 68, we are precluded by SFAS No. 133 from retroactively performing full effectiveness testing in order to apply hedge accounting. Accordingly, we have restated our results to reflect the changes in fair value of these instruments as derivative gains and losses during the affected periods, without recording any offsetting change in the value of the debt they were economically hedging.

As a result of the foregoing, we are restating herein our historical balance sheets as of December 31, 2005 and 2004; our statements of income, cash flows and stockholders' equity for the years ending 2005, 2004, and 2003; and selected financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001.

Changes in the fair value of interest rate swaps are driven primarily by changes in interest rates. We have long-term interest rate swaps with large notional balances, many of which are "receive-fixed, pay-float" interest rate swaps. Such swaps increase in value when interest rates decline, and decline in value when interest rates rise. As a result, changes in interest rates cause substantial volatility in the fair values that must be recognized in earnings. In 2001 and 2002, when interest rates were trending lower, we recognized large derivative gains in our restated financial data. The upward trend in interest rates from 2003 through 2005 caused our interest rate swaps to decline in value, resulting in the recognition of derivative losses for these periods.

The cumulative effect of our restatement for these interest rate swaps is a decrease in debt value and an offsetting increase in net income and equity. As a result, we recognized additional pre-tax income/(loss) of \$(873) million, \$(769) million, \$(990) million, \$2.6 billion, and \$1.1 billion in 2005, 2004, 2003, 2002 and 2001, respectively.

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The following table sets forth a reconciliation of previously reported and restated net income/(loss) and retained earnings as of the dates and for the periods shown (in millions):

	Net Income/(Loss)					Retained Earnings At December 31, 2000
	2005	2004	2003	2002	2001	
Previously reported	\$ 2,024	\$ 3,487	\$ 495	\$ (980)	\$ (5,453)	\$ 17,884
Pre-tax adjustments:						
Fair value interest rate swaps	(873)	(769)	(990)	2,588	1,077	—
Out-of-period adjustments	(44)	25	565	384	(124)	(868)
Total pre-tax adjustments	(917)	(744)	(425)	2,972	953	(868)
Related tax effects - provision for/(benefit from)	(333)	(295)	(169)	1,117	287	(239)
Net after-tax adjustments	(584)	(449)	(256)	1,855	666	(629)
Restated	\$ 1,440	\$ 3,038	\$ 239	\$ 875	\$ (4,787)	\$ 17,255

Subsequent to the completion of our originally-filed financial statements for each period being restated, we identified adjustments that should have been recorded in these earlier periods. Upon identification, we determined these adjustments to be immaterial, individually and in the aggregate, to our originally-filed financial statements, and generally recognized these adjustments ("out-of-period" adjustments) in the periods in which they were identified. Because the Ford Credit interest rate swap adjustment has required a restatement, we also are reversing these out-of-period adjustments and recording them in the proper periods.

The out-of-period adjustments in the table above include the following:

- Automotive revenue recognition: As disclosed in Note 2 of the Notes to the Financial Statements, vehicle sales are generally recorded when shipped. In the late 1990s, we determined that vehicles sold in the UK did not meet the criteria for revenue recognition at the time of shipment. We had previously judged the impact of this practice to be immaterial to any individual period. Beginning in 2001 and continuing through 2003, as we launched new vehicles, we amended our UK dealer contracts to transfer all risks of ownership to our dealers at the time of vehicle shipment. As part of the restatement, we have changed the periods in which revenue was recognized for these UK vehicles from shipment to the subsequent period when risk of ownership was transferred. As part of our restatement, we recognized additional pre-tax income/(loss) of \$246 million, \$156 million, and \$52 million in 2003, 2002, and 2001, respectively.
- Financial Services revenue recognition: We recorded out-of-period adjustments to revenue primarily associated with our operating lease contracts in order to reflect earnings on a straight-line basis rather than an effective-interest rate method and corrected the accounting related to the amortization of certain loan origination costs involving securitized assets. As part of our restatement, we recognized additional pre-tax income/(loss) of \$(115) million, \$63 million, \$59 million, \$280 million, and \$(27) million in 2005, 2004, 2003, 2002, and 2001, respectively.
- Employee-benefit related expenses: We recorded out-of-period adjustments in 2001 related to the improper initial adoption of SFAS No. 87, *Employers' Accounting for Pensions* by certain foreign affiliates (two consolidated and one unconsolidated). We also recorded an out-of-period adjustment primarily related to special termination packages offered outside of our normal separation programs that were not recognized as employees separated, but when paid.

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As part of our restatement, we recognized additional pre-tax income/(loss) of \$83 million, \$(5) million, \$(54) million, \$(9) million, and \$107 million in 2005, 2004, 2003, 2002, and 2001, respectively.

- Marketing incentives: We recorded out-of-period adjustments primarily to correct duplicative reserves for vehicle residual values and for certain employee and supplier discount plans that were recognized at point of retail sale rather than when we sold the vehicle to the dealer. As part of our restatement, we recognized additional pre-tax income/(loss) of \$(11) million, \$(9) million, \$128 million, \$49 million, and \$(139) million in 2005, 2004, 2003, 2002, and 2001, respectively.
 - Marketing expenses: We recorded an out-of-period adjustment to record marketing costs (advertising and sales promotions) that had been accrued prior to services being rendered. As part of our restatement, we recognized additional pre-tax income/(loss) of \$(107) million and \$1 million in 2004 and 2003, respectively.
 - In addition to the items listed above, during the affected periods we also recorded many other less-significant out-of-period adjustments, which totaled \$(1) million, \$83 million, \$185 million, \$(92) million, and \$(117) million in 2005, 2004, 2003, 2002, and 2001, respectively. Nearly all of these adjustments were recorded in *Cost of sales*.
-

The fair value interest rate swaps adjustment resulted in decreased debt value for the debt no longer in a hedge accounting relationship and also impacted deferred income taxes. This adjustment had no impact on *Cash and cash equivalents* but resulted in reclassification from *Cash flows from operating activities* to *Cash flows from investing activities* and a reclassification from *Interest expense* to *Financial Services revenues*.

In addition to the adjustments discussed above, the restatement included a change in classification of marketable securities from *Cash and cash equivalents* to *Marketable securities* of \$3.1 billion, \$0.0 billion, and \$4.9 billion at December 31, 2005, 2004, and 2003, respectively. These securities had contractual maturities exceeding ninety days from the date of purchase and should not have been reported as cash equivalents. This change also resulted in a change in presentation in the statements of cash flows, which increased the levels of activity in the *Purchases of marketable securities* and *Proceeds from sales of marketable securities* lines within *Cash flows from investing activities*.

Management also has determined that a control deficiency relating to the assumption of no ineffectiveness pursuant to Paragraph 68 of SFAS 133 (which gave rise to this restatement) constituted a material weakness in our internal control over financial reporting. The material weakness relates to accounting for derivatives that we entered into as fair value hedges using the assumption of no ineffectiveness. We have fully remediated the weakness as of November 14, 2006. See Item 9A. "Controls and Procedures" for additional discussion.

For the convenience of the reader, this 2005 Form 10-K/A Report sets forth the Original Filing in its entirety, although we are only restating portions of Items 6, 7, 8 and 9A affected by corrected financial information and clarifying language in Item 7A. This 2005 10-K/A Report includes currently-dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as well as the currently dated consent of our independent registered public accounting firm. The changes we have made are a result of and reflect the restatement described herein; no other information in the Original Filing has been updated.

Except for the amended or restated information described above, this 2005 Form 10-K/A Report continues to speak as of the date of the Original Filing. Other events occurring after the filing of the Original Filing or other disclosures necessary to reflect subsequent events have been or will be addressed in other reports filed with the SEC subsequent to the date of the Original Filing.

Because this 2005 Form 10-K/A Report restates all of the pertinent financial data for the affected periods, we do not intend to amend our previously-filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for periods ending prior to December 31, 2005. As a result, the reader should rely not on the prior filings, but should rely upon the restated financial statements, reports of our independent registered public accounting firm and related financial information for affected periods contained in this 2005 Form 10-K/A Report.

PART I

ITEM 1. *Business*

The information included in Item 1 in the Original Filing has not been updated for information or events occurring after the date of the Original Filing and has not been updated to reflect the passage of time since the date of the Original Filing.

Ford Motor Company (referred to herein as "Ford", the "Company", "we", "our" or "us") was incorporated in Delaware in 1919. We acquired the business of a Michigan company, also known as Ford Motor Company, that had been incorporated in 1903 to produce and sell automobiles designed and engineered by Henry Ford. We are now one of the world's largest producers of cars and trucks combined. We and our subsidiaries also engage in other businesses, including financing vehicles.

In addition to the information about Ford and its subsidiaries contained in this Annual Report on Form 10-K for the year ended December 31, 2005 ("2005 10-K Report" or "Report"), extensive information about our Company can be found throughout our website located at www.ford.com, including information about our management team, our brands and products, and our corporate governance principles.

The corporate governance information on our website includes our Corporate Governance Principles, our Code of Ethics for Senior Financial Personnel, our Code of Ethics for Directors, our Standards of Corporate Conduct for all employees, and the Charters for each of our Board Committees. In addition, amendments to, and waivers granted to our directors and executive officers under, our Codes of Ethics, if any, will be posted in this area of our website. These corporate governance documents can be accessed by logging onto our website and clicking on the "Corporate Governance" link.

Upon accessing our website and clicking on the "Corporate Governance" link, viewers will see a list of corporate governance documents and may click on the desired document. In addition, printed versions of our Corporate Governance Principles, our Code of Ethics for Senior Financial Personnel, our Standards of Corporate Conduct and the Charters for each of our Board Committees may be obtained free of charge by writing to our Shareholder Relations Department, Ford Motor Company, One American Road, P.O. Box 1899, Dearborn, Michigan 48126-1899.

In addition to the Company information discussed above that is provided on our website, all of our recent periodic report filings with the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge through our website. This includes recent annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, as well as any amendments to those reports. Also, recent Section 16 filings made with the SEC by the Company or any of its executive officers or directors with respect to our common stock are made available free of charge through our website. The periodic reports and amendments and the Section 16 filings are made available through our website as soon as reasonably practicable after such report or amendment is electronically filed with the SEC.

To access our SEC reports or amendments or the Section 16 filings, log onto our website and click on the following link on each successive screen:

- "Investor Information"
- "Company Reports"
- "U.S. S.E.C. EDGAR"

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- ["Click here to continue on to view SEC Filings"](#)

Viewers will then see a list of reports filed with the SEC and may click on the desired document.

The foregoing information regarding our website and its content is for convenience only. The content of our website is not deemed to be incorporated by reference into this report nor should it be deemed to have been filed with the SEC.

ITEM 1. *Business (continued)***OVERVIEW**

Segments. We review and present our business results in two sectors: Automotive and Financial Services. Within these sectors, our business is divided into reportable segments based upon the organizational structure that we use to evaluate performance and make decisions on resource allocation, as well as availability and materiality of separate financial results consistent with that structure.

Our Automotive and Financial Services segments are described in the table below:

<u>Business Sector</u>	<u>Reportable Segments</u>	<u>Description</u>
<i>Automotive:</i>	The Americas	Primarily includes the sale of Ford, Lincoln and Mercury brand vehicles and related service parts in North America (the United States, Canada and Mexico) and Ford-brand vehicles and related service parts in South America; in each case, together with the associated costs to design, develop, manufacture and service these vehicles and parts.
	Ford Europe and Premier Automotive Group	Primarily includes the sale of Ford-brand vehicles and related service parts in Europe and Turkey and the sale of Premier Automotive Group ("PAG") brand vehicles (i.e., Volvo, Jaguar, Land Rover and Aston Martin) and related service parts throughout the world (including North and South America, Asia Pacific and Africa); in each case, together with the associated costs to design, develop, manufacture and service these vehicles and parts.
	Ford Asia Pacific and Africa/Mazda	Primarily includes the sale of Ford-brand vehicles and related service parts in the Asia Pacific region and South Africa, together with the associated costs to design, develop, manufacture and service these vehicles and parts, and our share of the results of Mazda Motor Corporation (of which we own approximately 33.4%) and certain of our Mazda-related investments.
<i>Financial Services:</i>	Ford Motor Credit Company	Primarily includes vehicle-related financing, leasing, and insurance.

We provide financial information (such as revenues, income, and assets) for each of these business sectors and reportable segments in three areas of this Report: (1) "Item 6. Selected Financial Data," (2) "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and (3) Note 24 of the Notes to the Financial Statements located at the end of this Report. Financial information relating to certain geographic areas also is included in these Notes.

ITEM 1. *Business (continued)***AUTOMOTIVE SECTOR****General**

We sell cars and trucks throughout the world. In 2005, we sold approximately 6,818,000 vehicles throughout the world. Our automotive vehicle brands include Ford, Mercury, Lincoln, Volvo, Land Rover, Jaguar and Aston Martin.

Substantially all of our cars, trucks and parts are marketed through retail dealers in North America, and through distributors and dealers outside of North America, the substantial majority of which are independently owned. At December 31, 2005, the approximate number of dealers and distributors worldwide distributing our vehicle brands was as follows:

<u>Brand</u>	Number of Dealerships at December 31, 2005*
Ford	10,134
Mercury	1,971
Lincoln	1,422
Volvo	2,400
Land Rover	1,400
Jaguar	880
Aston Martin	125

*Because many of these dealerships distribute more than one of our brands from the same sales location, a single dealership may be counted under more than one brand.

In addition to the products we sell to our dealers for retail sale, we also sell cars and trucks to our dealers for sale to fleet customers, including daily rental car companies, commercial fleet customers, leasing companies and governments. Sales to all of our fleet customers in the United States in the aggregate have represented between 23% and 27% of our total U.S. car and truck sales for the last five years. We do not depend on any single customer or small group of customers to the extent that the loss of such customer or group of customers would have a material adverse effect on our business.

In addition to producing and selling cars and trucks, we also provide retail customers with a wide range of after-the-sale vehicle services and products through our dealer network, in areas such as maintenance and light repair, heavy repair, collision, vehicle accessories and extended service warranty. In North America, we market these products and services under several brands, including Genuine Ford and Lincoln-Mercury Parts and ServiceSM, Ford Extended Service PlanSM, and MotorcraftSM.

The worldwide automotive industry, Ford included, is affected significantly by general economic conditions (among other factors) over which we have little control. This is especially so because vehicles are durable goods, which provide consumers latitude in determining whether and when to replace an existing vehicle. The decision whether and when to make a vehicle purchase may be affected significantly by slowing economic growth, geo-political events and other factors (including the cost of purchasing and operating cars and trucks and the availability and cost of credit and fuel). Accordingly, the number of cars and trucks sold (commonly referred to as "industry demand") may vary

substantially from year to year. The automotive industry is also a highly competitive, cyclical business that has a wide and growing variety of product offerings from a growing number of increasingly global manufacturers.

Our unit sales vary with the level of total industry demand and our share of that industry demand. In the short term, our unit sales also are influenced by the level of dealer inventory. Our share is influenced by how our products are perceived in comparison to those offered by other manufacturers based on many factors, including price, quality, styling, reliability, safety, and functionality. Our share also can be affected by the timing and frequency of new model introductions. Our ability to satisfy changing consumer preferences with respect to type or size of vehicle, as well as design and performance characteristics, can impact our sales and earnings significantly.

The profitability of vehicle sales is affected by many factors, including the following:

- unit sales volume;
- the mix of vehicles and options sold;

ITEM 1. *Business (continued)*

- the margin of profit on each vehicle sold;
- the level of "incentives" (e.g., price discounts) and other marketing costs;
- the costs for customer warranty claims and additional service actions; and
- the costs for safety, emission and fuel economy technology and equipment.

Further, because Ford and other manufacturers have a high proportion of costs that are relatively fixed (including labor costs), small changes in unit sales volumes can significantly affect overall profitability.

In addition, the automobile industry continues to face a very competitive pricing environment, driven in part by industry excess capacity. For the past several decades, manufacturers typically have given price discounts and other marketing incentives to purchasers to maintain their market shares and production levels. A discussion of our strategies to compete in this pricing environment is set forth below in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview."

Competitive Position. The worldwide automotive industry consists of many producers, with no single dominant producer. Certain manufacturers, however, account for the major percentage of total sales within particular countries, especially their countries of origin. Detailed information regarding our competitive position in the principal markets where we compete can be found below as part of the overall discussion of the automotive industry in those markets.

Seasonality. We generally record the sale of a vehicle (and recognize sales proceeds in revenue) when it is produced and shipped to our customer (i.e., our dealer or distributor). We manage our vehicle production schedule based on a number of factors, including dealer stock levels (i.e., the number of units held in inventory by our dealers and distributors for sale to retail and fleet customers) and retail sales (i.e., units sold by our dealers and distributors to their customers at retail). We experience some fluctuation in the business of a seasonal nature. Generally, North American production is higher in the first half of the year to meet demand in the spring and summer, which are usually the strongest sales months of the year. Third quarter production is typically the lowest of the year, owing to the annual two-week vacation shutdown of our manufacturing facilities during this quarter. As a result, operating results for the third quarter typically are less favorable than those of the other quarters.

Raw Materials. We purchase a wide variety of raw materials for use in the production of our vehicles from numerous suppliers around the world. These raw materials include non-ferrous metals (e.g., aluminum), precious metals (e.g., palladium), ferrous metals (e.g., steel and iron castings), energy (e.g., natural gas) and resins (e.g., polypropylene). We believe that we have adequate supplies or sources of availability of the raw materials necessary to meet our needs. However, there are risks and uncertainties with respect to the supply of certain of these raw materials that could impact their availability in sufficient quantities to meet our needs. See "Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations - Overview" for a discussion of commodity price trends, and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk - Commodity Price Risk" for a discussion of commodity price risks.

Backlog Orders. We generally produce and ship our products on average within approximately 20 days after an order is deemed to become firm. Therefore, no significant amount of backlog orders accumulates during any period.

Intellectual Property. We own or hold licenses to use numerous patents, copyrights and trademarks on a global basis. Our policy is to protect our competitive position by, among other methods, filing U.S. and international patent

applications to protect technology and improvements that we consider important to the development of our business. As such, we have generated a large number of patents related to the operation of our business and expect this portfolio to continue to grow as we actively pursue additional technological innovation. We currently have approximately 12,000 active patents and pending patent applications globally, with an average age for patents in our active patent portfolio being just over 5 years. In addition to this intellectual property, we also rely on our proprietary knowledge and ongoing technological innovation to develop and maintain our competitive position. While we believe these patents, patent applications and know-how, in the aggregate, to be important to the conduct of our business, and we obtain licenses to use certain intellectual property owned by others, none is individually considered material to our business. We also own numerous trademarks and service marks that contribute to the identity and recognition of our company and its products and services globally. Certain of these marks are integral to the conduct of our business, and the loss of any of these could have a material adverse effect on our business.

ITEM 1. *Business (continued)*

Warranty Coverage and Additional Service Actions. Ford Motor Company or Ford Motor Vehicle Assurance Company, a subsidiary of Ford Motor Company, presently provides warranties on all vehicles sold by Ford Motor Company. Warranties are offered for specific periods of time and/or mileage, and vary depending upon the type of product, usage of the product and the geographic location of its sale. The types of warranty coverage offered include base coverage (e.g., "bumper-to-bumper" coverage in the United States on Ford brand vehicles for 36 months or 36,000 miles, whichever occurs first), safety restraint coverage, and corrosion coverage. In compliance with regulatory requirements, we also provide emissions defects and emissions performance warranty coverage. Pursuant to these warranties, Ford Motor Company will repair, replace, or adjust all parts on a vehicle that are defective in factory-supplied materials or workmanship during the specified warranty period.

In addition to the costs associated with the contractual warranty coverage provided on our vehicles, we also incur costs as a result of additional service actions not covered by our warranties, including product recalls and customer satisfaction actions.

Estimated warranty and additional service action costs for each vehicle sold by us are accrued for at the time of sale. Accruals for estimated warranty and additional service action costs are based on historical experience and subject to adjustment from time to time depending on actual experience. Warranty accrual adjustments required when actual warranty claim experience differs from our estimates may have a material impact on our financial condition.

For additional information with respect to costs for warranty and additional service actions, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" and Note 27 of the Notes to the Financial Statements.

United States

Sales Data. The following table shows U.S. industry sales of cars and trucks for the years indicated:

U.S. Industry Sales Years Ended December 31,					
	2005	2004	2003	2002	2001
	(millions of units)				
Cars	7.7	7.5	7.6	8.1	8.4
Trucks	9.8	9.8	9.4	9.0	9.1
Total	17.5	17.3	17.0	17.1	17.5

We classify cars by small, medium, large and premium segments, and trucks by compact pickup, bus/van (including minivans), full-size pickup, sport utility vehicles and medium/heavy segments. However, with the introduction of crossover vehicles, the distinction between traditional cars and trucks has become more difficult to draw, and these vehicles are not consistently classified as either cars or trucks across vehicle manufacturers. In the tables above and below, we have classified crossover vehicles as sport utility vehicles. In addition, we have classified as "premium" all of our luxury cars, regardless of size; premium sport utility vehicles and crossovers are included in "trucks." Annually, we conduct a comprehensive review of many factors to determine the appropriate classification of vehicle segments and the vehicles within those segments, and this review occasionally results in a change of classification for certain vehicles.

ITEM 1. *Business (continued)*

The following tables show the proportion of U.S. car and truck unit sales by segment for the industry (including both domestic and foreign-based manufacturers) and Ford (including all of our brands sold in the United States) for the years indicated:

**U.S. Industry Vehicle Mix of Sales
by Segment**

Years Ended December 31,

	2005	2004	2003	2002	2001
CARS					
Small	16.7%	15.9%	16.4%	17.3%	18.4%
Medium	12.6	13.6	14.8	15.6	15.8
Large	7.0	6.3	6.1	6.9	7.1
Premium	7.7	7.6	7.6	7.5	6.9
Total U.S. Industry Car Sales	44.0	43.4	44.9	47.3	48.2
TRUCKS					
Compact Pickup	3.9%	4.0%	4.4%	4.7%	5.1%
Bus/Van	8.2	8.2	8.0	8.6	8.7
Full-Size Pickup	14.5	14.6	14.0	13.1	13.4
Sport Utility Vehicles	26.7	27.6	27.0	24.9	23.0
Medium/Heavy	2.7	2.2	1.7	1.4	1.6
Total U.S. Industry Truck Sales	56.0	56.6	55.1	52.7	51.8
Total U.S. Industry Vehicle Sales	100.0%	100.0%	100.0%	100.0%	100.0%

**Ford Vehicle Mix of Sales
by Segment in U.S.**

Years Ended December 31,

	2005	2004	2003	2002	2001
CARS					
Small	10.9%	10.2%	11.4%	12.5%	14.0%
Medium	7.7	8.8	10.4	11.9	11.5
Large	8.3	5.0	4.8	4.4	5.2
Premium	5.9	6.6	7.0	7.8	7.0
Total Ford U.S. Car Sales	32.8	30.6	33.6	36.6	37.7
TRUCKS					
Compact Pickup	3.8%	4.7%	6.0%	6.2%	6.9%
Bus/Van	8.4	8.8	8.4	9.1	9.1
Full-Size Pickup	28.4	28.2	24.3	22.5	22.9
Sport Utility Vehicles	26.1	27.4	27.5	25.4	23.2
Medium/Heavy	0.5	0.3	0.2	0.2	0.2
Total Ford U.S. Truck Sales	67.2	69.4	66.4	63.4	62.3
Total Ford U.S. Vehicle Sales	100.0%	100.0%	100.0%	100.0%	100.0%

As the tables above indicate, there has been a general shift from cars to trucks for both industry sales and Ford sales; 2005 is the first year in recent years in which segmentation shifted back toward cars. Prior to 2005, both industry and Ford's truck mix had been increasing since 2001, reflecting higher sales of sport utility vehicles and full-size pickups. In 2005, in line with industry trends, Ford's sport utility vehicle sales as a percent of total sales declined, while large

and small car percentages increased. The increase in 2005 in the proportion of large cars sold by Ford largely reflects the introduction of new models in this segment (e.g., Ford Five Hundred and Mercury Montego).

Market Share Data. Our principal competitors in the United States include General Motors Corporation, DaimlerChrysler Corporation, Toyota Motor Corporation, Honda Motor Company and Nissan Motor Company. The following tables show changes in U.S. car and truck market share for Ford (including all of our brands sold in the U.S.), and for the other five leading vehicle manufacturers for the years indicated. The percentages in each of the following tables represent the percentage of the combined car and truck industry:

	U.S. Car Market Shares*				
	Years Ended December 31,				
	2005	2004	2003	2002	2001
Ford	6.0%	5.9%	6.9%	7.7%	8.6%
General Motors	10.0	10.9	11.5	12.1	13.0
DaimlerChrysler	4.0	3.8	3.8	4.1	4.1
Toyota	7.4	6.4	5.9	5.8	5.5
Honda	4.8	4.9	4.8	4.9	5.1
Nissan	3.3	3.1	3.0	2.5	2.4
All Other**	8.5	8.4	9.0	10.2	9.5
Total U.S. Car Retail Deliveries	44.0%	43.4%	44.9%	47.3%	48.2%

ITEM 1. *Business (continued)*

U.S. Truck Market Shares*
Years Ended December 31,

	2005	2004	2003	2002	2001
Ford	12.2%	13.4%	13.6%	13.4%	14.2%
General Motors	15.8	16.2	16.4	16.2	15.0
DaimlerChrysler	10.5	10.3	10.0	10.0	10.1
Toyota	5.6	5.5	5.1	4.5	4.5
Honda	3.6	3.2	3.1	2.4	1.8
Nissan	2.9	2.6	1.7	1.5	1.7
All Other**	5.4	5.4	5.2	4.7	4.5
Total U.S. Truck Retail Deliveries	56.0%	56.6%	55.1%	52.7%	51.8%

**U.S. Combined Car and Truck
Market Shares***

Years Ended December 31,

	2005	2004	2003	2002	2001
Ford	18.2%	19.3%	20.5%	21.1%	22.8%
General Motors	25.8	27.1	27.9	28.3	28.0
DaimlerChrysler	14.5	14.1	13.8	14.1	14.2
Toyota	13.0	11.9	11.0	10.3	10.0
Honda	8.4	8.1	7.9	7.3	6.9
Nissan	6.2	5.7	4.7	4.4	4.1
All Other**	13.9	13.8	14.2	14.5	14.0
Total U.S. Car and Truck Retail Deliveries	100.0%	100.0%	100.0%	100.0%	100.0%

* All U.S. retail sales data are based on publicly available information from the media and trade publications.

** "All Other" includes primarily companies based in Korea, other Japanese manufacturers and various European manufacturers, and, with respect to the U.S. Truck Market Shares table and U.S. Combined Car and Truck Market Shares table, includes heavy truck manufacturers.

The decline in overall market share for Ford since 2001 is primarily the result of several factors, including increased competition, a recent shift away from our stronger segments (e.g., traditional sport utility vehicles) and the discontinuation of a number of vehicles such as Ford Escort, Ford Explorer Sport, Mercury Cougar, Mercury Villager and Lincoln Continental.

Fleet Sales. The sales data and market share information provided above include both retail and fleet sales. Fleet sales include sales to daily rental car companies, commercial fleet customers, leasing companies and governments.

The table below shows our fleet sales (including all brands) in the United States, and the amount of those sales as a percentage of our total U.S. car and truck sales for the last five years:

Ford Fleet Sales
Years Ended December 31,

2005	2004	2003	2002	2001
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Daily Rental Units	450,000	429,000	444,000	459,000	465,000
Commercial and Other Units	263,000	248,000	227,000	252,000	295,000
Government Units	141,000	133,000	124,000	123,000	143,000
Total Fleet Units	854,000	810,000	795,000	834,000	903,000
Percent of Ford's total U.S. car and truck sales	27%	24%	23%	23%	23%

Total fleet sales increased in 2004 and 2005, reflecting a stronger fleet industry. Similarly, increased daily rental unit sales in 2005 compared with 2004 primarily reflected strong segment demand.

Europe

Market Share Information. Outside of the United States, Europe is our largest market for the sale of cars and trucks. We consider Europe to consist of the following 19 markets: Britain, Germany, France, Italy, Spain, Austria, Belgium, Ireland, Netherlands, Portugal, Switzerland, Finland, Sweden, Denmark, Norway, Czech Republic, Greece, Hungary and Poland. The automotive industry in Europe is intensely competitive. Our principal competitors in Europe include General Motors Corporation, Volkswagen A.G. Group, PSA Group, Renault Group and Fiat SpA. For the past 10 years, the top six manufacturers have collectively held between 69% and 74% of the total car market. This competitive environment is expected to intensify further as Japanese and Korean manufacturers increase their production capacity in Europe, and all of the other (non-Ford) manufacturers of premium brands (e.g., BMW, Mercedes Benz and Audi) continue to broaden their product offerings.

ITEM 1. Business (continued)

For this discussion, 2005 market data are based on estimated registrations currently available; percentage change is measured from actual 2004 registrations. In 2005, vehicle manufacturers sold approximately 17.5 million cars and trucks in Europe, down 0.1% from 2004 levels. Our combined car and truck market share in Europe (including all of our brands sold in Europe) in 2005 was 10.8% (down 0.1 percentage points from 2004).

Britain and Germany are our most important markets within Europe. Any adverse change in the British or German market has a significant effect on our total European automotive profits. For 2005 compared with 2004, total industry sales were down 4.4% in Britain and up 1.7% in Germany. Our combined car and truck market share in these markets (including all of our brands sold in these markets) in 2005 was 19.5% in Britain (down 0.2 percentage points from the previous year), and 8.6% in Germany (down 0.2 percentage points from the previous year).

Although not included in the primary 19 markets above, several additional markets in the region contribute to our Ford Europe business unit results. Ford's share of the Turkish market increased by 1.5 percentage points to 17.0% - the fourth year in a row that the Ford brand has led the market in sales in Turkey. We also are experiencing strong sales in Russia, where sales of Ford-brand vehicles increased approximately 54% to 60,500 units in 2005.

Motor Vehicle Distribution in Europe. On October 1, 2002, the Commission of the European Union ("Commission") adopted a new regulation that changed the way motor vehicles are sold and repaired throughout the European Community (the "Block Exemption Regulation"). Under the Block Exemption Regulation, manufacturers had the choice to either operate an "exclusive" distribution system with exclusive dealer sales territories, but with the possibility of sales to any reseller (e.g., supermarket chains, internet agencies and other resellers not authorized by the manufacturer), who in turn could sell to end customers both within and outside of the dealer's exclusive sales territory, or a "selective" distribution system.

We, as well as the vast majority of the other automotive manufacturers, have elected to establish a "selective" distribution system, allowing us to restrict the dealer's ability to sell our vehicles to unauthorized resellers. In addition, under the "selective" distribution system, we are entitled to determine the number of our dealers but, since October 2005, not their location. Under either system, the new rules make it easier for a dealer to display and sell multiple brands in one store without the need to maintain separate facilities.

Within this new regulation, the Commission also has adopted sweeping changes to the repair industry. Dealers can no longer be required by the manufacturer to perform repair work themselves. Instead, dealers may subcontract the work to independent repair shops that meet reasonable criteria set by the manufacturer. These authorized repair facilities may perform warranty and recall work, in addition to other repair and maintenance work. While a manufacturer may continue to require the use of its parts in warranty and recall work, the repair facility may use parts made by others that are of comparable quality for all other repair work. We have negotiated and implemented new Dealer, Authorized Repairer and Spare Part Supply contracts on a country-by-country level and, therefore, the Block Exemption Regulation now applies with respect to all of our dealers.

With these new rules, the Commission intends to increase competition and narrow car price differences from country to country. While it remains difficult to quantify the full impact of these changes on our European operations, the Block Exemption Regulation continued to contribute to an increasingly competitive market for vehicles and parts. This has contributed to an increase in marketing expenses, thus negatively affecting the profitability of our Ford Europe and PAG segment. We anticipate that this trend may continue as dealers and parts suppliers become increasingly organized and established.

Other Markets

Canada and Mexico. Canada and Mexico also are important markets for us. In Canada, industry sales of new cars and trucks in 2005 were approximately 1.63 million units, up 3.5% from 2004 levels. In 2005, industry sales of new cars and trucks in Mexico were approximately 1.16 million units, up 3.8% from 2004. Our combined car and truck market share (including all of our brands sold in these markets) in 2005 was 13.9% in Canada (down 0.6 percentage points from the previous year), and 17.2% in Mexico (up 0.7 percentage points from the previous year).

South America. Brazil and Argentina are our principal markets in South America. The economic environment in these countries has been volatile in recent years, particularly in 2002 and 2003, leading to large variations in industry sales. The 2004 and 2005 results have been favorably influenced by continued improvements in economic conditions, political stability and government actions to reduce inflation and public deficits. Industry sales in 2005 were approximately 1.7 million units in Brazil, up about 8.6% from 2004, and approximately 377,000 units in Argentina, up about 32.6% from 2004. Our combined car and truck share in these markets (including all of our brands sold in these markets) in 2005 was 12.5% in Brazil (up 0.6 percentage points from the previous year) and 15.5% in Argentina (down 2.7 percentage points from the previous year).

ITEM 1. Business (continued)

Asia Pacific. Australia, Taiwan, Thailand, South Africa and Japan are our principal markets in this region. Details of preliminary 2005 and actual 2004 industry volumes and our combined car and truck market share for these countries (including all of our brands sold in a particular country) are shown in the table below:

	Industry Volumes (in thousands)			Corporate Market Share			
	2005	2004	2005 Over/(Under) 2004	2005	2004	2005 Over/(Under) 2004	
Australia	988	955	33	3%	13.8%	14.9%	(1.1) pts.
South Africa	565	450	115	26%	11.0%	10.5%	0.5 pts.
Taiwan	514	484	30	6%	11.2%	11.0%	0.2 pts.
Thailand	700	626	74	12%	3.5%	4.2%	(0.7) pts.
Japan	5,852	5,853	(1)	0%	*	*	*

* Our combined car and truck market share in Japan has been less than 1% in recent years.

We have an ownership interest in Mazda Motor Corporation ("Mazda") of approximately 33.4%, and account for Mazda on an equity basis. Mazda's market share in the Asia Pacific region was 3.4% in 2005. Our principal competition in the Asia Pacific region has been the Japanese manufacturers. We anticipate that the ongoing relaxation of import restrictions (including duty reductions) will continue to intensify competition in the region.

We began operations in India in 1999, launching an all-new small car (the Ikon) designed specifically for that market. In 2003, we launched the Endeavor, Ford's first SUV in India, and we also launched the Fusion in late 2004 and the Fiesta in late 2005. Our operations in India also sell components to other Ford affiliates.

We also are in the process of increasing our presence in China. Changan Ford Automobile Corporation, Ltd. ("Changan Ford") is our 50/50 joint venture operation with Chongqing Changan Automobile Co., Ltd. The Changan Ford assembly plant, located in Chongqing, became operational and began producing the Fiesta model in January 2003, and the Mondeo model later that year. The Focus model was launched in 2005. We also announced in 2003 that more than \$1 billion would be invested over the next several years to expand manufacturing capacity, introduce new products and expand distribution channels in the Chinese automotive market. This investment will initially support the addition of new products and expansion of production capacity at Changan Ford in Chongqing from 50,000 units per year to about 200,000 units per year. It will also support the establishment of a second assembly plant and a new engine plant to be located in Nanjing. We began construction of these new facilities in 2005, with expected completion in 2007. Initial capacity at the new assembly facility is expected to be about 160,000 units annually. In addition, we have a 30% interest in Jiangling Motors Corporation Ltd., which has operations in Nanchang and assembles vehicles for distribution in China. We also import Jaguar, Volvo, Land Rover, and select Ford vehicles into China. We continue to operate a purchasing office in China to take advantage of sourcing opportunities for global markets from that country. For additional discussion of our joint ventures in China, see "Item 2. Properties."

FINANCIAL SERVICES SECTOR

Ford Motor Credit Company

Ford Motor Credit Company ("Ford Credit") offers a wide variety of automotive financing products to and through automotive dealers throughout the world. The predominant share of Ford Credit's business consists of financing our vehicles and supporting our dealers. Ford Credit's primary financial products fall into the following three categories:

• *Retail financing.* Purchasing retail installment sales contracts and retail lease contracts from dealers, and offering financing to commercial customers, primarily vehicle leasing companies and fleet purchasers, to purchase or lease vehicle fleets;

• *Wholesale financing.* Making loans to dealers to finance the purchase of vehicle inventory, also known as floorplan financing; and

• *Other financing.* Making loans to dealers for working capital, improvements to dealership facilities, and the acquisition and refinancing of dealership real estate.

ITEM 1. Business (continued)

Ford Credit also services the finance receivables and leases that it originates and purchases, makes loans to our affiliates, purchases certain receivables from us and our subsidiaries, and provides insurance services related to its financing programs. Ford Credit's revenues are earned primarily from payments made under retail installment sale contracts and retail leases (including interest supplements and other support payments it receives from us on special-rate retail financing programs), from investment and other income related to sold receivables, and from payments made under wholesale and other dealer loan financing programs.

Ford Credit does business in all 50 states of the United States through about 81 dealer automotive financing branches and seven regional service centers, and does business in all provinces in Canada through seven dealer automotive financing branches and two regional service centers. Outside of the United States, FCE Bank plc ("FCE") is Ford Credit's largest operation. FCE's primary business is to support the sale of our vehicles in Europe through our dealer network. FCE offers a variety of retail, leasing and wholesale finance plans in most countries in which it operates; FCE does business in the United Kingdom, Germany and most other European countries. Ford Credit, through its subsidiaries, also operates in the Asia Pacific and Latin American regions. In addition, FCE, through its Worldwide Trade Financing division, provides financing to dealers in countries where typically we have no established local presence.

Ford Credit's share of retail financing for new Ford, Lincoln and Mercury brand vehicles sold by dealers in the United States and new Ford brand vehicles sold by dealers in Europe, as well as Ford Credit's share of wholesale financing for new Ford, Lincoln and Mercury brand vehicles acquired by dealers in the United States (excluding fleet) and of new Ford brand vehicles acquired by dealers in Europe, were as follows during the last three years:

	Years Ended December 31,		
	2005	2004	2003
United States			
Financing share - Ford, Lincoln and Mercury			
Retail installment and lease	37%	45%	39%
Wholesale	81	84	85
Europe			
Financing share - Ford			
Retail installment and lease	28%	29%	31%
Wholesale	96	97	97

For a detailed discussion of Ford Credit's receivables, credit losses, allowance for credit losses, loss-to-receivables ratios, funding sources and funding strategies, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." For a discussion of how Ford Credit manages its financial market risks, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk."

We sponsor special-rate financing programs available only through Ford Credit. Under these programs, we make interest-supplement or other support payments to Ford Credit. These programs increase Ford Credit's financing volume and share of financing sales of our vehicles. See Note 1 of the Notes to the Financial Statements for more information about these support payments.

Under a profit maintenance agreement with Ford Credit, we have agreed to make payments to maintain Ford Credit's earnings at certain levels. In addition, under a support agreement with FCE, Ford Credit has agreed to maintain FCE's net worth above a minimum level. No payments were made under either of these agreements during the 2003 through

2005 periods.

GOVERNMENTAL STANDARDS

A number of governmental standards and regulations relating to safety, fuel economy, emissions control, noise control, vehicle recycling, substances of concern, damageability, and theft prevention are applicable to new motor vehicles, engines, and equipment manufactured for sale in the United States, Europe and elsewhere. In addition, manufacturing and assembly facilities in the United States, Europe and elsewhere are subject to stringent standards regulating air emissions, water discharges, and the handling and disposal of hazardous substances. Such facilities also may be subject to comprehensive national, regional, and/or local permit programs with respect to such matters.

ITEM 1. Business (continued)

Mobile Source Emissions Control

U.S. Requirements. The federal Clean Air Act imposes stringent limits on the amount of regulated pollutants that lawfully may be emitted by new motor vehicles and engines produced for sale in the United States. In 1999, the United States Environmental Protection Agency ("EPA") promulgated post-2004 model year standards that were more stringent than the default standards contained in the Clean Air Act. These regulations require light-duty trucks and certain heavy-duty passenger-carrying trucks to meet the same emissions standards as passenger cars by the 2007 model year, and extend emissions durability requirements to 120,000 or 150,000 miles (depending on the specific standards to which the vehicle is certified). The stringency of these standards presents compliance challenges and is likely to hinder efforts to employ light-duty diesel technology, which could negatively impact our ability to meet Corporate Average Fuel Economy ("CAFE") standards. The EPA also promulgated post-2004 emissions standards for "heavy-duty" trucks (8,500-14,000 lbs. gross vehicle weight), which are also likely to pose technological challenges.

As discussed in "Stationary Source Emissions Control" below, the EPA continues to revise the National Ambient Air Quality Standards for particulate matter and ozone, and to redesignate areas of the country from "attainment" to "non-attainment" status. These changes will further increase pressure to reduce vehicle emissions of particulate matter, volatile organic compounds and nitrogen oxide.

Pursuant to the Clean Air Act, California has received a waiver from the EPA to establish its own unique emissions control standards. New vehicles and engines sold in California must be certified by the California Air Resources Board ("CARB"). CARB has adopted stringent vehicle emissions standards that began phasing in with the 2004 model year. These new standards treat most light-duty trucks the same as passenger cars, and require both types of vehicles to meet new stringent emissions requirements. As with the EPA's post-2004 standards, CARB's vehicle standards present a difficult engineering challenge, and will essentially rule out the use of light-duty diesel technology. In 2004, CARB voted to adopt standards limiting emissions of "greenhouse" gases (e.g., carbon dioxide) from new motor vehicles. Although CARB claims that its vehicle emissions regulations provide authority for it to adopt such regulations, the EPA has determined that greenhouse gases are not subject to regulation under the federal Clean Air Act. Since greenhouse gas standards are functionally equivalent to fuel economy standards, this issue is discussed more fully in the "Motor Vehicle Fuel Economy" section below.

Since 1990, the California program has included requirements for manufacturers to produce and deliver for sale zero-emission vehicles ("ZEVs"), which produce no emission of regulated pollutants (typically battery-powered vehicles, which have had narrow consumer appeal due to their limited range, reduced functionality, and high cost). This ZEV mandate initially required that a specified percentage of each manufacturer's vehicles produced for sale in California be ZEVs, beginning at 2% in 1998 and increasing to 10% in 2003. In 1996, CARB eliminated the ZEV mandate for the 1998-2002 model years, but retained the 10% mandate in a modified form beginning with the 2003 model year.

In April 2003, CARB adopted amendments to the ZEV mandate that shifted the near-term focus of the regulation away from battery-electric vehicles to advanced-technology vehicles (e.g., hybrid electric vehicles or natural gas vehicles) with extremely low tailpipe emissions. The rules also give some credit for so-called "partial zero-emission vehicles" ("PZEVs"), which can be internal combustion engine vehicles certified to very low tailpipe emissions and zero evaporative emissions. In addition, the rules call on the auto industry to ramp up production of zero-emission fuel cell vehicles over the longer term. In the aggregate, the industry must produce 250 zero-emission fuel cell vehicles by the 2008 model year, and 2,500 more in the 2009-2011 model year period. A panel of independent experts will review the feasibility of these requirements in 2006. While the changes appear to reflect a recognition that battery-electric vehicles simply do not have the potential to achieve widespread consumer acceptance, there are substantial questions

about the feasibility of producing the required number of zero-emission fuel-cell vehicles due to the substantial engineering challenges and high costs associated with this technology. It is doubtful whether the market will support the number of required ZEVs, even taking into account the recent modifications of the ZEV mandate. Fuel cell technology in the future may enable production of ZEVs with widespread consumer appeal. However, due to the engineering challenges, the high cost of the technology, infrastructure needs, and other issues, it does not appear that mass production of fuel cell vehicles will be commercially feasible for years to come. Compliance with the ZEV mandate may eventually require costly actions that would have a substantial adverse effect on Ford's sales volume and profits. For example, Ford could be required to curtail the sale of non-ZEVs and/or offer to sell ZEVs, advanced-technology vehicles, and PZEVs well below cost.

The Clean Air Act permits other states that do not meet national ambient air quality standards to adopt California's motor vehicle emissions standards no later than two years before the affected model year. In addition to California, nine states, primarily located in the Northeast and Northwest, have adopted the California standards (including California's greenhouse gas provisions). Eight of these states also adopted the ZEV requirements. These nine states, together with California, account for approximately 25% of Ford's current light-duty vehicle sales volume in the United States. More states are considering adopting the California standards. Unfortunately, there are problems inherent in transferring California standards to other states, including the following: 1) managing fleet average emissions standards and ZEV mandate requirements on a state-by-state basis presents a major challenge to automobile company distribution systems; 2) the driving range of many ZEVs is greatly diminished in cold weather, thereby limiting their market appeal; and 3) the states adopting the California program have refused thus far to adopt the California reformulated gasoline regulations, which may impair the ability of vehicles to meet California's in-use standards.

ITEM 1. Business (continued)

Under the Clean Air Act, the EPA and CARB may require manufacturers to recall and repair non-conforming vehicles (which may be identified by testing or analysis done by the manufacturer, the EPA or CARB), or we may voluntarily stop shipment of or recall non-conforming vehicles. The costs of related repairs or inspections associated with such recalls, or a stop shipment order, could be substantial.

Both CARB and the EPA also have adopted on-board diagnostic ("OBD") regulations, which require a vehicle to monitor its emissions control system and notify the vehicle operator (via the "check engine" light) of any malfunction. These regulations have become extremely complicated, and creation of a compliant system requires substantial engineering resources. In 2005, CARB adopted even more stringent OBD requirements for heavy-duty vehicles, and has initiated rulemaking to further regulate light-duty vehicle OBD systems. Many states have implemented OBD tests as part of their inspection and maintenance program. Failure of in-service compliance tests could lead to vehicle recalls with substantial costs for related inspections or repairs.

European Requirements. European Union ("EU") directives and related legislation limit the amount of regulated pollutants that may be emitted by new motor vehicles and engines sold in the EU. In 1998, the EU adopted a new directive on emissions from passenger cars and light commercial trucks. More stringent emissions standards applied to new car certifications beginning January 1, 2000 and to new car registrations beginning January 1, 2001 ("Stage III Standards"). A second level of even more stringent emissions standards were applied to new car certifications beginning January 1, 2005 and to new car registrations beginning January 1, 2006 ("Stage IV Standards"). The comparable light commercial truck Stage III Standards and Stage IV Standards come into effect one year later than the passenger car requirements. This directive on emissions also introduced OBD requirements, more stringent evaporative emissions requirements, and in-service compliance testing and recall provisions for emissions-related defects that occur in the first five years or 80,000 kilometers of vehicle life (extended to 100,000 kilometers in 2005). Failure of in-service compliance tests could lead to vehicle recalls with substantial costs for related inspections or repairs. The Stage IV Standards for diesel engines have proven technologically difficult and precluded manufacturers from offering some products in time to be eligible for government incentive programs. The EU commenced a program in 2004 to determine the specifics for further changes to vehicle emissions standards, and in 2005 the European Commission published a proposed law for Stage V emissions. Specific mandated targets/limits are yet to be determined. It is anticipated that the law will not be finalized before the end of 2006.

Other National Requirements. Many countries, in an effort to address air quality concerns, are adopting previous versions of European or United Nations Economic Commission for Europe ("UNECE") mobile source emissions regulations. Some countries have adopted more advanced regulations based on the most recent version of European or U.S. regulations; for example, China has adopted the most recent European standards to be implemented in the 2008-2010 timeframe. Korea and Taiwan have adopted very stringent U.S.-based standards for gasoline vehicles, and European-based standards for diesel vehicles. Because fleet average requirements do not apply, some vehicle emissions control systems may have to be redesigned to meet the requirements in these markets. Furthermore, not all of these countries have adopted appropriate fuel quality standards to accompany the stringent emissions standards adopted. This could lead to problems, particularly if OBD or in-use surveillance are implemented. Japan has unique standards and test procedures, and is considering more stringent standards for implementation in 2009. This may require unique emissions control systems be designed for the Japanese market.

Stationary Source Emissions Control

In the United States, the federal Clean Air Act also requires the EPA to identify "hazardous air pollutants" from various industries and promulgate rules restricting their emission. The EPA has issued final rules for a variety of industrial categories, several of which would further regulate emissions from our U.S. operations, including engine

testing, automobile surface coating and iron casting. These technology-based standards require certain of our facilities to significantly reduce their air emissions. Additional programs under the Clean Air Act, including Compliance Assurance Monitoring and periodic monitoring could require our facilities to install additional emission monitoring equipment. The cost to us, in the aggregate, to comply with these requirements could be substantial.

ITEM 1. Business (continued)

The Clean Air Act also requires the EPA to periodically review and update its National Ambient Air Quality Standards, and to designate whether counties or other local areas are in compliance with the new standards. If an area or county does not meet the new standards ("non-attainment areas"), the state must revise its implementation plans to achieve attainment. The EPA recently established new designations that reclassify many of the areas where Ford's manufacturing facilities are located as non-attainment areas. It is likely that the affected states will revise their implementation plans to require additional emission control equipment and impose more stringent permit requirements on these facilities. The cost to us, in the aggregate, to comply with these requirements could be substantial.

Motor Vehicle Safety

U.S. Requirements. The National Traffic and Motor Vehicle Safety Act of 1966 (the "Safety Act") regulates motor vehicles and motor vehicle equipment in the United States in two primary ways. First, the Safety Act prohibits the sale in the United States of any new vehicle or equipment that does not conform to applicable motor vehicle safety standards established by the National Highway Traffic Safety Administration ("NHTSA"). Meeting or exceeding many safety standards is costly, because the standards tend to conflict with the need to reduce vehicle weight in order to meet emissions and fuel economy standards. Second, the Safety Act requires that defects related to motor vehicle safety be remedied through safety recall campaigns. A manufacturer also is obligated to recall vehicles if it determines that the vehicles do not comply with a safety standard. Should Ford or NHTSA determine that either a safety defect or a noncompliance exists with respect to certain of Ford's vehicles, the costs of such recall campaigns could be substantial. There were pending before NHTSA eight investigations relating to alleged safety defects or potential compliance issues in Ford vehicles as of January 17, 2006.

The Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU") was also signed into law in 2005. SAFETEA-LU establishes a number of substantive, safety-related rulemaking mandates for NHTSA that can be expected to result in new regulations and product content requirements.

The Transportation Recall Enhancement, Accountability, and Documentation Act (the "TREAD Act") was signed into law in November 2000. The TREAD Act required NHTSA to establish several new regulations, including reporting requirements for motor vehicle manufacturers on foreign recalls and certain information received by the manufacturer that may assist the agency in the early identification of safety defects. As part of its rulemaking efforts, NHTSA defined certain types of material provided by manufacturers as competitively sensitive and entitled to a presumption of confidentiality, including warranty claim information, field reports, and consumer complaint information. Public Citizen, an advocacy organization, has filed a lawsuit challenging NHTSA's confidentiality determinations, which may be resolved in the 2006 calendar year. If Public Citizen prevails, Ford and other manufacturers may lose the ability to protect warranty and consumer information after it is submitted to NHTSA pursuant to the TREAD Act.

Foreign Requirements. Canada, the EU, individual member countries within the EU, and other countries in Europe, South America and the Asia Pacific markets also have safety standards applicable to motor vehicles and are likely to adopt additional or more stringent standards in the future. In addition, the European Automobile Manufacturers Association ("EAMA") (also known in Europe as the "ACEA"), of which Ford is a member, made a voluntary commitment in June 2001 to introduce a range of safety measures to improve pedestrian protection with the first phase starting in 2005 and a second phase starting in 2010. Similar commitments were subsequently made by the Japanese and Korean automobile manufacturers associations. As a result, over 99% of cars and small vans sold in Europe are covered by industry safety commitments. The European Council of Ministers and the European Parliament published a directive in December 2003 and a decision in February 2004, which together set forth detailed technical provisions for enforcement of the industry commitments (i.e., the application dates, the types of tests to be conducted, the test

procedures to be used and the limit values to be achieved).

Motor Vehicle Fuel Economy

U.S. Requirements. Under federal law, vehicles must meet minimum corporate average fuel economy standards set by NHTSA. A manufacturer is subject to potentially substantial civil penalties if it fails to meet the CAFE standard in any model year, after taking into account all available credits for the preceding three model years and expected credits for the three succeeding model years.

Federal law established a passenger car CAFE standard of 27.5 miles per gallon for 1985 and later model years, which NHTSA believes it has the authority to amend to a level it determines to be the maximum feasible level. By rule, NHTSA has set light-truck CAFE standards of 21.6 miles per gallon for model year 2006, and of 22.2 miles per gallon for model year 2007. In August 2005, NHTSA issued a Notice of Proposed Rulemaking regarding light-truck fuel economy standards for the 2008-2011 model years. The proposed rules set forth a new structure for light-truck fuel economy standards. Under the proposal, each manufacturer would be required, by the 2011 model year, to apply a series of size-based category targets to its particular mix of light-trucks in order to calculate the light-truck fuel economy standards applicable to that manufacturer. In model years 2008-2010, manufacturers would have the option of complying with traditional light-truck standards set by NHTSA, or opting into the new structure.

ITEM 1. Business (continued)

The Alliance of Automobile Manufacturers, Ford, and other automotive companies have submitted extensive comments on the proposed rules. In general, Ford favors the new structure proposed by NHTSA, but until the final rule is established the effect of NHTSA's proposal on Ford's ability to comply with light-truck CAFE requirements remains unclear. NHTSA is expected to issue a final rule in April 2006. There are indications that NHTSA may begin work on a new rule to raise car CAFE standards once the light-truck rule is finalized. In addition, a number of CAFE-related bills have been introduced in Congress, where there is always the possibility that new legislation could vitiate the existing regulatory process and establish new fuel economy standards by statute.

Pressure to increase CAFE standards stems in part from concerns about the impact of carbon dioxide and other greenhouse gas emissions on the global climate. In 1999, a petition was filed with the EPA requesting that it regulate carbon dioxide emissions from motor vehicles under the Clean Air Act. This would have the effect of imposing more stringent fuel economy standards, since the amount of carbon dioxide emitted by a vehicle is directly proportional to the amount of fuel consumed. The petitioners later filed suit in an effort to compel a formal response from the EPA. In August 2003, the EPA denied the petition on the grounds that the Clean Air Act does not authorize the EPA to regulate greenhouse gas emissions, and only NHTSA is authorized to regulate fuel economy under the CAFE law. A number of states, cities, and environmental groups filed for review of the EPA's decision in the United States Court of Appeals for the District of Columbia. A coalition of states and industry trade groups, including the Alliance of Automobile Manufacturers (an industry trade group made up of nine leading automotive manufacturers including BMW, DaimlerChrysler, Ford, General Motors and Toyota (the "Alliance")) intervened in support of the EPA's decision. In July 2005, the Court held that the EPA had exercised reasonable discretion in determining not to regulate carbon dioxide as a pollutant. The petitioners are seeking review of this holding by the United States Supreme Court.

In September 2004, CARB adopted California greenhouse gas emissions regulations applicable to 2009-2016 model year cars and trucks, effectively imposing more stringent fuel economy standards than those set by NHTSA. These regulations impose standards that are equivalent to a CAFE standard of more than 43 miles per gallon for passenger cars and small trucks, and approximately 27 miles per gallon for large light trucks and medium-duty passenger vehicles by model year 2016. The Alliance and individual companies (including Ford) submitted comments opposing the rules and addressing errors in CARB's underlying economic and technical analyses. In December 2004, the Alliance filed suit in federal district court in Fresno, California. The suit challenges the regulation on several bases, including that it is preempted by the federal CAFE law. That litigation is now in the discovery phase, and trial is expected in 2007. A host of other states have adopted, or are in the process of adopting, CARB's greenhouse gas standards. These states include New York, Massachusetts, Maine, Vermont, Rhode Island, Connecticut, New Jersey, Pennsylvania, Oregon, and Washington. Several other states are known to be considering the adoption of such rules. As of this writing, the Alliance has filed litigation in the state courts of New York and Oregon alleging procedural errors associated with these states' adoption of greenhouse gas rules. The Alliance has also filed suit in federal court challenging Vermont's adoption of these rules. Additional cases are likely to be filed in 2006.

Ford's ability to comply with CAFE or greenhouse gas emissions standards depends heavily on the alignment of these standards with actual consumer demand. If consumers demand vehicles that are relatively large, have high performance, and/or are feature-laden, while regulatory standards are skewed toward vehicles that are smaller and more economical, compliance becomes problematic. Moreover, if regulatory requirements call for rapid, substantial increases in fleet average fuel economy (or decreases in fleet average greenhouse gas emissions), the Company may not have adequate resources and time to make major product changes across most or all of its vehicle fleet. If significant increases in CAFE standards are imposed beyond those presently in effect or proposed, or if state greenhouse gas regulations are not overturned, we may be forced to take various costly actions that could have substantial adverse effects on our sales volume and profits. For example, we may have to curtail production of certain vehicles such as family-size, luxury, and high-performance cars and full-size light-trucks; restrict offerings of selected

engines and popular options; and/or increase market support programs for our most fuel-efficient cars and light-trucks in order to maintain compliance.

European Requirements. The EU is a party to the Kyoto Protocol and has agreed to reduce greenhouse gas emissions by 8% below their 1990 levels during the 2008-2012 period. In December 1997, the European Council of Environment Ministers reaffirmed its goal to reduce average carbon dioxide emissions from new cars to 120 grams per kilometer by 2010 (at the latest) and invited European motor vehicle manufacturers to negotiate further with the European Commission on a satisfactory voluntary environmental agreement to help achieve this goal. In October 1998, the EU agreed to support an environmental agreement with ACEA (of which Ford is a member) on carbon dioxide emission reductions from new passenger cars (the "ACEA Agreement"). The ACEA Agreement establishes an emissions target of 140 grams of carbon dioxide per kilometer for the average of new cars sold in the EU by the ACEA's members in 2008. Average carbon dioxide emissions of 140 grams per kilometer for new passenger cars corresponds to a 25% reduction in average carbon dioxide emissions compared to 1995. To date, the industry has made good progress, and has met the interim target for 2003 (165 - 170 grams of carbon dioxide per kilometer); however, achieving the 140 grams per kilometer target remains ambitious both technologically and economically.

ITEM 1. Business (continued)

In 2005, ACEA and the European Commission reviewed the potential for additional carbon dioxide reductions, with the goal of achieving the EU's objective of 120 grams of carbon dioxide per kilometer by 2010. The discussions are advancing the concept of an integrated approach to further reductions involving the oil industry and other sectors.

Other European countries are considering other initiatives for reducing carbon dioxide emissions from motor vehicles, including fiscal measures. For example, the U.K. introduced a vehicle excise duty and company car taxation based on carbon dioxide emissions in 2001, and other member states such as France and Portugal have announced their intention to adopt carbon dioxide-based taxes for passenger cars.

Other National Requirements. Some Asian countries (such as China, Japan, South Korea, and Taiwan) have also adopted fuel efficiency targets. For example, Japan has fuel efficiency targets for 2010 passenger car and commercial trucks with incentives for early adoption. China has adopted targets for 2005 and 2008, and is expected to continue setting new targets to address energy security issues.

Following considerable discussion, the Canadian automobile industry signed a Memorandum of Understanding ("MOU") dated April 5, 2005 with the Canadian government in which the industry voluntarily committed to reduce greenhouse gas emissions from the Canadian vehicle fleet by 5.3 megatons ("Mt") by 2010 (which slightly exceeds the government's 5.2 Mt target under its Kyoto Protocol Climate Change Action Plan). The MOU contains the following interim targets for the entire Canadian automobile industry: 2.4 Mt reduction by 2007, total reduction of 3.0 Mt in 2008, total reduction of 3.9 Mt in 2009 and the full 5.3 Mt reduction in 2010. Pursuant to the MOU, a committee of industry and government representatives has been established to monitor the industry's overall compliance with the annual MOU targets.

European Chemicals Policy

The European Commission adopted a draft regulation in October 2003 for a single system to register, evaluate, and authorize the use of certain chemicals ("REACH"). Final adoption of the regulation is anticipated in the 2006-2007 timeframe, followed by a pre-registration phase of eighteen months. Implementation of the legislation is likely to be administratively burdensome for all entities in the supply chain, and research and development ("R&D") resources may be redirected from "market-driven" to "REACH-driven" R&D. The regulation also may accelerate the ban or restriction on use of certain chemicals and materials, which could increase the costs of certain products and processes used to manufacture vehicles and parts.

Pollution Control Costs

During the period 2006 through 2010, we expect to spend approximately \$346 million on our North American and European facilities to comply with air and water pollution and hazardous waste control standards which are now in effect or are scheduled to come into effect during this period. Of this total, we estimate spending approximately \$69 million in 2006 and \$71 million in 2007. Specific environmental expenses are difficult to isolate because expenditures may be made for more than one purpose, making precise classification difficult.

ITEM 1. Business (continued)

EMPLOYMENT DATA

The approximate number of individuals employed by us and our consolidated entities (including entities we do not control) at December 31, 2005 and 2004 was as follows (in thousands):

	2005	2004*
Business Unit		
Automotive		
The Americas		
Ford North America	140	126
Ford South America	13	12
Ford Europe and PAG		
Ford Europe	66	69
PAG	49	51
Ford Asia Pacific and Africa	18	18
Financial Services		
Ford Motor Credit Company	14	18
The Hertz Corporation	-	31
Total	300	325

* Employment figures for 2004 have been adjusted to conform to 2005 business unit presentation.

As shown in the employment data above, from December 31, 2004 to December 31, 2005, the number of people we employed decreased approximately eight percent. This decrease primarily reflects the sale of Hertz, partially offset by the formation of Automotive Components Holdings, LLC ("ACH") which employs approximately 17,700 Ford hourly workers who were previously assigned to Visteon Corporation ("Visteon") and approximately 2,500 former Visteon employees. Not included in these employment data are approximately 5,000 Visteon salaried workers leased to ACH. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" and Notes 4 and 23 of the Notes to the Financial Statements for additional discussion relating to the Visteon transaction and ACH.

Substantially all of the hourly employees in our Automotive operations in the United States are represented by unions and covered by collective bargaining agreements. Approximately 99% of these unionized hourly employees in our Automotive segment are represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW" or "United Automobile Workers"). Approximately 2% of our U.S. salaried employees are represented by unions. Most hourly employees and many non-management salaried employees of our subsidiaries outside of the United States also are represented by unions.

Our average labor cost per-hour-worked for hourly employees of Ford in the United States, excluding subsidiaries, was as follows for the listed years:

	2005	2004
Earnings	\$ 31.64	\$ 30.93
Benefits	33.26	32.00
Total	\$ 64.90	\$ 62.93

We have entered into collective bargaining agreements with the UAW, and the National Automobile, Aerospace, Transportation and General Workers Union of Canada ("CAW" or "Canadian Automobile Workers"). Among other things, our agreements with the UAW and CAW provide for guaranteed wage and benefit levels throughout the term of the respective agreements, and provide for significant employment security. As a practical matter, these agreements may restrict our ability to eliminate product lines, close plants, and divest businesses during the terms of the agreements. Our agreement with the UAW expires on September 14, 2007, and our agreement with the CAW expires on September 16, 2008. Historically, negotiation of new collective bargaining agreements with the UAW and CAW have typically resulted in increases in wages and benefits, including retirement benefits; some of these increases typically have been provided to salaried employees as well.

In 2005, we negotiated new Ford collective bargaining agreements with labor unions in Argentina, Brazil, Canada, France, Mexico, New Zealand, South Africa, Spain, Taiwan, Thailand, and Vietnam. We also negotiated new collective bargaining agreements to cover employees at our Aston Martin (Britain), Land Rover (Britain) and Volvo (Belgium and Sweden) affiliates.

ITEM 1. Business (continued)

In 2006, we are or will be negotiating new collective bargaining agreements with labor unions in Argentina, Australia, Belgium, Brazil, Britain, France, Germany, Mexico, Russia, Taiwan, Thailand, and Vietnam. We will also negotiate new collective bargaining agreements at our Jaguar (Britain) and Volvo (Sweden) affiliates.

In recent years, we have not had significant work stoppages at our facilities or the facilities of our suppliers. A work stoppage could occur as a result of disputes under our collective bargaining agreements with labor unions or in connection with negotiations of new collective bargaining agreements, which, if protracted, could adversely affect our business and results of operations. Work stoppages at supplier facilities for labor or other reasons could have similar consequences if alternate sources of components are not readily available.

ENGINEERING, RESEARCH AND DEVELOPMENT

We conduct engineering, research and development primarily to improve the performance (including fuel efficiency), safety and customer satisfaction of our products, and to develop new products. We also have staffs of scientists who engage in basic research. We maintain extensive engineering, research and design centers for these purposes, including large centers in Dearborn, Michigan; Dunton, Gaydon and Whitley, England; Gothenburg, Sweden; and Aachen and Merkenich, Germany. Most of our engineering research and development relates to our Automotive sector. In general, our engineering activities that do not involve basic research or product development, such as manufacturing engineering, are excluded from our engineering, research and development charges discussed below.

During the last three years, we recorded charges to our consolidated income for engineering, research and development we sponsored in the following amounts: \$8.0 billion (2005), \$7.4 billion (2004), and \$7.3 billion (2003). Any customer-sponsored research and development activities that we conduct are not material.

ITEM 1A. Risk Factors

The risk factors included in the Original Filing have not been updated for information or events occurring after the date of the Original Filing and have not been updated to reflect the passage of time since the date of the Original Filing.

We have listed below (not necessarily in order of importance or probability of occurrence) the most significant risk factors applicable to us:

Continued decline in market share. Our market share in the United States has declined in each of the past five years, from 22.8% in 2001 to 18.2% in 2005. Because a high proportion of our costs are fixed, these volume reductions have had an adverse impact on our results of operations. Our plant utilization rate in North America is approximately 75%, which is not sustainable. While we are attempting to stabilize our market share and reduce our capacity over time through the steps described in the Way Forward plan, we cannot be certain that we will be successful. Continued declines in our market share could have a substantial adverse effect on our results of operations and financial condition.

Continued or increased price competition resulting from industry overcapacity, currency fluctuations or other factors. The global automotive industry is intensely competitive, with overall manufacturing capacity far exceeding current demand. For example, the global automotive industry is estimated to have had excess capacity of approximately 15 million units in 2005. Industry overcapacity has resulted in many of our principal competitors offering marketing incentives on vehicles in an attempt to maintain market share. These marketing incentives have included a combination of subsidized financing or leasing programs, price rebates and other incentives. As a result, we have not necessarily been able to increase prices sufficiently to offset higher costs of marketing incentives or other cost increases (e.g., for commodities or health care) or the impact of adverse currency fluctuations in either the U.S. or European markets. While we and General Motors have each announced plans to significantly reduce capacity, these reductions will take several years to complete and will only partially address the industry's overcapacity problems. A continuation or increase in these trends could have a substantial adverse effect on our results of operations and financial condition.

A market shift (or an increase in or acceleration of market shift) away from sales of trucks or sport utility vehicles, or from sales of other more profitable vehicles in the United States. Trucks and sport utility vehicles have represented some of the most profitable vehicle segments in the United States. During the past year, there has been a general shift in consumer preferences away from medium- and large-sized sport utility vehicles, which has adversely affected our profitability. A continuation or acceleration of this general shift in consumer preferences away from sport utility vehicles, or a similar shift in consumer preferences away from truck sales or other more profitable vehicle sales, whether because of higher fuel prices or otherwise, could have an increasingly adverse effect on our results of operations and financial condition.

A significant decline in industry sales, particularly in the United States or Europe, resulting from slowing economic growth, geo-political events or other factors. The worldwide automotive industry is affected significantly by general economic conditions (among other factors) over which automobile manufacturers have little control. This is especially so because vehicles are durable goods, which provide consumers latitude in determining whether and when to replace an existing vehicle. The decision whether and when to make a vehicle purchase may be affected significantly by slowing economic growth, geo-political events, and other factors. Consumer demand may vary substantially from year to year, and, in any given year, consumer demand may be affected significantly by general economic conditions, including the cost of purchasing and operating a vehicle and the availability and cost of credit and fuel.

Moreover, like other manufacturers, we have a high proportion of costs that are fixed, so that relatively small changes in unit sales volumes may dramatically affect overall profitability. In recent years, industry demand has remained at high levels. Should industry demand soften because of slowing or negative economic growth in key markets or other factors, our results of operations and financial condition could be substantially adversely affected. For additional discussion of economic trends, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview."

Lower-than-anticipated market acceptance of new or existing products. Offering highly desirable vehicles can mitigate the risks of increasing price competition and declining demand. Conversely, offering vehicles that are perceived to be less desirable (whether in terms of price, quality, styling, safety, overall value or otherwise) can exacerbate these risks. For example, if a new model were to experience quality issues at the time of launch, the vehicle's perceived quality could be affected even after the issues had been corrected, resulting in lower sales volumes, market share and profitability.

ITEM 1A. *Risk Factors (continued)*

Continued or increased high prices for or reduced availability of fuel. A continuation of or further increase in high prices for fuel or reduced availability of fuel, particularly in the United States, could result in weaker demand for relatively more profitable large and luxury car and truck models and increased demand for relatively less profitable small cars and trucks. An acceleration of such a trend, as demonstrated in the short-term with the recent spike in fuel prices following Hurricanes Katrina and Rita in the U.S. Gulf Coast region, could have a substantial adverse effect on our results of operations and financial condition.

Currency or commodity price fluctuations. As a resource-intensive manufacturing operation, we are exposed to a variety of market and asset risks, including the effects of changes in foreign currency exchange rates, commodity prices and interest rates. These risks affect our Automotive and Financial Services sectors. We monitor and manage these exposures as an integral part of our overall risk management program, which recognizes the unpredictability of markets and seeks to reduce the potentially adverse effects on our results. Nevertheless, changes in currency exchange rates, commodity prices and interest rates cannot always be predicted. In addition, because of intense price competition and our high level of fixed costs, we may not be able to address such changes even if they are foreseeable. Substantial changes in these rates and prices could have a substantial adverse effect on our results of operations and financial condition. For additional discussion of currency or commodity price risk, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk."

Adverse effects from the bankruptcy or insolvency of a major competitor. We and certain of our major competitors have substantial "legacy" costs (principally related to employee benefits) that put each of us at a competitive disadvantage to other competitors. The bankruptcy or insolvency of a major competitor with substantial "legacy" costs could result in that competitor gaining a significant cost advantage (by eliminating or reducing contractual obligations to unions and other parties through bankruptcy proceedings). In addition, the bankruptcy or insolvency of a major U.S. auto manufacturer likely could lead to substantial disruptions in the automotive supply base, which could have a substantial adverse impact on our results of operations and financial condition.

Economic distress of suppliers that has in the past and may in the future require us to provide financial support or take other measures to ensure supplies of components or materials. Automobile manufacturers continue to experience commodity cost pressures and the effects of industry overcapacity. These factors have also increased pressure on the industry's supply base, as suppliers cope with higher commodity costs, lower production volumes and other challenges. We have taken and may continue to take actions to provide financial assistance to certain suppliers to ensure an uninterrupted supply of materials and components. Most significantly, in 2005 we reacquired from Visteon twenty-three North American facilities in order to protect our supply of components. In connection with this transaction, we forgave \$1.1 billion of Visteon's liability to us for employee-related costs, and incurred a pre-tax loss of \$468 million.

Work stoppages at Ford or supplier facilities or other interruptions of supplies. A work stoppage could occur at Ford or supplier facilities, most likely as a result of disputes under existing collective bargaining agreements with labor unions, or in connection with negotiations of new collective bargaining agreements. A dispute under an existing collective bargaining agreement could arise, for example, as a result of efforts to implement restructuring actions, such as those that are part of the Way Forward plan discussed under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview." A work stoppage for this or other reasons at Ford or its suppliers, or an interruption or shortage of supplies for any reason (e.g., financial distress, natural disaster or production difficulties affecting a supplier), if protracted, could substantially adversely affect our results of operations and financial condition.

Single-source supply of components or materials. Some components used in our vehicles (e.g., certain engines) are available from a single supplier and cannot be quickly or inexpensively re-sourced to another supplier due to long lead times and contractual commitments that might be required by another supplier in order to provide the component or materials. In addition to the risks described above regarding interruption of supplies, which are exacerbated in the case of single-source suppliers, the exclusive supplier of a key component potentially could exert significant bargaining power over price, quality, warranty claims or other terms relating to a component.

Labor or other constraints on our ability to restructure our business. Substantially all of the hourly employees in our Automotive operations in the United States and Canada are represented by unions and covered by collective bargaining agreements. Our agreement with the United Automobile Workers (which expires in September 2007) and our agreement with the Canadian Automobile Workers (which expires in September 2008) provide for guaranteed wage and benefit levels throughout their terms and provide for significant employment security. As a practical matter, these agreements restrict our ability to eliminate product lines, close plants, and divest businesses during the terms of the agreements. These agreements may also limit our ability to change local work rules and practices to encourage flexible manufacturing and other efficiency-related improvements. Accordingly, these agreements may impede our ability to successfully implement and complete the Way Forward plan. For discussion of the Way Forward plan, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview."

ITEM 1A. Risk Factors (continued)

Worse-than-assumed economic and demographic experience for our postretirement benefit plans (e.g., discount rates, investment returns, health care cost trends). We sponsor plans to provide postretirement pension, health care and life insurance benefits for our retired employees. The measurement of our obligations, costs and liabilities associated with these benefits requires that we estimate the present values of projected future payments to all participants. We use many assumptions in calculating these estimates, including discount rates, investment returns on designated plan assets, health care cost trends, and demographic experience (e.g., mortality and retirement rates). To the extent that actual results are less favorable than our assumptions there could be a substantial adverse impact on our results of operations and financial condition. For additional discussion of these assumptions, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

The discovery of defects in vehicles resulting in delays in new model launches, recall campaigns or increased warranty costs. Meeting or exceeding many government-mandated safety standards is costly, especially where standards may conflict with the need to reduce vehicle weight in order to meet government-mandated emissions and fuel-economy standards. Government safety standards also require manufacturers to remedy defects related to motor vehicle safety through safety recall campaigns, and a manufacturer is obligated to recall vehicles if it determines that they do not comply with a safety standard. Should we or government safety regulators determine that a safety defect or a noncompliance exists with respect to certain of our vehicles, the cost of such recall campaigns could be substantial.

Increased safety, emissions, fuel economy or other (e.g., pension funding) regulation resulting in higher costs, cash expenditures, and/or sales restrictions. The worldwide automotive industry is governed by a substantial number of governmental regulations, which often differ by state, region and country. In the United States and Europe, for example, governmental regulation has arisen primarily out of concern for the environment, greater vehicle safety and a desire for improved fuel economy. Many governments regulate local product content and/or impose import requirements as a means of creating jobs, protecting domestic producers and influencing their balance of payments. The cost of complying with these requirements may be substantial.

Our ability to comply with CAFE or greenhouse gas emissions standards depends heavily on the alignment of these standards with actual consumer demand. If consumers demand vehicles that are relatively large, have high performance, and/or are feature-laden while regulatory standards are skewed toward vehicles that are smaller and more economical, compliance becomes problematic. Moreover, if regulatory requirements call for rapid, substantial increases in fleet average fuel economy (or decreases in fleet average greenhouse gas emissions), the Company may not have adequate resources and time to make major product changes across most or all of its vehicle fleet. If significant increases in CAFE standards are imposed beyond those presently in effect or proposed, or if state greenhouse gas regulations are not overturned, we may be forced to take various costly actions that could have substantial adverse effects on our sales volume and profits. For example, we may have to curtail production of certain vehicles such as family-size, luxury, and high-performance cars and full-size light-trucks; restrict offerings of selected engines and popular options; and/or increase market support programs for our most fuel-efficient cars and light-trucks in order to maintain compliance. See "Item 1. Governmental Standards" for additional discussion.

Unusual or significant litigation or governmental investigations arising out of alleged defects in our products or otherwise. We spend substantial resources ensuring compliance with governmental safety and other standards. However, compliance with governmental standards does not necessarily prevent individual or class action lawsuits, which can entail significant cost and risk. For example, the preemptive effect of the Federal Motor Vehicle Safety Standards is often a contested issue in litigation, and some courts have permitted liability findings even where our vehicles comply with federal law. Furthermore, simply responding to litigation or government investigations of our compliance with regulatory standards requires significant expenditures of time and other resources.

A change in our requirements for parts or materials where we have entered into long-term supply arrangements that commit us to purchase minimum or fixed quantities of certain parts or materials, or to pay a minimum amount to the seller ("take-or-pay contracts"). We have entered into a number of long-term supply contracts that require us to purchase a fixed quantity of parts to be used in the production of our vehicles. If our need for any of these parts were to lessen, we could still be required to purchase a specified quantity of the part or pay a minimum amount to the seller pursuant to the take-or-pay contract. We also have entered into a small number of long-term supply contracts for raw materials (for example, precious metals used in catalytic converters) that require us to purchase a fixed percentage of mine output. If our need for any of these raw materials were to lessen, or if a supplier's output of materials were to increase, we could be required to purchase more materials than we need.

ITEM 1A. Risk Factors (continued)

Inability to access debt or securitization markets around the world at competitive rates or in sufficient amounts due to additional credit rating downgrades or otherwise. Recent lowering of credit ratings for Ford and Ford Credit has increased borrowing costs and caused Ford Credit's access to the unsecured debt markets to become more restricted. In response, Ford Credit has increased its use of securitization and other sources of liquidity. Over time, and particularly in the event of any further credit rating downgrades or a significant decline in the demand for the types of securities it offers, Ford Credit may need to reduce the amount of receivables it purchases. A significant reduction in the amount of purchased receivables would significantly reduce ongoing profits and could adversely affect Ford Credit's ability to support the sale of Ford vehicles. For additional discussion, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Higher-than-expected credit losses. Credit risk is the possibility of loss from a customer's or dealer's failure to make payments according to contract terms. Credit risk (which is heavily dependent upon economic factors including unemployment, consumer debt service burden, personal income growth, dealer profitability and used car prices) has a significant impact on Ford Credit's business. The level of credit losses Ford Credit may experience could exceed its expectations. For additional discussion regarding credit losses, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates."

Increased competition from banks or other financial institutions seeking to increase their share of financing Ford vehicles. No single company is a dominant force in the automotive finance industry. Some of Ford Credit's bank competitors in the United States have developed credit aggregation systems that permit dealers to send, through a single standard system, retail credit applications to multiple finance sources to evaluate financing options offered by these finance sources. This process has resulted in greater competition based on financing rates. In addition, Ford Credit is facing increased competition from banks on wholesale financing for Ford dealers. Competition from such competitors may increase, which could adversely affect Ford Credit's profitability and the volume of its business.

Changes in interest rates. Ford Credit is exposed to interest rate risk, and the particular market to which it is most exposed is U.S. dollar LIBOR. Ford Credit's interest rate risk exposure results principally from "re-pricing risk," or differences in the re-pricing characteristics of assets and liabilities. Any inability to adequately control this exposure could adversely affect its business. For additional discussion of interest rate risk, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk."

Collection and servicing problems related to finance receivables and net investment in operating leases. After Ford Credit purchases retail installment sale contracts and leases from dealers and other customers, it manages or services the receivables. Any disruption of its servicing activity, due to inability to access or accurately maintain customer account records or otherwise, could have a significant negative impact on its ability to collect on those receivables and/or satisfy its customers.

Lower-than-anticipated residual values or higher-than-expected return volumes for leased vehicles. Ford Credit projects expected residual values (including residual value support payments from Ford) of the vehicles it leases. Actual proceeds realized by Ford Credit upon the sale of returned leased vehicles at lease termination may be lower than the amount projected, which reduces the profitability of the lease transaction. Among the factors that can affect the value of returned lease vehicles are the volume of vehicles returned, economic conditions, and the quality or perceived quality, safety or reliability of the vehicles. All of these, alone or in combination, have the potential to adversely affect Ford Credit's profitability. For additional discussion regarding residual value, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates."

New or increased credit, consumer or data protection or other regulations resulting in higher costs and/or additional financing restrictions. As a finance company, Ford Credit is highly regulated by governmental authorities in the locations where it operates. In the United States, its operations are subject to regulation, supervision and licensing under various federal, state and local laws and regulations, including the federal Truth-in-Lending Act, Equal Credit Opportunity Act and Fair Credit Reporting Act. In some countries outside the United States, Ford Credit's subsidiaries are regulated banking institutions and are required, among other things, to maintain minimum capital reserves. In many other locations, governmental authorities require companies to have licenses in order to conduct financing businesses. Efforts to comply with these laws and regulations impose significant costs on Ford Credit, and affect the conduct of its business. Additional regulation could add significant cost or operational constraints that might impair its profitability.

Inability to implement the Way Forward plan. We believe that our ability to implement the Way Forward plan is very important to our future success. Any of the above or other factors that prevent us from executing the Way Forward plan ultimately could have a substantially adverse impact on our business. For additional discussion of the Way Forward plan, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview."

ITEM 1B. Unresolved Staff Comments

The information in Item 1B included in the Original Filing has not been updated for information or events occurring after the date of the Original Filing and has not been updated to reflect the passage of time since the date of the Original Filing.

We have no unresolved SEC staff comments to report.

ITEM 2. Properties

The information in Item 2 included in the Original Filing has not been updated for information or events occurring after the date of the Original Filing and has not been updated to reflect the passage of time since the date of the Original Filing.

Our principal properties include manufacturing and assembly facilities, distribution centers, warehouses, sales or administrative offices and engineering centers.

We own substantially all of our U.S. manufacturing and assembly facilities. These facilities are situated in various sections of the country and include assembly plants, engine plants, casting plants, metal stamping plants, and transmission plants. Most of our distribution centers are leased (approximately 38% of our total square footage is owned). A substantial amount of our warehousing is provided by third-party providers under service contracts. Because the facilities provided pursuant to third-party service contracts need not be dedicated exclusively or even primarily to our use, these spaces are not included in the number of distribution centers/warehouses listed in the table below. All of the warehouses that we operate are leased, although many of our manufacturing and assembly facilities contain some warehousing space. Substantially all of our sales offices are leased space. Approximately 92% of the total square footage of our engineering centers and our supplementary research and development space is owned by us.

In addition, we maintain and operate manufacturing plants, assembly facilities, parts distribution centers, and engineering centers outside the United States. We own substantially all of our non-U.S. manufacturing plants, assembly facilities, and engineering centers. The majority of our parts distribution centers outside of the United States are either leased or provided by vendors under service contracts. As in the United States, space provided by vendors under service contracts need not be dedicated exclusively or even primarily to our use, and is not included in the number of distribution centers/warehouses listed in the table below. The total number of plants, distribution centers/warehouses, engineering and research and development sites, and sales offices used by our Automotive segments are shown in the table below:

Segment	Plants	Distribution Centers/Warehouses	Engineering, Research/Development	Sales Offices
The Americas	61	33	41	38
Ford Europe and PAG	38	11	9	27
Ford Asia Pacific and Africa/Mazda	14	3	2	5
Total	113	47	52	70

Included in the number of plants shown above are several plants that are not operated directly by us, but rather by consolidated joint ventures that operate plants that support our Automotive sector. Following are the most significant of these consolidated joint ventures and the number of plants they own:

• *AutoAlliance International ("AAI")*— a 50/50 joint venture with Mazda (of which we own approximately 33.4%), which operates as its principal business an automobile vehicle assembly plant in Flat Rock, Michigan. AAI currently

produces the Mazda6 and Ford Mustang models. Ford supplies all of the hourly and substantially all of the salaried labor requirements to AAI, and AAI reimburses Ford for the full cost of that labor.

•*Ford Otosan*— a joint venture in Turkey between Ford (41% partner), the Koc Group of Turkey (41% partner) and public investors (18%) that is our single source supplier of the Ford Transit Connect vehicle and our sole distributor of Ford vehicles in Turkey. In addition, Ford Otosan makes the Ford Transit series and the Cargo truck for the Turkish and export markets, and certain engines and transmissions, most of which are under license. This joint venture owns and operates two plants and a parts distribution depot in Turkey.

ITEM 2. *Properties (Continued)*

• *Getrag Ford Transmissions GmbH*— a 50/50 joint venture with Getrag Deutsche Venture GmbH and Co. KG, a German company, to which we transferred our European manual transmission operations in Halewood, England; Cologne, Germany; and Bordeaux, France. In 2004, Volvo Car Corporation ("Volvo Cars") agreed to transfer its manual transmission operations from its Köping, Sweden plant to this joint venture. The Getrag joint venture produces manual transmissions for our operations in Europe (Ford Europe and PAG). Ford currently supplies most of the hourly and salaried labor requirements of the operations transferred to this Getrag joint venture. Ford employees who worked at the manual transmission operations transferred at the time of formation of the joint venture are assigned to the joint venture by Ford. In the event of surplus labor at the joint venture, Ford employees assigned to the joint venture may return to Ford. Employees hired in the future to work in these operations will be employed directly by the joint venture. Getrag Ford Transmissions GmbH reimburses Ford for the full cost of the hourly and salaried labor supplied by Ford. This joint venture operates three plants.

• *Getrag All Wheel Drive AB*— a joint venture in Sweden between Getrag Dana Holding GmbH ("Getrag/Dana") (60% partner) and Volvo Cars (40% partner). In January 2004, Volvo Cars entered into agreements with Getrag/Dana to transfer Volvo Cars' plant in Köping, Sweden to this joint venture. The joint venture produces all-wheel drive components and, for a time, chassis components as well. As noted above, the manual transmission operations at the Köping plant were transferred to Getrag Ford Transmissions GmbH. The hourly and salaried employees at the plant have become employees of the joint venture.

• *TEKFOR Cologne GmbH ("TEKFOR")*— a 50/50 joint venture of Ford-Werke GmbH ("Ford-Werke") together with Neumayer Tekfor GmbH, a German company, to which Ford-Werke transferred the operations of the Ford forge in Cologne. The joint venture produces forged components, primarily for transmissions and chassis, for use in Ford vehicles and for sale to third parties. Those Ford employees who worked at the Cologne Forge Plant at the time of the formation of the joint venture are assigned to TEKFOR by Ford and remain Ford employees. In the event of surplus labor at the joint venture, Ford employees assigned to TEKFOR may return to Ford. New workers at the joint venture will be hired as employees of the joint venture. TEKFOR reimburses Ford for the full cost of Ford employees assigned to the joint venture. This joint venture operates one plant.

• *Pininfarina Sverige, AB*— a joint venture between Volvo Cars (40% partner) and Pininfarina, S.p.A. ("Pininfarina") (60% partner). In September 2003, Volvo Cars entered into agreements with Pininfarina to establish this joint venture for the engineering and manufacture of niche vehicles, starting with a new, small convertible. Volvo Cars has outsourced the design and engineering to Pininfarina. The joint venture began production of the new car at the Uddevalla Plant in Sweden, which was transferred from Volvo Cars to the joint venture in December 2005, and is the joint venture's only plant.

• *Ford Vietnam Limited*— a joint venture between Ford (75% partner) and Song Cong Diesel (25% partner). Ford Vietnam assembles and distributes several Ford vehicles in Vietnam, including Escape, Everest, Focus, Mondeo, Ranger and Transit. This joint venture operates one plant.

• *Ford Lio Ho Motor Company Ltd. ("FLH")*— a joint venture in Taiwan among Ford (70% partner), the Lio Ho Group (25% partner) and individual shareholders (5% ownership in aggregate) that assembles a variety of Ford and Mazda vehicles sourced from Ford as well as Mazda and Suzuki. In addition to domestic assembly, FLH also has local product development capability to modify vehicle designs for local needs, and imports Ford-brand built-up vehicles from Europe and the United States. This joint venture operates one plant.

In addition to the plants that we operate directly or that are operated by consolidated joint ventures, additional plants that support our Automotive sector are operated by other, unconsolidated joint ventures of which we are a partner.

These additional plants are not included in the number of plants shown in the table above. The most significant of these joint ventures are:

• *AutoAlliance (Thailand) ("AAT")*— a joint venture among Ford (50%), Mazda (45%) and a Thai affiliate of Mazda's (5%), which owns and operates a manufacturing plant in Rayong, Thailand. AAT produces the Ford Everest, Ford Ranger and Mazda B-Series pickup trucks for the Thai market and for export to over 100 countries worldwide (other than North America), in both built-up and kit form.

• *Blue Diamond Truck, S de RL de CV*— a joint venture between Ford (49% partner) and International Truck and Engine Corporation (51% partner), a subsidiary of Navistar International Corporation ("Navistar"). Blue Diamond Truck develops and manufactures selected medium and light commercial trucks in Mexico and sells the vehicles to Ford and Navistar for their own independent distribution. Blue Diamond Truck manufactures Ford F-650/750 medium-duty commercial trucks that are sold in the United States and Canada, and Navistar medium-duty commercial trucks that are sold in Mexico. Production of a low-cab-forward, light-/medium-duty commercial truck for each of Ford and Navistar began in May 2005.

ITEM 2. *Properties (Continued)*

Tenedora Nemark, S.A. de C.V.— a joint venture between Ford (15% partner) and a subsidiary of Mexican conglomerate Alfa S.A. de C.V. (85% partner), which owns and operates, among other facilities, our former Canadian castings operations, and supplies engine blocks and heads to several of our engine plants. Ford supplies a portion of the hourly labor requirements for the Canadian plants, for which it is fully reimbursed by the joint venture.

Changan Ford Automobile Corporation, Ltd. ("Changan Ford")— a 50/50 joint venture between Ford and the Chongqing Changan Automobile Co., Ltd. ("Changan"). Through its facility in the Chinese city of Chongqing, Changan Ford produces and distributes in China the Ford Fiesta, Mondeo and Focus, and is planning to launch Mazda3 vehicles in 2006. In 2005, Changan Ford received approval from the Chinese government for the establishment of a new vehicle manufacturing plant in the Chinese city of Nanjing, which is now under construction. Changan Ford has also filed an application with the Chinese government to reorganize its current equity structure as follows: Changan 50%, Ford 35% and Mazda 15%. Upon completion of such equity reorganization, Changan Ford would change its corporate name to Changan Ford Mazda Automobile Co., Ltd.

Changan Ford Mazda Engine Company, Ltd. ("CFME")— a joint venture between Ford (25% partner), Mazda (25% partner) and the Chongqing Changan Automobile Co., Ltd (50% partner). CFME is located in the City of Nanjing, and will produce the Ford New I4 and Mazda BZ engines in support of the assembly of Ford- and Mazda-branded vehicles manufactured in China.

Jiangling Motors Corporation, Ltd. ("JMC")— a publicly-traded company in China with Ford (30% shareholder) and Jiangxi Jiangling Holdings, Ltd. (41% shareholder) as its controlling shareholders. Jiangxi Jiangling Holdings, Ltd. is a 50/50 joint venture between Chongqing Changan Automobile Co., Ltd. and Jiangling Motors Company Group. The public investors of JMC own 29% of its outstanding shares. JMC assembles the Ford Transit van and other non-Ford-technology-based vehicles for distribution in China.

Ford Malaysia Sdn. Bhd.— a joint venture between Ford (49% partner) and Tractors Malaysia, a publicly-traded subsidiary of Sime Darby (51% partner). Ford Malaysia distributes Ford vehicles assembled by its wholly-owned subsidiary Associated Motor Industries Malaysia, Sdn. Bhd., an assembly company, including Econovan, Escape, Everest, Laser and Ranger.

The furniture, equipment and other physical property owned by our Financial Services operations are not material in relation to their total assets.

The facilities owned or leased by us or our subsidiaries and joint ventures described above are, in the opinion of management, suitable and adequate for the manufacture and assembly of our products.

ITEM 3. *Legal Proceedings*

The information in Item 3 included in the Original Filing has not been updated for information or events occurring after the date of the Original Filing and has not been updated to reflect the passage of time since the date of the Original Filing.

OVERVIEW

Various legal actions, governmental investigations and proceedings and claims are pending or may be instituted or asserted in the future against us and our subsidiaries, including, but not limited to, those arising out of the following: alleged defects in our products; governmental regulations covering safety, emissions and fuel economy; financial

services; employment-related matters; dealer, supplier, and other contractual relationships; intellectual property rights; product warranties; environmental matters; shareholder and investor matters; and financial reporting matters. Some 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 multiplied damage claims in very large amounts, or demands for recall campaigns, environmental remediation programs, sanctions or other relief that, if granted, would require very large expenditures. We regularly evaluate the expected outcome of product liability litigation and other litigation matters. We have accrued expenses for probable losses on product liability matters, in the aggregate, based on an analysis of historical litigation payouts and trends. We have also accrued expenses for other litigation where losses are deemed probable and reasonably estimable. These accruals are reflected in our financial statements.

ITEM 3. *Legal Proceedings (continued)*

Following is a discussion of our significant pending legal proceedings:

PRODUCT LIABILITY MATTERS

Asbestos Matters. Asbestos was used in brakes, clutches and other automotive components dating from the early 1900s. Along with other vehicle manufacturers, we have been the target of asbestos litigation and, as a result, we are a defendant in various actions for injuries claimed to have resulted from alleged contact with certain Ford parts and other products containing asbestos. Plaintiffs in these personal injury cases allege various health problems as a result of asbestos exposure, either from component parts found in older vehicles, insulation or other asbestos products in our facilities, or asbestos aboard our former maritime fleet. The majority of these cases have been filed in state courts.

Most of the asbestos litigation we face involves mechanics or other individuals who have worked on the brakes of our vehicles over the years. In most of the asbestos litigation we are not the sole defendant. We believe we are being more aggressively targeted in asbestos suits because many previously targeted companies have filed for bankruptcy. We are prepared to defend these asbestos-related cases and, with respect to the cases alleging exposure from our brakes, believe that the scientific evidence confirms our long-standing position that mechanics and others are not at an increased risk of asbestos-related disease as a result of exposure to the type of asbestos formerly used in the brakes on our vehicles.

The extent of our financial exposure to asbestos litigation remains very difficult to estimate. The majority of our asbestos cases do not specify a dollar amount for damages, and in many of the other cases the dollar amount specified is the jurisdictional minimum. The vast majority of these cases involve multiple defendants, with the number in some cases exceeding one hundred. Many of these cases also involve multiple plaintiffs, and we are often unable to tell from the pleadings which of the plaintiffs are making claims against us (as opposed to other defendants). Our annual payout and related defense costs in asbestos cases had been increasing between 1999 and 2003. In 2005, these costs were about the same as in 2003 and 2004; however, they may become substantial in the future.

The United States Congress continues to consider proposals to reform asbestos litigation. The leading proposal would create a trust fund from which eligible asbestos claimants would be compensated and would preclude, during the life of the trust, litigation in the United States based on exposure to asbestos. The trust fund would be funded by asbestos defendants (including us) and the insurance industry. These funds would be used to pay eligible claimants (i.e., those who satisfy specific medical criteria and can adequately demonstrate occupational exposure to asbestos) according to a specified schedule. If legislation is enacted creating such a trust fund, we would likely be required to make substantial contributions to the fund over a specified period of time, resulting in our incurring a charge in the amount of the present value of such anticipated contributions in the period in which the legislation becomes effective. We cannot predict whether or in what form the legislation will be enacted or the costs associated with such enactment.

ENVIRONMENTAL MATTERS

General. We have received notices under various federal and state environmental laws that we (along with others) may be a potentially responsible party for the costs associated with remediating numerous hazardous substance storage, recycling or disposal sites in many states and, in some instances, for natural resource damages. We also may have been a generator of hazardous substances at a number of other sites. The amount of any such costs or damages for which we may be held responsible could be substantial. The contingent losses that we expect to incur in connection with many of these sites have been accrued and those losses are reflected in our financial statements in accordance with generally accepted accounting principles. However, for many sites, the remediation costs and other damages for which we ultimately may be responsible are not reasonably estimable because of uncertainties with

respect to factors such as our connection to the site or to materials there, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions, and the nature and scope of investigations, studies, and remediation to be undertaken (including the technologies to be required and the extent, duration, and success of remediation). As a result, we are unable to determine or reasonably estimate the amount of costs or other damages for which we are potentially responsible in connection with these sites, although that total could be substantial.

ITEM 3. Legal Proceedings (continued)

St. Louis Assembly Plant Enforcement Action. In 2005, the Department of Justice ("DOJ") advised us that the EPA had referred to it for civil enforcement a matter regarding refrigerants used in several types of process equipment at our St. Louis Assembly Plant. The referral is based on the EPA's belief that the plant did not comply with all of the Clean Air Act's recordkeeping, testing, and repair requirements related to process equipment with regulated refrigerants. We are fully cooperating with the DOJ to resolve this matter, and continue to negotiate a resolution.

Woodhaven Stamping Plant Letter of Violation. In 2005, the Michigan Department of Environmental Quality ("DEQ") issued a letter of violation to Ford's Woodhaven Stamping Plant alleging that the facility had failed to properly report emissions from boilers and space heaters, and that the facility had failed to apply for a Title V permit as required by Michigan law. We are fully cooperating with the DEQ to resolve this matter, and continue to negotiate a resolution.

Edison Assembly Plant Concrete Disposal. During demolition of our Edison Assembly Plant, we discovered very low levels of contaminants in the concrete slab. The concrete was crushed and reused as fill material at several different off-site locations. The New Jersey Department of Environmental Protection ("DEP") now asserts that some of these locations may not have been authorized to receive the waste. We are fully cooperating with the DEP to resolve this matter, and continue to negotiate a resolution.

CLASS ACTIONS

The following are actions filed against us on behalf of individual plaintiffs and all others similarly situated (i.e., purported class actions). In light of the fact that very few of the purported class actions filed against us in the past have ever been certified by the courts as class actions, the actions listed below are limited to those (i) that have been certified as a class action by a court of competent jurisdiction (and any additional purported class actions that raise allegations substantially similar to a certified case), and (ii) that, if resolved unfavorably to the Company, would likely involve a significant cost.

Explorer Class Actions. A state court in Illinois certified a statewide class of purchasers and lessees of 1991-2001 Ford Explorers equipped with Firestone ATX or Wilderness tires who have not experienced any problems with either the tires or the vehicles (*Rowan v. Ford Motor Company*). The complaint alleges that Explorers are unstable and that the Firestone tires are defective. Plaintiffs claim that the value of the vehicles was diminished because of the alleged defects and seek unspecified actual and compensatory damages and other relief. Trial is anticipated in late 2006 or 2007.

A state court in California certified a statewide class of purchasers and lessees of 1990-2000 Ford Explorers (*Gray v. Ford Motor Company* and four coordinated cases). The complaint alleges that Explorers are unstable and that Ford concealed information about them. Plaintiffs seek relief similar to that sought in *Rowan*. Trial is scheduled for late 2006.

There are also 16 purported statewide class actions pending in several states, raising allegations similar to those raised in *Rowan* and in *Gray*, and seeking similar relief. Bridgestone-Firestone, Inc. ("Firestone") was a co-defendant in most of these cases, but settled all claims against it in these cases. The only remaining claims in these cases are based on the Explorer's alleged rollover propensity.

Paint Class Actions. A state court in Madison County, Illinois certified a nationwide class of owners of 1989-96 model year vehicles that have experienced paint peeling. Plaintiffs contend that their vehicles' paint is defective in that there was a substantial risk of topcoat or clearcoat delamination, and that Ford failed to disclose that risk. Plaintiffs seek unspecified compensatory damages (in an amount to cover the cost of repainting their vehicles and to

compensate for alleged diminution in value), punitive damages, attorneys' fees and interest. Trial is scheduled for late 2006.

Crown Victoria Police Interceptor Class Actions. State courts in Illinois and Louisiana certified statewide classes of state and local governments that purchased or leased Crown Victoria Police Interceptors. The complaints allege that the vehicles are defective in that fires can occur when the vehicles are struck in the rear at high speed, and seek modifications to the fuel systems and other relief, including punitive damages. Trial in the Illinois case during 2004 (*St. Clair County v Ford Motor Company*) resulted in a defense verdict on all counts submitted to the jury, from which plaintiffs have appealed; three counts remain pending for decision by the trial judge. Our appeal from the class certification order in Louisiana is pending. A class certification order granted in Florida in 2004 was reversed on appeal in April 2005.

ITEM 3. Legal Proceedings (continued)

There are also 12 purported statewide class actions pending in several states which claim to represent state and local governments that purchased or leased Crown Victoria Police Interceptors, as well as six purported class actions relating to non-police Crown Victoria vehicles. These suits raise allegations similar to those raised in *St. Clair County*, and seek similar relief.

Hydroboost Truck Brake Class Action. A state court in Oklahoma certified a nationwide class of all purchasers of 1999-2002 F-250, F-350, F-450, and F-550 Ford Super Duty Trucks and 2002 Excursions with hydroboost hydraulic braking systems. The complaint alleges that these trucks are unsafe because they suffer diminished power assist to the steering when the driver is simultaneously braking and steering. The complaint alleges breach of warranty and fraud, and seeks the cost of retrofitting the trucks to eliminate the alleged danger, compensation for diminished resale value, and other amounts. NHTSA investigated a similar issue and closed the investigation, finding that "diminished steering assist while braking is present" in these trucks, but that the "associated injury and property damage incidents are so rare that they do not present a risk to vehicle safety." Trial is scheduled for 2007.

OTHER MATTERS

SEC Pension and Post-Employment Benefit Accounting Inquiry. On October 14, 2004, the Division of Enforcement of the Securities and Exchange Commission ("SEC") notified us that it was conducting an inquiry into the methodology used to account for pensions and other post-employment benefits. We are one of several companies to receive a request for information as part of this inquiry. We are cooperating with the SEC in providing the information requested.

ITEM 4. Submission of Matters to a Vote of Security Holders

The information in Item 4 included in the Original Filing has not been updated for information or events occurring after the date of the Original Filing and has not been updated to reflect the passage of time since the date of the Original Filing.

Not required.

ITEM 4A. Executive Officers of Ford

The information in Item 4A included in the Original Filing has not been updated for information or events occurring after the date of the Original Filing and has not been updated to reflect the passage of time since the date of the Original Filing.

Our executive officers and their positions and ages at March 1, 2006 are as follows:

Name	Position	Present Position Held Since	Age
William Clay Ford, Jr. (a)	Chairman of the Board and Chief Executive Officer	October 2001	48
James J. Padilla (b)	President and Chief Operating Officer	February 2005	59
Lewis W. K. Booth	Executive Vice President - Ford Europe and Premier Automotive Group and Chairman, Ford Europe, Jaguar and Land Rover	October 2005	57
Mark Fields	Executive Vice President - President, The Americas	October 2005	45
Donat R. Leclair, Jr.	Executive Vice President and Chief Financial Officer	August 2003	54
Mark A. Schulz	Executive Vice President - President, International Automotive Operations	October 2005	53
Anne L. Stevens	Executive Vice President - Chief Operating Officer, The Americas	November 2005	57
Michael E. Bannister	Group Vice President - Chairman and Chief Executive Officer, Ford Motor Credit Company	April 2004	56
Francisco Codina	Group Vice President - North America Marketing, Sales and Service	March 2006	54
John Fleming	Group Vice President - President and Chief Executive Officer, Ford Europe	October 2005	55
Derrick M. Kuzak	Group Vice President - Product Development, The Americas	November 2005	54
Joe W. Laymon	Group Vice President - Corporate Human Resources and Labor Affairs	October 2003	53
J C. Mays	Group Vice President - Design, and Chief Creative Officer	August 2003	51
Ziad S. Ojakli	Group Vice President - Corporate Affairs	January 2004	38
Richard Parry-Jones		August 2001	54

Group Vice President - Global Product Development and Chief Technical Officer			
David T. Szczupak	Group Vice President - Manufacturing, The Americas	November 2005	50
David G. Leitch	Senior Vice President and General Counsel	April 2005	45
James C. Gouin	Vice President and Controller	August 2003	46

(a) Also Chair of the Office of the Chairman and Chief Executive Committee, and a member of the Finance Committee and of the Environmental and Public Policy Committee of the Board of Directors.

(b) Also a member of the Office of the Chairman and Chief Executive Committee of the Board of Directors.

ITEM 4A. *Executive Officers of Ford (Continued)*

All of the above officers, except those noted below, have been employed by Ford or its subsidiaries in one or more capacities during the past five years. Described below are the recent positions (other than those with Ford or its subsidiaries) held by those officers who have not yet been with Ford or its subsidiaries for five years:

♣Mr. Ojakli served as Principal Deputy for Legislative Affairs for President George W. Bush from December 2002 to 2003, and was Deputy Assistant to the President from 2001 to 2002. Prior to that, from 1998 to 2000, he was the Policy Director and Chief of Staff to the Senate Republican Conference Secretary.

♣Mr. Leitch served as the Deputy Assistant and Deputy Counsel to President George W. Bush from December 2002 to March 2005. From June 2001 until December 2002, he served as Chief Counsel for the Federal Aviation Administration, overseeing a staff of 290 in Washington and the agency's 11 regional offices. Prior to June 2001, Mr. Leitch was a partner at Hogan & Hartson LLP in Washington DC, where his practice focused on appellate litigation in state and federal court.

Under our By-Laws, the executive officers are elected by the Board of Directors at the Annual Meeting of the Board of Directors held for this purpose. Each officer is elected to hold office until his or her successor is chosen or as otherwise provided in the By-Laws.

PART II

ITEM 5. *Market for Ford's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

The information in Item 5 included in the Original Filing has not been updated for information or events occurring after the date of the Original Filing and has not been updated to reflect the passage of time since the date of the Original Filing.

Our Common Stock is listed on the New York and Pacific Stock Exchanges in the United States and on certain stock exchanges in Belgium, France, Switzerland and the United Kingdom.

The table below shows the high and low sales prices for our Common Stock and the dividends we paid per share of Common and Class B Stock for each quarterly period in 2004 and 2005:

	2004				2005			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Common Stock price per share*								
High	\$ 17.34	\$ 16.48	\$ 15.77	\$ 15.00	\$ 14.75	\$ 11.69	\$ 11.19	\$ 10.00
Low	12.75	13.00	13.61	12.61	10.94	9.07	9.55	7.57
Dividends per share of Common and Class B Stock	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10

* New York Stock Exchange composite interday prices as listed in the price history database available at www.NYSEnet.com.

As of February 10, 2006, stockholders of record of Ford included 180,211 holders of Common Stock (which number does not include 6,448 former holders of old Ford Common Stock who have not yet tendered their shares pursuant to our recapitalization, known as the Value Enhancement Plan, which became effective on August 9, 2000) and 103 holders of Class B Stock.

ITEM 5. *Market for Ford's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*
(continued)

During the fourth quarter of 005, we purchased shares of our Common Stock as follows:

Period	Total Number of Shares Purchased*	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
Oct. 1, 2005 through Oct. 31, 2005	2,289,994	\$ 8.82	0	No publicly announced repurchase program in place
Nov. 1, 2005 through Nov. 30, 2005	2,183,656	\$ 8.15	0	No publicly announced repurchase program in place
Dec. 1, 2005 through Dec. 31, 2005	2,494,720	\$ 8.10	0	No publicly announced repurchase program in place
Total	6,968,370	\$ 8.35	0	

*We currently do not have a publicly announced repurchase program in place. Of the 6,968,370 shares purchased, 6,954,640 shares were purchased from the Ford Motor Company Savings and Stock Investment Plan for Salaried Employees ("SSIP") and the Tax Efficient Savings Plan for Hourly Employees ("TESPHE"). Shares are generally purchased from SSIP and TESPHE when participants in those plans elect to sell units in the Ford Stock Fund upon retirement, upon termination of employment with the Company, related to an in-service distribution, or to fund a loan against an existing account balance in the Ford Stock Fund. Shares are not purchased from these plans when a participant transfers account balances out of the Ford Stock Fund and into another investment option under the plans. For the full year 2005, we purchased 25,823,410 shares on such basis from participants in SSIP and TESPHE. The remaining shares were acquired from our employees or directors in accordance with our various compensation plans as a result of share withholdings to pay income taxes with respect to: (i) the lapse of restrictions on restricted stock, (ii) the issuance of unrestricted stock, including issuances as a result of the conversion of restricted stock equivalents, or (iii) to pay the exercise price and related income taxes with respect to certain exercises of stock options.

ITEM 6. Selected Financial Data

We have not filed amended 10-K Reports for the years ended December 31, 2004, 2003, 2002 or 2001. The information that has been previously filed or otherwise reported for these periods is superseded by the information in this 10-K/A Report. See "Explanatory Note - Restatement Of Financial Information" above for details of the restatement.

The information presented in the following table has been adjusted to reflect the restatement of our financial results which is described above and sets forth selected financial data concerning Ford for each of the last five years (dollar amounts in millions, except per share amounts).

	2005	2004	Restated 2003	2002	2001
SUMMARY OF OPERATIONS					
Total Company					
Sales and revenues	\$ 176,896	\$ 172,316	\$ 166,095	\$ 167,000	\$ 162,501
Income/(loss) before income taxes	\$ 1,079	\$ 4,109	\$ 914	\$ 4,036	\$ (6,372)
Provision/(credit) for income taxes	(845)	643	(46)	1,459	(1,777)
Minority interests in net income of subsidiaries	280	282	314	367	24
Income/(loss) from continuing operations	1,644	3,184	646	2,210	(4,619)
Income/(loss) from discontinued operations	47	(146)	(143)	(333)	(168)
Cumulative effects of change in accounting principle	(251)	—	(264)	(1,002)	—
Net income/(loss)	\$ 1,440	\$ 3,038	\$ 239	\$ 875	\$ (4,787)
Automotive sector					
Sales	\$ 153,474	\$ 147,119	\$ 139,433	\$ 134,706	\$ 130,746
Operating income/(loss)	(4,188)	(200)	(1,035)	(507)	(7,767)
Income/(loss) before income taxes	(3,874)	(178)	(1,387)	(957)	(8,859)
Financial Services sector					
Revenues	\$ 23,422	\$ 25,197	\$ 26,662	\$ 32,294	\$ 31,755
Income/(loss) before income taxes	4,953	4,287	2,301	4,993	2,487
Total Company Data Per Share of Common and Class B Stock					
Basic:					
Income/(loss) from continuing operations	\$				