FCE Bank plc

(Incorporated with limited liability in England)

U.S. $12,000,000,000
Euro Medium Term Notes

Due from one month to 30 years from the date of original issue

This Offering Circular supersedes the previous Offering Circular dated 1 October 2003, as amended by the Supplementary Listing Particulars dated 18 December 2003 and 29 September 2004. Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein.

Under its Euro Medium Term Note Programme described in this Offering Circular (the ''**Programme**''), FCE Bank plc (the ''**Issuer**'', ''**FCE**'' or the ''**Company**''), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the ''**Notes**''). The aggregate principal amount of Notes outstanding will not at any time exceed U.S. $12,000,000,000 (or the equivalent in other currencies).

Application has been made to the Financial Services Authority in its capacity as the competent authority under the Financial Services and Markets Act 2000 (the ''**FSMA**'') for listing in the United Kingdom (the ''**UK Listing Authority**'') for Notes (excluding COINs) issued within 12 months of the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the ''**Official List**''). Application has also been made to London Stock Exchange plc (the ''**London Stock Exchange**'') for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitute admission to official listing on the London Stock Exchange.

Copies of this document, which comprises listing particulars approved by the UK Listing Authority (the ''**Listing Particulars**'') in relation to Notes (excluding COINs) to be issued during the period of 12 months from the date of this Offering Circular, have been delivered for registration to the Registrar of Companies in England and Wales as required by Section 83 of the FSMA.

In addition to the Notes which may be listed on the London Stock Exchange, application has also been made to the Luxembourg Stock Exchange for Notes, including COINs (as described below), issued under the Programme within 12 months of the date of this Offering Circular to be listed on the Luxembourg Stock Exchange. This Offering Circular contains information relating to all Notes and to COINs specifically. For the purpose of complying with the requirements of the UK Listing Authority, pages 1-38, 41-43, 46-50, 56-57, Annex I and Annex II contain information which make up the Listing Particulars and pages 39-40, 44-45 and 51-5 5 do not.

''**COINs**'' is the name given to certain Luxembourg listed Notes that the Issuer proposes to issue from time to time to investors on a continually offered basis pursuant to arrangements to be entered into with the COINS Arranger and certain Dealers to be identified as COINS Dealers. COINs is a trademark owned by Deutsche Bank Aktiengessellschaft. For the avoidance of doubt, the COINs will not be listed on the Official List and will not be admitted to trading on the London Stock Exchange.

Furthermore, Notes may be issued pursuant to the Programme which will neither be listed on the Official List and admitted to trading on the London Stock Exchange nor listed on the Luxembourg Stock Exchange or any other stock exchange. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List (and admitted to trading on the London Stock Exchange), the Luxembourg Stock Exchange or any other stock exchange.

Each Tranche (as defined in ''Issue of Notes'' below) of Notes having an original maturity of more than one year will initially be represented by a temporary Global Note without Coupons (as defined in ''Conditions of Notes'') and each Tranche of Notes having an original maturity of one year or less will initially be represented by a permanent Global Note which, in each case, will be deposited on the issue date with a common depositary on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (''**Euroclear**'') and Clearstream Banking, société anonyme (''**Clearstream, Luxembourg**'') or otherwise delivered as agreed between the Issuer and the relevant Dealer. Interests in temporary Global Notes will be exchangeable for interests in permanent Global Notes or, if so stated in the relevant Pricing Supplement, for definitive Notes both after the date falling 40 days after the issue date upon certification as to non-U.S. beneficial ownership and interests in permanent Global Notes will be exchangeable for definitive Notes, in each case, as described under ''Summary of Provisions Relating to the Notes while in Global Form''.

Dealers

ABN AMRO	**BNP PARIBAS**
Citigroup	**Deutsche Bank**
Dresdner Kleinwort Wasserstein	**Goldman Sachs International**
HSBC	**JPMorgan**
Lehman Brothers	**Merrill Lynch International**
Mitsubishi Securities International plc	**The Royal Bank of Scotland**
UBS Investment Bank	

Arranged by

Goldman Sachs International

COINS Arranger

Deutsche Bank

The date of this Offering Circular is 1 October 2004

This Offering Circular comprises Listing Particulars given in compliance with the listing rules made under Section 74 of the FSMA by the UK Listing Authority for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries (together, the "Group") and the Notes. The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Documents incorporated herein by reference shall not form part of the Listing Particulars issued in compliance with listing rules made under Section 74 of the FSMA. Any reference in this document to Listing Particulars means this document excluding all information incorporated by reference. The Issuer has confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in the Listing Particulars to satisfy the requirements of the FSMA or the listing rules made under Section 74 of the FSMA by the UK Listing Authority. The Issuer believes that none of the information incorporated therein by reference conflicts in any material respect with the information included in the Listing Particulars.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers (as defined in "Plan of Distribution" below). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or of the Group since the date hereof or the date upon which this document has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer or the Group since the date hereof or the date upon which this document has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restriction.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND INCLUDE NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO U.S. PERSONS. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON OFFERS AND SALES OF NOTES AND ON DISTRIBUTION OF THIS OFFERING CIRCULAR, SEE "PLAN OF DISTRIBUTION".

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

The Dealers have not separately verified the information contained in this Offering Circular. None of the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer or the Dealers that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers.

In connection with the issue and distribution of any Tranche (as defined in "Summary of the Programme"), one of the Dealers may act as a stabilising agent (the "Stabilising Agent"). Such appointment will be disclosed in the relevant Pricing Supplement.

In connection with the issue and distribution of any Tranche, the Stabilising Agent or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there may be no obligation on the Stabilising Agent or any person acting for it to do this. Such stabilising, if commenced, shall be conducted in accordance with all applicable laws and regulations and may be discontinued at any time and must be brought to an end after a limited period.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "dollars", "U.S. dollars", "U.S. $" and "$" are to the lawful currency of the United States, references to "£", "pounds" and "sterling" are to the lawful currency of the United Kingdom and references to "euros" and "€" each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union, as amended. Unless otherwise specified, where financial information in relation to the Issuer or the Group has been translated into U.S. dollars, it has been so translated at rates of exchange prevailing in the relevant periods, or on the relevant dates, shown.

Listing

Listing of the Notes (excluding COINs) under the Programme was originally obtained on the London Stock Exchange in 1993 and has since then been subject to annual updates for such listing, the most recent of which takes effect from the date of this Offering Circular. This document also represents the listing particulars for an additional listing on the Luxembourg Stock Exchange (as provided for under the Programme) which was originally obtained in relation to COINs pursuant to an Offering Circular dated 15 January 2003. Whether Notes are listed on the London Stock Exchange, Luxembourg Stock Exchange, any other stock exchange or not listed at all they will all be issued under the Programme and thus, while outstanding, will serve to reduce the aggregate principal amount left available for issues of Notes under the Programme.

ISSUE OF NOTES

Notes will be issued on a continuous basis in series (each a ''**Series**''), the Notes of each Series having one or more issue dates, identical terms (except in respect of the first payment of interest) and intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each, a ''**Tranche**'') on different issue dates. The specific terms of each Series (which will be supplemented where necessary in relation to such Series only, with supplemental terms and conditions) will be set forth in a pricing supplement to this Offering Circular (a ''**Pricing Supplement**'') which will contain the information described under ''General Information''.

This Offering Circular should be read and construed in conjunction with any relevant Pricing Supplement and all documents incorporated herein by reference (see ''Documents Incorporated by Reference'').

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (and any documents referred to therein) are hereby incorporated by reference in, and to form part of, this Offering Circular:

- Ford Motor Credit Company's published 10-K audited consolidated annual financial statements relating to the year ended 31 December 2003 (appended to this Offering Circular at Annex I);

- Ford Motor Credit Company's lodged unaudited consolidated financial information on Form 10-Q relating to the 6-month period ended on 30 June 2004 (appended to this Offering Circular at Annex II); and

- The Issuer's most recently published audited consolidated accounts relating to the years ended 31 December 2002 and 2003 (and any interim accounts (whether audited or unaudited) published subsequently to such annual accounts of the Issuer and its subsidiaries from time to time),

provided, however, that (i) such accounts or documents shall not form a part of the Listing Particulars issued in order to be in compliance with the listing rules made under Section 74 of the FSMA; and (ii) any statement contained herein or in such most recently published annual or interim accounts or documents shall be deemed to be modified or superseded for the purposes of this Offering Circular to the extent that a statement contained in any subsequent such annual or interim accounts or documents modifies or supersedes such statement (provided, however, that any such deemed modifying or superseding statements contained in any such annual or interim accounts or documents shall also not form part of the Listing Particulars issued in order to be in compliance with the listing rules made under Section 74 of the FSMA).

The most recent unaudited and audited consolidated financial statements of the Issuer and Ford Motor Credit Company are, subject to the above proviso, herein incorporated by reference.

In relation to COINs, the Issuer will, at the specified offices of the Programme Paying Agents and the Paying Agent in Luxembourg (each as defined herein), make available, free of charge, upon oral or written request, a copy of this Offering Circular (and any document incorporated by reference in this Offering Circular). Written or oral requests for such documents should be directed to the specified office of any Programme Paying Agent or the specified office of the Paying Agent in Luxembourg.

SUPPLEMENTARY LISTING PARTICULARS

If at any time the Issuer shall be required to prepare supplementary listing particulars pursuant to Section 81 of the FSMA, the Issuer will prepare and make available an appropriate amendment or supplement to this Offering Circular or a further offering circular which, in respect of any subsequent issue of Notes to be listed on the Official List, shall constitute supplementary listing particulars as required by the UK Listing Authority and Section 81 of the FSMA.

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DOCUMENTS APPENDED TO THIS OFFERING CIRCULAR

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this document.

Issuer	FCE Bank plc.
Description	Continuously Offered Euro Medium Term Note Programme (the ''**Programme**'').
Arranger	Goldman Sachs International. For the avoidance of doubt, any reference to Arranger shall, for the purpose of COINs, be construed as if being a reference to COINS Arrangers.
COINS Arranger	Deutsche Bank AG London
Dealers	ABN AMRO Bank N.V. BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG London Dresdner Bank AG London Branch Goldman Sachs International HSBC Bank plc J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) Merrill Lynch International Mitsubishi Securities International plc The Royal Bank of Scotland plc UBS Limited (together with such other Permanent Dealers as may be appointed under the Programme, the ''**Permanent Dealers**'' and such other persons as may be appointed as Dealers in respect of the issue of a particular Tranche of Notes, the ''**Dealers**''). For the avoidance of doubt, any reference to Dealers shall, for the purpose of COINs, be construed as if being a reference to COINS Dealers.
COINS Dealers	The COINS Arranger (together with such other Permanent Dealers as may be appointed under the Programme for the purposes of the COINs and such other persons as may be appointed as COINS Dealers in respect of the issue of a particular Tranche of COINs).
Fiscal Agent	JPMorgan Chase Bank, London Branch.
Principal Paying Agent	JPMorgan Chase Bank, London Branch, unless it is specified in the Pricing Supplement(s) relating to any Series that another principal paying agent is appointed in respect of that Series. References in this Offering Circular to ''**Principal Paying Agent**'' are to JPMorgan Chase Bank, London Branch or such other Principal Paying Agent (as the case may be).
Size	Up to U.S. $12,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in U.S. dollars, Australian dollars, Canadian dollars, Danish kroner, euros, Hong Kong dollars, New Zealand dollars, sterling, Swedish kronor, Swiss francs or Japanese yen or in other currencies if the Issuer and the Dealers so agree.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity between one month and 30 years.
Denomination	Definitive Notes will be in such denominations as may be specified on the Note.

Method of Issue	The Notes may be issued on a syndicated or non-syndicated basis. The Notes will be issued in one or more series (each a ''**Series**'') (which may be issued on the same date or which may be issued on more than one date (each a ''**Tranche**''). The Notes may be issued in Tranches on a continuous basis with no minimum issue size. Further Notes may be issued as part of an existing Series.
Form of Notes	The Notes will be in bearer form only. Each Tranche of Notes having an original maturity of more than one year will initially be represented by a temporary Global Note and each Tranche of Notes having an original maturity of one year or less will initially be represented by a permanent Global Note which, in each case, will be deposited on the issue date with a common depositary on behalf of Euroclear and Clearstream, Luxembourg or otherwise delivered as agreed between the Issuer and the relevant Dealer. No interest will be payable in respect of a temporary Global Note except as described under ''Summary of Provisions Relating to the Notes while in Global Form''. Interests in temporary Global Notes will be exchangeable for interests in permanent Global Notes or, if so stated in the relevant Pricing Supplement, for definitive Notes after the date falling 40 days after the issue date upon certification as to non-U.S. beneficial ownership. Interests in permanent Global Notes will be exchangeable for definitive Notes as described under ''Summary of Provisions Relating to the Notes while in Global Form''.
Issue Price	Notes may be issued at their principal amount or at a discount or premium to their principal amount. Partly-paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Fixed Interest Rate Notes	Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Pricing Supplement.
Floating Rate Notes	Floating Rate Notes will bear interest set separately for each Series by reference to LIBOR, EURIBOR or such other benchmark as may be specified in the relevant Pricing Supplement as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes may be issued at their principal amount or at a discount to it and will not bear interest.
Variable Coupon Amount Notes	The Pricing Supplement issued in respect of each issue of variable coupon amount Notes will specify the basis for calculating the amounts of interest payable, which may be by reference to a stock index or formula or as otherwise provided in the relevant Pricing Supplement.
Index Linked Notes	Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Index Linked Notes will be calculated by reference to such index and/or formula as is specified in, or on such other terms as are specified in, the relevant Pricing Supplement.
Dual Currency Notes	Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as are specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Variable Redemption Amount Notes	The Pricing Supplement issued in respect of each issue of variable redemption amount Notes will specify the basis for calculating the redemption amounts payable, which may be by reference to a stock index or formula or as otherwise provided in the relevant Pricing Supplement.
Redemption by Instalments	The Pricing Supplement issued in respect of each issue of Notes which are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, dual currency Notes, reverse dual currency Notes, optional dual currency Notes, partly-paid Notes, index linked Notes and any other type of Note which the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes	The Notes will constitute direct unsecured and unguaranteed obligations of the Issuer, all as described in "Conditions of the Notes".
Negative Pledge	See "Conditions of the Notes — Negative Pledge".
Cross Default	None.
Early Redemption	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons.
Withholding Tax	All payments of principal, premium and interest in respect of the Notes will be made free and clear of withholding taxes of the United Kingdom, subject to customary exceptions (including an exception relating to the EU Directive on the taxation of savings), all as described in "Conditions of the Notes — Taxation".
Governing Law	English.
Listing	Admission to the Luxembourg Stock Exchange or to the Official List and to trading on the London Stock Exchange's market for listed securities or as otherwise specified in the relevant Pricing Supplement. As specified in the relevant Pricing Supplement, a Series of Notes may or may not be listed on the Official List and the London Stock Exchange, the Luxembourg Stock Exchange or any other stock exchange. For the avoidance of doubt, COINs will not be listed on the Official List and will not be admitted to trading on the London Stock Exchange.

Selling Restrictions	United States, United Kingdom, Japan, Germany, France, The Netherlands and such other restrictions as may be required with the offering and sale of a particular Tranche of Notes. See ''Plan of Distribution'' below.
COINS Selling Restrictions	United States, United Kingdom, Japan, Germany, France, The Netherlands, Italy, Luxembourg, Belgium, Switzerland and such other restrictions as may be required with the offering and sale of a particular Tranche of Notes. See ''Plan of Distribution'' below.

CONDITIONS OF THE NOTES

*The following is the text of the conditions which, subject to completion and minor amendment (such amendment to apply only in relation to the Series of Notes to which the relevant Pricing Supplement relates) and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be applicable to any Notes represented by a Note in global form (the ''***Global Note(s)***'') (subject as provided in ''Summary of Provisions Relating to the Notes while in Global Form'') and the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series and which, subject further to simplification by deletion of non-applicable provisions, will be endorsed on such Notes, details of the relevant Series being shown on the relevant Notes and in the relevant Pricing Supplement:*

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented from time to time, the ''**Agency Agreement**'') dated 17 November 1993, as amended and restated on 1 October 2004, between the Issuer, JPMorgan Chase Bank, London Branch as fiscal agent and as principal paying agent (the ''**Principal Paying Agent**'') and BNP Paribas Securities Services, J.P.Morgan AG, J.P. Morgan Bank Luxembourg S.A. and UBS AG as paying agents (together with the Principal Paying Agent and any additional or other paying agents in respect of the Notes from time to time appointed, the ''**Paying Agents**''). The initial Calculation Agent (if any) is specified on the Notes. The Noteholders (as defined below), the holders of the interest coupons (the ''**Coupons**'') appertaining to interest bearing Notes and, where applicable in the case of such Notes, talons for further Coupons (the ''**Talons**'') (the ''**Couponholders**'') and the holders of the instalment receipts (the ''**Receipts**'') appertaining to the payment of principal by instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

Copies of the Agency Agreement are available for inspection at the specified offices of the Paying Agents.

1. Form, Denomination and Title

The Notes, which are serially numbered, are issued in bearer form in the Denomination(s) specified on this Note. Notes of one Denomination may not be exchanged for Notes of another Denomination.

The Notes are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Notes which do not bear interest in which case references to interest (other than in relation to interest accruing after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Any Note the principal amount of which is redeemable in instalments is issued with one or more Receipts attached.

Title to the Notes, Receipts, Coupons and Talons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Receipt, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Receipt, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Conditions, ''**Notes**'' means those notes which form a single series with this Note, ''**Noteholder**'' means the bearer of any Note and the Receipts relating to it, ''**holder**'' (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Note, Receipt, Coupon or Talon (as the case may be) and capitalised terms have the meanings given to them on the Notes, the absence of any such meaning indicating that such term is not applicable to the Notes.

Capitalised terms which are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement.

2. Status

The Notes, Receipts and Coupons constitute direct unsecured obligations of the Issuer, ranking *pari passu,* without any preference among themselves and with all other present and future unsecured and unsubordinated indebtedness for borrowed money of the Issuer (other than that preferred by law).

3. Negative Pledge

(a) So long as any Note, Receipt or Coupon remains outstanding (as defined in the Agency Agreement):

(i) the Issuer will not (except as otherwise required by law or a court of competent jurisdiction) create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (''**Security**'') upon the whole or any part of its property or assets present or future to secure any Relevant Debt, or to secure any guarantee of or indemnity in respect of any Relevant Debt; and

(ii) the Issuer will procure that (except as otherwise required by law or a court of competent jurisdiction) no subsidiary (as defined in Section 736 of the Companies Act 1985) of the Issuer creates or permits to subsist any Security upon the whole or any part of the property or assets present or future of any such subsidiary to secure any of the Issuer's Relevant Debt, or to secure any guarantee of or indemnity in respect of any of the Issuer's Relevant Debt;

unless, at the same time or prior thereto, the Issuer's obligations under the Notes, the Receipts and the Coupons (aa) are secured equally and rateably therewith or (bb) have the benefit of such other security or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

(b) For the purposes of this Condition, ''**Relevant Debt**'' means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue, other than such for which an offering is directed into a single country to the residents thereof and that is made in accordance with the local laws and customary practices and documentation of such country.

4. Interest and Other Calculations

(a) *Interest Rate and Accrual:*

Each Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate, such interest being payable in arrear on each Interest Payment Date.

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the Interest Rate in the manner provided in this Condition 4 to the Relevant Date.

(b) *Business Day Convention:*

If any date referred to in these Conditions which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Relevant Business Day, then, if the Business Day Convention specified is (i) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a Relevant Business Day unless it would thereby fall into the next calendar month, in which event (A) such date shall be brought forward to the immediately preceding Relevant Business Day and (B) each subsequent such date shall be the last Relevant Business Day of the month in which such date would have fallen had it not been subject to adjustment, (ii) the Following Business Day Convention, such date shall be postponed to the next day which is a Relevant Business Day, (iii) the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Relevant Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Relevant Business Day or (iv) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Relevant Business Day.

(c) *Interest Rate on Floating Rate Notes:*

If the Interest Rate is specified as being Floating Rate, the Interest Rate for each Interest Accrual Period will be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(i) if the Primary Source for the Floating Rate is a Page, subject as provided below, the Interest Rate shall be:

(x) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or

(y) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

(ii) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (i)(x) above applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (i)(y) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Interest Rate shall be the arithmetic mean of the Relevant Rates which each of the Reference Banks is quoting to major banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent;

(iii) if paragraph (ii) above applies, the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates subject as provided below, the Interest Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) which the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Relevant Currency which at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Relevant Currency or, if the Relevant Currency is euros, in the Euro-zone, as selected by the Calculation Agent, (the ''**Principal Financial Centre**'') are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates, for a period commencing on the Effective Date and equivalent to the Specified Duration (x) two leading banks carrying on business in Europe or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (y) two leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of the banks in the Principal Financial Centre so selected by the Calculation Agent are quoting as aforesaid, the Interest Rate shall be the Interest Rate determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Interest Rate applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period);

(d) *Interest Rate on Zero Coupon Notes:*

Where a Note the Interest Rate of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Redemption Amount of such Note. As from the Maturity Date, the Interest Rate for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 5(d)).

(e) *Maximum/Minimum Interest Rates, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:*

(i) If any Interest Rate is expressed to be as adjusted by a Margin or Rate Multiplier, such adjustment shall be made by adding (if a positive number) or subtracting the absolute value (if a negative number) of any Margin specified on the Notes or multiplying by any Rate Multiplier specified on the Notes, subject always to the next paragraph.

(ii) If any Maximum or Minimum Interest Rate, Instalment Amount or Redemption Amount is specified on the Notes, then such Interest Rate, Instalment Amount or Redemption Amount shall in no event exceed the maximum or be less than the minimum.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures will be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, ''**unit**'' means the lowest amount of such currency which is available as legal tender in the country of such currency.

(f) *Calculations:*

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the outstanding principal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period will equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(g) *Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts:*

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation, it will determine the Interest Rate and calculate the amount of interest payable (the ''**Interest Amounts**'') in respect of each Denomination of the Notes for the relevant Interest Accrual Period, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount or any Instalment Amount to be notified to the Principal Paying Agent, the Issuer, each of the Paying Agents, the Noteholders and, if the Notes are listed on a stock exchange and such exchange so requires, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Relevant Business Day after such determination. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(h) *Definitions:*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

''**Day Count Fraction**'' means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) not comprising a complete year (whether or not constituting an Interest Period, the ''**Calculation Period**''):

(i) if ''**Actual/365**'' or ''**Actual/Actual-ISDA**'' is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that

Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if ''**Actual/365 (Fixed)**'' is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if ''**Actual/365 (sterling)**'' is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of a Calculation Period falling in a leap year, 366;

(iv) if ''**Actual/360**'' is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if ''**30/360**'', ''**360/360**'' or ''**Bond Basis**'' is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(vi) if ''**30E/360**'' or ''**Eurobond Basis**'' is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(vii) if ''**Actual/Actual-ISMA**'' is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

''**Determination Period**'' means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

''**Determination Date**'' means the date specified as such hereon or, if none is so specified, the Interest Payment Date.

''**Effective Date**'' means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

''**Euro-zone**'' means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

''**Interest Accrual Period**'' means the period beginning on the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

''**Interest Commencement Date**'' means the date of issue of the Notes (the ''**Issue Date**'') or such other date as may be specified hereon.

''**Interest Determination Date**'' means, with respect to an Interest Rate and Interest Accrual Period, the date specified as such hereon or, if none is so specified, the (i) first day of such Interest Accrual Period if the Relevant Currency is sterling or (ii) the day falling two Relevant Business Days in London prior to the first day of such Interest Accrual Period if the specified currency is neither sterling nor euros or (iii) the day falling two TARGET Business Day, prior to the first day of such Interest Accrual Period if the Relevant Currency euro.

''**Interest Payment Date**'' means the date interest on each Note is payable as specified in the relevant Pricing Supplement.

''**Interest Period**'' means the period beginning on the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

''**Interest Period Date**'' means each Interest Payment Date unless otherwise specified hereon.

''**Interest Rate**'' means the rate of interest payable from time to time in respect of this Note and which is either specified, or calculated in accordance with the provisions, hereon.

''**Page**'' means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuters Markets 3000 (''**Reuters**'') and the Moneyline Telerate Service (''**Telerate**'')) as may be specified on this Note for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

''**Reference Banks**'' means the institutions specified as such on the Notes or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money swap, or over-the-counter index options market) which is most closely connected with the Benchmark which, if EURIBOR is the relevant Benchmark, shall be the Euro-zone.

''**Relevant Business Day**'' means:

(i) in the case of a specified currency (other than euros) and/or one or more specified financial centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency and/or each of the financial centres so specified; or

(ii) in the case of euros, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (''**TARGET**'') system is operating (a ''**TARGET Business Day**'').

''**Relevant Currency**'' means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

''**Relevant Date**'' in respect of any Note, Receipt or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Noteholders in accordance with Condition 13 that, upon further presentation of the Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

''**Relevant Financial Centre**'' means, with respect to any Floating Rate to be determined on an Interest Determination Date, the financial centre as may be specified as such hereon or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected which, in the case of EURIBOR, shall be the Euro-zone or, if none is so connected, London.

''**Relevant Rate**'' means the Benchmark for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration commencing on the Effective Date.

''**Relevant Time**'' means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified hereon or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market (or, if appropriate, money market) in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Center and for the purpose of this definition ''**local time**'' means, with respect to Europe and the Euro-zone as a Relevant Financial Centre, Central European Time.

''**Representative Amount**'' means, with respect to any Floating Rate to be determined on an Interest Determination Date, the amount specified as such hereon or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

''**Specified Duration**'' means, with respect to any Floating Rate to be determined on an Interest Determination Date, the duration specified hereon or, if none is specified, a period of time equal to the relative Interest Accrual Period.

(i) *Reference Banks and Calculation Agent:*

The Issuer will procure that there shall at all times be four Reference Banks with offices in the Relevant Financial Centre and a Calculation Agent if provision is made for them in the Conditions applicable to this Note and for so long as it is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer will appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Period or Interest Accrual Period or to calculate the Interest Amounts or to comply with any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(j) *Index Linked Notes and Dual Currency Notes:*

In the case of Notes in respect of which principal and/or interest is calculated by reference to an index and/or formula or such other terms as are specified in the relevant Pricing Supplement (''**Index Linked Notes**'') or Notes in respect of which principal and/or interest is or may be payable in one or more currencies other than the currency in which they are denominated (''**Dual Currency Notes**''), if the Interest Rate and/or amount of interest falls to be determined by reference to an index and/or formula or, as the case may be, an exchange rate then the Interest Rate and/or amount of interest shall be determined in the manner specified in the relevant Pricing Supplement.

Such interest will cease to accrue on an Index Linked Note or Dual Currency Note from (and including) its due date for redemption (or, in the case of a Note in respect of which the principal amount of which is payable in instalments, in respect of each instalment of principal, from (and including) the due date for payment of the relevant instalment) unless, upon due presentation, payment of the amount due on redemption is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before any judgment) up to and including the date on which, upon further presentation, payment in full of the redemption amount due in respect of such Note, together with accrued interest, is made or (if earlier) the date on which notice is given to the holder of such Note that sufficient funds for payment of the redemption amount due in respect of it, together with accrued interest, have been received by the Principal Paying Agent.

5. Redemption, Purchase and Options

(a) *Final Redemption:*

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 5(e) or (f), each Note will be redeemed at its Redemption Amount (which, unless otherwise provided, is its principal amount) on the Maturity Date specified on each Note.

(b) *Redemption for taxation reasons:*

If (i) as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United Kingdom (or any taxing authority thereof or therein), or any change in the official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment becomes effective on or after the Issue Date, the Issuer becomes or will become obligated to pay additional amounts as provided in Condition 7 or (ii) any act is taken by a taxing authority of the United Kingdom on or after the Issue Date, whether or not such act is taken with respect to the Issuer or any affiliate of it, that results in a substantial probability that the Issuer will or may be required to pay such additional amounts, then the Issuer may, at its option, on any Interest Payment Date or, if so specified on the Notes, at any time redeem the Notes, as a whole but not in part, upon not less than 35 days' nor more than 65 days' irrevocable notice to the Noteholders in accordance with Condition 13, at their Redemption Amount, together with interest accrued thereon to the date fixed for redemption; provided that the Issuer determines, in its business judgment, that the obligation to pay such additional amounts cannot be avoided by the use of reasonable measures available to the Issuer not including substitution of the obligor under the Notes. No redemption pursuant to (ii) above may be made unless the Issuer shall have received an opinion of independent counsel to the effect that an act taken by a taxing authority of the United Kingdom results in a substantial probability that it will or may be required to pay the additional amounts as provided in Condition 7 and the Issuer shall have delivered to the Principal Paying Agent a certificate, signed by a duly authorised officer, stating that based on such opinion the Issuer is entitled to redeem the Notes pursuant to their terms.

(c) *Purchases:*

The Issuer and any of its subsidiaries, any parent company and any other subsidiary of any such parent company may at any time purchase Notes (provided that, if they are to be cancelled pursuant to paragraph (h) below, all unmatured Receipts and Coupons and unexchanged Talons appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price.

(d) *Early Redemption of Zero Coupon Notes:*

(i) The Redemption Amount payable in respect of any Note which does not bear interest prior to the Maturity Date, the Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(b) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note.

(ii) Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted to the date on which the Note becomes due and payable at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually. Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(iii) If the Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(b) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph will continue to be made (as well after as before any judgment) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the principal amount of such Note together with any interest which may accrue in accordance with Condition 4(d).

(e) *Redemption at the Option of the Issuer and Exercise of Issuer's Options:*

If so provided on the Notes, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Option Period redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount together with interest accrued to the date fixed for redemption. In the case of Notes listed on the Luxembourg Stock Exchange, notice of such redemption will be given to the Luxembourg Stock Exchange and will be published in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*).

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also contain the serial numbers of the Notes to be redeemed, which shall have been drawn in such place as the Principal Paying Agent may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange requirements.

(f) *Redemption at the Option of Noteholders and Exercise of Noteholders' Options:*

If so provided on this Note, the Issuer shall, at the option of the holder of any such Note, redeem such Note on the date or dates so provided at its Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Noteholders' option which may be set out on this Note, the holder must deposit such Note together with all unmatured Receipts and Coupons and unexchanged Talons with any Paying Agent at its specified office, together with a duly completed option exercise notice (''**Exercise Notice**'') in the form obtainable from any Paying Agent within the Noteholders' Option Period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) *Redemption by Instalments:*

Unless previously redeemed, purchased and cancelled as provided in this Condition 5 or the relevant Instalment Date (being one of the dates so specified on the Notes) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 5(e) or (f), each Note which provides for Instalment Dates and Instalment Amounts will be partially redeemed on each Instalment Date at the Instalment Amount specified on it, whereupon the outstanding principal amount of such Note shall be reduced by the Instalment Amount for all purposes unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(h) *Cancellation:*

All Notes purchased by or on behalf of the Issuer or any of its subsidiaries, any parent company, or any other subsidiaries of any such parent company may be surrendered to the Principal Paying Agent for cancellation and, if so surrendered, will, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith) may not be reissued or resold and the obligations of the Issuer in respect of any such Notes (together with such Receipts and Coupons and Talons) shall be discharged.

6. Payments and Talons

(a) *Payments:*

Payments of principal and interest in respect of Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(e)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(e)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or, at the option of the holders, by transfer to an account denominated in that currency with, a bank in the principal financial centre of that currency; Provided that in the case of euros, the transfer may be to, or the cheque drawn on, an account with a bank in a city which has access to the TARGET System.

(b) *Payments in the United States:*

Notwithstanding the foregoing, if any Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, and would not result, in the opinion of the Issuer, in adverse tax consequence to the Issuer.

(c) *Payments subject to law etc:*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) *Appointment of Agents:*

The Principal Paying Agent, the other Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the other Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents, provided that the Issuer will at all times maintain (i) a Principal Paying Agent, (ii) a Calculation Agent where the Conditions so require one, (iii) a Paying Agent having a specified office in a continental European city, and so long as Notes are listed on the official list of the Financial Services Authority in its capacity as the competent authority under the Financial Services and Markets Act 2000 for listing in the United Kingdom and admitted to trading on the London Stock Exchange's market for listed securities the Issuer will maintain a Paying Agent in London and so long as any Tranche of Notes is listed on the Luxembourg Stock Exchange, and the rules of such stock exchange shall so require, an agent appointed to make payments on, and transfer of, the notes will be maintained in Luxembourg and (iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the Directive (as defined below) or any law implementing or complying with, or introduced in order to conform to, the Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York in respect of any Notes denominated in U.S. dollars in the circumstances described in paragraph (b) above.

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 13.

(e) *Unmatured Coupons and Receipts and unexchanged Talons:*

(i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Notes should be surrendered for payment together with all unmatured Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).

(ii) If the relative Notes so provide, upon the due date for redemption of any Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Note which is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Note which provides that the relative Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note which only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation thereof.

(f) *Talons:*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 8).

(g) *Non-Business Days:*

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, ''**business day**'' means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as ''**Business Day Jurisdictions**'' on the Note and:

(i) (in the case of a payment in a currency other than euros) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency;

(ii) (in the case of a payment in euros) which is a TARGET Business Day.

7. Taxation

All payments of principal and interest in respect of the Notes, the Receipts and the Coupons by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and the Couponholders or their agents after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes, Receipts or (as the case may be) Coupons, in the absence of such withholding or deduction; except that no additional amounts shall be payable with respect to any payment in respect of any Note, Receipt or Coupon:

(a) to, or to a third party on behalf of, a holder who is subject to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom otherwise than merely by holding the Note, Receipt or Coupon; or

(b) to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party acting on their behalf complies with any statutory requirements or by making or procuring that any such third party makes a declaration of non-residence or other claim for exemption to any tax authority; or

(c) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on the thirtieth such day; or

(d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any European Union Directive which implements the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income (the ''**Directive**'') or any law implementing or complying with, or introduced in order to conform to, the Directive; or

(e) presented for payment by or on behalf of a Noteholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

References in these Conditions to (i) ''principal'' shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to these Conditions, (ii) ''interest'' shall be deemed to include all Interest Amounts and all other amounts in the nature of interest payable pursuant to these Conditions and (iii) ''principal'' and/or ''interest'' shall be deemed to include any additional amounts which may be payable under this Condition 7.

8. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect thereof.

9. Events of Default

If any of the following events (''**Events of Default**'') occurs and is continuing, the holder of any Note may give written notice to the Principal Paying Agent at its specified office that such Note is immediately repayable, whereupon the Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable unless prior to the time when the Principal Paying Agent receives such notice all Events of Default in respect of the Notes shall have been cured:

(a) *Non-Payment:* default is made for more than 30 days (in the case of interest) or 5 days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or

(b) *Breach of Other Obligations:* the Issuer does not perform or comply with any one or more of its other obligations (other than immaterial obligations) in the Notes which default is incapable of remedy or is not remedied within 90 days after notice of such default shall have been given to the Principal Paying Agent at its specified office by a Noteholder; or

(c) *Enforcement Proceedings:* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer and is not discharged or stayed within 90 days of its having been so levied, enforced or sued out; or

(d) *Security Enforced:* any encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or a material part of the undertaking, property, assets or revenues of the Issuer; or

(e) *Insolvency:* the Issuer is insolvent or is unable to pay its debts (within the meaning of Section 123(1) of the Insolvency Act 1986) or makes a general assignment or an arrangement or composition with or for the benefit of creditors in respect of, or affecting all or any material part of, the debts of the Issuer, except in connection with a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of Noteholders; or

(f) *Winding-up:* an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or the Issuer ceases or through an official action of its board of directors threatens to cease to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders.

Any such notice by a Noteholder to the Principal Paying Agent shall specify the serial number(s) of the Note(s) concerned.

10. Meetings of Noteholders and Modifications

(a) *Meetings of Noteholders:*

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interest, including the sanctioning by Extraordinary Resolution of any modification of the Notes (including these Conditions). An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia,* (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest thereon, (ii) to reduce or cancel the principal amount or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the Interest Amount in the respect thereof, (iv) if there is shown on the face of the Notes a Minimum Interest Rate and/or a Maximum Interest Rate, to reduce such Minimum Interest Rate and/or such Maximum Interest Rate, (v) to change any method of calculating the Redemption Amount, (vi) to change the currency or currencies of payment of the Notes, (vii) to take any steps which the Notes specify may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, will only be binding if passed at a meeting of the Noteholders (or at any adjournment thereof) at which a special quorum (provided for in the Agency Agreement) is present.

These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) *Modification of Agency Agreement:*

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

11. Replacement of Notes, Receipts, Coupons and Talons

If a Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and stock exchange regulations, at the specified office of the Paying Agent in London or the Paying Agent in Luxembourg upon payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia,* that if the allegedly lost, stolen or destroyed Note, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to ''Notes'' shall be construed accordingly.

In the event that further notes are issued, the 40-day restricted period applicable to the Notes, as described herein under ''Plan of Distribution'', may be extended.

13. Notices

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange shall so require, notices to holders of such Notes shall be published in the manner prescribed by the rules of such exchange in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*). If publication in any of such newspapers shall not be practicable, notice will be validly given if published in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

14. Governing Law and Third Party Rights

The Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law. No person shall have any right to enforce any term or condition of the Notes by virtue of the Contracts (Rights of Third Parties) Act 1999.

15. Redenomination into euros

Subject to applicable legislation and if so provided on the Notes, the Issuer may, without the consent of the holders of the Notes, by giving notice as described below, with effect from a date to be determined by it (the ''**Redenomination Date**''), redenominate the aggregate principal amount of the Notes, but not part thereof only, into euros and, after such redenomination, shall pay principal of and interest on the Notes in euros. In connection with the redenomination, the Issuer may (i) alter the tradeable nominal amounts of the Notes and (ii) adjust the provisions of the Notes to European market practice regarding the accrual basis in respect of interest payments for less than a year and regarding the business day definitions.

Such redenomination and any additional measures which may be taken pursuant to the preceding paragraph may be taken by unilateral declaration by the Issuer. Any alteration of the tradeable nominal amounts of the Notes shall be made in accordance with existing or anticipated market practice and, if consistent therewith, may be made by altering the tradeable nominal amounts of the Notes to €0.01.

Notice of any such redenomination shall be published in accordance with Condition 13 at least one month prior to the Redenomination Date with a copy to the Principal Paying Agent. Such notice shall:

(a) designate the issue;

(b) specify the Redenomination Date;

(c) set forth the text of the amended provisions before and after the amendment of the Global Notes; and

(d) specify the appropriate euro conversion rate fixed by the Council of the European Union.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Each Tranche of Notes will initially be represented by either a temporary Global Note or by a permanent Global Note as specified in the relevant Pricing Supplement, in each case in bearer form without Coupons, Receipts or a Talon attached which will be deposited on behalf of the subscribers of the relevant Notes with a common depositary (the ''**Common Depositary**'') for Euroclear and for Clearstream, Luxembourg or otherwise as agreed between the Issuer and the relevant Dealer, on or about the issue date of the relevant Notes. No interest will be payable in respect of a temporary Global Note, except as provided below. Upon deposit of the temporary Global Note(s) with the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or such Approved Intermediary as the holder of a Note represented by a Global Note must look solely to Euroclear or Clearstream, Luxembourg or such Approved Intermediary (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

The temporary Global Notes and the permanent Global Notes contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of those provisions which modify the effect of the terms and conditions:

1. **Exchange.** Each temporary Global Note will be exchangeable, as so specified in the relevant Pricing Supplement, in whole or in part for interests in a permanent Global Note or for definitive Notes (as described in the next paragraph) after the date falling 40 days after the issue date of the Notes upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. Each permanent Global Note is exchangeable in whole (or, in the case of Partly-paid Notes only and for so long as Euroclear or Clearstream, Luxembourg permits, in part) at the request and cost and expense of the holder (or, (i) if so provided in a permanent Global Note, (ii) if a permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg and either of such clearing systems is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (iii) if an event of default occurs in relation to the Notes represented thereby, the Issuer) for Definitive Notes by such holder giving notice to the Principal Paying Agent, or by the Issuer giving notice to the Principal Paying Agent and the Noteholders, of its intention to exchange (at the option and expense of the Issuer) such permanent Global Note for Definitive Notes on or after the Exchange Date specified in the notice.

On or after any Exchange Date (as defined below) the holder of a permanent Global Note may surrender such permanent Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent. In exchange for any permanent Global Note, or the part thereof to be exchanged, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts which have not already been paid on the permanent Global Note and a Talon), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 2 to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

''**Exchange Date**'' means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the cities in which the relevant clearing system is located.

2. **Payments.** No payment falling due more than 40 days after the issue date will be made on a temporary Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note during the period up to 40 days after its issue date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement (or such other form as the Issuer may approve). All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 6(d)(iv) and Condition 7(e) will apply to Definitive Notes only.

3. **Notices.** So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note. For so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange shall so require, such notices shall be published in the manner prescribed by such exchange in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*).

4. **Prescription.** Claims against the Issuer in respect of Notes which are represented by a permanent Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 4).

5. **Meetings.** The holder of a permanent Global Note will (unless such Permanent Global Note represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each minimum denomination of Notes for which such Global Note may be exchanged.

6. **Purchase and Cancellation.** Cancellation of any Note surrendered for cancellation following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

7. **Default.** Each permanent Global Note provides that the holder may cause such permanent Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 9 by stating in the notice to the Principal Paying Agent the principal amount of such permanent Global Note which is becoming due and repayable. Following the giving of a notice of an event of default, the holder of a permanent Global Note may elect that the permanent Global Note becomes void as to a specified portion and that the persons entitled to such portion as accountholders with a clearing system acquire direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 1 October 2004 (the ''**Deed of Covenant**'').

8. **Issuer's Option.** No drawing of Notes will be required under Condition 5(e) in the event that the Issuer exercises any option relating to those Notes while all such Notes which are outstanding are represented by a permanent Global Note. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any series, the rights of accountholders with Euroclear or Clearstream, Luxembourg (as the case may be) in respect of the Notes will be governed by the standard procedures of Euroclear or Clearstream, Luxembourg (as the case may be).

9. **Noteholders' Option.** Any Noteholders' option may be exercised by the holder of a permanent Global Note giving notice to the Principal Paying Agent of the principal amount of Notes in respect of which the option is exercised and presenting such permanent Global Note for endorsement of exercise within the time limits specified in the Conditions.

10. **Partly-paid Notes.** The provisions relating to Partly-paid Notes will be contained in the Global Notes. For so long as any instalments of the subscription moneys due from the holder of

Party-paid Notes are due, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). In the event that any Noteholder fails to pay any instalment due on any Partly-paid Notes within the time specified, the Issuer will be entitled to forfeit such Notes and shall have no further obligation to their holder in respect of them.

11. **Redenomination.** If the Issuer redenominates any Notes into euros pursuant to Condition 15, it shall not be obliged to exchange any Global Notes for new Global Notes denominated in euros.

USE OF PROCEEDS

The net proceeds of issues of Notes will be used for general corporate purposes of the Issuer.

FCE BANK PLC: REVIEW OF BUSINESS AND OPERATIONS

General

FCE Bank plc was incorporated in England and Wales under the Companies Act 1948 on 3 September 1963 with number 772784 as a private limited company. Its original name, Ford Motor Credit Company Limited, was changed to Ford Credit plc when it re-registered as a public limited company on 1 May 1991. On 1 June 1993 it changed its name to Ford Credit Europe plc and then on 1 June 1998 it changed its name to FCE Bank plc (''**FCE**'').

FCE is an indirect wholly owned subsidiary of Ford Motor Company (''**Ford**''), a company incorporated under the laws of the State of Delaware, United States of America. FCE is supervised by the Financial Services Authority as an institution authorised as a deposit taking business under the Financial Services and Markets Act 2000. It also holds a standard licence under the Consumer Credit Act 1974.

FCE has obtained passports from the Bank of England (and the Financial Services Authority as its successor) pursuant to the Banking Consolidation Directive entitling it to operate on a branch basis in Austria, Belgium (including Luxembourg), Denmark, Finland, France, Germany, Greece, Ireland, Italy, The Netherlands, Portugal, Spain and Sweden. In Germany FCE has since established three further branches in the name of Mazda Bank, Jaguar Financial Services and Land Rover Financial Services. FCE also has branch operations in Norway and Switzerland.

In addition to the above European branches, FCE has subsidiaries in The Czech Republic, Finland, Italy, Hungary and Poland, providing wholesale, leasing and retail vehicle financing.

FCE's primary business is to support the sale of Ford and affiliated manufacturers' vehicles in Europe through respective dealer networks. FCE's European branches and subsidiaries have established additional finance facilities and associated trading styles primarily for Ford affiliated manufacturers in Europe. A variety of retail, leasing and wholesale finance plans are provided in countries in which FCE and its subsidiaries operate. Retail financing is provided by means of a number of title retention plans, including conditional sale, hire purchase and instalment credit. FCE also provides personal loans. Operating and finance leases are provided to individual, corporate and other institutional customers, covering single vehicles to large and small fleets of vehicles. FCE provides loans to dealers for working capital, property acquisitions and for a variety of vehicle wholesale (floorplan) finance plans.

FCE also offers branded insurance products in partnership with local insurance providers. It distributes these products primarily through Ford, Jaguar, Land Rover, Mazda and Volvo dealerships in many European markets. Insurance is fee based, non-equity business for FCE. FCE's Worldwide Trade Financing division provides finance to dealers in countries where typically there is no established local Ford presence. In addition other private label operations and outsourcing arrangements are in place in several markets in central and eastern Europe.

Ownership

Since 10 October 2000 Ford Credit International, Inc., an indirect wholly owned subsidiary of Ford, has remained the beneficial owner of the entire issued share capital of FCE. One share is held by Ford Motor Credit Company (''**Ford Credit**'') on trust for Ford Credit International, Inc. Since 1 January 2003 the total issued share capital of FCE has been £614,384,050 comprising 614,384,050 Ordinary £1 shares. FCE remains a consolidated subsidiary of Ford Credit. Ford Credit has entered into an agreement that it will maintain a minimum ownership interest in FCE and that it (or, if its interest in FCE is held through an affiliate, such affiliate) will maintain its net worth at a minimum level. (See ''Support Agreement'' below.)

Capital Resources

Prior to 1994, the European credit operations had raised the majority of funds required to support their businesses from bank facilities. One of the purposes of the consolidation described above was to facilitate FCE's access to public debt markets, and as a result, the majority of FCE's outstanding debt has been raised in those markets. FCE's ability to obtain funds in these markets will be affected by its credit ratings, which are expected to be closely related to the outlook for, and financial condition of, Ford.

Support Agreement

Pursuant to a support agreement between Ford Credit and FCE dated 20 September 2004 (the ''**Support Agreement**''), Ford Credit has agreed to maintain, directly or indirectly, a control interest over not less than 75% of the issued share capital of FCE and to maintain or procure the maintenance of FCE's net worth of not less than $500 million until 31 January 2010. On 1 February of each year thereafter, the Support Agreement will be automatically extended by one year unless one of the parties to the Support Agreement gives notice cancelling such extension on or before 1 January of that year.

Securitisation

FCE has sold certain German, UK, Spanish and Italian retail receivables through an asset-backed securitisation (''**ABS**'') programme which re-commenced in 1999. At year-end 2003, FCE has securitised approximately 10% of its total managed assets through revolving structures, with ongoing monthly sales to replace receivables that had amortised.

FCE continues to meet a portion of its funding requirements through securitisation because of the stability of the ABS market, their lower costs compared with unsecured debt and to further diversify FCE's funding sources.

Relationship between FCE and Ford Credit

As highlighted in the ''Ownership'' section above, the immediate parent undertaking of the Issuer is FCI. FCI does not produce consolidated accounts being wholly owned by, and consolidated into the accounts of Ford Credit. The ultimate parent undertaking and controlling party is Ford.

Further information relating to Ford Credit's and Ford's worldwide financial services and automotive operations can be found in Ford Credit's most recent 10-K and 10-Q filings which are appended to this Offering Circular at Annex I and Annex II respectively. These filings include reports prepared by PricewaterhouseCoopers LLP in the United States, who have consented to the inclusion of their Report of Independent Auditors for the 10-K filing and Report of Independent Registered Public Accounting Firm for the 10-Q filing. on Ford Credit (which appear in such filings) in the form and context in which they are included in this Offering Circular and who have authorised the contents of those parts of the Listing Particulars for the purposes of Regulation 6.1(e) of The Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.

Annex I contains a number of exhibits some of which are only incorporated by reference in the 10-K filing. Pages 54-57 of Annex I provide information relating to these exhibits and explain that certain exhibits may be obtained from previous filings of Ford Credit. Exhibits 10-D, 12, 23, 24, 99.1, 99.2 and 99.3 to the 10-K filing are, having been filed with the 10-K report, contained in Annex I (immediately following page FC31 et seq.).

The Ford Credit financial statements are relevant to the Issuer as Ford Credit owns the entire issued share capital of FCI which is the beneficial owner of the entire issued share capital of the Issuer. However, for the avoidance of doubt, neither FCI nor Ford Credit is a guarantor of, or in any way obligated in connection with, Notes issued by FCE.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the unaudited consolidated capitalisation and indebtedness of FCE and its subsidiaries at 30 June 2004:

	As at 30 June 2004
	(£ Mils)
Indebtedness	
Short-term Debt (payable within one year)	£ 5,717
Long-term Debt	8,135
Total Debt	13,852
Other Liabilities	3,481
Total Liabilities	17,333
Total Capitalisation	1,635
Total Indebtedness and Capitalisation	£18,968

Notes:

(1) The authorised share capital of FCE, as at the date of this Offering Circular, is £1,000,000,000 divided into 769,926,202 Ordinary Shares of £1 each (''**Ordinary Shares**'') and 230,073,798 Non-Cumulative Convertible Preference Shares of £1 each (''**Preference Shares**''), of which 614,384,050 Ordinary Shares are issued and fully paid and are held as follows:

	Ordinary Shares
Ford Credit International, Inc.	614,384,049
Ford Motor Credit Company (U.S.)*	1
Total issued shares	614,384,050

As at the date of the Offering Circular, FCE has not agreed to issue any shares, other than in connection with the consolidation of the European credit operations.

* Ford Motor Credit Company (U.S.) holds the legal interest in 1 share on trust as nominee for Ford Credit International, Inc.

(2) As at 30 June 2004, FCE had no outstanding, or created but unissued, loan capital.

(3) As at 30 June 2004, FCE had not issued any material guarantees and had no material contingent liabilities other than intra-group guarantees and intra-group contingent liabilities.

(4) £670.4 million is guaranteed but not secured (primarily relating to loans from the European Investment Bank) and the remainder is unguaranteed and unsecured.

(5) There have been no material changes in the capitalisation, indebtedness, contingent liabilities and guarantees of FCE and its subsidiaries since 30 June 2004.

SUMMARY FINANCIAL STATEMENTS

The following summary financial statements have been extracted without material adjustment from the audited consolidated accounts of FCE Bank for the years ended 31 December 2003 and 2002.

	Years Ended 31 December	
	2003	2002
	(£ Mils)	(£ Mils)
Profit and Loss Account		
Interest receivable and similar income	1,220	1,200
Interest payable	(650)	(653)
Net interest income	570	547
Fees and commissions receivable	53	33
Fees and commissions payable	(95)	(99)
Other operating income	402	425
Operating income	930	906
Administrative expenses	(287)	(257)
Depreciation and amortisation	(318)	(331)
Provisions for bad and doubtful debts	(96)	(102)
Profit on ordinary activities before tax	229	216
Tax on profit on ordinary activities	(42)	(87)
Profit on ordinary activities after tax	187	129
Dividends	—	—
Retained profit for the year	187	129

	As at 31 December	
	2003	2002
	(£ Mils)	(£ Mils)
Balance Sheet		
Assets		
Loans and advances to banks	1,077	448
Loans and advances to customers	14,523	13,926
Total loans and advances to customers	1,945	1,580
Non returnable finance	(1,720)	(1,407)
Total loans and advances to customers	14,748	14,099
Debt securities	21	—
Intangible fixed assets	12	13
Tangible fixed assets	1,107	1,180
Other assets	395	365
Prepayments and accrued income	48	63
Total assets	17,408	16,168
Liabilities		
Deposits by banks	499	561
Customer accounts — parent undertaking	6,652	5,023
Customer accounts — other	17	18
Total customer accounts	6,669	5,041
Debt securities in issue	7,416	8,098
Other liabilities	173	148
Accruals and deferred income	412	365
Provisions for liabilities and charges	80	75
Subordinated liabilities	603	605
Total liabilities	15,852	14,893
Capital and reserves		
Called up share capital	614	604
Share premium	352	337
Profit and loss account	590	334
Total shareholders' funds	1,556	1,275
Total liabilities and shareholders' funds	17,408	16,168
Memorandum items		
Contingent liabilities — guarantees	24	64
Commitments — credit lines	126	247

Comment on FCE's 2003 results

FCE's profit on ordinary activities before tax in 2003 was £229 million compared to the £216 million achieved in 2002. The higher 2003 pre-tax profits resulted from increased levels of loans and advances financed and fee based business, operating cost efficiencies and favourable currency exchange rate movements which were partially offset by increased unsecured debt funding spreads and a loss arising from the integration of three Dutch subsidiaries into the FCE Netherlands branch, which is included in Administrative expenses.

FCE's 2004 Interim Results

No published audited UK GAAP FCE results have been prepared since the 31 December 2003 audited financial statements. FCE's interim results for the six months ended 30 June 2004 represent the most recent management accounts under UK GAAP.

According to FCE's interim unaudited UK GAAP accounts, FCE's profit before tax for the six months ended 30 June 2004 was £189 million, up by £62 million for the same period in 2003, and its profit after tax was £132 million, up by £47 million for the same period in 2003. This increase primarily reflected favourable changes in currency exchange rates primarily between Euro and Sterling on translation of income, lower operating costs and gains on the sale of the full service leasing portfolios in the United Kingdom and Italy which were partially offset by lower financing contract placement volumes.

	Period Ending 30 June	
	2004 (£ Mils)	2003 (£ Mils)
Profit on ordinary activities before tax	£189	£127
Tax on profit on ordinary activities	(57)	(42)
Profit on ordinary activities after tax	£132	£85

THE DIRECTORS

The names of the directors of the Company, their functions, business addresses and, where relevant, principal activities performed outside the Group are given below:

Name	Function and Principal Outside Activity	Business Address
Robert C. Brady	Brand Director, Jaguar / Land Rover	FCE Bank plc Central Office Eagle Way Brentwood, Essex CM13 3AR
John Coffey	Executive Director, Global Operations and Technology	FCE Bank plc Central Office Eagle Way Brentwood, Essex CM13 3AR
Richard Corbello	Chairman	FCE Bank plc Central Office Eagle Way Brentwood, Essex CM13 3AR
Peter Jepson	Director, Finance and Planning	FCE Bank plc Central Office Eagle Way Brentwood, Essex CM13 3AR
John Noone	Director	Ford Motor Credit Company The American Road Dearborn, Michigan 48121-1732
Nick Rothwell	Managing Director, Germany	Ford Bank; branch of FCE Bank plc Von-Gablenz-Strasse 2-6 D-50679 Cologne
Peter de Rousset Hall	Managing Director, Britain	FCE Bank plc Central Office Eagle Way Brentwood, Essex CM13 3AR
Bernard Silverstone	Executive Director, European Sales Operations	FCE Bank plc Central Office Eagle Way Brentwood, Essex CM13 3AR
Michael Robinson	Non-Executive Director	c/o FCE Bank plc Central Office Eagle Way Brentwood, Essex CM13 3AR
Stanley Thomson, CBE	Non-Executive Director	c/o FCE Bank plc Central Office Eagle Way Brentwood, Essex CM13 3AR
Charles Toner	Non-Executive Director, Non-Executive Director and Chairman of Barratt Developments plc	c/o FCE Bank plc Central Office Eagle Way Brentwood, Essex CM13 3AR

UNITED KINGDOM TAXATION

The comments below are of a general nature based on current United Kingdom law and practice. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and any associated Coupons and may not apply to certain classes of persons such as dealers.

Noteholders who are in any doubt as to their tax position should consult their professional advisers.

Notes issued by the Issuer

1. The Notes will constitute ''quoted Eurobonds'' provided that they carry a right to interest and are and continue to be listed on a recognised stock exchange within the meaning of Section 841 Income and Corporation Taxes Act 1988 (the London Stock Exchange and the Luxembourg Stock Exchange are both so recognised).

Accordingly, if Notes which carry a right to interest are issued, whether in global or definitive form, and are and continue to be listed on a recognised stock exchange, then payments of interest on the Notes (including payments of interest made through paying or collecting agents) may be made without withholding or deduction for or on account of United Kingdom income tax.

Interest on Notes having a maturity of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more may also be paid without deduction for or on account of United Kingdom income tax.

Where interest on Notes is paid to a company which is beneficially entitled to the interest and is within the charge to United Kingdom corporation tax as regards that interest, where the Issuer at the time of the payment of interest in question reasonably believes that this is the case, no withholding or deduction for or on account of United Kingdom income tax need be made.

Where interest on Notes is paid by the Issuer in the ordinary course of its business as a bank pursuant to section 349 Income and Corporation Taxes Act 1988 payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax.

In all other cases, interest on the Notes will generally be paid under deduction of United Kingdom income tax at the lower rate (currently 20%) subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available under the provisions of any applicable double taxation treaty.

United Kingdom paying and collecting agents

2. Persons in the United Kingdom (i) paying interest to or receiving interest on behalf of another person, or (ii) paying amounts due on redemption of any Notes which constitute relevant discounted securities as defined in Schedule 13 to the Finance Act 1996 to or receiving such amounts on behalf of another person, may be required to provide certain information to the United Kingdom Inland Revenue regarding the payment (including the amount of the interest) and the identity of the payee or person entitled to interest on the Notes and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

Discount Notes

3. No United Kingdom withholding tax will apply to any premium or discount on Notes issued at a discount or redeemable at a premium unless any element of premium or discount is treated as interest for United Kingdom tax purposes, in which case payments thereof will be treated as described in paragraph 1 above.

European Union Directive on the Taxation of Savings Income

4. On 3 June 2003, the European Council (''**the Council**'') adopted a Directive to ensure the effective taxation of savings income in the form of interest or other similar income paid by a person within one Member State to an individual resident in another Member State (''**the Directive**''). Twelve Member States (including the United Kingdom, but not Austria, Belgium and Luxembourg)

will implement the automatic exchange of information relating to such savings income from a date not earlier than 1 July 2005. From the same date, Austria, Belgium and Luxembourg will instead operate a withholding system, with revenue sharing, for a transitional period. The rate of withholding will be 15% for the first three years of the transitional period beginning on the date of implementation of the Directive, 20% for the following three years and 35% thereafter (subject, in the case of Austria, to approval by the Austrian Parliament if required).

Direct Assessment (including issues relevant to non-United Kingdom resident Noteholders)

5. The interest on the Notes will have a United Kingdom source and, accordingly, subject to what is said below, may be chargeable to United Kingdom income tax by direct assessment. However, interest received without deduction or withholding is not chargeable to United Kingdom tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom unless the Noteholder carries on a trade, profession or vocation in the United Kingdom through a branch or agency, or, for companies in accounting periods beginning after 31 December 2003, a permanent establishment, in the United Kingdom in connection with which the interest or profit is received or to which the Notes are attributable. In this case, United Kingdom income tax may be levied on the branch or agency or permanent establishment (as appropriate), although there are certain exceptions for income received by specified categories of agent (such as some brokers and investment managers).

6. Where interest on the Notes has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

7. The provisions relating to the payment of additional amounts in Condition 7 of ''Conditions of the Notes'' would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest or (where applicable) profit directly to United Kingdom income tax. However, exemption from or reduction of such United Kingdom tax liability might be available under an applicable double taxation treaty.

Taxation of Returns – Individuals and Trustees

8. Noteholders who are not chargeable to corporation tax and who are resident for tax purposes in the United Kingdom, or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency in connection with which any interest or profit is received or to which the Notes are attributable, will generally be liable to United Kingdom tax on interest received in respect of the Notes.

9. For Noteholders chargeable to United Kingdom income tax, rather than corporation tax, Notes issued at an issue price of less than the amount payable on redemption may constitute ''relevant discounted securities'' for the purposes of Section 102 and Schedule 13 of the Finance Act 1996. In such case, a Noteholder may be liable to United Kingdom income tax on the profit (the amount by which any sum payable on the transfer or redemption of the Note exceeds its acquisition price) realised on any disposal of the Note (which includes redemption). No charge should arise under these provisions on Noteholders who are resident outside the United Kingdom for tax purposes and who do not carry on a trade, profession or vocation in the United Kingdom through a branch or agency in connection with which any income or profit is received or to which the Notes are attributable.

10. In relation to Notes which are not ''relevant discounted securities'', for Noteholders who are not subject to corporation tax, Notes denominated in (or treated as denominated in, or convertible into, or redeemable, other than at the exchange rate prevailing at redemption) a currency other than sterling will not constitute ''qualifying corporate bonds''. Accordingly, on a disposal or redemption of such Notes, such Noteholders may realise a chargeable gain or an allowable loss for United Kingdom capital gains tax purposes. In calculating any gain or loss on disposal of a Note, sterling values are compared at acquisition and disposal. Accordingly, a taxable profit can arise even where the foreign currency amount received on a disposal is less than or the same as the amount paid for the Note. Notes which are denominated in (or treated as denominated in) a currency other than sterling and which are ''relevant discounted securities'', and Notes denominated in sterling (and which are not treated as denominated in, or convertible into, or redeemable, other than at the exchange rate prevailing at redemption, a currency other than sterling) will normally be ''qualifying

corporate bonds'', in which case no chargeable gains and no allowable losses will arise for the purposes of United Kingdom taxation of capital gains.

11. A transfer of Notes by a non-corporate Noteholder resident or ordinarily resident in the United Kingdom or who carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a charge to United Kingdom income tax in respect of an amount representing interest on the Notes which has accrued since the preceding interest payment date or, if the Notes are regarded by the Inland Revenue as variable rate securities for purposes of the provisions known as the ''Accrued Income Scheme'', in such an amount as the Inland Revenue deem just and reasonable.

Taxation of Returns — Corporate Noteholders

12. Noteholders within the charge to United Kingdom corporation tax will normally recognise any gain or loss on Notes for United Kingdom corporation tax purposes under the ''loan relationship'' rules in the Finance Act 1996. Under these rules, all profits, gains and losses (including foreign exchange gains and losses), measured and recognised in accordance with an authorised accounting method, are taxed or relieved as income.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a Distribution Agreement dated 17 November 1993 as amended and restated on 1 October 2004 (the ''**Distribution Agreement**'') between the Issuer, ABN AMRO Bank N.V., BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG London, Dresdner Bank AG London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), Merrill Lynch International, Mitsubishi Securities International plc, The Royal Bank of Scotland plc, and UBS Limited (the ''**Permanent Dealers**''), the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However the Issuer has reserved the right to sell Notes directly on its own behalf to purchasers which are not Permanent Dealers (together with the Permanent Dealers, ''**Dealers**'') provided that such sales are upon the terms of the Distribution Agreement. Pursuant to the Distribution Agreement the Issuer has entered into a Subscription Agreement dated 15 March 2003 as amended and restated on 1 October 2004 with, *inter alia*, Deutsche Bank AG London for the purpose of issuing COINs. Such Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Distribution Agreement also provides for Notes to be issued in Tranches which are jointly and severally underwritten by two or more Dealers.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Distribution Agreement may be terminated in relation to all the Dealers or any of them by the Issuer or, in relation to itself and the Issuer only, by any Dealer, at any time on giving not less than ten business days' notice. In addition, the Distribution Agreement entitles the Dealer(s) subscribing each Tranche of Notes to be issued to terminate their obligation to subscribe such Notes in certain circumstances prior to payment being made to the Issuer.

United States

U.S. Tax Selling Restrictions

The Notes have not been issued in registered form for U.S. federal income tax purposes and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person except as permitted under U.S. Treasury Regulations section 1.163-5(c)(2)(i)(D) (the ''**D Rules**''). Terms used in this paragraph have the meanings given to them by the Internal Revenue Code and the regulations thereunder.

Each Dealer has represented and agreed (and each additional Dealer named in a Pricing Supplement will be required to represent and agree) that in addition to the relevant U.S. Selling Restrictions set forth below:

(a) except to the extent permitted under the D Rules, it has not offered or sold, and during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a U.S. person;

(b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person (except to the extent permitted under the D Rules);

(c) if it is a U.S. person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance, and if it retains Notes in bearer form for its own account, it will do so in accordance with the requirements of the D Rules; and

(d) with respect to each affiliate or distributor that acquires Notes in bearer form from the Dealer for the purpose of offering or selling such Notes during the restricted period, the Dealer either repeats and confirms the representations and agreements contained in subclauses (a), (b) and (c) above on such affiliate's or distributor's behalf or agrees that it will obtain from such distributor for the benefit of the Issuer the representations and agreements contained in such subclauses.

Terms used in this section shall have the meanings given to them by the Internal Revenue Code and the regulations thereunder, including the D Rules.

U.S. Securities Selling Restrictions

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the ''**Securities Act**'') and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has agreed that, except as permitted by the Distribution Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer and each relevant Dealer, by the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during such distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

In relation to each Tranche of Notes, each Dealer subscribing for or purchasing such Notes represents, warrants and undertakes to the Issuer and each other Dealer that:

(a) in relation to Notes which have a maturity of one year or more and which are to be admitted to the Official List, it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part VI of the FSMA, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSMA;

(b) in relation to Notes which have a maturity of one year or more and which are not to be admitted to the Official List, it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if the Issuer were not an authorised person, apply to the Issuer; and

(d) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the ''**Securities and Exchange Law**''). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to any resident of Japan except in circumstances which will result in compliance with the Securities and Exchange Law and all applicable other laws, regulations and ministerial guidelines in Japan. As used in this paragraph, ''resident of

Japan'' means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Federal Republic of Germany

Each Dealer has confirmed that it is aware of the fact that no German selling prospectus (*Verkaufsprospekt*) has been or will be published in respect of the Notes. Each Dealer has represented and agreed that it has only offered and sold and that it will only offer and sell Notes in the Federal Republic of Germany in accordance with the provisions of the German Securities Sales Prospectus Act (*Wertpapierverkaufsprospektgesetz*) and any other applicable legal and regulatory requirements.

France

This Offering Circular has not been submitted for approval by the *Autorité des marchés financiers.*

Accordingly, each of the Dealers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, the Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France this Offering Circular or any other material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in the Republic of France to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted circle of investors (*cercle restraint d'investisseurs*), all as defined in and in accordance with Articles L. 411-1 and L. 411-2 of the French Financial and Monetary Code (formerly Article 6 of *ordonnance* no. 67-833 dated 28 September 1967), as amended, and *décret* no. 98-880 dated 1 October 1998.

Notes may only be issued, to the public in the Republic of France in accordance with Articles L. 411-1, L. 411-2 and L. 621-8 of the French Financial and Monetary Code *(Code monétaire et financier)*. Where an issue of securities is effected as an exception to the rules relating to an *appel public à l'épargne* in the Republic of France (public offer rules) by way of an offer to a restricted circle of investors, such investors must, to the extent that the Notes are offered to 100 or more of such investors, provide certification as to their personal association, of a professional or personal nature, with a member of the management of the issuer.

The Netherlands

The Notes may not be offered, sold or transferred directly or indirectly:

(i) within The Netherlands other than to individuals or legal entities who or which trade or invest in securities in the conduct of their profession or trade (which includes banks, security firms, investment institutions, insurance companies, pension funds, other institutional investors and commercial enterprises which regularly, as an ancillary activity, invest in securities) (the ''**Professionals**''); or

(ii) unless each Note has a denomination equal to or in excess of €50,000 or its equivalent value in another currency (the ''**Exempted Offer**'');

provided in each case that non-interest bearing Notes in definitive bearer form may not be offered, sold or transferred directly or indirectly within The Netherlands except in conformity with the requirements of The Dutch Savings Certificates Act of 21 May 1985 (*Wet inzake Spaarbewijzen*) (''**SCA**'').

Accordingly, each Dealer represents and agrees that it (i) has not offered, sold and transferred and will not offer, sell or transfer any Notes, directly or indirectly, within The Netherlands other than to Professionals or as an Exempted Offer, and (ii) has, in the case of any offer, sale or transfer of any Notes to Professionals that does not qualify as an Exempted Offer, mentioned and will mention the relevant selling restriction in all offers, offer advertisements, publications and other documents in which an offer of the Notes within The Netherlands is made or such a forthcoming offer is announced, and (iii) will not offer, sell or transfer or cause non-interest bearing Notes in definitive bearer form, to be offered, sold or transferred directly or indirectly, within or from The Netherlands, except in conformity with the requirements of the SCA.

General

These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealer(s) including following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

Other than in the United Kingdom, no action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives, and obtain all relevant consents, approvals or permissions, in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering material or any Pricing Supplement and neither the Issuer nor any other Dealer shall have responsibility therefor.

Additional COINS Selling Restrictions

In relation to COINs, the selling restrictions set out below relating to Switzerland, Germany, Italy, Luxembourg and Belgium supplement the selling restrictions set out in this Offering Circular.

Germany

The Issuer has prepared a German language translation of the Conditions of Notes, such translation having been approved by the Issuer (the ''**Authorised Translation**''). Each COINS Dealer has represented and agreed that if such Dealer distributes a translation for the purpose of disclosure to potential purchasers of COINs in Germany, it shall only distribute the relevant Authorised Translation with such changes as are necessary in respect of the relevant issue of COINs (such changes being the responsibility of the relevant COINS Dealer).

Italy

The offering of the COINs has not been registered pursuant to the Italian securities legislation and accordingly the COINs may not be offered, sold or delivered and neither this Offering Circular nor any other offering material relating to the COINs may be distributed or made available in Italy unless to ''**Professional Investors**'', as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998 (as amended) (''**Regulation 11522/98**''), pursuant to Articles 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998 (''**Unified Financial Act**''), or in any other circumstances where an express exemption from compliance with the solicitation restriction, provided by the Unified Financial Act or CONSOB Regulation No. 11971 of 14 May 1999 (as amended) (''**Regulation 11971/99**'') applies, provided however that: (i) such activities are carried out by an investment firm, bank or financial intermediary duly authorised to conduct such activities in Italy and in accordance with applicable Italian securities laws and any other applicable legal or regulatory requirements, including, inter alia, the Unified Financial Act, Regulation 11522/98, Legislative Decree No. 385 of 1 September 1993 (the ''**Italian Banking Act**'') and Regulation 11971/99, all as amended, restated and/or substituted from time to time; and (ii) the applicable requirements for notices to the Bank of Italy under Article 129 of the Italian Banking Act and the related Supervisory Instructions issued by the Bank of Italy, as amended, restated and/or substituted from time to time, (the ''**Supervisory Instructions**'') are fully complied with.

Each of the COINS Dealers has represented and agreed that it will observe the restrictions regarding the offering and sale of COINs and distribution of documents as set out above and in any relevant Pricing Supplement.

Luxembourg

The COINs may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and neither this Offering Circular nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in, or from or published in, the Grand Duchy of Luxembourg, except for the sole purpose of the listing of the COINs on the Luxembourg Stock Exchange and except in circumstances which do not constitute a public offer of securities.

Each of the COINS Dealers has represented and agreed that it has not taken and will not take any steps that would constitute a public offer of the COINs in the Grand Duchy of Luxembourg.

Belgium

The Belgian Banking, Finance and Insurance Commission (the ''**CBFA**'') has not reviewed nor approved this Offering Circular or commented on its accuracy or adequacy or recommended or endorsed the purchase of COINs.

Each of the COINS Dealers has represented and agreed that any issue of COINs in Belgium will fall under the exemption set forth in Article 10, 3° of the Act of 22 April 2003, on the public offering of securities, and that all conditions for the application of this exemption are and will be continuously fulfilled.

In addition, each of the COINS Dealers has represented and agreed that it will not sell COINs to any person qualifying as a consumer within the meaning of Article 1.7° of the Belgian law of 14 July 1991 on consumer protection and trade practices unless such sale is made in compliance with the Belgian law of 14 July 1991 on consumer protection and trade practices and with its implementing legislation.

Switzerland

Only this Offering Circular, as supplemented by any Pricing Supplement and any other information incorporated therein by reference and required to ensure compliance with the Swiss Code of Obligations (in particular additional and updated corporate and financial information) may be used in the context of a public offer in or into Switzerland.

Additional information required by the Swiss Code of Obligations is set out in the ''General Information'' section of this Offering Circular.

GENERAL INFORMATION

1. The listing of the Notes (excluding COINs) on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). The original listing of the Programme was granted on 19 November 1993. It is expected that listing of the Programme on the Official List will be granted for a further twelve months on or before 1 October 2004. It is expected that each Tranche which is to be admitted to the Official List of the UK Listing Authority and admitted to trading by the London Stock Exchange will be admitted separately as and when issued, subject to the issue of the relevant temporary or permanent Global Note. Prior to official listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction. However, Notes may be issued pursuant to the Programme which will not be listed on the London Stock Exchange or any other stock exchange.

2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The creation of the Programme and the issue of the Notes was authorised by a meeting of the Board of Directors of the Issuer on 15 November 1993 and on 20 September 2002, the Board of Directors of the Issuer authorised the increase of the Programme size from U.S. $10,000,000,000 to U.S. $12,000,000,000. The Board of Directors of the Issuer authorised the contents of this Offering Circular on 1 October 2004.

3. Other than a temporary Global Note, each Note, Receipt, Coupon and Talon will bear the following legend: ''Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code''. The temporary Global Note will bear the following legend:

''This temporary Global Note has not been and will not be registered under the United States Securities Act of 1933, as amended (the ''**Securities Act**''). Neither this Global Note nor any portion hereof may be offered or sold within the United States or to any US person unless an exemption from the registration requirements of the Securities Act is available.''

4. Neither the Issuer nor any of its subsidiaries is or has been involved in any legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this document, a significant effect on the financial position of the Issuer and its subsidiaries nor is the Issuer aware that any such proceedings are pending or threatened.

5. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 31 December 2003 and no material adverse change in the financial position or prospects of the Issuer and its subsidiaries since 31 December 2003.

6. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN and Common Code for each Series of Notes will be set out in the relevant Pricing Supplement.

7. The summary financial statements of the Issuer and its subsidiaries contained in this document do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (the ''**Act**''). Audited consolidated accounts for each of the three years ended 31 December 2003, on which the auditors have given unqualified reports under Section 235 of the Act and which did not contain a statement under Section 237(2) or (3) of the Act, have been delivered to the Registrar of Companies.

8. Each Pricing Supplement will contain the following information in respect of the issue of Notes to which it relates:

(i) Series No.;

(ii) principal amount of the Notes of such issue;

(iii) issue date and interest commencement date;

(iv) currency and denomination;

(v) maturity date/redemption month;

(vi) issue price;

(vii) interest basis, coupon/margin, the interest period, the calculation amount, any maximum or minimum rate of interest, any initial or final broken amount and all other information required to calculate interest amounts (including basis for calculating interest payable on variable coupon amount Notes, if applicable);

(viii) interest payment dates and business day definitions;

(ix) basis for calculating redemption amounts payable in respect of Zero Coupon Notes, Variable Redemption Amount Notes, High Interest Notes or Low Interest Notes if applicable;

(x) the currencies in which payments will be made in respect of Dual Currency Notes;

(xi) whether the Notes are redeemable prior to their stated maturity at the option of the Issuer and/or the Noteholders and the terms relating thereto;

(xii) the common code and ISIN;

(xiii) whether or not the Notes (excluding COINs) will be listed on the London Stock Exchange or any other stock exchange or in relation to the COINs, whether or not the COINs will be listed on the Luxembourg Stock Exchange or any other stock exchange;

(xiv) the name of any Stabilising Agent;

(xv) any other relevant information which is not inconsistent with the Programme or the terms of the Agency Agreement; and

(xvi) in the case of Notes which are not denominated in U.S. dollars, the rate of exchange at which the amount of the issue has been converted into U.S. dollars.

9A. For so long as the Programme remains in effect or any Notes (excluding COINs) remain outstanding, the following documents will be available, during normal business hours on any weekday (Saturdays and public holidays excepted) for inspection at the registered office of the Issuer and the specified office in London of the Fiscal Agent:

(i) the Amended and Restated Agency Agreement (which includes the forms of the Global Notes, the Definitive Notes, the Coupons, the Receipts and Talons);

(ii) the Amended and Restated Distribution Agreement;

(iii) the Deed of Covenant;

(iv) the Support Agreement;

(v) the Memorandum and Articles of Association of the Issuer;

(vi) the published annual report and audited consolidated accounts of the Issuer and its subsidiaries for the two years ended 31 December 2003;

(vii) each Pricing Supplement for Notes which are listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities or any other stock exchange; and

(viii) a copy of this Offering Circular (including Annex I and Annex II thereto) together with any Supplement to this Offering Circular or further Offering Circular or document constituting supplementary listing particulars hereto.

9B. For so long as the Programme remains in effect or any COINs remain outstanding, the following documents will be available, during normal business hours on any weekday (Saturdays and public holidays excepted) for inspection at the registered office of the Issuer and the specified office in Luxembourg of the Paying Agent:

(i) the Amended and Restated Agency Agreement (which includes the forms of the Global Notes, the Definitive Notes, the Coupons, the Receipts and Talons);

(ii) the Amended and Restated Distribution Agreement;

(iii) the Deed of Covenant;

(iv) the Support Agreement;

(v) the Memorandum and Articles of Association of the Issuer;

(vi) the published annual report and audited consolidated accounts of the Issuer and its subsidiaries for the three years ended 31 December 2003 (available free of charge). The Issuer does not publish non-consolidated accounts;

(vii) The consolidated annual and interim financial statements of Ford Motor Company which are lodged with the UK Listing Authority (available free of charge). Ford Motor Company does not publish non-consolidated accounts;

(viii) each Pricing Supplement for Notes which are listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities or any other stock exchange (available free of charge);

(ix) a copy of this Offering Circular (including Annex I and Annex II thereto) together with any Supplement to this Offering Circular or further Offering Circular or document constituting supplementary listing particulars hereto (available free of charge); and

(x) all future annual audited consolidated accounts of the Issuer and all future annual audited consolidated and interim quarterly unaudited consolidated financial statements of Ford Motor Company (available free of charge).

10. PricewaterhouseCoopers LLP and their predecessors PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, London, have audited, and rendered unqualified audit reports on, the consolidated accounts of the Issuer for the three years ended 31 December 2003.

Additional Luxembourg Listing Information

1. In connection with each application to list COINs on the Luxembourg Stock Exchange, copies of the constitutional documents of the Issuer and a legal notice (*notice légale*) relating to the issue of the COINs will be deposited prior to listing with the Registre de Commerce et des Sociétés à Luxembourg and the specified office of the Paying Agent in Luxembourg, where such documents may be examined and copies obtained free of charge.

2. The Issuer will notify the Luxembourg Stock Exchange if the maximum aggregate principal amount of the Programme is increased and will produce an amendment or supplement to this Offering Circular or, as the case may be, publish a new Offering Circular, for use in connection with any subsequent issue of COINs to be listed on the Luxembourg Stock Exchange.

3. As long as any COINs are listed on the Luxembourg Stock Exchange, any financial statements of the Issuer which are published will be made available at the offices of the Paying Agent in Luxembourg as soon as they are published.

The Issuer has appointed J.P. Morgan Bank Luxembourg S.A. as listing agent in Luxembourg. So long as the notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange shall so require, copies of the statutory documents of the Issuer, the audited consolidated annual and current reports, or any reports issued on a more current basis, and all documents mentioned in this Offering Circular that have been prepared in connection with the issuance of the COINs may be inspected and copied (free of charge) at the specified offices of the Paying Agent in Luxembourg during normal business hours, so long as any of the Notes are outstanding. Copies may be obtained free of charge.

4. COINs have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) (if any) for each Tranche of COINs will be set out in the relevant Pricing Supplement.

5. The Luxembourg Stock Exchange has allocated the number 12813 to the Programme for listing purposes.

6. The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association. The objects include, among other things, to borrow, raise or take up money and to purchase, subscribe for or otherwise acquire and deal in stocks, shares, debentures, bonds, notes, loans and other securities and investments of whatsoever nature or description in any part of the world.

7. The Issuer has undertaken, in connection with the listing of the COINs on the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuer or any change in the information set out under ''Conditions of the Notes'', that is material in the context of issuance under the Programme, the Issuer will prepare or procure the preparation of an amendment or supplement to this Offering Circular or, as the case may be, publish a new Offering Circular, for use in connection with any subsequent issue by the Issuer of COINs to be listed on the Luxembourg Stock Exchange.

8. Additional information required for the distribution of COINs in Switzerland is set out below and will, where relevant, be included in any Pricing Supplement relating to a Tranche of COINs.

Additional COINS Disclosure

The Issuer has made or caused to be made the following additional filings and notifications and (in the case of Switzerland) has ensured compliance with the following laws:

Belgium

Notification to the Commission for Banking and Finance in accordance with Article 26 of Royal Decree no. 185 of 9 July 1935.

Italy

Notification to the Bank of Italy in accordance with Article 129 of the Italian Banking Act, the preparation of the Foglio Informativo Analitico pursuant to Title VI, Chapter 1, of the Italian Banking Act, Title V, Chapter 3, Section VI, and Title X, Chapter 1, Section II of the Supervisory Instructions.

Switzerland

Compliance with the Swiss Code of Obligations (in particular, the requirement to make available additional and updated corporate and financial information). The Issuer does not currently prepare and publish interim financial statements. Accordingly, the COINs may only be sold or offered in Switzerland in the period beginning with the making available of the Issuer's 2003 year-end financial statements and ending on 30 September 2004 and in the period beginning with the making available of the Issuer's 2004 year-end financial statements and ending on 30 September 2005.

Additional COINS Information Required By Swiss Law

1. The registered and head office of the Issuer is Central Office, Eagle Way, Brentwood, Essex, CM 13 3AR.

2. The Memorandum and Articles of Association of the Issuer were adopted by Special Resolution passed on 12 June 1998 and have not been amended since that date.

3. The rights of holders of the Issuer's Non-Cumulative Convertible Preference Shares (''**Preference Shares**'') are set out in the Memorandum and Articles of Association of the Issuer.

4. The latest audited consolidated annual financial statements of the Issuer (including the auditor's report relating thereto) are attached to the relevant COINS Pricing Supplement.

5. Further information on major debt instruments which are currently outstanding can be found in sections 19 and 23 of the notes to the annual financial statements referred to above. It should be noted that these figures are volatile and subject to change.

6. The creation and issue of COINs under the Programme was authorised by resolutions of the Board of Directors of the Issuer dated 24 September 2004.

7. No dividend payments have been made by the Issuer in respect of the last five financial years.

8. The objects for which the Issuer is established are set out in the Memorandum and Articles of Association. Their main provisions are as follows:

> ''(1) To finance or assist in financing the sale or purchase or lease of goods, articles or commodities of all and every kind and description by way of hire purchase, credit sale and deferred payment or otherwise and to carry on, subsidise, finance and assist in subsidising or financing the sale or purchase or lease and/or upkeep and maintenance of goods, articles or commodities of all and every description upon any terms whatsoever, to acquire hire purchase or other agreements or any rights thereunder (whether proprietary or contractual) and generally carry on business as merchants, bankers, traders, commission agents or in any other capacity in any part of the world and to import, export, buy sell, lease, barter, exchange, pledge, make advances upon or otherwise deal in goods or merchandise of any kind.
>
> (2) To carry on business as a finance company or credit institution in all or any of its branches in any part of the world and, in particular, but without prejudice to the generality of the foregoing, to lend or advance money, to discount, negotiate, buy, sell and deal in book and other debts, bills of exchange, promissory notes, coupons, drafts, bills of lading, warrants, debentures and charges, fixed or floating, of any nature whatsoever and to borrow, raise or take up money and to purchase, subscribe for or otherwise acquire and deal in stocks, shares, debentures, bonds, notes, loans and other securities and investments of whatsoever nature or description in any part of the world. . . . .
>
> (17) To borrow or raise or secure the payment of money for the purposes of the Company's business, or the business of others and with a view thereto to mortgage and charge the undertaking and all or any of the real and personal property, present or future, and all or any of the uncalled capital for the time being of the Company, and to issue at par or at a premium or discount, debentures or debenture stock or other securities payable to bearer or otherwise, and either permanent or redeemable, and collaterally or further to secure any securities of the Company by a trust deed or other assurance.''

9. The debt ratings of the Issuer are as follows:

Moody's Investors Services Limited: P-2 (short term); and A3 (long term);

Standard and Poor's: A-3 (short term); and BBB– (long term);

Fitch Ratings Limited: F-2 (short term); and BBB+ (long term).

These credit ratings may be changed, suspended or withdrawn at any time and are not a recommendation to buy, hold or sell any of our securities.

Form of Pricing Supplement

The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant notes and their issue:

[LOGO, if document is printed]

FCE Bank plc

US$12,000,000,000 Euro Medium Term Notes
Due from one month to 30 years from the original date of issue

Series no: [ ]
Tranche no: [ ]
[Brief description and amount of Notes]

Issue Price: [ ] per cent

[Dealer(s)]

The date of this Pricing Supplement is [ ].

This Pricing Supplement, under which the Notes described herein (the ''**Notes**'') are issued, is supplementary to, and should be read in conjunction with, the Offering Circular (the ''**Offering Circular**'') dated 1 October 2004 issued in relation to the US$12,000,000,000 Euro Medium Term Note Programme of FCE Bank plc. The Notes will be issued on the terms of this Pricing Supplement read together with the Offering Circular. Terms defined in the Offering Circular have the same meaning in this Pricing Supplement.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

[Set out listing applications made in respect of the Notes, if any]

[Set out any additions or variations to the selling restrictions.]

[In connection with this issue, [name of Stabilising Agent] [or any person acting on its behalf] may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there may be obligation on [name of Stabilising Agent] [or any person acting on its behalf] to do this. Such stabilising, if commenced, shall be conducted in accordance with all applicable laws and regulations and may be discontinued at any time and must be brought to an end after a limited period.]*

*Delete if there is no Stabilising Agent

The terms of the Notes are as follows:

1. Series No:	[ ]
2. Tranche No:	[ ]
3. Principal Amount of Tranche:	[ ]
4. Currency:	[ ]
5. Denomination(s):	[ ]
6. Issue Date:	[ ]
7. Interest Commencement Date:	[ ]
8. Maturity Date:	[ ] [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention for which the Relevant Business Day[s] [is/are] [specify cities]]/[The Interest Payment Date falling in [specify month and year]]
9. Redemption Amount (including early redemption):	[Principal Amount/[other]]
10. Terms of redemption at the option of the Issuer or other Issuer's option (if applicable):	[ ]
11. Issuer's Option Period:	[ ]
12. Terms of redemption at the option of the Noteholders or other Noteholders' option (if applicable):	[ ]
13. Noteholders' Option Period:	[ ]
14. Interest Payment Date(s):	[If maturity is more than five years, Interest Payment Dates to be fixed as shortly before the end of the Issuer's accounting period as possible]
15. Interest Period Date(s) (if applicable):	[ ]
16. Interest Rate (including after Maturity Date):	[[ ] per cent per annum/Floating Rate/Zero Coupon/[other]]
17. Interest Amount (Fixed Rate Note):	[Specify amount of interest due in respect of each Denomination on each Interest Payment Date]
18. Day Count Fraction:	[Consider if day count fraction for fixed rate issues should be on an Actual/Actual-ISDA or Actual/Actual-ISMA basis]
19. Interest Determination Date (if applicable):	[[ ] [TARGET] Business Days in [specify city] prior to] [the first day in each Interest Period/each Interest Payment Date]
20. Benchmark (Floating Rate Note):	[LIBOR, EURIBOR or other benchmark]
21. Primary Source for Interest Rate Quotations (Floating Rate Note:	[specify relevant screen page or "Reference Banks"]
22. Reference Banks (Floating Rate Note):	[specify four]
23. Margin (if applicable):	[Plus/Minus] [ ] per cent per annum
24. Rate Multiplier (if applicable):	[ ]
25. Minimum Interest Rate (if applicable):	[ ] per cent per annum
26. Maximum Interest Rate (if applicable):	[ ] per cent per annum
27. Relevant Time (if applicable):	[ ]
28. Amortisation Yield (Zero Coupon/High Interest/Low Interest Note):	[ ] per cent per annum

29.	Reference Price (Zero Coupon/High Interest/Low Interest Note):	[ ]
30.	Redemption for Taxation Reasons permitted on days other than Interest Payment Dates:	[Yes/No]
31.	Instalment Date(s) (if applicable):	[ ]
32.	Instalment Amount(s) (if applicable):	[ ]
33.	Unmatured Coupons to become void upon early redemption:	[Yes/No]
34.	Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity of each Talon:	[No/Yes, maturing every [ ] Interest Payment Dates]
35.	Business Day Jurisdictions for Condition 6(g) (jurisdictions required to be open for payment):	[ ]
36.	Exchange for Definitive Notes at the request of the holder at the expense of:	[the Issuer/holder, save as otherwise specified in the permanent Global Note]
37.	Temporary Global Note exchangeable for Definitive Notes:	[specify, if yes]
38.	Calculation Agent (if any):	[ ]
39.	Details of any other additional or variations to the Conditions:	[ ]
40.	Condition 15 (redenomination into euros) applicable:	[Yes/No]
41.	Details of any additions or variations to the selling restrictions:	[ ]
42.	The Agents appointed in respect of the Notes (if different from those already appointed in respect to the Programme) are:	
	(i) Principal Paying Agent	[ ]
	(ii) Paying Agent(s)	[ ]
43.	Listing:	[ ]
44.	Dealer's Commission:	[ ]
45.	Name(s) of Dealer(s):	[ ]
46.	Method of Issue of Notes:	[Individual Dealer/Syndicated Issue]
47.	ISIN:	[ ]
48.	Common Code:	[ ]

49.	Additional country and/or stock exchange (if any) to the Force Majeure clause (clauses 9.2(c)(i) and (ii) of the Distribution Agreement):	[ ]
50.	The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [ ], producing a sum of (for Notes not denominated in US dollars):	US$[ ]

____
Authorised Signatory for and on behalf of
FCE Bank plc

Form of COINS Pricing Supplement

The Pricing Supplement in respect of each Tranche of COINs will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant COINs and their issue:

[LOGO, if document is printed]

FCE Bank plc

US$12,000,000,000 Euro Medium Term Notes
Due from one month to 30 years from the original date of issue

Series no: [ ]
Tranche no: [ ]
£/$/€ [ ]
[ ]% Fixed Rate Notes due [ ]

Issue Price: 100 per cent.

Deutsche Bank AG London

[the other Manager(s)]

The date of this Pricing Supplement is [ ].

This Pricing Supplement, under which the COINs described herein (the ''**Notes**'') are issued, is supplementary to, and should be read in conjunction with, the Offering Circular (the ''**Offering Circular**'') dated 1 October 2004 issued in relation to the US$12,000,000,000 Euro Medium Term Note Programme of FCE Bank plc. The Notes will be issued on the terms of this Pricing Supplement read together with the Offering Circular. Terms defined in the Offering Circular have the same meaning in this Pricing Supplement.

The Issuer accepts responsibility for the information contained in this Pricing Supplement. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Pricing Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Save as disclosed herein, there has been no significant change and no significant new matter has arisen since the date of the latest annual audited financials, being 31 December 2003.

In connection with this issue, Deutsche Bank AG London may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there may be no obligation on Deutsche Bank AG London to do this. Such stabilising, if commenced, shall be conducted in accordance with all applicable laws and regulations and may be discontinued at any time and must be brought to an end after a limited period.

This communication is directed only to persons who (i) are outside the United Kingdom, (ii) are investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001), or fall within Article 7(s)(ii) of the Public Offers of Securities Regulations 1995 (as amended), or (iii) are persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments for the purpose of their business, or to whom this communication may otherwise lawfully be made (all such persons together being referred to as ''Relevant Persons'').

This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with Relevant Persons.

The terms of the Notes are as follows:

1.	Series No:	[ ]
2.	Tranche No:	[ ]
3.	Principal Amount of Tranche:	[ ]
4.	Currency:	[sterling / U.S.dollars / euro]
5.	Denomination(s):	[£/U.S.$/€]]
6.	Issue Date:	[ ]
7.	Interest Commencement Date:	[ ]
8.	Maturity Date:	[ ]
9.	Redemption Amount (including early redemption):	[Principal Amount]
10.	Terms of redemption at the option of the Issuer or other Issuer's option (if applicable):	[ ]
11.	Issuer's Option Period:	[ ]
12.	Terms of redemption at the option of the Noteholders or other Noteholders' option (if applicable):	[ ]
13.	Noteholders' Option Period:	[ ]
14.	Interest Payment Date(s):	[If maturity is more than five years, Interest Payment Dates to be fixed as shortly before the end of the Issuer's accounting period as possible]
15.	Interest Period Date(s) (if applicable):	[ ]
16.	Interest Rate (including after Maturity Date):	[[ ] per cent per annum]
17.	Interest Amount (Fixed Rate Note):	[Specify amount of interest due in respect of each Denomination on each Interest Payment Date]
18.	Day Count Fraction:	[30/360 for dollar denominated issues or Actual/Actual (ISMA) for sterling or euro denominated issues]
19.	Interest Determination Date (if applicable):	Not applicable
20.	Benchmark (Floating Rate Note):	Not applicable
21.	Primary Source for Interest Rate Quotations (Floating Rate Note):	Not applicable
22.	Reference Banks (Floating Rate Note):	Not applicable
23.	Margin (if applicable):	Not applicable
24.	Rate Multiplier (if applicable):	Not applicable
25.	Minimum Interest Rate (if applicable):	Not applicable
26.	Maximum Interest Rate (if applicable):	Not applicable
27.	Relevant Time (if applicable):	Not applicable
28.	Amortisation Yield (Zero Coupon/ High Interest/Low Interest Note):	Not applicable
29.	Reference Price (Zero Coupon/High Interest/Low Interest Note):	Not applicable
30.	Redemption for Taxation Reasons permitted on days other than Interest Payment Dates:	Yes
31.	Instalment Date(s) (if applicable):	Not applicable
32.	Instalment Amount(s) (if applicable):	Not applicable
33.	Unmatured Coupons to become void upon early redemption:	No
34.	Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity of each Talon:	[No/Yes, maturing every [ ] Interest Payment Dates]

35.	Business Day Jurisdictions for Condition 6(f) (jurisdictions required to be open for payment):	[ ]
36.	Exchange for Definitive Notes at the request of the holder at the expense of:	Upon giving not less than 60 days' prior notice to the Principal Paying Agent expiring on a day on which banks are open for business in the city of the Principal Paying Agent's specified office for the time being, the holder of the Permanent Global Note representing the Notes may at the expense of the Issuer request the Issuer to exchange such Permanent Global Note in whole at that specified office for one or more Definitive Notes of the same aggregate principal amount as the principal amount of such Permanent Global Note submitted for exchange, provided that either of the following occurs; (a) an Event of Default occurs in relation to the Notes; or (b) such Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg, and either of such clearing systems is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.
37.	Temporary Global Note exchangeable for Definitive Notes:	No
38.	Calculation Agent (if any):	Not applicable
39.	Details of any other additions or variations to the Conditions:	For convenience, the complete Terms and Conditions of the Notes are set out in Schedule 1 hereto.
40.	Condition 15 (redenomination into euros) applicable:	Not applicable
41.	Details of any additions or variations to the selling restrictions:	Not applicable
42.	The Agents appointed in respect of the Notes (if different from those already appointed in respect of the Programme) are:	
	(i) Principal Paying Agent	Not applicable
	(ii) Paying Agent(s)	Not applicable
43.	Listing:	
44.	Dealer's Commission:	[ ]
45.	Name(s) of Dealers(s):	[ ]
46.	Method of Issue of Notes:	Syndicated issue
47.	ISIN:	[ ]
48.	Common Code:	[ ]
49.	WKN:	[ ]
50.	Additional country and/or stock exchange (if any) to the Force Majeure clause (clauses 9.2(c) of the Distribution Agreement):	[ ]
51.	The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [ ], producing a sum of (for Notes not denominated in US dollars):	US$[ ]

Authorised Signatory for and on behalf of
FCE Bank plc

FORM OF COINS PRICING SUPPLEMENT:
SCHEDULE 1

[CONDITIONS OF THE NOTES OR A RELEVANT EXTRACT THEREOF TO BE INSERTED]

REGISTERED AND HEAD OFFICE OF THE ISSUER

Central Office
Eagle Way
Brentwood
Essex CM13 3AR

DEALERS

ABN AMRO Bank N.V.
250 Bishopsgate
London EC2M 4AA

BNP Paribas
10 Harewood Avenue
London NW1 6AA

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB

Dresdner Bank AG London Branch
Riverbank House
2 Swan Lane
London EC4R 3UX

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

HSBC Bank plc
8 Canada Square
London E14 5HQ

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ

Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Mitsubishi Securities International plc
6 Broadgate
London EC2M 2AA

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

UBS Limited
1 Finsbury Avenue
London EC2M 2PP

COINS ARRANGER

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB

FISCAL AGENT, PRINCIPAL PAYING AGENT AND CALCULATION AGENT

JPMorgan Chase Bank
Trinity Tower
9 Thomas More Street
London E1W 1YT

LUXEMBOURG LISTING AGENT

J.P. Morgan Bank
Luxembourg S.A.
5 rue Plaetis
L-2338 Luxembourg

PAYING AGENTS

BNP Paribas Securities Services
G.I.S
les Collines de l'Arche
75450 Paris Cedex 09

J.P.Morgan AG
Grüneburgweg 2
60322 Frankfurt/Main

J.P. Morgan Bank,
Luxembourg S.A.
5 rue Plaetis
L-2338 Luxembourg

AUDITORS TO THE ISSUER

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

LEGAL ADVISERS

To the Issuer

Lovells
Atlantic House
Holborn Viaduct
London EC1A 2FG

To the Dealers

Linklaters
One Silk Street
London EC2Y 8HQ

AUTHORISED ADVISER

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

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

FORM 10-K

(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, 2003

☐ 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 1-6368

Ford Motor Credit Company

(Exact name of registrant as specified in its charter)

Delaware	**38-1612444**
(State of incorporation)	(I.R.S. employer identification no.)
One American Road, Dearborn, Michigan	**48126**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code (313) 322-3000

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

Title of each class	Name of each Exchange on which registered
6 3/8% Notes due November 5, 2008	New York Stock Exchange
7 3/8% Notes due October 15, 2031	New York Stock Exchange
7.60% Notes due March 1, 2032	New York Stock Exchange

Indicate by check mark whether 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 ✓ 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. Yes ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes ____ No ✓

As of March 10, 2004, the registrant had outstanding 250,000 shares of Common Stock. No voting stock of the registrant is held by non-affiliates of the registrant.

REDUCED DISCLOSURE FORMAT

The registrant meets the condition set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format.

PART I

ITEM 1. BUSINESS

Overview

Ford Motor Credit Company (referred to herein as ''Ford Credit'', ''we'', ''our'' or ''us'') was incorporated in Delaware in 1959. We are an indirect, wholly-owned subsidiary of Ford Motor Company (''Ford''). We provide vehicle and dealer financing in 36 countries to more than 11 million customers and more than 12,500 automotive dealers. Our principal executive offices are located at One American Road, Dearborn, Michigan 48126, and our telephone number is (313) 322-3000.

Our annual reports on Form 10-K and quarterly reports on Form 10-Q filed 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 available free of charge through our website located at *www.fordcredit.com/investorcenter/.* These reports and our current reports on Form 8-K can be found on the SEC's website located at www.sec.gov.

Products and Services. We offer a wide variety of automotive financing products to and through automotive dealers throughout the world. Our primary financing products fall into three categories:

- Retail financing — purchasing retail installment sale contracts and retail lease contracts from dealers, and offering financing to commercial customers, primarily vehicle leasing companies and fleet purchasers, to lease or purchase 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 to purchase and finance dealership real estate.

We also service the finance receivables and leases we originate and purchase, make loans to Ford affiliates, purchase certain receivables of Ford and its subsidiaries and provide insurance services related to our financing programs.

We earn our revenue primarily from:

- Payments made under retail installment sale contracts and retail lease contracts that we purchase, including interest supplements and other support payments from Ford on special-rate retail financing programs;
- Investment and other income related to sold receivables; and
- Payments made under wholesale and other dealer loan financing programs.

See Item 6 for quantitative information regarding the amount of revenue generated by the different types of services we provide.

Geographic Scope of Operations and Segment Information. We conduct our financing operations directly or through our subsidiaries and affiliates. We offer substantially similar products and services throughout many different regions, subject to local legal restrictions and market conditions. We divide our business segments based on geographic regions: Ford Credit North America (''North America Segment'') and Ford Credit International (''International Segment''). The North America Segment includes our operations in the United States and Canada. The International Segment includes our operations in all other countries in which we do business directly and indirectly. Additional financial information regarding our operations by business segments and operations by geographic regions is shown in Note 18 of our Notes to Financial Statements.

North America Segment

We do business in all 50 states of the United States through about 160 dealer automotive financing branches and seven regional service centers. We do business in all provinces in Canada through 16 dealer automotive financing branches and two regional service centers. Our United States operations accounted for 72% and 76% of our total managed receivables (i.e., receivables

ITEM 1. BUSINESS (Continued)

recorded on our balance sheet and receivables we have sold in off-balance sheet securitization transactions that we continue to service) at year-end 2003 and 2002, respectively, and our Canadian operations accounted for about 6% and 5% of our total managed receivables at year-end 2003 and 2002, respectively.

In the United States and Canada, under the Ford Credit brand name, we provide financing services to and through dealers of Ford, Lincoln and Mercury brand vehicles and non-Ford vehicles also sold by these dealers and their affiliates. We provide similar financial services under the Jaguar, Land Rover, Mazda and Volvo brand names to and through Jaguar, Land Rover, Mazda and Volvo dealers, respectively. Under the PRIMUS label, we provide financing services to Aston Martin dealers and non-Ford dealers in the United States and Canada.

Our wholly-owned subsidiary, Fairlane Credit, LLC (''Fairlane Credit''), offered non-prime financing (financing to customers who are in the lower levels of creditworthiness and typically have limited access to traditional financing sources) primarily through Ford, Lincoln and Mercury dealers by purchasing retail installment sale contracts, mainly for used vehicles. Consistent with our renewed focus on supporting primarily new vehicle financing of Ford's brands, Fairlane Credit ceased purchasing retail installment sale contracts in 2002 and its portfolio of approximately $900 million is therefore liquidating. Fairlane Credit's subsidiary, Triad Financial Corporation (''Triad''), offers similar services primarily to non-Ford dealers. At December 31, 2003, Triad had $3.5 billion in managed receivables, representing 2% of our total managed receivables.

International Segment

Our International Segment includes operations in three main regions: Europe, Asia-Pacific and Latin America. Our Europe region is our largest international operation, accounting for 18% and 14% of our total managed receivables at year-end 2003 and 2002, respectively. Within the International Segment, our Europe region accounted for 77% and 74% of our managed receivables at year-end 2003 and 2002, respectively. Most of our European operations are managed through a U.K.-based subsidiary, FCE Bank plc (''FCE''), which operates in the United Kingdom and on a branch basis in all member states of the European Union and in Norway and Switzerland. In addition, FCE has subsidiaries in the United Kingdom, Finland, Italy, the Netherlands, Hungary, Poland and the Czech Republic that provide wholesale, leasing and retail vehicle financing. In our largest European markets, Germany and the United Kingdom, FCE offers most of our products and services under the Ford Credit/Bank, Volvo Car Finance, Land Rover Financial Services, Jaguar Financial Services and Mazda Credit/Bank brands. FCE generates most of our European revenue and contract volume from Ford Credit/Bank brand products and services. FCE also has entered into cooperation agreements with financial institutions to permit dealers to offer financing under a variety of our brands in Croatia, Hungary and Slovenia, and other outsourcing arrangements in various central European markets primarily in relation to full service leasing products. Through the Worldwide Trade Financing Division of FCE, we also manage Ford's vehicle financing operations in countries where Ford and Ford Credit have no local operations but still sell vehicles to dealers and offer other financing services. Ford Credit also offers financing in Germany and Sweden for Volvo brand vehicles through Volvo Auto Finanz Service Deutschland GmbH and Volvo Finans (a joint venture with Swedish Volvo dealers). We also have joint ventures in South Africa and Saudi Arabia that provide wholesale, leasing and retail vehicle financing.

In the Asia/Pacific region, we operate in Australia, Japan, Taiwan, Thailand and New Zealand. We have joint ventures with local financial institutions and other third parties in India and Indonesia. We maintain a presence in China through a representative office. In the Latin America region, we presently operate in Mexico, Puerto Rico, Brazil and Chile, and, after suspending new financing activities in 2002, we have recommenced full operations in Venezuela and Argentina.

ITEM 1. BUSINESS (Continued)

Competition

The automotive financing business is highly competitive. Our principal competitors for retail and wholesale financing are:

Retail

- Credit unions and savings and loan associations
- Banks
- Independent commercial finance companies
- Leasing companies
- Other automobile manufacturers' affiliated finance companies

Wholesale

- Other automobile manufacturers' affiliated finance companies
- Independent commercial finance companies
- Banks

We compete mainly on the basis of service and financing rates. A key foundation of our service is providing broad and consistent purchasing policies for retail installment sale and lease contracts and consistent support for dealer financing requirements across economic cycles. Through these policies we have built strong relationships with Ford's dealer network that enhance our competitiveness. Our ability to provide competitive financing rates depends on effectively and efficiently originating, purchasing and servicing our receivables and leases, and accessing the capital markets. We routinely monitor the capital markets and develop funding alternatives to maximize our competitive position. The integration of our financing services with Ford's vehicle production and marketing plans gives us a competitive advantage in providing financing to Ford dealers and their customers. In addition, our size allows us to take advantage of economies of scale in both purchasing and servicing our receivables and leases.

No single company is a dominant force in the industry. Recently, some of our bank competitors have developed credit aggregation systems that permit dealers to send, through a single standard system, retail credit applications to multiple finance sources and to evaluate different financing options offered by these finance sources. This process has resulted in greater competition based on financing rates. We, along with other automobile manufacturers' affiliated finance companies, have formed a joint venture, RouteOne LLC, that is developing a similar credit application management system. RouteOne LLC will also provide special rate and other incentive program information only offered by automobile manufacturers.

Seasonal Variations. As a finance company, we own and manage a large portfolio of finance receivables and operating leases that are generated throughout the year and are collected over a number of years, primarily in fixed monthly payments. As a result, our overall financing revenues do not exhibit seasonal variations. However, throughout the automotive financing industry, credit losses are typically higher in the first and fourth quarters of the year due to competing financial demands on customers and lower vehicle resale values.

Dependence on Ford

The predominant share of our business consists of financing Ford vehicles and supporting Ford dealers. Any extended reduction or suspension of Ford's production or sale of vehicles due to a decline in consumer demand, work stoppage, governmental action, negative publicity or other event, or significant changes to marketing programs sponsored by Ford, would likely have an adverse effect on our business. Additional information about Ford's business, operations, production, sales and risks can be found in Ford's Annual Report on Form 10-K for the year ended December 31, 2003 (''Ford's 2003 10-K Report''), filed separately with the SEC and included as an exhibit to this report (without financial statements and exhibits).

Ford periodically has sponsored special-rate financing programs available only through us. Similar programs may be offered in the future. Under these programs, Ford makes interest supplement or other support payments to us. These programs may increase our financing volume and share of financing sales of Ford vehicles. Worldwide payments from Ford for interest supplements and other support costs totaled about $4.7 billion in 2003 and 2002. We recorded as financing revenue $3.5 billion and $3.7 billion in interest supplements and other support payments from Ford

ITEM 1. BUSINESS (Continued)

in 2003 and 2002, respectively. As of December 31, 2003, Ford has accrued approximately $4.1 billion of interest supplements and other support payments for receivables and leases in the United States and Canada, down from approximately $4.7 billion as of December 31, 2002. We will receive this amount over the term of the related contracts. For further discussion regarding interest supplement and other support payments, see Note 14 of our Notes to Financial Statements.

Retail Financing

Overview and Purchasing Process

We provide financing services to retail customers through automotive dealers that have established relationships with us. Our primary business consists of purchasing retail installment sale and lease contracts for new and used vehicles mainly from dealers of Ford vehicles. Worldwide in 2003, we financed about 3.0 million vehicles through retail installment sale contracts, and we financed about 487,000 vehicles through operating and finance leases. We report in our financial statements the receivables from customers under retail installment sale contracts and certain leases with fleet customers as finance receivables. We report in our financial statements most of our retail leases as operating leases with the capitalized cost of the vehicles recorded as depreciable assets, and we report these assets in our financial statements as net investment in operating leases. At December 31, 2003, worldwide, our retail finance receivables net of allowances for credit losses totaled $77.8 billion and our net investment in operating leases was $23.2 billion.

In general, we purchase from dealers retail installment sale contracts and lease contracts that meet our credit standards. These contracts primarily relate to the purchase or lease of new vehicles, but some are for used vehicles. Dealers typically submit customer applications electronically to one of our branch offices. Some of the applications are automatically evaluated and either approved or rejected based on our origination scorecard and credit policy criteria. In other cases, our credit analysts evaluate applications using our written guidelines. As part of this evaluation, we generally conduct a credit investigation that includes a review of the applicant's credit report supplied from a national credit bureau, if available, and an internal review and verification process. Typically, we are able to determine whether or not we will purchase a retail installment sale contract or lease contract within two hours of receipt of an application. In evaluating loan applications from commercial customers, we consider the borrower's financial condition, collateral, debt servicing capacity, and other financial and qualitative factors.

Retail Installment Sale Contracts

The amount we pay for a retail installment sale contract is based on a negotiated vehicle purchase price agreed to between the dealer and the retail customer, plus any additional products, such as insurance and extended service plans, that are included in the contract, less any vehicle trade-in allowance or down payment from the customer applied to the purchase price. The net purchase price owed by the customer typically is paid over a specified number of months with interest at a fixed rate negotiated between the dealer and the retail customer. The dealer may retain a portion of the finance charge.

We offer a variety of retail installment sale financing products. We generally purchase retail installment sale contracts with terms ranging from 12 to 72 months. The average original term of our retail installment sale contracts was 59 months in the United States in 2003, compared with 55 months in 2002.

In the United States, the average amount financed for new Ford, Lincoln, and Mercury brand vehicles under retail installment sale contracts was $24,721 in 2003, compared with $25,130 in 2002 and $23,595 in 2001. The corresponding average monthly payment was about $495 in 2003, $520 in 2002, and $505 in 2001.

Some of our retail installment sale contracts have non-uniform payment periods and payment amounts to accommodate special cash flow situations such as those of recent college graduates. We also offer a Red Carpet Option (''RCO'') program under which the retail customer may finance their vehicle with a retail installment sale contract with a series of relatively lower monthly payments

ITEM 1. BUSINESS (Continued)

followed by paying the amount owed in a single balloon payment. The RCO customer can satisfy the balloon payment obligation by payment in full of the amount owed, by refinancing the amount owed, or by returning the vehicle to us and paying additional charges for excess mileage and excess wear and use, if any. Customers who choose our RCO program may also qualify for special-rate financing offers from Ford. Through the end of 2002, our United States RCO program was only available in Texas. During 2003, we expanded our United States RCO program to Connecticut, New Jersey, New York, Rhode Island, Massachusetts and Pennsylvania, and we will consider offering this product instead of lease financing in other states.

We hold a security interest in the vehicles purchased through retail installment sale contracts. This security interest provides us certain rights and protections. As a result, if our collection efforts fail to bring a delinquent customer's payments current, we generally can repossess the customer's vehicle, after satisfying local legal requirements, and sell it. The customer typically remains liable for any deficiency between net sale proceeds and the defaulted contract obligations, including any repossession-related expenses. We require retail customers to carry fire, theft and collision insurance on financed vehicles.

Retail Lease Plans

We offer leasing plans to retail customers through our dealers. Our highest volume retail leasing plan is called Red Carpet Lease, which is offered in the United States and Canada through dealers of Ford, Lincoln and Mercury brands. We offer similar lease plans through dealers of other Ford brands (Jaguar, Land Rover, Mazda and Volvo) and through a limited number of non-Ford dealers under the PRIMUS brand. Under these plans, dealers originate the leases and offer them to us for purchase. Upon our purchase of a lease, we take ownership of the lease and title to the leased vehicle from the dealer. After we purchase a lease from a dealer, that dealer generally has no further obligation to us in connection with the lease. The customer is responsible for properly maintaining the vehicle and is obligated to pay for excess wear and use as well as excess mileage, if any. At the end of the lease, the customer has the option to purchase the vehicle for the customer purchase option price specified in the lease contract or return the vehicle to the dealer. If the customer returns the vehicle to the dealer, the dealer may buy the vehicle from us for the specified lease-end value or return it to us. In March of 2003, we announced a change to the dealer purchase option for contracts dated May 1, 2003 and beyond. This change provides the dealer the option to purchase the lease vehicle for a price to be determined by us. We sell vehicles returned to us to other Ford and non-Ford dealers through the same process that we use for repossessed vehicles.

The amount we pay to a dealer for a retail lease, also called the acquisition cost, is based on the negotiated price for the vehicle plus any additional products, such as insurance and extended service plans, that are included in the contract, less any vehicle trade-in allowance or down payment from the customer. The customer makes monthly lease payments based on the acquisition cost less the estimated residual value of the vehicle at the lease end, plus lease charges. Some of our lease programs, such as our Red Carpet Lease Advance Payment Plan, provide certain pricing advantages to customers who make all or some monthly payments at lease inception or purchase refundable higher mileage allowances. We require lease customers to carry fire, theft, liability and collision insurance on leased vehicles.

In the United States, retail operating lease terms for new Ford, Lincoln and Mercury brand vehicles range primarily from 12 to 48 months. In 2003, the average original lease term was 35 months compared with 33 months in 2002. The average monthly payment was about $470 in 2003, $445 in 2002, and $420 in 2001.

Several states have vicarious liability laws that hold the lessor, as the owner of a vehicle, liable for accidents involving the leased vehicle. Partly in response to these laws, we are expanding our RCO program and discontinuing our purchase of lease contracts in some of these states. As a retail installment sale, the RCO program eliminates the risk of vicarious liability for us, while providing customers many of the payment benefits associated with leasing.

ITEM 1. BUSINESS (Continued)

Other Retail Financing

We also offer vehicle financing programs to commercial customers including leasing companies, daily rental companies, government entities and fleet customers. These financings include both lease plans and installment purchase plans and are generally for terms of 12 to 84 months. The financing obligations are collateralized by perfected security interests on financed vehicles in almost all instances and, where appropriate, an assignment of rentals under any related leases. At the end of the finance term, a lease customer may be required to pay us any shortfall between the fair market value and the specified end of term value of the vehicle. If the fair market value of the vehicle at the end of the finance term exceeds the specified end of term value, we may pay the lease customer the excess amount. In the United States, these financings totaled about $2.5 billion as of December 31, 2003, and are included in retail finance receivables and net investment in operating leases in our financial statements.

Wholesale Financing

We offer a wholesale financing program for qualifying dealers to finance new and used vehicles held in inventory. We generally finance the vehicle's wholesale invoice price for new vehicles and up to 100% of the dealer's purchase price for used vehicles. Dealers generally pay a floating interest rate on wholesale loans based on the prime rate. The dealer pays off each wholesale receivable as the related vehicle is sold or leased. In the United States in 2003, the average wholesale receivable was outstanding for 84 days, excluding the time the vehicle was in transit from the assembly plant to the dealership. In 2003, we financed about 5 million vehicles worldwide through wholesale financing. At December 31, 2003, our wholesale portfolio totaled $22.5 billion net of allowance for credit losses. Our wholesale financing program includes financing of large multi-brand national dealer groups that are some of our largest wholesale customers based on the amount financed.

When a dealer uses our wholesale financing program to purchase vehicles, we obtain a security interest in the vehicles and, in many instances, other assets of the dealer. Our subsidiary, The American Road Insurance Company, provides insurance for vehicle damage and theft of vehicles held in dealer inventory and financed by us.

For each year since 1999, we have provided more than 82% of the wholesale financing on new Ford, Lincoln and Mercury brand vehicles acquired by dealers in the United States and more than 96% of the wholesale financing on new Ford brand vehicles acquired by dealers in Europe.

Other Financing

We make loans to vehicle dealers for facilities improvements, working capital and to enable them to purchase and finance dealership real estate. For dealers in the United States and Canada, these loans totaled about $2.9 billion at December 31, 2003 and were included in other finance receivables in our financial statements. These loans typically are secured by mortgages on real estate, security interests in other dealership assets and sometimes personal guarantees of the individual owners of the dealership.

We also purchase certain receivables generated by divisions and affiliates of Ford, primarily in connection with the delivery of vehicle inventories from Ford vehicle assembly plants in the United States to dealers and the sale of parts and accessories by Ford to dealers. At December 31, 2003, these purchased receivables totaled about $2.9 billion, of which about $950 million was included in wholesale finance receivables and about $2.0 billion was included in other finance receivables.

Marketing and Special Programs

We actively market our financing products and services to automotive dealers and customers. Through personal sales contacts, targeted advertisements in trade publications, participation in dealer-focused conventions and organizations and support from manufacturers, we seek to demonstrate to dealers the value of entering into a business relationship with us. We base our marketing strategy on our belief that we can better assist dealers in achieving their sales, financial and customer satisfaction goals by being a stable, committed finance source with knowledgeable

ITEM 1. BUSINESS (Continued)

automotive and financial professionals offering personal attention and interaction. We demonstrate our commitment to dealer relationships with a variety of materials, measurements and analyses showing the advantages of a full range of automotive financing products that allows consistent and predictable single source financing. In addition, from time to time, we promote increased dealer transactions through incentives, bonuses, contests and selected program and rate adjustments.

We promote our retail financing products primarily through pre-approved credit offers to prospective customers, point-of-sale information, ongoing communications and contacts with existing customers and sponsorships of selected racing teams. Our communications to these customers promote the advantages of our financing products, the availability of special plans and programs and the benefits of affiliated products, such as extended warranties, service plans, insurance coverage gap protection and excess wear and use waivers. In addition, we emphasize the quality of our customer service and the ease of making payments and transacting business with us. For example, through the Ford Credit North America web site, a customer can make inquiries, review an account balance, examine current incentives, schedule an electronic payment or qualify for a pre-approved credit offer.

We also market our non-consumer financial services described above in ''Other Retail Financing'' with a specialized group of employees who make direct sales calls on dealers, and, often at the request of such dealers, on potential high-volume commercial customers. This group also uses various materials to explain our flexible programs and services specifically directed at the needs of commercial and fleet vehicle customers.

Servicing

General. After we purchase retail installment sale contracts and leases from dealers and other customers, we manage the receivables during their contract terms. This management process is called servicing. We service all contracts that we originate or acquire. Our servicing duties include the following:

- applying monthly payments from customers,
- contacting delinquent customers for payment,
- maintaining the security interest in the financed vehicle,
- monitoring insurance coverage for lease vehicles,
- providing billing statements to customers,
- responding to customer inquiries,
- releasing security interests on paid-off finance contracts,
- arranging for the repossession of vehicles, and
- selling repossessed and returned vehicles at auction.

Service Center Locations. We have 9 regional service centers in North America and 3 regional service centers in Europe that conduct customer service and collection activities.

Our North American regional service centers are located in:

United States:	Colorado Springs, Colorado	Greenville, South Carolina
	Tampa, Florida	Nashville, Tennessee
	Baltimore, Maryland	Irving, Texas
	Henderson, Nevada	
Canada:	Edmonton, Alberta	Ottawa, Ontario

Each of these service centers generally services customers located in their region, but all of our North American service centers are electronically linked and workload can be allocated across service centers.

ITEM 1. BUSINESS (Continued)

We also have four specialty service centers in North America that focus on specific servicing activities:

- Customer Service Center — Omaha, Nebraska;
- Volvo Customer Service Center — Richardson, Texas;
- National Bankruptcy Service Center — Livonia, Michigan; and
- National Recovery Center — Mesa, Arizona.

Within Europe, we have centralized customer servicing activities in St. Albans and Watford, England to support our U.K. operations and customers, and in Cologne, Germany to support our German operations and customers. In smaller countries, we provide servicing through our local branches.

Customer Payment Operations. In the United States and Canada, customers are directed in their monthly billing statements to mail payments to a bank for deposit in a lockbox account. Customers may also make payments through electronic payment services, a direct debit program or a telephonic payment system.

Servicing Activities — Consumer Credit. We design our collection strategies and procedures to keep accounts current and to collect on delinquent accounts. We employ a combination of proprietary and non-proprietary tools to assess the probability and severity of default for all of our receivables and leases and implement our collection efforts based on our determination of the credit risk associated with each customer. As each customer develops a payment history, we use an internally developed behavioral scoring model to assist in determining the best collection strategies. Based on data from this scoring model, we group contracts by risk category for collection. Our centralized collection operations are supported by state-of-the-art auto-dialing technology and proprietary collection and workflow operating systems. Our U.S. systems also employ a web-based network of outside contractors who support the repossession process. Through our auto-dialer program and our monitoring and call log systems, we target our efforts to contact customers about missed payments and developing satisfactory solutions to bring accounts current.

Outsourced Operations. We engage vendors to perform many of our servicing processes. These processes include applying monthly payments from customers, monitoring the perfection of security interests in financed vehicles, monitoring insurance coverage on lease vehicles, imaging of contracts and electronic data file maintenance, generation of retail and lease billing statements, telephonic payment systems for retail customers, the handling of some inbound customer service calls and the recovery of deficiencies in selected accounts. In addition, certain collection activities related to contracts purchased by Fairlane Credit are handled by vendors.

Payment Extensions. At times, we offer payment extensions to customers who have encountered temporary financial difficulty that limits their ability to pay as contracted. A payment extension allows the customer to extend the term of the contract, usually by paying a fee that is calculated in a manner specified by law. Following a payment extension, the customer's account is no longer delinquent. Before agreeing to a payment extension, the service representative reviews the customer's payment history, current financial situation and assesses the customer's desire and capacity to make future payments. The service representative considers whether the proposed payment extension complies with our policies and guidelines. Service center managers review, and generally must approve, payment extensions outside these guidelines.

Repossessions and Auctions. We view repossession of a financed or leased vehicle as a final step that we undertake only after all other collection efforts have failed. We sell repossessed vehicles and apply the proceeds to the amount owed on the customer's account. At our National Recovery Center, we continue to attempt collection of any deficient amounts until the account is paid in full, we obtain mutually satisfactory payment arrangements with the debtor or we determine that the account is uncollectible.

Ford's Vehicle Remarketing Department, in conjunction with our regional service centers and our National Recovery Center, manages the sale of repossessed vehicles and returned leased vehicles. We attempt to maximize net auction proceeds by selling vehicles in geographic markets that will result in the highest resale value, net of transportation, reconditioning and auction costs. The determination of the sale location is based on an analysis of historical auction price data and market trends. We inspect and recondition the vehicle to maximize the net auction value of the vehicle. Vehicles are then offered for sale through open auctions, in which any licensed dealer can participate, and closed auctions, in which only Ford, Lincoln and Mercury dealers may participate. Our open auctions are mainly physical auctions, while our closed auctions are both physical auctions and on-line auctions. We decide to use an open or closed auction based upon factors such as vehicle age, mileage, and condition. In 2003, two-thirds of all of the vehicles we sold through auctions were returned leased vehicles and one-third of all vehicles sold through auctions were repossessed vehicles. In 2003, we took, on average, 39 days to dispose of vehicles sold at auction, the same as in 2002. Repossessed vehicles are reported in other assets on our balance sheet at values that approximate expected auction proceeds.

We generally are able to repossess wholesale financed vehicles if the dealer does not make timely payments or meet its obligations under the financing program. However, once a vehicle is sold or leased to a retail customer, we can no longer repossess the vehicle to satisfy the dealer's wholesale obligations.

Wholesale and Commercial. We require dealers to submit monthly financial statements, and we monitor for potential credit deterioration. We assign an evaluation rating to each dealer and we perform physical audits of vehicle inventory periodically, with more frequent audits for higher risk dealers. In addition, we monitor dealer inventory financing payoffs daily to detect deviations from typical repayment patterns, in which case we take appropriate actions. Within the United States and Canada, eight commercial lending offices provide services to fleet purchasers, leasing companies and daily rental companies. We generally review our exposure under these credit arrangements at least annually. In our international markets, this business is managed within the head office of the local market area.

Insurance

We conduct insurance operations primarily through The American Road Insurance Company (''TARIC'') and its subsidiaries in the United States and Canada and through various other insurance subsidiaries outside the United States and Canada. TARIC offers a variety of products and services, including:

- Insurance for extended service plan contracts, mainly through Ford dealers for new and used vehicles,
- Physical damage insurance covering vehicles at dealers' locations and vehicles in-transit between final assembly plants and dealers' locations, and
- Physical damage/liability coverage on Ford dealer daily rental vehicles.

We also offer various Ford-branded insurance products throughout the world underwritten by non-affiliated insurance companies from which we receive fee income but the underwriting risk remains with the non-affiliated insurance companies. In addition, in December 2002, TARIC began providing to Ford and its subsidiaries various types of surety bonds, including bonds generally required as part of any appeals of litigation, financial guarantee bonds and self-insurance workers' compensation bonds. Previously, Ford had met all of its surety bond requirements with bonds issued by third party insurance companies. Our insurance business generated approximately 1% of our total revenues in 2003 and 2002.

EMPLOYEE RELATIONS

At December 31, 2003, we had about 19,000 full-time employees, and 2,000 part-time and agency personnel. Most of our employees are salaried, and most are not represented by a union. We consider employee relations to be satisfactory.

ITEM 1. BUSINESS (Continued)

GOVERNMENTAL REGULATIONS

As a finance company, we are highly regulated by the governmental authorities in the locations where we operate.

United States

Within the United States, our operations are subject to regulation, supervision and licensing under various federal, state and local laws and regulations.

Federal Regulation. We are subject to extensive federal regulation, including the Truth-in-Lending Act, the Equal Credit Opportunity Act and the Fair Credit Reporting Act. These laws require us to provide certain disclosures to prospective borrowers and lessees in consumer retail and lease financing transactions and prohibit discriminatory credit practices. The principal disclosures required under the Truth-in-Lending Act for retail finance transactions include the terms of repayment, the amount financed, the total finance charge and the annual percentage rate. For retail lease transactions, we are required to disclose the amount of payments at consummation of the lease, the terms for payment, and information about lease charges, insurance, excess mileage and liability on early termination. The Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on a variety of factors, including race, color, sex, age or marital status. Pursuant to Regulation B promulgated under the Equal Credit Opportunity Act, creditors are required to make certain disclosures regarding consumer rights and advise consumers whose credit applications are not approved of the reasons for being denied. In addition, any of the credit scoring systems we use during the application process or other processes must comply with the requirements for such systems under the Equal Credit Opportunity Act and Regulation B. The Fair Credit Reporting Act requires us to provide certain information to consumers whose credit applications are not approved on the basis of a consumer credit report obtained from a national credit bureau. We are also subject to the Soldiers' and Sailors' Civil Relief Act that requires us to reduce the interest rate on retail installment contracts and limits our ability to pursue collection and enforcement remedies on contracts with eligible military personnel. In addition, we are subject to other federal regulation, including the Gramm-Leach-Bliley Act, that requires us to maintain privacy with respect to certain consumer data in our possession and to communicate periodically with consumers on privacy matters.

State Regulation — Licensing. In most states, a consumer credit regulatory agency regulates and enforces laws relating to finance companies. Rules and regulations generally provide for licensing of finance companies, limitations on the amount, duration and charges, including interest rates, that can be included in finance contracts, requirements as to the form and content of finance contracts and other documentation, and restrictions on collection practices and creditors' rights. We must renew these licenses periodically. In certain states, we are subject to periodic examination by state regulatory authorities. Moreover, several states have laws that limit interest rates on consumer financing generally. In periods of high interest rates, these rate limitations could have an adverse effect on our operations if we were unable to purchase retail installment sale contracts with finance charges that reflect our increased costs.

State Regulation — Repossessions. To mitigate our credit losses, sometimes we repossess a financed or leased vehicle. Repossessions are subject to prescribed legal procedures, including peaceful repossession, one or more customer notifications, a prescribed waiting period prior to disposition of the repossessed vehicle and return of personal items to the customer. Some states provide the customer with reinstatement or redemption rights that require us to return a repossessed vehicle to the customer in certain circumstances. Our ability to sell a repossessed vehicle is restricted if a customer declares bankruptcy. The independent repossession firms we use to repossess vehicles for us also are subject to regulatory requirements.

International

In some countries outside the United States, some of our subsidiaries, including FCE, are regulated banking institutions and are required, among other things, to maintain minimum capital reserves. FCE is authorized as a deposit taking business under the Financial Services and Markets

ITEM 1. BUSINESS (Continued)

Act of 2000 and is regulated by the U.K. Financial Services Authority (''FSA''). FCE also holds a standard license under the U.K. Consumer Credit Act of 1974. Since 1993, FCE has obtained authorizations from the Bank of England (which role is now undertaken by the FSA) pursuant to the Second Banking Consolidation Directive entitling it to operate on a branch basis in all member states of the European Union. In many other locations where we operate, governmental authorities require us to obtain licenses to conduct our financing business.

Our Regulatory Compliance Status

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable U.S. local, state and federal laws and regulations, as well as regulations in non-U.S. jurisdictions. However, we can provide no assurance that we, dealers who sell us contracts, or repossession firms that we engage, will be able to maintain all requisite licenses and permits. Failure to satisfy those and other regulatory requirements could have a material adverse effect on our operations, financial condition and liquidity. Further, the adoption of new laws or regulations, or the revision of existing laws and regulations, could have a material adverse effect on our operations, financial condition and liquidity.

We actively monitor proposed changes to relevant legal and regulatory requirements in order to maintain our compliance. Through our governmental relations efforts, we also attempt to participate in the legislative and administrative rule-making process on regulatory initiatives that impact finance companies. Our ongoing compliance efforts have not had a material adverse effect on our operations, financial condition or liquidity.

TRANSACTIONS WITH FORD AND AFFILIATES

We have a profit maintenance agreement with Ford that requires Ford to make payments to us to maintain our earnings at specified minimum levels. In addition, we have an agreement to maintain a minimum control interest in FCE and to maintain FCE's net worth above a minimum level. No payments were made under either of these agreements during the 2001 through 2003 periods.

We formally documented our long-standing business practices with Ford in an agreement dated October 18, 2001, a copy of which was filed with the SEC on that date. The principal terms of this agreement include the following:

- Any extension of credit from us to Ford and any of Ford's automotive affiliates will be on arm's length terms and will be enforced in a commercially reasonable manner.

- We will not be required to guarantee the indebtedness or make equity investments in Ford or any of Ford's automotive affiliates.

- We and Ford agree to maintain our stockholder's equity at a commercially reasonable level to support the amount, quality and type of receivables in light of prevailing economic circumstances.

- We will not be required to accept credit or residual risk beyond what we would be willing to accept acting in a prudent and commercially reasonable manner (taking into consideration any interest rate or residual subvention payments, guarantees, or other subsidies that are provided to us by Ford or any of Ford's automotive affiliates).

- We and Ford are separate, legally distinct companies and will continue to maintain separate books, accounts, assets and liabilities.

More information about transactions between us and Ford and other affiliates is contained in Note 14 of our Notes to Financial Statements, ''Business — Overview'', ''Business — Retail Financing''; ''Business — Other Financing'' and the description of Ford's business in Ford's 2003 10-K Report included as an exhibit to this report.

ITEM 2. PROPERTIES

We own our world headquarters in Dearborn, Michigan and our PRIMUS offices in Nashville, Tennessee. FCE leases its corporate offices in Brentwood, England from an affiliate of Ford. Most of our automotive finance branches and service centers are located in leased properties. The continued use of any of these leased properties is not material to our operations. At December 31, 2003, our total obligation under leases of real property was about $240 million.

ITEM 3. LEGAL PROCEEDINGS

We are subject to legal actions, governmental investigations and other proceedings and claims relating to state and federal laws concerning finance and insurance, employment-related matters and other contractual relationships. Some of these matters are class actions or are seeking class action status. Some of these matters may involve compensatory, punitive or treble damage claims and attorneys' fees in very large amounts, or other requested relief which, if granted, would require very large expenditures. Our significant pending matters are summarized below:

Fair Lending Class Action. A putative class action in federal court in New York, *Jones v. Ford Motor Credit Company,* alleges that our pricing practices discriminate against African-Americans. Specifically, plaintiffs allege, ''although Ford Credit's initial analysis applies objective criteria to calculate the risk-related 'buy rate', Ford Credit then authorizes a subjective component in its credit pricing system — the Mark-up Policy — to impose additional non-risk charges.'' A second case, pending in federal court in Tennessee, *Claybrook v. PRIMUS,* contains similar allegations concerning PRIMUS accounts. Plaintiffs in both cases have recently filed motions for class certification.

Litigation is subject to many uncertainties and the outcome is not predictable. It is reasonably possible that the matters described above could be decided unfavorably to us. Although the amount of liability at December 31, 2003 with respect to these matters cannot be ascertained, we believe that any resulting liability should not materially affect our consolidated financial position or results of operations.

In addition, any litigation, investigation, proceeding or claim against Ford that results in Ford incurring significant liability, expenditures or costs could also have a material adverse affect on our business, results of operations and financial condition. For a discussion of pending cases against Ford, see Item 3 in Ford's 2003 10-K Report.

PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

At December 31, 2003, all shares of our common stock were owned by Ford and Ford Holdings, LLC (a wholly-owned subsidiary of Ford). Ford plans to transfer its shares to Ford Holdings, LLC in 2004 and we would then become a wholly-owned subsidiary of Ford Holdings, LLC. We did not issue or sell any equity securities during 2003, and there is no market for our stock. We paid cash dividends of $3.7 billion and $1.15 billion in 2003 and 2002, respectively. We may pay additional dividends from time to time consistent with our leverage strategy, depending on the amount and mix of our receivables, capital requirements and profitability.

ITEM 6. SELECTED FINANCIAL DATA

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES
FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

	2003	2002	2001	2000	1999
Selected Income Statement					
Financing revenue			(in millions)		
Operating leases	$ 6,946	$ 8,648	$ 9,088	$ 8,683	$ 7,750
Retail	4,752	5,962	6,900	6,352	5,433
Interest supplements and other support costs earned from affiliated companies	3,517	3,658	4,125	3,523	3,293
Wholesale	877	728	1,909	2,580	1,548
Other	247	294	359	376	301
Total financing revenue	16,339	19,290	22,381	21,514	18,325
Depreciation on operating leases	(7,009)	(8,435)	(8,397)	(7,433)	(7,216)
Interest expense	(5,831)	(6,929)	(8,922)	(8,910)	(7,140)
Net financing margin	3,499	3,926	5,062	5,171	3,969
Investment and other income related to sales of receivables	2,765	2,610	1,433	557	433
Insurance premiums earned	232	261	231	226	237
Other income	1,105	649	658	648	787
Total financing margin and revenue	7,601	7,446	7,384	6,602	5,426
Operating expenses	(2,357)	(2,307)	(2,333)	(2,223)	(1,972)
Provision for credit losses	(1,998)	(2,971)	(3,351)	(1,664)	(1,162)
Insurance expenses	(211)	(203)	(206)	(208)	(207)
Total expenses	(4,566)	(5,481)	(5,890)	(4,095)	(3,341)
Income from continuing operations before income taxes	3,035	1,965	1,494	2,507	2,085
Provision for income taxes	(1,164)	(730)	(663)	(930)	(789)
Minority interests in net income of subsidiaries	(2)	(3)	(1)	(33)	(52)
Income from continuing operations	1,869	1,232	830	1,544	1,244
Income/(loss) from discontinued/held-for-sale operations	3	33	9	(8)	17
Loss on disposal of discontinued/held-for-sale operations	(55)	(31)	—	—	—
Net income	$ 1,817	$ 1,234	$ 839	$ 1,536	$ 1,261
Cash dividends	$ 3,700	$ 1,150	$ 400	$ 120	$ 2,317
Return on equity	14%	9%	7%	13%	11%
Earnings-to-fixed charges ratio	1.52	1.28	1.17	1.28	1.29
Selected Balance Sheet					
Finance receivables			(in billions)		
Retail installment	$ 77.8	$ 68.4	$ 83.4	$ 79.9	$ 75.3
Wholesale	22.5	16.4	15.4	33.7	26.1
Other	8.6	9.8	9.1	8.4	7.1
Total finance receivables, net	108.9	94.6	107.9	122.0	108.5
Net investment in operating leases	23.2	31.3	37.2	36.5	31.3
Total net finance receivables and operating leases	132.1	125.9	145.1	158.5	139.8
All other	46.7	44.3	28.0	15.8	16.8
Total assets	$ 178.8	$ 170.2	$ 173.1	$ 174.3	$ 156.6
Memo: Total managed receivables*	$ 181.5	$ 197.3	$ 203.8	$ 186.9	$ 159.4
Memo: Allowance for credit losses	3.0	3.2	2.8	1.6	1.5
Capitalization					
Short-term debt			(in billions)		
Commercial paper	$ 15.1	$ 8.2	$ 15.7	$ 42.3	$ 43.1
All other	9.6	8.0	6.9	7.6	6.7
Total short-term debt	24.7	16.2	22.6	49.9	49.8
Long-term debt Notes payable within one year	29.5	22.8	21.1	12.6	19.3
Notes payable after one year	95.5	101.3	102.1	83.1	63.0
Total long-term debt	125.0	124.1	123.2	95.7	82.3
Total debt	149.7	140.3	145.8	145.6	132.1
Stockholder's equity	12.5	13.6	12.0	12.2	10.9
Total capital	$ 162.2	$ 153.9	$ 157.8	$ 157.8	$ 143.0
Debt-to-equity ratio (to 1)	12.0	10.3	12.2	11.9	12.1
Short-term debt and notes payable within one year as percent of total capital	33%	25%	28%	40%	48%
Memo: Debt-to-equity ratio on a managed basis (to 1) as defined in the MD&A (see explanation of calculation)	13.0	12.8	14.8	13.9	13.0

* Managed receivables include receivables sold in off-balance sheet securitizations and exclude receivables sold in whole-loan sale transactions.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Generation of Revenue, Income and Cash

As an indirect, wholly-owned subsidiary of Ford, our primary focus is to profitably support the sale of Ford vehicles. The principal factors that influence our earnings are the amount and mix of different types of finance receivables and net investment in operating leases and financing margins. The performance of these receivables and leases over time, mainly through the impact of credit losses and variations in the residual value of leased vehicles, also affects our earnings.

The amount of our finance receivables and net investment in operating leases depends on many factors; some of the key factors are:

- The volume of new and used vehicle sales and leases,
- The extent to which we purchase retail installment sale and lease contracts and the extent to which we provide wholesale financing,
- The sale prices of the vehicles financed,
- The level of dealer inventories,
- Ford-sponsored special financing programs available exclusively through us, and
- The availability of cost-effective funding for the purchase of retail installment sale and lease contracts and to provide wholesale financing.

For finance receivables, financing margins equal the difference between revenue earned on finance receivables and the cost of borrowed funds. For operating leases, financing margins equal revenue earned on operating leases, less depreciation expense and the cost of borrowed funds. Interest rates earned on most receivables and rental charges on operating leases generally are fixed at the time the contracts are originated. On some receivables, primarily wholesale financing, we charge interest at a floating rate that varies with changes in short-term interest rates.

Business Performance

We review our business performance from several perspectives, including:

- On-balance sheet basis — includes receivables we own and receivables sold for legal purposes that remain on our balance sheet,
- Securitized off-balance sheet basis — includes receivables sold in securitization transactions that are not reflected on our balance sheet,
- Managed basis — includes on-balance sheet and securitized off-balance sheet receivables that we continue to service, and
- Serviced basis — includes managed receivables and receivables sold in whole-loan sale transactions where we retain no interest in the sold receivables, but which we continue to service.

We analyze our financial performance primarily on an on-balance sheet and managed basis. We retain interests in receivables sold in off-balance sheet securitizations, and with respect to subordinated retained interests, we have credit risk. As a result, we evaluate credit losses, receivables and leverage on a managed basis as well as on an on-balance sheet basis. In contrast, we do not have the same financial interest in the performance of receivables sold in whole-loan sale transactions. As a result, we generally review the performance of our serviced portfolio only to evaluate the effectiveness of our origination and collection activities. To evaluate the performance of these activities, we monitor a number of serviced performance measures, such as repossession statistics, losses on repossessions and the number of bankruptcy filings.

We measure the performance of our North America Segment and our International Segment primarily on an income before income taxes basis, after excluding the impact to earnings from

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

hedge ineffectiveness and the results of discontinued and held for sale operations. Hedge ineffectiveness is excluded in assessing our segment performance because our risk management activities are carried out on a centralized basis at the corporate level. For further discussion regarding our segments, see Note 18 of our Notes to Financial Statements.

Trends and Strategies

Origination: Buy it Right, Price it Right

In 2003, our origination strategy, which includes the purchase of retail installment sale contracts and lease contracts from dealers, continued to focus on financing new Ford vehicles and late-model used vehicles. In 2002 and 2003, we increased the quality of our retail installment sale and operating lease portfolios by reducing the number of new, non-Ford and older-model used vehicles financed. We reduced new, non-Ford financing because of adverse selection (i.e., the customers with relatively higher creditworthiness took advantage of other manufacturers' incentive programs). We reduced the number of older-model used vehicles financed because the creditworthiness of customers who finance those vehicles generally is lower. Also during 2003, we continued to implement a number of enhancements to our credit-risk scoring models and risk-pricing structures that support our origination strategy.

Servicing: Operate Efficiently, Collect Effectively, Enhance Owner Loyalty

Our servicing strategy is to improve efficiency and collections effectiveness by continually upgrading our processes, while at the same time enhancing customer satisfaction and loyalty. During 2003, we further increased the commonality of our business processes and information technology platforms and introduced other enhancements to increase efficiency and effectiveness. In North America, for example, we enhanced our collection modeling capabilities to allow for more focused collection activity on high-risk accounts and developed a risk-based staffing model to ensure collection resources are aligned with portfolio risk. These and other process improvements, and gradual improvement in the U.S. economy, resulted in favorable trends in credit loss indicators, including delinquencies which improved toward year-end 2003.

Funding: Fund it Efficiently, Manage Risk

Our funding strategy is to maintain liquidity and access to diverse funding sources that are cost effective. We continue to meet a significant portion of our funding requirements through securitizations because of the stability of the market for asset-backed securities, their lower costs compared with unsecured debt (at our present credit ratings) and the diversity of funding sources that they provide. In recent years, our lower credit ratings generally have resulted in higher borrowing costs and reduced access to capital markets. The decline in our credit ratings over the past several years primarily reflected the credit rating agencies' opinions of Ford, including concerns regarding Ford's automotive cash flow and profitability, declining market share, excess industry capacity, industry pricing pressure and rising healthcare costs.

Results of Operations

Discontinued Operations. Consistent with our focus on the core business of supporting Ford's brands, during the fourth quarter of 2003 we committed to a plan to sell AMI Leasing and Fleet Management Services, our operation in the United States that offers full-service car and truck leasing. We expect to complete the sale during 2004. In addition, we completed the sale of Axus, our all-makes fleet leasing operations in Europe, New Zealand and Australia initiated in 2002. The following discussion of our results in Item 7 and 7A excludes the results of these discontinued and held-for-sale operations, as defined by Statement of Financial Accounting Standards (''SFAS'') No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* The discontinued operations are described in Note 10 of our Notes to Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

FCAR Owner Trust Consolidation. We use a special purpose trust, FCAR Owner Trust (''FCAR''), as a source of funds for our operations. FCAR's activities are limited to issuing asset-backed commercial paper and other securities, borrowing from banks and buying highly-rated asset-backed securities issued by securitization special purpose entities (''SPEs'') sponsored by us.

In the second quarter of 2003, we purchased a portion of the equity interests in FCAR from unaffiliated parties for $175 million. As a result of this transaction, FCAR's assets, liabilities and results of operations were consolidated into our financial statements. In addition, the accounting consolidation of FCAR also caused certain of the Ford Credit sponsored securitization SPEs that sell asset-backed securities to FCAR to lose their status as qualifying SPEs under SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (''SFAS No. 140''). Consequently, the receivables previously sold by us to these SPEs were deemed to be reacquired by us in accordance with SFAS No. 140 requirements. These receivables are referred to as ''reacquired receivables'' and are now reported on our balance sheet at fair value. Following the accounting consolidation of FCAR, most sales of receivables to Ford Credit sponsored SPEs that sell asset-backed securities to FCAR will not qualify as an accounting sale and will be reported on our balance sheet.

The accounting consolidation of FCAR and related securitization SPEs did not change the bankruptcy-remote status of these entities and the isolation of assets achieved in these transactions was not changed. The receivables sold to the SPEs and the asset-backed securities held by FCAR are available only for the SPEs, FCAR and their investors, and other participants, and are not available to pay our obligations or the claims of our creditors. The accounting consolidation did not have a material impact on our earnings, back-up credit facilities, unsecured debt funding programs or other securitization programs. The accounting consolidation of FCAR increased our financial statement debt-to-equity ratio because the asset-backed commercial paper issued by FCAR is now included in our debt. No gain or loss was recorded upon consolidation.

We took the actions that resulted in FCAR's consolidation because we believed it was the best way to maintain our near term liquidity, funding flexibility and program economics that FCAR provides us. Many of the other alternatives considered would have required further modifications to FCAR in the near future due to possible changes to SFAS No. 140 as well as the uncertainty surrounding the interpretation of Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*.

Fourth Quarter 2003 Compared with Fourth Quarter 2002

We earned $470 million in the fourth quarter of 2003, up $116 million or 33% compared with earnings of $354 million a year ago. Our consolidated pre-tax income from continuing operations in the fourth quarter of 2003 was $839 million, up $245 million or 41% from earnings of $594 million a year ago. The increase in earnings primarily reflected a lower provision for credit losses and the net favorable market valuation of derivative instruments and associated exposures, offset partially by lower sales of receivables.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Results of our operations by business segment for the fourth quarter of 2003 and 2002 are shown below:

	Fourth Quarter			
			2003 Over/(Under) 2002	
	2003	2002	Amount	Percentage
	(in millions)			
Income before income taxes				
North America Segment	$ 559	$ 486	$ 73	15%
International Segment	156	149	7	5
Eliminations/other	124	(41)	165	
Pre-tax income from continuing operations	$ 839	$ 594	$245	41%
Provision for income taxes and minority interests	(316)	(223)	(93)	
Loss from discontinued/held-for sale operations	(53)	(17)	(36)	
Total net income	$ 470	$ 354	$116	33%

North America Segment income before income taxes in the fourth quarter of 2003 was up $73 million from the fourth quarter of 2002. This increase primarily reflected a lower provision for credit losses, offset partially by lower income related to off-balance sheet securitizations. The lower provision for credit losses primarily reflected the non-recurrence of an increase in our allowance for credit losses in the fourth quarter of 2002. Lower income related to off-balance sheet securitizations resulted from lower issuances during the year and lower outstanding off-balance sheet receivables.

International Segment income before income taxes in the fourth quarter of 2003 was up $7 million from the fourth quarter of 2002. This increase primarily reflected a lower provision for credit losses because of lower receivables and higher recoveries, mostly in Latin America, offset partially by higher borrowing costs in Europe.

Income before income taxes in the eliminations/other category in the fourth quarter of 2003 was up $165 million compared with the fourth quarter of 2002. The improvement primarily reflected the net favorable market valuation of derivative instruments and associated exposures, which is included in ''Other income'' and ''Investment and other income related to sales of receivables'' on our income statement.

Full Year 2003 Compared with Full Year 2002

We earned $1,817 million in 2003, up $583 million or 47% compared with earnings of $1,234 million a year ago. Our consolidated pre-tax income from continuing operations in 2003 was $3,035 million, up $1,070 million or 54% from a year ago. The increase in earnings primarily reflected a lower provision for credit losses and the net favorable market valuation of derivative instruments and associated exposures, offset partially by the impact of lower average net receivables.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Results of our operations by business segment for 2003 and 2002 are shown below:

	Full Year			
			2003 Over/ (Under) 2002	
	2003	2002	Amount	Percentage
	(in millions)			
Income before income taxes				
North America Segment	$ 2,076	$1,665	$ 411	25%
International Segment	657	541	116	21
Eliminations/other	302	(241)	543	
Pre-tax income from continuing operations	$ 3,035	$1,965	$1,070	54%
Provision for income taxes and minority interests	(1,166)	(733)	(433)	
Income/(loss) from discontinued/held-for-sale operations	(52)	2	(54)	
Total net income	$ 1,817	$1,234	$ 583	47%

North America Segment income before income taxes in 2003 was up $411 million compared with 2002. This increase primarily reflected a lower provision for credit losses, offset partially by the impact of lower average net receivables. The lower provision for credit losses primarily reflected the non-recurrence of an increase in our allowance for credit losses in 2002, and lower credit losses. The impact of lower average net receivables reflected lower financing volumes.

International Segment income before income taxes in 2003 was up $116 million compared with 2002. This increase primarily reflected a lower provision for credit losses, the favorable impact of currency exchange rates and higher wholesale volume. The lower provision for credit losses primarily reflected lower retail receivables levels and higher recoveries in Latin America. The favorable currency exchange rates primarily reflected the stronger euro and pound sterling compared with the U.S. dollar. Higher wholesale volume primarily reflected the growth of wholesale financing provided to Mazda dealers in Europe. Higher borrowing costs in Europe were a partial offset.

Income before income taxes in the eliminations/other category in 2003 was up $543 million compared with 2002. The improvement primarily reflected the net favorable market valuation of derivative instruments and associated exposures.

Full Year 2002 Compared with Full Year 2001

We earned $1,234 million in 2002, up $395 million or 47% compared with earnings of $839 million in 2001. Our consolidated pre-tax income from continuing operations in 2002 was $1,965 million, up $471 million or 32% from 2001.

Results of our operations by business segments for 2002 and 2001 are shown below:

	Full Year			
			2002 Over/ (Under) 2001	
	2002	2001	Amount	Percentage
	(in millions)			
Income before income taxes				
North America Segment	$1,665	$1,525	$140	9%
International Segment	541	390	151	39
Eliminations/other	(241)	(421)	180	
Pre-tax income from continuing operations	$1,965	$1,494	$471	32%
Provision for income taxes and minority interests	(733)	(664)	(69)	
Income from discontinued/held-for-sale operations	2	9	(7)	
Total net income	$1,234	$ 839	$395	47%

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

North America Segment income before income taxes in 2002 was up $140 million compared with 2001. This increase primarily reflected a lower provision for credit losses due to the non-recurrence of a substantial increase in our allowance for credit losses late in 2001, offset partially by the impact of lower net financing margins.

International Segment income before income taxes in 2002 was up $151 million compared with 2001. This increase resulted primarily from higher net financing margins, due to our reduced focus on relatively lower margin fleet financing products, as well as a lower provision for credit losses, and the favorable impact of higher amounts of receivables.

Loss before income taxes in the eliminations / other category in 2002 improved $180 million compared with 2001. The improvement primarily reflected the decrease in the net unfavorable market valuation of derivative instruments and associated exposures and the non-recurrence of the Revitalization Plan charges taken in 2001.

Placement Volume and Financing Share

Total worldwide financing contract placement volumes for new and used vehicles are shown below:

	Fourth Quarter		Full Year				
	2003	2002	2003	2002	2001	2000	1999
				(in thousands)			
Worldwide							
Retail installment	672	710	2,960	3,322	4,495	3,777	3,428
Operating and finance leases	98	148	487	775	1,050	1,228	1,065
Total financing volume	770	858	3,447	4,097	5,545	5,005	4,493
North America Segment							
United States	429	490	1,980	2,512	3,819	3,525	3,139
Canada	41	47	197	212	227	210	198
Total North America Segment	470	537	2,177	2,724	4,046	3,735	3,337
International Segment							
Europe	187	211	836	917	988	795	829
Other international	113	110	434	456	511	475	327
Total International Segment	300	321	1,270	1,373	1,499	1,270	1,156
Total financing volume	770	858	3,447	4,097	5,545	5,005	4,493

Shown below are our financing shares of new Ford, Lincoln and Mercury brand vehicles sold by dealers in the United States and Ford brand vehicles sold by dealers in Europe. Also shown below are our wholesale financing shares of new Ford, Lincoln and Mercury brand vehicles acquired by dealers in the United States and of new Ford brand vehicles acquired by dealers in Europe:

	Fourth Quarter		Full Year				
	2003	2002	2003	2002	2001	2000	1999
United States							
Financing share — Ford, Lincoln and Mercury							
Retail installment and lease	39%	36%	39%	41%	54%	51%	47%
Wholesale	82	86	82	85	84	84	84
Europe							
Financing share — Ford							
Retail installment and lease	33%	34%	31%	34%	37%	32%	33%
Wholesale	99	99	97	97	97	97	96

North America Segment

Our total financing contract placement volumes were 470,000 contracts in the fourth quarter of 2003, down 67,000 contracts or 12% compared with a year ago. The decline in the fourth quarter

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

compared with the year ago period reflected our reduction of used and non-Ford retail installment financing as a result of our renewed focus on supporting Ford's brands. For the full year of 2003, our financing contract placement volumes were 2.2 million, down 547,000 contracts or 20% compared with a year ago. The full year decline resulted primarily from the same factors discussed above for the fourth quarter of 2003. Additional factors in the full year decline include Ford's increased use of cash rebate marketing programs that do not require use of our financing products. Financing share of new Ford, Lincoln and Mercury brand cars and light trucks sold by dealers in the United States was 39% in the fourth quarter of 2003 compared with 36% a year ago. For the full year of 2003, our financing share was 39% compared with 41% a year ago. This decline resulted primarily from the same factors described above.

International Segment

In the fourth quarter of 2003, our total financing contract placement volumes were 300,000, down 21,000 contracts or 7% compared with a year ago. This decrease is more than explained by factors in Europe, primarily the United Kingdom and Germany. In the United Kingdom, Ford used fewer financing-based marketing programs. In Germany, daily rental volume was lower because of competitive pressures. Our financing share of all new Ford brand vehicles sold by dealers in Europe was 33% in the fourth quarter of 2003, compared with 34% in the prior year.

For the full year of 2003, our financing contract placement volumes were 1.3 million contracts, down 103,000 contracts or 8% compared with a year ago. The majority of this decrease occurred in Europe, which resulted primarily from the same factors discussed above for the fourth quarter of 2003 as well as fewer low-rate financing programs in Germany and lower fleet financing volume in both the United Kingdom and Germany. The remaining decrease occurred in Asia-Pacific, primarily Japan, resulting from reduced levels of low-rate financing programs. Our financing share for the full year of 2003 in Europe was 31%, compared with 34% in the prior year.

Financial Condition

Finance Receivables and Operating Leases

Our financial condition is impacted significantly by the performance of our receivables as shown below.

	December 31,				
	2003	2002	2001	2000	1999
	(in billions)				
Receivables					
On-Balance Sheet (including on-balance sheet securitizations)					
Finance receivables					
Retail installment	$ 77.8	$ 68.4	$ 83.4	$ 79.9	$ 75.3
Wholesale	22.5	16.4	15.4	33.7	26.1
Other	8.6	9.8	9.1	8.4	7.1
Total finance receivables, net	$108.9	$ 94.6	$107.9	$122.0	$108.5
Net investment in operating leases	23.2	31.3	37.2	36.5	31.3
Total on-balance sheet	$132.1	$125.9	$145.1	$158.5	$139.8
Memo: Allowance for credit losses included above	$ 3.0	$ 3.2	$ 2.8	$ 1.6	$ 1.5

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

	December 31, 2003	2002	2001	2000	1999
	(in billions)				
Securitized Off-Balance Sheet					
Finance receivables					
Retail installment	$ 29.1	$ 48.9	$ 41.2	$ 26.0	$ 14.5
Wholesale	20.3	22.5	17.5	2.3	5.0
Other	—	—	—	—	—
Total finance receivables	$ 49.4	$ 71.4	$ 58.7	$ 28.3	$ 19.5
Net investment in operating leases	—	—	—	0.1	0.1
Total securitized off-balance sheet	$ 49.4	$ 71.4	$ 58.7	$ 28.4	$ 19.6
Managed					
Finance receivables					
Retail installment	$106.9	$117.3	$124.6	$105.9	$ 89.8
Wholesale	42.8	38.9	32.9	36.0	31.1
Other	8.6	9.8	9.1	8.4	7.1
Total finance receivables	$158.3	$166.0	$166.6	$150.3	$128.0
Net investment in operating leases	23.2	31.3	37.2	36.6	31.4
Total managed	$181.5	$197.3	$203.8	$186.9	$159.4
Serviced	$188.8	$202.3	$203.8	$186.9	$159.4

On-Balance Sheet Receivables. On-balance sheet finance receivables and net investment in operating leases, net of allowance for credit losses, at December 31, 2003 were $132.1 billion, up $6.2 billion or 5% from a year ago. The increase primarily reflected the accounting consolidation of FCAR in May 2003 and the impact related to changes in currency exchange rates, offset partially by the impact of lower lease and retail placement volumes, and receivables sold in off-balance sheet securitizations and whole-loan sale transactions.

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

Securitized Off-Balance Sheet Receivables. Total securitized off-balance sheet receivables at December 31, 2003 were $49.4 billion, down $22 billion or 31% from a year ago. This decrease primarily reflected the reacquired receivables resulting from the consolidation of FCAR, now reported on our balance sheet, the slower pace of securitizations and the increased use of whole-loan sale transactions.

Managed Receivables. Total managed receivables at December 31, 2003 were $181.5 billion, down $15.8 billion or 8% from December 31, 2002, primarily reflecting lower retail installment sale contracts resulting from lower placement volumes, lower net investment in operating leases, and the sale of U.S. retail finance receivables in whole-loan sale transactions. Net investment in operating leases was lower resulting from Ford's marketing programs, including Ford-sponsored special-rate retail installment financing and cash rebates that caused leasing to be a less attractive financing alternative for our customers.

Serviced Receivables. Serviced receivables includes our managed receivables and receivables that we sold in whole-loan sale transactions. We continue to service the receivables sold in whole-loan sale transactions. We retain no interest in the receivables, however, and all credit risk associated with the receivables is transferred to the buyer.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Credit Risk

Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Credit risk has a significant impact on our business. As discussed in Item 1, we actively manage the credit risk of our consumer and non-consumer portfolios to balance our level of risk and return. The allowance for credit losses reflected on our balance sheets is our estimate of the probable credit losses for receivables and leases that are impaired at the points in time shown on our balance sheet.

Credit Loss Experience

Worldwide

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

	Full Year		
	2003	2002	2001
	(in millions)		
Credit Losses			
On-Balance Sheet			
Retail installment and lease	$1,871	$2,292	$2,052
Wholesale	148	40	33
Other	25	30	24
Total on-balance sheet	$2,044	$2,362	$2,109
Reacquired Receivables (retail)	92	—	—
Total on-balance sheet (including reacquired receivables)	$2,136	$2,362	$2,109
Securitized Off-Balance Sheet			
Retail installment and lease	$ 677	$ 448	$ 218
Wholesale	—	6	1
Other	—	—	—
Total securitized off-balance sheet	$ 677	$ 454	$ 219
Managed			
Retail installment and lease	$2,640	$2,740	$2,270
Wholesale	148	46	34
Other	25	30	24
Total managed	$2,813	$2,816	$2,328
Loss-to-Receivables Ratios			
On-Balance Sheet (including reacquired receivables)*			
Retail installment and lease	1.97%	2.05%	1.74%
Wholesale	0.79	0.25	0.12
Total including other	1.67%	1.72%	1.36%
Memo: On-Balance Sheet (excluding reacquired receivables)	1.60%	1.72%	1.36%
Managed			
Retail installment and lease	1.91%	1.73%	1.43%
Wholesale	0.37	0.13	0.10
Total including other	1.50%	1.39%	1.19%

* We believe that the use of the on-balance sheet loss-to-receivables ratio that includes the credit losses on reacquired receivables is useful to our investors because it provides a more complete presentation of our on-balance sheet credit loss performance.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Most of our credit losses are related to retail installment sale and lease contracts. Credit losses depend on the number of vehicle repossessions, the unpaid balance outstanding at the time of repossession, and the net resale price of repossessed vehicles and other losses associated with impaired accounts and unrecoverable vehicles. We also incur credit losses on our wholesale loans, but default rates for these receivables historically have been substantially lower than those for retail installment sale and lease contracts.

In the fourth quarter of 2003, we recognized credit losses (''charge-offs'') totaling $106 million primarily related to impaired accounts over 120 days delinquent in our European wholesale portfolio. This resulted from our International operations adopting the practice used in our North American operations of charging off accounts more than 120 days delinquent. There was no impact on earnings in the fourth quarter because these accounts were reserved fully at the time of impairment. We have not changed our collection efforts with respect to these accounts. The increase in wholesale losses increased the full year on-balance sheet and managed loss-to-receivables ratios by 8 and 5 basis points, respectively.

Full Year 2003 Compared with Full Year 2002

Credit Losses — On-Balance Sheet. In 2003, credit losses for our on-balance sheet portfolio declined $318 million, or 13% from a year ago reflecting improved performance in our U.S. commercial receivables and lower on-balance sheet receivables at Triad and Fairlane Credit. Triad continues to securitize its new loan placements, reducing the size of its on-balance sheet receivables. Fairlane Credit ceased purchasing retail installment sale contracts in 2002 and its receivables are liquidating. These declines were offset partially by the charge-off of 120-day delinquent accounts, which resulted in recognition of $106 million of credit losses, primarily in our wholesale receivables in Europe. As a result of lower on-balance sheet credit losses and our retention of securitized receivables on our balance sheet, which exhibit lower loss-to-receivable ratios than the average portfolio, our on-balance sheet loss-to-receivables ratio in 2003 was 1.67%, down from 1.72% in 2002.

Credit Losses — Securitized Off-Balance Sheet. In 2003, credit losses for our securitized off-balance sheet portfolio increased $223 million, or 49% from a year ago, reflecting an increase in the average age of our securitized off-balance sheet receivables.

Credit Losses — Managed. The loss-to-receivables ratio for our managed portfolio was 1.50% in 2003, up from 1.39% a year ago, reflecting primarily lower retail receivables and net investment in operating leases resulting from lower placement volumes and whole-loan sale transactions.

Full Year 2002 Compared with Full Year 2001

Credit losses for our on-balance sheet portfolio were $2,362 million in 2002, up $253 million from 2001, resulting largely from a continuation of a weak economy in the United States and growth in both retail consumer prime and non-prime receivables and retail commercial receivables during previous years. Higher unemployment and an increase in bankruptcy filings in the United States increased the number of vehicle repossessions. At the same time, a decline in used vehicle values and an increase in the average amount financed increased the average loss per unit repossessed. The loss-to-receivables ratio for our on-balance sheet portfolio was 1.72% in 2002, up from 1.36% in 2001 as a result of the increase in credit losses and an increase in securitization of wholesale receivables. Credit losses and loss-to-receivables ratios on wholesale receivables are substantially lower than those for retail installment sale and lease contracts. Securitization of these receivables removes them from our balance sheet and increases our on-balance sheet loss-to-receivables ratio.

Credit losses for our managed portfolio were $2,816 million in 2002, up $488 million from 2001. The loss-to-receivables ratio for our managed portfolio was 1.39% in 2002, up from 1.19% in 2001, reflecting an increase in credit losses, for reasons discussed above.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Ford Credit U.S. Retail and Operating Lease

The following table shows the loss-to-receivables, repossession, bankruptcy and delinquency statistics for our Ford, Lincoln and Mercury brand U.S. retail installment sale and lease portfolio, which was approximately 60% of our worldwide managed portfolio of retail receivables and net investment in operating leases at December 31, 2003.

	Full Year			
	2003	2002	2001	2000
On-Balance Sheet				
Credit losses (in millions)	$1,088	$1,180	$1,135	$ 806
Loss-to-receivables ratios	2.04%	1.87%	1.61%	1.12%
Managed				
Credit losses (in millions)	$1,530	$1,520	$1,304	$ 865
Loss-to-receivables ratios	1.89%	1.50%	1.31%	0.98%
Other Metrics — Serviced				
Repossessions (in thousands)	200	199	174	141
Repossession ratios	3.27%	2.79%	2.45%	2.19%
Average loss per repossession	$7,350	$6,960	$6,600	$5,800
New bankruptcy filings (in thousands)	107	118	91	71
Over-60-day delinquency ratios	0.35%	0.36%	0.40%	0.30%

On-Balance Sheet. Although credit losses declined by $92 million in 2003 compared with 2002, the loss-to-receivables ratio increased in 2003 reflecting a decline in our U.S. retail installment sale and lease portfolio from a year ago as a result of lower placement volumes and whole-loan sale transactions.

Managed. In 2003, credit losses were $1,530 million compared with $1,520 million in 2002. The loss-to-receivables ratio for our managed receivables was 1.89%, compared with 1.50% a year ago, reflecting the slight increase in credit losses and a decrease in the average receivables.

Other Metrics — Serviced. Repossessions are shown in aggregate and as a percent of the average number of accounts outstanding during the relevant periods, defined as the repossession ratio. While our total number of repossessions has increased slightly compared with a year ago, our repossession ratio increased 48 basis points reflecting about a 15% reduction in the number of outstanding contracts compared with 2002.

In 2003, our average loss per repossession, which we refer to as severity, was $7,350, up $390 per unit or 6% reflecting a decline in auction prices, particularly in the first half of 2003.

In 2003, the over-60-day delinquency ratio was 0.35%, down from 0.36% a year ago. Full year delinquency ratios are expressed as an average of the quarterly ratios for non-bankrupt accounts.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Allowance for Credit Losses

Our allowance for credit losses and our allowance for credit losses as a percentage of end-of-period net receivables for our on-balance sheet portfolio are shown below:

	December 31,				
	2003	2002	2001	2000	1999
			(in billions)		
Allowance for Credit Losses					
Retail installment and lease	$ 2.8	$ 2.9	$ 2.5	$ 1.5	$ 1.4
Wholesale	0.1	0.2	0.2	0.1	0.1
Other	0.1	0.1	0.1	0.0	0.0
Total allowance for credit losses	$ 3.0	$ 3.2	$ 2.8	$ 1.6	$ 1.5
As a Percentage of End-of-Period Net Receivables					
Retail installment and lease	2.76%	2.92%	2.10%	1.28%	1.25%
Wholesale	0.71	1.36	1.03	0.37	0.41
Other	0.67	0.62	0.66	0.24	0.29
Total	2.28%	2.52%	1.89%	1.03%	1.05%

At December 31, 2003, our allowance for credit losses was down $168 million compared with year-end 2002, reflecting primarily the charge-off of $106 million of 120-day delinquent accounts, primarily related to wholesale receivables in our European portfolio, which reduced the corresponding allowance for credit losses. Other factors contributing to this reduction were lower credit losses and lower receivables in our commercial portfolio and lower receivables in our liquidating Fairlane Credit portfolio.

A description of our process for setting this allowance is provided below in ''Critical Accounting Estimates — Allowance for Credit Losses.'' Our allowance for credit losses does not include any allowance for receivables that we have sold in off-balance sheet securitizations and whole-loan sale transactions.

Residual Risk

We are exposed to residual risk on operating leases, RCO contracts and similar balloon payment products where the customer has the right to return the financed vehicle to us. Our residual risk on retail lease and other contracts is composed of two types of risk: residual value risk and return rate risk. Residual value risk is the possibility that the actual net proceeds we realize upon the sale of returned vehicles at contract termination, which is referred to as the residual value of these vehicles, will be lower than our projection of these values. Return rate risk is the possibility that the percentage of vehicles returned to us at contract termination will be higher than we expect. Residual risk on operating leases is discussed in more detail below in ''Critical Accounting Estimates — Accumulated Depreciation on Vehicles Subject to Operating Leases''.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Retail Operating Lease Experience

We use various statistics to monitor our residual value risk and return rate risk. Placement volume measures the number of leases we purchase each year. Termination volume measures the number of vehicles for which the lease has ended in each year. Return rates are the percentage of vehicles that are returned to us at the end of the terminated lease and not purchased by either the customer or the dealer. The following table shows placement volumes, termination volumes and return rates for our North America Segment, which accounted for 90% of our total net investment in operating leases at December 31, 2003:

	2003	2002	2001	2000	1999
Placement Volumes (in thousands)					
Ford, Lincoln and Mercury Cars	57	104	163	205	187
Ford, Lincoln and Mercury Trucks	144	261	408	538	493
Jaguar, Land Rover and Volvo*	48	95	90	53	39
Other	25	9	17	23	32
Total North America Segment	274	469	678	819	751
Termination Volumes (in thousands)					
Ford, Lincoln and Mercury Cars	167	169	151	154	244
Ford, Lincoln and Mercury Trucks	412	486	366	360	499
Jaguar, Land Rover and Volvo*	55	48	34	28	14
Other	20	34	80	87	107
Total North America Segment	654	737	631	629	864
Return Rates					
Ford, Lincoln and Mercury Cars	78%	62%	58%	62%	70%
Ford, Lincoln and Mercury Trucks	68	66	66	63	71
Jaguar, Land Rover and Volvo*	54	43	45	51	45
Other	55	50	60	69	67
Total North America Segment	69%	63%	62%	63%	70%

* We first reported placement volumes for Land Rover in 2001.

In 2003, termination volumes were down 83,000 units compared with 2002, largely related to lower contract placement volumes in 2001. In 2004, we expect termination volumes to continue to decline because of lower contract placement volumes in 2001 and 2002. In 2003, return rates were up 6 percentage points compared with 2002, reflecting lower residual values. Although residual values were lower in 2003, compared with 2002, they improved in the second half of the year, resulting from the economic recovery and lower lease termination volumes. Correspondingly, return rates reached a peak of 71% in the first quarter of 2003 but declined through the remainder of the year. As the economy continues to improve and termination volumes continue to decline, we expect residual values will stabilize and may even increase. As a result, we expect return rates to remain constant or decline further.

Credit Ratings

Our short- and long-term debt is rated by four credit rating agencies designated as nationally recognized statistical rating organizations (''NRSROs'') by the SEC:

- Dominion Bond Rating Service Limited (''DBRS'');
- Fitch, Inc. (''Fitch'');
- Moody's Investors Service, Inc. (''Moody's''); and
- Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc. (''S&P'').

In several markets, locally recognized rating agencies also rate us. A credit rating reflects an assessment by the rating agency of the credit risk associated with particular securities we issue,

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

based on information provided by Ford, us and other sources. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating company risk, and therefore ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets. Our credit ratings from all of the NRSROs are closely associated with their opinions on Ford. Our lower ratings over the past several years are primarily a reflection of those opinions, including concerns regarding Ford's automotive cash flow and profitability, declining market share, excess industry capacity, industry pricing pressure and rising healthcare costs.

DBRS Ratings. On April 22, 2003, DBRS lowered our long-term corporate credit rating to ''BBB (high)'' with a stable trend from ''A (low)'' with a negative trend, and confirmed our short-term credit rating at ''R-1 (low)'' with a stable trend. On December 22, 2003, DBRS confirmed these long- and short-term ratings and trends.

Fitch Ratings. On November 14, 2003, Fitch affirmed our long- and short-term credit ratings at ''BBB+'' and ''F2'', respectively, with a negative outlook.

Moody's Ratings. On November 14, 2003, Moody's confirmed our long- and short-term credit ratings at ''A3'' and ''P-2'', respectively, with a negative outlook.

S&P Ratings. On November 12, 2003, S&P lowered our long-term corporate credit rating to ''BBB-'' with a stable outlook from ''BBB'' with a negative outlook, and lowered our short-term credit rating to ''A-3'' from ''A-2''.

The following chart summarizes our credit ratings and the outlook assigned by the NRSROs since 2000:

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

* NRSRO designation granted on February 27, 2003

Funding

Funding Sources

Our funding sources include debt and sales of receivables in securitizations and other structured financings.

Debt consists of short- and long-term unsecured debt, placed directly by us or through securities dealers or underwriters, and bank borrowings. We consider any debt with an original maturity of 12 months or less to be short-term debt. We issue short-term debt through commercial paper programs in the United States, Europe, Canada and other international markets, with sales mostly to qualified institutional investors. Rule 2a-7 under the Investment Company Act of 1940, as amended, limits money market mutual funds subject to that Act to investments only in securities that have received a ''1'' or ''2'' rating from at least two NRSROs. In particular, money market mutual funds may hold no more than 5% of their assets in the ''Tier-1'' securities of any issuer and no more than 1% of their assets in the ''Tier-2'' securities of any issuer (with no more than 5% of assets permitted in Tier-2 securities from all issuers combined). Tier-1 securities are those receiving a ''1''

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

rating from at least two NRSROs. Tier-2 securities are securities that do not qualify as Tier-1 securities but receive a ''2'' rating from at least two NRSROs.

In 2001 and 2002, S&P, Moody's and Fitch lowered our short-term ratings from their respective ''1'' rating category (A-1/P-1/F1) to their ''2'' rating category (A-2/P-2/F2), while DBRS maintained our short-term rating (R-1 (low)) in their ''1'' rating category. In 2003, S&P further lowered our short-term rating to A-3. Consequently, since October 2001 we have been a Tier-2 commercial paper issuer and remain so at present. The U.S. market for Tier-2 commercial paper (i.e., that having the second highest rating from at least two NRSROs) is only approximately 5% of the size of the U.S. Tier-1 commercial paper market ($54 billion outstanding for Tier-2 compared with $1.2 trillion outstanding for Tier-1 at December 31, 2003). In addition, during 2003 the U.S. Tier-2 market declined from $65 billion outstanding at the end of 2002 to $54 billion outstanding at the end of 2003. As a result, our outstanding U.S. commercial paper declined from $29.6 billion at the end of 2000 to $5.1 billion at the end of 2002, and further declined to $3.2 billion at the end of 2003. This decline in our U.S. commercial paper balance was the largest contributor to the decline in our global commercial paper balance, discussed in ''Funding Portfolio'' below.

We also obtain short-term funding from the sale of floating rate demand notes, which may be redeemed at any time at the option of the holder thereof without restriction. At December 31, 2003, the principal amount outstanding of such notes was $7.3 billion. We do not hold reserves specifically to fund the payment of the demand notes or any other short-term funding obligation. Our policy is to have sufficient cash and cash equivalents, unused committed bank-sponsored asset-backed commercial paper issuer (''conduit'') capacity, securitizable assets, and back-up credit facilities to provide liquidity for all of our short-term funding obligations. FCE also issues certificates of deposit primarily to a broad range of institutional investors in various markets to obtain short-term funding. Bank borrowings by several of our international affiliates in the ordinary course of business are an additional source of short-term funding.

We issue a variety of long-term debt securities in the United States and international capital markets to both retail and institutional investors. Long-term debt is debt with an original maturity of more than 12 months. We use several long-term funding programs, including notes offered with a variety of maturities of two years and longer, and medium-term notes sold through sales agents in smaller amounts in various currencies.

As part of maintaining a diverse global funding strategy, we also issue long-term debt securities to retail investors. We access retail investors in the United States through our Continuously Offered Bonds for Retail Accounts program. We launched the Term Bonds in Retail Distribution program in Canada in December 2002 and the Internotes retail bond program in select European markets during the second quarter of 2003. We issue debt to retail investors at various maturities ranging from 1.5 years to 10 years. Total outstanding balances in our long-term retail programs were $6.1 billion at year-end 2003 (U.S. $4.9 billion, Canada $1 billion, FCE $200 million), up $3.3 billion compared with year-end 2002.

We also sell receivables in securitizations and other structured financings to obtain funding. We securitize because of the lower cost compared with unsecured funding at our present credit ratings. These transactions can be structured to provide both short- and long-term funding. Securitization involves the sale of receivables to a SPE, typically a trust. The SPE issues interest-bearing securities, commonly called asset-backed securities, that are secured by the sold receivables. The SPE uses proceeds from the sale of these securities to pay the purchase price for the sold receivables. Generally, the asset-backed securities are rated by credit rating agencies and sold in public offerings or in private transactions. We offer asset-backed securities primarily to institutional investors in a number of different markets, including the United States, Canada, Australia, Japan and Europe. We use both amortizing and revolving structures in our securitizations, and retain interests in the securitized receivables. For a more complete discussion of securitization and other structured financings, see ''Off-Balance Sheet Arrangements'' below.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Funding Strategy

Our funding strategy is to maintain liquidity and access to diverse funding sources that are cost effective. In December 1988, we began selling a portion of our receivables in securitizations to fund our operations, and we have been a regular participant in the securitization market since then. During 2003, we continued to meet a significant portion of our funding requirements through securitizations because of the stability of the market for asset-backed securities, their lower relative costs (as described below) and the diversity of funding sources that they provide.

Beginning in 2001, as a result of the decline in our credit ratings, we focused our efforts on further diversification of funding sources and reduced our reliance on short-term funding, especially unsecured commercial paper. We launched new asset-backed commercial paper and retail unsecured bond programs, and we expanded our securitization and other structured financing channels, including transactions by foreign affiliates and expansion of our conduit program. As our short-term debt ratings have declined, asset-backed commercial paper programs have become more cost-effective compared with unsecured commercial paper, and allow us access to a larger investor base as discussed in ''Funding Sources'' above.

As a result of our funding strategy and the reduction in our managed receivables, the lowering of our credit ratings in each of the past three years has not had a material impact on our ability to fund our operations, although our lower credit ratings have contributed to an increase in our overall borrowing costs. Any further lowering of our credit ratings may increase our borrowing costs and potentially constrain our funding sources. This could cause us to increase our use of securitization or other sources of liquidity or to reduce our managed receivables.

Cost of Funding Sources

The cost of both debt and funding in securitizations is based on a margin or spread over a benchmark interest rate. Spreads are typically measured in basis points. Our unsecured commercial paper and floating rate demand notes funding costs are based on spreads over the London Interbank Offered Rate (''LIBOR''), a commonly used benchmark interest rate. Our unsecured long-term debt and securitized funding costs are based on spreads over United States Treasury securities (''U.S. Treasury'') of similar maturities, LIBOR or other benchmark rates.

In addition to enhancing our liquidity, one of the main reasons that we increased our use of securitizations as a funding source over the last few years has been that spreads on our securitized funding have been more stable and lower than those on our unsecured term-debt funding. Our unsecured spreads have been very volatile since 2000, as a result of our lower credit ratings, whereas our securitized funding spreads (which are based on the underlying finance receivables and credit enhancements) have not. Prior to 2000, overall costs for securitization were not significantly lower than unsecured term-debt, and as recently as 1998 they were actually higher. Over the last two years, our unsecured long-term debt funding spreads have fluctuated between 186 and 662 basis points above comparable U.S. Treasury securities, while our spreads on securitized funding have fluctuated between 35 and 86 basis points above comparable U.S. Treasury securities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following chart shows our spreads at the end of each quarter, and the average, high and low spreads in 2003, and at each year-end in the 1999 through 2002 periods:

	Funding Spreads Compared with 3-Year U.S. Treasury*										
	2003							December 31,			
	Avg.	High	Low	Dec. 31	Sept. 30	June 30	Mar. 31	2002	2001	2000	1999
	(basis points)										
Unsecured debt funding	341	638	186	186	306	294	549	447	264	157	86
Securitized funding	50	63	35	53	61	42	50	62	84	97	70
Unsecured over / (under) securitized	291	575	151	133	245	252	499	385	180	60	16

* The spreads listed are indicative only and do not reflect specific transactions.

Funding Portfolio

Our outstanding debt and securitized off-balance sheet funding was as follows at December 31:

	2003	2002	2001	2000	1999
	(in billions)				
Debt					
Commercial paper — unsecured	$ 6.1	$ 8.2	$ 15.7	$ 42.3	$ 43.1
Asset-backed commercial paper (FCAR)	9.0	—	—	—	—
Floating rate demand notes	7.3	5.1	4.0	3.7	2.8
Other short-term debt	2.3	2.9	2.9	3.9	3.9
Total short-term debt	$ 24.7	$ 16.2	$ 22.6	$ 49.9	$ 49.8
Long-term debt (including notes payable within one year)	125.0	124.1	123.2	95.7	82.3
Total debt	$149.7	$140.3	$145.8	$145.6	$132.1
Securitized Off-Balance Sheet Funding					
Securitized off-balance sheet portfolio	$ 49.4	$ 71.4	$ 58.7	$ 28.4	$ 19.5
Retained interest	(13.0)	(17.6)	(12.5)	(3.7)	(3.5)
Total securitized off-balance sheet funding	$ 36.4	$ 53.8	$ 46.2	$ 24.7	$ 16.0
Total debt plus securitized off-balance sheet funding	$186.1	$194.1	$192.0	$170.3	$148.1
Memo: Asset-backed commercial paper (FCAR) previously reported as securitized off-balance sheet funding	—	$ 11.9	$ 12.1	$ 0.7	$ 0.5
Ratios					
Credit lines to total unsecured commercial paper	$>$ 100%	$>$ 100%	$>$ 100%	57%	54%
Securitized funding to managed receivables	25	27	23	13	10
Short-term debt and notes payable within one year to total debt	36	28	30	43	52
Short-term debt and notes payable within one year to total capitalization	33	25	28	40	48

At December 31, 2003, our global unsecured commercial paper balance had declined by $36.2 billion from the balance at year-end 2000, as our short-term credit ratings were lowered over the past three years. This made our commercial paper largely ineligible for investment by money market mutual funds under Rule 2a-7 of the Investment Company Act of 1940, as amended. To partially offset this reduction in our unsecured commercial paper balance, asset-backed commercial paper issued through our FCAR and Motown Notes[SM] programs (which is rated as Tier 1 commercial paper) increased substantially beginning in 2001. Total debt plus securitized off-balance sheet funding was $186.1 billion, down $8 billion compared with a year ago, reflecting lower asset levels (including whole-loan sales) which reduced our funding needs, offset partially by

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

pre-funding a portion of our 2004 debt maturities. Long-term debt was $125 billion, up about $900 million compared with a year ago, reflecting additional debt issued to pre-fund a portion of our 2004 debt maturities, which supports our liquidity objectives, and the effects of the weaker U.S. dollar on the value of our foreign-denominated debt. For additional information regarding the terms of the various categories of our debt, see Note 9 of our Notes to Financial Statements.

The ratio of credit lines to total unsecured commercial paper has increased to more than 100% beginning at year-end 2001, primarily due to a reduction in our unsecured commercial paper balance. As a Tier-2 commercial paper issuer, investors generally expect at least 100% credit line coverage. The reduction in unsecured commercial paper was offset partially by an increase in asset-backed commercial paper, with an associated movement of credit lines to support those programs (discussed further in ''Liquidity'' below). The increase in 2003 of the ratio of our short-term debt and notes payable within one year to total capitalization compared with 2002 reflected asset-backed commercial paper that was previously off-balance sheet debt of FCAR. For a more complete discussion of changes in our securitization funding, see ''Off-Balance Sheet Arrangements.''

Term Public Funding Plan

The following table shows our term public funding issuance for 2002 and 2003 and our planned issuance for 2004:

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

* Reflects new issuance; excludes asset sales to conduits, whole-loan sales, and other structured financings.

During 2003, we issued $19.7 billion of long-term debt with maturities of one to thirty years, including $7.7 billion of Eurodollar bonds, $4.2 billion under our retail bond programs, $4.1 billion of U.S. dollar bonds, and $3.7 billion in other transactions denominated in various currencies.

Because we expect to further reduce our managed receivables in 2004, our term public funding requirements are lower than the combined obligations of term debt maturities and amortization of asset-backed securities (combined total of about $57 billion). In addition, we plan to decrease our cash and cash equivalents and increase our use of asset-backed commercial paper programs. Any additional whole-loan sale transactions could further reduce our funding requirements. We can offer no assurance that we will not change our funding plan, and our funding plan and ability to meet our funding plan are subject to risks and uncertainties, many of which are beyond our control (see ''Liquidity Risks'' below).

Liquidity

Maintaining liquidity through access to diverse funding sources has always been a key factor in our funding strategy. We define liquidity as our ability to meet our funding needs, which include purchasing retail installment sale and lease contracts, funding other financing programs and repaying our debt obligations as they become due. In addition to unsecured debt offerings (discussed above) and sales of receivables (discussed below), we have access to the following other sources of liquidity:

Cash and Cash Equivalents. At December 31, 2003, our cash and cash equivalents totaled $15.7 billion, compared with $6.8 billion at the end of 2002. In the normal course of our funding

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

transactions, we may generate more proceeds than are necessary for our immediate funding needs. We increased long-term debt issuances beyond our immediate needs in 2003 for liquidity purposes and to pre-fund a portion of our $29.5 billion of debt maturing in 2004. These excess amounts are maintained primarily as highly liquid investments, provide liquidity for our short-term funding obligations and give us flexibility in the use of our other funding programs. Our cash and cash equivalents include short-term U.S. Treasury bills, federal agency discount notes, A-1/P-1 (or higher) rated commercial paper, and bank time deposits with investment grade institutions. The average term of these investments is typically less than 60 days. We monitor our cash levels daily and adjust them as necessary to support our short-term liquidity needs.

Conduit Program. We have entered into agreements with several conduits under which such conduits are contractually committed to purchase from us, at our option, up to $12.8 billion of receivables in the aggregate. This is an extremely liquid funding source, as we are able to access funds in two days. These agreements have varying maturity dates between June 24, 2004 and October 29, 2004 and, in the past, have been renewed on an annual basis. As of December 31, 2003, we had utilized approximately $4.4 billion of these commitments. These agreements do not contain restrictive financial covenants (for example, debt-to-equity limitations or minimum net worth requirements) or material adverse change clauses that would relieve the conduit of its obligation to purchase receivables. However, they do contain provisions that could terminate the unused portion of the purchase commitments if the performance of the sold receivables deteriorates beyond specified levels. Based on our experience, we do not expect any commitments to be terminated due to these performance levels. None of these arrangements may be terminated based on a change in our credit rating.

Whole-Loan Sale Transactions. During 2002, we began a program to sell retail installment sale contracts in transactions where we retain no interest and thus no exposure to the sold contracts. These transactions, which we refer to as ''whole-loan sale transactions,'' provide liquidity by enabling us to reduce our managed receivables and our need for funding to support those receivables. In 2003, we sold $5.5 billion of retail finance receivables through whole-loan sales. Total outstanding receivables sold in whole-loan transactions at December 31, 2003 were $7.3 billion.

Back-up Credit Facilities

Our back-up credit facilities were as follows at December 31:

	2003	2002	2001	2000	1999
			(in billions)		
Back-up Credit Facilities					
Ford Credit	$ 4.3	$ 8.6	$ 9.0	$20.0	$18.5
FCE	3.4	5.3	4.6	4.7	4.9
Ford bank lines (available at Ford's option)	6.8	7.6	8.4	8.4	8.6
Asset-backed commercial paper lines	18.6	13.6	12.5	1.4	1.4
Total back-up facilities	$33.1	$35.1	$34.5	$34.5	$33.4
Drawn amounts	(1.0)	(0.9)	(0.7)	(0.9)	(0.5)
Total available back-up facilities	$32.1	$34.2	$33.8	$33.6	$32.9

For additional funding and to maintain liquidity, we and our majority-owned subsidiaries including FCE have contractually committed credit facilities with financial institutions that totaled approximately $7.7 billion at December 31, 2003. This includes $3.3 billion and $3.2 billion of global credit facilities at Ford Credit and FCE, respectively, and $1.2 billion of non-global credit facilities with varying terms that support local financing needs. Approximately $1.0 billion of our total facilities were in use at December 31, 2003. These facilities have various maturity dates. Of the $7.7 billion, about 47% of these facilities are committed through June 30, 2008. Our global credit facilities may be used at our option by any of our direct or indirect majority-owned subsidiaries. FCE's global credit facilities may be used at its option by any of its direct or indirect majority-owned subsidiaries. We or FCE, as the case may be, will guarantee any such borrowings. All of the global credit facilities have substantially identical contract terms (other than commitment amounts) and are free of material

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

adverse change clauses and restrictive financial covenants (for example, debt-to-equity limitations, minimum net worth requirements and credit rating triggers) that would limit our ability to borrow.

At Ford's option, approximately $6.8 billion of Ford's global lines of credit may be used by any of its direct or indirect majority-owned subsidiaries on a guaranteed basis. Ford also has the ability to transfer, on a non-guaranteed basis, $2.5 billion of such credit lines to us and $543 million to FCE.

As discussed in ''Funding Portfolio'' above, the reduction in our unsecured commercial paper since 2000 has been offset partially by an increase in asset-backed commercial paper, with an associated movement of credit lines to support those programs. At December 31, 2003, banks provided $18.6 billion of contractually committed liquidity facilities that supported two asset-backed commercial paper programs; $18.2 billion supported FCAR and $425 million supported our Motown Notes^{SM} program. Unlike our other credit facilities described above, these facilities provide liquidity exclusively to each individual asset-backed commercial paper program. Utilization of these facilities is not at our discretion but is determined by and subject to conditions specific to each program. At December 31, 2003, about $16.3 billion of FCAR's bank credit facilities were available to support FCAR's asset-backed commercial paper or subordinated debt. Although not eligible to support commercial paper, the remaining $1.9 billion of available credit lines could be accessed for additional funding assuming additional subordinated debt is issued.

Liquidity Risks

Despite our diverse sources of liquidity, our ability to maintain our liquidity may be affected by the following factors:

- Our credit rating,
- Disruption of financial markets,
- Market capacity for Ford- and Ford Credit-sponsored investments,
- General demand for the type of securities we offer,
- Our ability to sell receivables,
- Performance of receivables in our previous receivables sale transactions,
- Accounting and regulatory changes, and
- Our ability to maintain back-up credit facilities.

Off-Balance Sheet Arrangements

Overview

We sell receivables in securitizations and other structured financings and in whole-loan sale transactions. Most of these arrangements satisfy accounting sale treatment and are not reflected on our balance sheet in the same way as debt funding, but could have an effect on our financial condition, operating results and liquidity. Some of these arrangements do not satisfy the requirements for accounting sale treatment and the sold receivables are not removed from our balance sheet (see ''Other Sales of Receivables Transactions — On-Balance Sheet Securitizations'' below).

Because of the similarity between securitizations and structured financings, we include structured financings and refer to them as securitizations in our analysis of off-balance sheet arrangements and elsewhere in this report.

Securitization

Securitization involves the sale of securities backed by a pool of receivables. The United States securitization market is well developed and highly liquid with more than $1.6 trillion of asset-backed securities outstanding at December 31, 2003. The securitization market is also well developed in a

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

number of other countries, including Canada, the United Kingdom, Germany, Australia and Japan and is developing and expanding in a number of other countries.

We actively participate in the securitization market and have been a frequent participant since December 1988. Automobile finance receivables are one of the largest classes of assets that are securitized in the United States market and we are regularly one of the largest securitizers of automobile finance receivables. We securitize our receivables because the highly liquid and efficient market for securitization of financial assets provides us with a lower cost source of funding, compared with issuing unsecured debt given our present credit ratings.

We securitize retail installment sale contracts and wholesale receivables. In the past, we securitized retail operating leases and may do so again in the future.

Use of Special Purpose Entities

Securitization involves the sale of a pool of receivables to a SPE, typically a trust. The SPE issues interest-bearing securities, commonly called asset-backed securities, that are secured by the sold receivables. The SPE uses proceeds from the sale of these securities to pay the purchase price for the sold receivables. Our use of SPEs in our securitizations is consistent with conventional practices in the securitization industry. The sale to the SPE achieves isolation of the sold receivables for the benefit of securitization investors and protects them from the claims of our creditors. Assuming accounting rules are met, the sold receivables are removed from our balance sheet. The use of SPEs combined with the structure of these transactions means that the payment of the asset-backed securities is based on the creditworthiness of the underlying finance receivables and any enhancements (as discussed below), and not our own creditworthiness. As a result, the senior asset-backed securities issued by the SPEs generally receive the highest short-term debt ratings and among the highest long-term debt ratings from the credit rating agencies that rate them and are sold to securitization investors at cost-effective pricing.

We sponsor the SPEs used in all but one of our securitization programs. None of our officers, directors or employees holds any equity interests in our SPEs or receives any direct or indirect compensation from the SPEs. These SPEs do not own our stock or stock of any of our affiliates.

Most of our SPEs are classified as qualifying SPEs consistent with the requirements of SFAS No. 140 because of the nature of the assets held by these entities, the limited nature of their activities and the structure of the securitizations. Basically, the activities of a qualifying SPE must be limited to passive investment in financial assets and issuing beneficial interests in those assets. When the accounting rules are met, the receivables sold to the SPE are removed from our balance sheet.

We also sponsor one securitization program, FCAR, that does not use qualifying SPEs. For more information about FCAR, see ''Other Sales of Receivables Transactions — On-Balance Sheet Securitizations'' below and Note 6 of our Notes to Financial Statements.

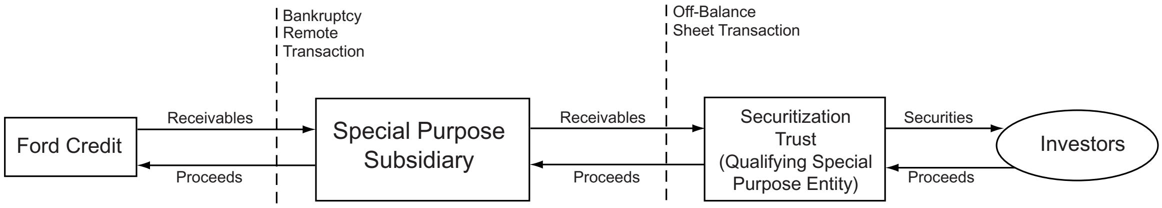
Finally, third-party banking institutions sponsor the SPEs that we use in one of our securitization programs as described in ''Securitization Programs — Conduit Program.''

Typical Securitization Structure

Our typical U.S. securitization is a two-step transaction. We sell a pool of retail installment sale contracts to a wholly-owned, bankruptcy-remote special purpose subsidiary that establishes a separate SPE, usually a trust, and transfers the receivables to the SPE in exchange for the proceeds from securities issued by the SPE. Following the transfer of the sold receivables to the SPE, the receivables are no longer our assets and they no longer appear on our balance sheet. The securities issued by the trust, usually notes or certificates of various maturities and interest rates, are paid by the SPE from collections on the pool of receivables it owns. These securities are usually structured into senior and subordinated classes. The senior classes have priority over the subordinated classes in receiving collections from the sold receivables. The asset-backed securities issued by the SPE are obligations of the SPE and do not appear as debt on our balance sheet.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following flow chart diagrams our typical securitization transaction:



We select receivables at random for our securitization transactions using selection criteria designed for the specific transaction. For securitizations of retail installment sale contracts, the selection criteria are based on factors such as location of the obligor, contract term, payment schedule, interest rate, financing program and the type of financed vehicle. In general, the criteria also require receivables to be active and in good standing. In our Ford Credit and PRIMUS retail transactions, we typically exclude receivables where the obligor is having a credit problem that is evidenced by more than 30-day delinquency, bankruptcy or payment extensions. We make representations and warranties to the SPE about some of the selection criteria as well as other eligibility requirements of the receivables relating to the legal status and enforceability of the receivable, security interest in the financed vehicle, and its origination in compliance with law. We also make representations and warranties to the SPE about the accuracy of data provided on the receivables and characteristics of the overall pool of receivables. In wholesale securitizations, the eligibility criteria include concentration limits on large dealer groups, used vehicles and vehicles sold by certain manufacturers.

We provide various forms of credit enhancements and payment enhancements to reduce the risk of loss for senior classes of securities and enhance the likelihood of timely payment of interest and principal when due. These enhancements include the following:

- *Over-collateralization.* Over-collateralization occurs when the principal balance of receivables owned by the SPE exceeds the principal amount of asset-backed securities issued by the SPE. Over-collateralization levels are established by independent credit rating agencies at levels necessary to support the credit ratings for the asset-backed securities issued by the SPE. Many of our securitizations of retail installment sale contracts require payments of principal on the asset-backed securities in excess of principal collections on the receivables resulting in increasing amounts of over-collateralization. The SPE makes these payments until a targeted level of over-collateralization is reached and continues to the extent necessary to maintain this level. If the pool of receivables contains low interest rate contracts, the targeted over-collateralization level is set higher to compensate for such contracts. After the targeted level of over-collateralization is reached, we have the right to receive ''excess spread,'' or the collections on the sold receivables in excess of amounts needed to make required payments of principal and interest to investors, servicing fees and interest rate swap payments, if any. Excess spread is recorded as an interest-only strip asset on our balance sheet.

- *Turbo feature.* Many of our securitization structures have a ''turbo'' feature that requires excess spread to be used to make principal payments on certain senior securities until they are paid in full.

- *Cash reserve funds or restricted cash.* A portion of proceeds from the sale of asset-backed securities are held in segregated reserve funds and may be used to pay principal and interest to investors and other obligations of the SPE if collections on the sold receivables are insufficient.

- *Subordinated securities.* The SPE typically issues subordinated securities that generally do not receive payments of principal until more senior securities are paid in full.

- *Interest rate swaps.* If the SPE issues floating rate securities, it enters into an interest rate swap with a highly rated swap counterparty to hedge the interest rate risk between the fixed

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

rate (or floating rate with a different market index) paid on the receivables and the floating rate paid on the securities. This swap ensures that the SPE will have sufficient funds over the life of the securitization transaction to make timely payments of interest on the asset-backed securities, regardless of changes in interest rates.

We retain interests in receivables sold through securitizations. The retained interests may include senior and subordinated securities issued by the SPE, undivided interests in wholesale receivables, restricted cash held for the benefit of the SPE (for example, a reserve fund) and an interest-only strip. Retained interests, including a portion of our undivided interest in wholesale receivables, are subordinated and serve as credit enhancements for the more senior securities issued by the SPE to help ensure that adequate funds will be available to pay investors that hold senior securities. Our ability to realize the carrying amount of our retained interests depends on actual credit losses and prepayment speeds on the sold receivables. Because we typically retain the most subordinated interests in the SPE, including subordinated securities, the right to receive excess spread (interest-only strip) and any residual or remainder interests of the SPE after all asset-backed securities are repaid in full, our retained interests will be the first to absorb credit losses on the sold receivables. Because the credit enhancements are structured to protect the holders of the senior asset-backed securities in highly stressed receivables performance scenarios, the impact of credit losses in the pool of sold receivables will likely be limited to our retained interests in terms of the timing and total amount of excess spread we receive. Therefore, related to receivables sold in securitizations, we retain credit risk up to the amount of subordinated interests we retain in such transactions.

The asset-backed securities are rated by independent credit rating agencies and sold in public offerings or in private transactions. The holders of asset-backed securities have no recourse to us or our assets for credit losses on the sold receivables and have no ability to require us to repurchase their securities. We do not guarantee any securities issued by the SPE.

We use both amortizing and revolving structures in our securitizations. In most amortizing structures, the SPE issues securities that receive monthly payments of principal and therefore amortize down as collections on the sold receivables are received. In some ''bullet'' structures, the SPE may issue a variable pay term note at the targeted maturity of a class of securities. The proceeds of this note are applied to pay the maturing securities in full in a single lump-sum payment and the new note receives the amortizing payments. In revolving structures, the SPE issues securities that receive only monthly interest payments for a set period of time, called the revolving period, before receiving repayments of principal. During the revolving period, the SPEs use principal collections on the sold receivables to purchase additional receivables. At the end of the revolving period, investors may receive principal payments in a number of monthly payments or in a single lump sum payment following a period of cash accumulation. In the U.S., our use of revolving structures has declined in recent years.

The SPE engages us as servicer to collect and service the sold receivables for a servicing fee of generally 1% of the principal amount of receivables plus fees such as late charges and extension fees collected from obligors. Our servicing duties include collecting payments on receivables and generally paying them to the SPE within two business days of receipt. We also prepare monthly investor reports on the performance of the sold receivables, including collections, delinquencies and credit losses, and payment reports that are used by the trustee of the SPE to distribute monthly interest and/or principal payments to investors. While servicing the sold receivables for the SPE we apply the same servicing policies and procedures that we apply to our owned receivables and maintain our normal relationship with our financing customers. We also perform administrative services for most of the SPEs, including filing periodic reports, preparing notices and tax reporting.

The SPE has limited purposes and may only be used to purchase the receivables, issue asset-backed securities and make payments on the securities. The SPE has a limited duration and generally terminates when investors holding the asset-backed securities have been paid all amounts owed to them. As servicer, we have a ''clean-up call'' option allowing us to purchase the receivables from the SPE at their principal balance plus accrued interest when the receivables balance declines

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

to 10% or less of the original receivables balance so long as such amount is sufficient to pay in full of all the outstanding asset-backed securities issued by the SPE.

We may also enter into derivative transactions to facilitate our securitizations. Generally, we enter into a back-end swap with the swap counterparty to the SPE that puts us in the same economic position as if we were the swap counterparty directly with the SPE, less an intermediation fee. Since January 2002, in our Ford Credit and PRIMUS retail securitization programs, we enter into a back-end swap with the swap counterparty to the SPE that protects the counterparty against the risk that the sold receivables will prepay faster or slower than an assumed rate.

Securitization Programs

We sell receivables through the following securitization programs:

Retail Securitization — Ford Credit and PRIMUS. We sell pools of retail installment sale contracts originated through Ford Credit and PRIMUS to SPEs that issue securities, most of which are sold to investors in public offerings or private transactions. These transaction structures are similar to the typical securitization structure described above. All of the asset-backed securities issued in these transactions are generally repaid in about three years with the weighted average life of about one and a half years.

Retail Securitization — Triad. We sell pools of non-prime credit quality retail installment sale contracts originated through Triad to SPEs that issue securities, most of which are sold to investors in public offerings or private transactions. These transaction structures are similar to the typical securitization structure described above. We typically purchase a financial guaranty insurance policy from a highly rated insurance company that insures the payment of scheduled interest and certain principal payments on the senior securities in these transactions. Because of the more intensive servicing duties required for non-prime credit quality receivables, the servicing fees on these transactions are generally 2.25% of the principal amount of receivables. As servicer, we have no obligation to advance any shortfall of obligor interest payments.

Wholesale Securitization. We sell wholesale finance receivables from specified dealer accounts to SPEs that issue notes that are sold to investors in public offerings. We continue to own the dealer accounts, but we are required to sell to the SPE all eligible receivables generated under these dealer accounts as the dealers acquire vehicles that are financed by us. The SPE issues notes that are secured by an undivided proportionate interest in the receivables and we retain the remaining undivided interest. Part of our retained interest is subordinated to senior investors and serves as credit enhancement. The other part has the same priority to the collections on sold receivables as the senior noteholders. Our retained interest fluctuates as the amount of receivables held by the SPE increases or decreases over time due to changes in levels of dealer floorplan inventories and as additional series of notes are issued by the SPE and notes are paid off. Our retained interest must be maintained at a minimum required level for credit enhancement. The asset-backed securities issued in these transactions typically have a fixed maturity date, generally 3 to 5 years after issuance.

Motown Notes℠ Program. The Motown Notes program is an asset-backed commercial paper program we administer. The Motown Notes are issued by an SPE that owns a pool of wholesale receivables and are secured by an undivided proportionate interest in these receivables. The SPE is also used for wholesale securitization as described above. The Motown Notes program is supported by a bank liquidity facility equal to at least 5% of the principal amount of the Motown Notes.

Conduit Program. We sell pools of retail installment sale contracts to conduits that are SPEs of the sponsoring bank and that are committed to purchase such receivables. These conduits purchase finance receivables and other assets from numerous other sellers and issue commercial paper backed by these assets to investors. We retain interests in the receivables we have sold including restricted cash held in reserve funds and interest-only strips. The funding received from the sale of each pool of receivables is generally repaid in about three years.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Foreign Affiliate Securitization. Our foreign subsidiaries in Canada, Australia and Japan and foreign branches of FCE in Germany, the United Kingdom, Spain and Italy all have securitization programs. The transaction structures used in these programs are substantially similar to the transaction structures discussed above, with appropriate adjustments principally for local market conditions, product differences and local laws, especially related to bankruptcy, tax and accounting considerations. We use both public securitizations and conduits in our foreign affiliate securitizations.

Extended Contracts Program. We sell to large financial institutions pools of U.S. retail installment sale contracts in respect of which the obligor has been granted one or more payment extensions. These receivables are not eligible to be sold in our retail securitization programs. These transactions are structured in a manner similar to our conduit program except that the purchasers of these receivables are not committed to purchase additional receivables.

Other Structured Financings. In addition, our Latin America subsidiaries sell pools of retail receivables to large financial institutions from time to time in transactions where we retain subordinated interests in the sold receivables.

In the U.S., we generally are able to access the securitization markets in two days, in the case of our unutilized capacity in our conduit program and Motown Notes program, and generally two to three weeks for repeat transactions in our retail and wholesale securitization programs. New programs and new transaction structures typically require substantial development time before coming to market.

Our Continuing Obligations

We have no obligation to repurchase or replace any receivable sold to a SPE that subsequently becomes delinquent in payment or otherwise is in default. Investors holding securities issued by a SPE have no recourse to us or our other assets for credit losses on the sold receivables and have no right to require us to repurchase the securities. We do not guarantee any asset-backed securities and have no obligation to provide liquidity or make monetary contributions or contributions of additional receivables to our SPEs either due to the performance of the sold receivables or the credit rating of our short-term or long-term debt. However, as the seller and servicer of the finance receivables to the SPE, we are obligated to provide certain kinds of support to our securitizations. These support obligations are customary in the securitization industry and consist of the following:

As Seller

- *Indemnification.* In most of our securitization programs, we provide indemnification to SPEs, the trustees for the SPEs and other parties, including the banks that sponsor SPEs used in our conduit program. We are obligated to indemnify the SPE for certain tax liabilities related to the receivables and for any liabilities related to our use as servicer of a financed vehicle. We are obligated to indemnify the SPEs and the trustees for losses incurred if any sold receivable did not meet the eligibility criteria at the time of sale. We are also obligated to indemnify the trustees for the SPEs with respect to any liabilities they may incur in the performance of their duties other than through their own negligence or willful misconduct. In addition, as is customary in all capital markets transactions, we indemnify the underwriters on the accuracy of the disclosures made in the offering documents for the asset-backed securities. Based on our experience, we do not expect to make any indemnification payments.
- *Receivable Repurchase Obligations.* We make representations and warranties to the SPE that the sold receivables meet certain eligibility criteria at the time the receivables are sold. For example, we make representations and warranties about standard legal requirements including that each receivable is properly secured by a financed vehicle and originated in compliance with law. We also make representations and warranties about the primary economic eligibility criteria. In the case of retail securitizations, the primary eligibility criteria are that the receivable is not delinquent more than 30 days and has never been extended and

that the obligor is not in bankruptcy. We also make representations and warranties on the accuracy of data about the receivables and the characteristics of the pool of receivables. If a breach of any of our representations and warranties is later discovered, the SPE may require us to repurchase any affected receivable. The repurchase price is the principal balance of the receivable plus a full month of accrued interest. In 2003, no sold receivables were repurchased for eligibility breaches.

- *Mandatory Sale of Additional Receivables.* In revolving structures, the SPE issues securities that receive only monthly interest payments for a fixed period of time, called the revolving period, before receiving repayment of principal. Because the principal amount of the issued securities remains constant during the revolving period while the principal balance of the underlying finance receivables are declining as monthly payments on the receivables are collected, we replenish or ''top-up'' the SPE with new eligible receivables each month during the revolving period and receive additional proceeds. In our wholesale securitizations, we are required to sell all eligible receivables from certain dealer accounts to the SPE on a daily basis in exchange for an increased undivided interest in the SPE. We expect to meet all requirements to sell additional receivables in our securitizations.

As Servicer

- *Receivable Repurchase Obligations.* As servicer of the sold receivables, we are entitled to grant extensions to the obligor and make adjustments to receivables if such extensions and adjustments are consistent with our servicing policies and procedures. If we make material changes to a receivable including changing the interest rate, amount or number of monthly payments or extend the final payment date beyond a specified number of months, typically we are required to repurchase the receivable from the SPE at the principal balance of the receivable plus a full month of accrued interest. These servicer repurchase requirements are typical in securitizations. In 2003, the principal amount of receivables repurchased resulting from loan modifications granted by the servicer was $193 million for all retail securitization programs. We are also required to repurchase receivables if we fail to use customary collection practices to collect payments on the receivables, release the security interest on the financed vehicle improperly or otherwise impair the rights of the securitization investors in the sold receivables. In 2003, no receivables were repurchased because of these factors. See Note 6 of our Notes to Financial Statements for more information about these repurchases.
- *Advancing Requirements.* As servicer in our prime quality retail installment sale contract securitizations, we are required to advance any shortfall of obligor interest payments to the SPE to the extent we believe the advance will be recovered from future collections of that receivable. The SPE reimburses us for these advances from collections on all receivables before making other required payments.
- *Indemnification.* As servicer, we are obligated to indemnify the SPEs, the trustees for the SPEs and bank sponsors of SPEs for any liabilities related to negligence or willful misconduct in the performance of our servicing obligations. Based on our experience, we do not expect to make any indemnification payments.

Risks to Continued Funding under Securitization Programs

Some of our securitization programs contain structural features that could prevent us from using these sources of funding if the credit losses or delinquencies on a pool of sold receivables or our overall serviced portfolio of receivables exceed specified levels or if payment rates on wholesale receivables or amount of wholesale receivables are lower than specified levels. These features are discussed below. Based on our experience, we do not expect that any of these features will have a material adverse impact on our ability to use securitization to fund our operations.

Retail Securitization. Most of our retail securitization transactions use fixed pools of receivables in amortizing structures. In these transactions, no additional receivables are added to the SPE during the term of the deal and the asset-backed securities begin receiving principal payments in each subsequent month as collections on the receivables are received. In revolving structures, however, as long as certain conditions are met, we continue to receive incremental funding as we sell additional receivables to the SPE in exchange for proceeds. If the pool of receivables held by the SPE is experiencing credit losses and delinquencies in excess of specified levels, an early amortization event or cash accumulation event will occur. In the case of an early amortization event, this means that the revolving period will end, no further receivables may be transferred to the SPE and no further funding will be received. The asset-backed securities issued by the SPE will begin to receive principal payments and will be paid off earlier than expected. In the case of a cash accumulation event, the excess spread will be maintained in a special account for the benefit of the SPE and not released to us.

Wholesale Securitization and Motown Notes[SM] Program. In our wholesale receivables securitization programs, an early amortization event will occur if the payment rate on the receivables falls below a designated level or if the dealer accounts in the SPE do not generate sufficient receivables to maintain the pool balance at a level necessary to provide required subordination levels for the asset-backed securities. If these events occur, collections on the receivables no longer will be applied to purchase additional receivables and instead will be used to pay off the asset-backed securities.

Conduit Program. Our conduit program contains provisions that terminate a sponsor bank's commitment to purchase additional receivables from us if the credit losses or delinquencies on the sold receivables exceed specified levels. This event would eliminate a funding source for future receivables.

General. In addition to the specific transaction-related structural features discussed above, our ability to sell receivables in securitizations may be affected by the following factors:

- Amount and credit quality of receivables available to sell — lower overall receivables levels or a higher proportion of low credit quality receivables could decrease the amount of receivables available to securitize;
- Performance of receivables in our previous receivables sales — if the receivables in our existing securitization transactions experience higher than expected credit losses, we may not be able to access the market, particularly in public transactions where receivables performance is publicly available, and/or the costs to securitize may increase;
- General demand for the type of receivables supporting the asset-backed securities — investor desire for securities with different risk and/or yield characteristics could result in reduced demand for these types of investments;
- Market capacity on Ford Credit and Ford Credit-sponsored investments — investors may reach exposure limits and/or wish to diversify away from Ford Credit risk;
- Accounting and regulatory changes — may result in temporary disruption or termination of one or more of our present programs which may or may not be able to be restructured or replaced;
- Our credit rating — may impact investors' acceptance of our asset-backed securities, especially on certain asset classes such as wholesale where the structural elements of the transaction are more closely correlated to the impact of Ford and Ford Credit's credit rating; and
- Our ability to maintain back-up liquidity facilities for our FCAR and Motown Notes[SM] programs.

If as a result of any of these or other factors the cost of securitized funding were to increase significantly or funding through securitizations were no longer available to us, it would have a material adverse impact on our operations, financial condition and liquidity. However, given the diversity of our securitization programs, it is not likely that these risk factors would impact all

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

programs simultaneously. Additionally, new structures could be developed, recognizing that substantial time is required for the development, launch, and market acceptance of new programs.

Other Sales of Receivables Transactions

On-Balance Sheet Securitizations

We use a special purpose on-balance sheet trust, FCAR, as a source of funds for our operations. FCAR's activities are limited to issuing asset-backed commercial paper and other securities, borrowing from banks and buying highly-rated asset-backed securities issued by securitization SPEs sponsored by us.

Although FCAR may hold asset-backed securities secured by retail installment sale contracts, wholesale receivables and lease receivables, as of December 31, 2003, FCAR held only asset-backed securities secured by retail installment sale contracts. At December 31, 2003, FCAR held about $14.3 billion of retail installment receivables that had been sold for legal purposes to SPEs and about $9 billion of asset-backed commercial paper outstanding. In addition, FCAR has about $505 million of subordinated debt outstanding of which $324 million, or about 64%, is owned by investors not affiliated with us but who have business relationships with us and Ford. We act as administrator for FCAR and oversee its limited operations.

We could be prevented from using FCAR as a source of funding in certain circumstances. If credit losses or delinquencies in our serviced portfolio of retail, wholesale or lease receivables exceed specified levels, FCAR is not permitted to purchase additional asset-backed securities of the affected type for so long as such levels are exceeded. FCAR is permitted to purchase only highly rated asset-backed securities, and if the credit enhancement on any asset-backed security purchased by FCAR is reduced to zero, FCAR may not purchase any additional asset-backed securities and would wind down its operations as principal payments on the securities previously purchased are applied to pay its maturing commercial paper and any loans drawn to provide liquidity to the program.

Whole-Loan Sale Transactions

We sell pools of retail installment sale contracts in whole-loan sale transactions. Unlike our securitizations, in whole-loan sale transactions we do not retain any interests in the sold receivables and do not have any risk of loss related to the sold receivables. The sold receivables are no longer our assets, and they no longer appear on our balance sheet. Similar to securitizations, in whole-loan sale transactions, the purchaser has no recourse to us or our other assets for credit losses on the sold receivables and has no right to require us to repurchase the sold receivables and we do not guarantee the performance of the receivables. We continue to service the receivables sold in whole-loan sale transactions and earn a servicing fee. Our servicing standard for receivables sold in whole-loan sale transactions is similar to that used for securitizations and our owned portfolio. We use the same selection criteria used in securitizations to choose retail installment sale contracts for whole-loan sales. We generally have the same indemnification and other continuing obligations in whole-loan sale transactions as we have in securitizations. We do not use SPEs in our whole-loan sale transactions.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Sales of Receivables Activity

The following table illustrates our worldwide off-balance sheet receivables sales activity for the periods indicated:

	Full Year				
	2003	2002	2001	2000	1999
			(in billions)		
Net Proceeds from Receivable Sales					
North America Segment					
Public retail	$ 5.7	$15.5	$16.6	$18.8	$ 8.9
Conduit	1.8	2.5	6.2	—	—
Triad	1.7	1.1	—	—	0.4
Motown Notes[SM] program	1.0	4.8	—	—	—
FCAR	—	8.3	12.1	—	—
Public wholesale	—	—	5.0	—	—
Canada and other	1.4	1.2	—	—	—
Total North America Segment	$11.6	$33.4	$39.9	$18.8	$ 9.3
International Segment					
Europe					
Public	$ 1.5	$ 2.2	$ 0.7	$ 0.7	$ 0.0
Conduit	1.1	0.3	—	—	—
Total Europe	$ 2.6	$ 2.5	$ 0.7	$ 0.7	$ 0.0
Asia Pacific	0.9	0.5	0.2	—	0.6
Latin America	0.6	—	—	—	—
Total International Segment	$ 4.1	$ 3.0	$ 0.9	$ 0.7	$ 0.6
Net proceeds	$15.7	$36.4	$40.8	$19.5	$ 9.9
Whole-loan sales	5.4	4.9	—	—	—
Total net proceeds	$21.1	$41.3	$40.8	$19.5	$ 9.9
Retained interest and other	0.2	(0.6)	11.7	2.1	3.0
Total receivables sold	$21.3	$40.7	$52.5	$21.6	$12.9
Prior period sold receivables, net of paydown activity	35.4	35.6	6.2	6.8	6.6
Total sold receivables outstanding at the end of the relevant period	$56.7	$76.3	$58.7	$28.4	$19.5

At December 31, 2003, outstanding sold receivables totaled $56.7 billion, down $19.6 billion or 26% compared with December 31, 2002. This decrease primarily reflected the on-balance sheet reporting of receivables, beginning in the second quarter of 2003, that support FCAR, a lower amount of public retail securitizations, particularly in the United States, and lower levels of dealer floorplan inventories. The amount of receivables sold in 2003 was $21.3 billion, down $19.4 billion from 2002, reflecting our lower funding requirements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Our worldwide proceeds from the sale of retail and wholesale finance receivables through off-balance sheet securitizations and whole-loan sale transactions are shown below for the periods indicated:

Receivable Type	Full Year 2003	2002	2001	2000	1999
	(in billions)				
Retail	$14.7	$31.6	$32.3	$19.2	$9.4
Wholesale	1.0	4.8	8.5	0.3	0.5
Net proceeds	$15.7	$36.4	$40.8	$19.5	$9.9
Whole-loan	5.4	4.9	—	—	—
Total net proceeds	$21.1	$41.3	$40.8	$19.5	$9.9

The tables above do not include retail installment sale contracts sold in 2003 to SPEs sponsored by us that sold asset-backed securities to FCAR. Because of the accounting consolidation of FCAR, these receivables were reported on-balance sheet.

The Effect of Receivables Sales Activity on Financial Reporting

We report the following items in *Investment and other income related to sales of receivables* on our income statement:

- Gain or loss on sales of finance receivables,
- Servicing fee income from sold receivables that we continue to service,
- Interest income from retained securities, including from our undivided interest in wholesale receivables, and
- Excess spread and other income.

The following table summarizes the activity related to the off-balance sheet sales of receivables reported in *Investment and other income related to sales of receivables* for the periods indicated:

	Full-Year 2003	2002	2001	2000	1999
	(in millions)				
Net gain on sales of receivables	$ 436	$ 529	$ 412	$ 14	$ 83
Servicing fees	677	700	456	190	136
Interest income from retained securities	679	606	379	152	173
Excess spread and other	973	775	186	201	41
Investment and other income related to sales of receivables	$ 2,765	$ 2,610	$ 1,433	$ 557	$ 433
Less: Whole-loan income	(234)	(79)	—	—	—
Income related to off-balance sheet securitizations	$ 2,531	$ 2,531	$ 1,433	$ 557	$ 433
Memo:					
Finance receivables sold	$21,321	$40,712	$52,533	$21,618	$12,910
Servicing portfolio as of period-end	56,705	76,346	58,748	28,366	19,471
Pre-tax gain per dollar of retail receivables sold	2.0%	1.4%	1.2%	0.1%	0.6%

Investment and other income related to sales of receivables increased $155 million or 6% compared with 2002, reflecting higher excess spread and other income offset partially by lower net gains. Higher excess spread and other income resulted from higher levels of outstanding securitized receivables in 2002. Lower gains in 2003 resulted from lower amounts of finance receivables sold, down about $19 billion compared with 2002, reflecting our lower funding requirements. Excluding

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

the effects of the whole-loan sale transactions, which totaled $10.4 billion in the 2002-2003 period, off-balance sheet securitization income was unchanged compared with 2002.

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

In addition, credit losses related to the off-balance sheet securitized receivables are included in our initial and ongoing valuation of our interest-only strip asset (see ''Critical Accounting Estimates — Sales of Receivables in Off-Balance Sheet Securitizations and Other Off-Balance Sheet Transactions'' below for definition) and neither impact the *Provision for credit losses* line on our income statement nor influence our assessment of the adequacy of our allowance for credit losses for our on-balance sheet receivables.

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

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

The following table shows, on an analytical basis, the earnings impact of our off-balance sheet securitizations had we reported them as on-balance sheet and funded them through asset-backed financings for the periods indicated:

	Full-Year				
	2003	2002	2001	2000	1999
			(in millions)		
Financing revenue					
Retail revenue	$ 3,580	$ 4,040	$ 2,954	$ 1,622	$ 771
Wholesale revenue	1,080	1,101	499	384	169
Total financing revenue	$ 4,660	$ 5,141	$ 3,453	$ 2,006	$ 940
Borrowing cost	(1,491)	(2,205)	(1,784)	(1,242)	(564)
Net financing margin	$ 3,169	$ 2,936	$ 1,669	$ 764	$ 376
Credit losses	(677)	(454)	(221)	(92)	(74)
Income before income taxes	$ 2,492	$ 2,482	$ 1,448	$ 672	$ 302
Memo:					
Income related to off-balance sheet securitizations	$ 2,531	$ 2,531	$ 1,433	$ 557	$ 433
Recalendarization impact of off-balance sheet securitizations	$ 39	$ 49	$ (15)	$ (115)	$ 131

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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

Leverage

We use leverage, or the debt-to-equity ratio, to make various business decisions, including establishing pricing for retail, wholesale and lease financing, and determining our appropriate capital structure. For a discussion of our capital structure, see ''Capital Adequacy.'' We calculate leverage on a financial statement basis and on a managed basis using the following formulas:

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

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

The following table shows the calculation of our financial statement leverage:

	December 31,				
	2003	2002	2001	2000	1999
			(in billions)		
Total debt	$149.7	$140.3	$145.8	$145.6	$132.1
Total stockholder's equity	12.5	13.6	12.0	12.2	10.9
Debt-to-equity ratio (to 1)	12.0	10.3	12.2	11.9	12.1

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following table shows the calculation of our managed leverage:

	December 31,				
	2003	2002	2001	2000	1999
			(in billions)		
Total debt	$149.7	$140.3	$145.8	$145.6	$132.1
Securitized off-balance sheet receivables outstanding	49.4	71.4	58.7	28.4	19.5
Retained interest in securitized off-balance sheet receivables	(13.0)	(17.6)	(12.5)	(3.7)	(3.5)
Adjustments for cash and cash equivalents	(15.7)	(6.8)	(2.9)	(1.1)	(0.9)
Adjustments for SFAS No. 133	(4.7)	(6.2)	(2.1)	—	—
Total adjusted debt	$165.7	$181.1	$187.0	$169.2	$147.2
Total stockholder's equity (including minority interest)	$ 12.5	$ 13.6	$ 12.0	$ 12.2	$ 11.3
Adjustments for SFAS No. 133	0.2	0.5	0.6	—	—
Total adjusted equity	$ 12.7	$ 14.1	$ 12.6	$ 12.2	$ 11.3
Managed debt-to-equity ratio (to 1)	13.0	12.8	14.8	13.9	13.0

We believe that managed leverage is useful to our investors because it reflects the way we manage our business. We retain interests in receivables sold in off-balance sheet securitization transactions and, with respect to subordinated retained interests, are exposed to credit risk. Accordingly, we consider securitization as an alternative source of funding and evaluate credit losses, receivables and leverage on a managed as well as a financial statement basis. We also deduct cash and cash equivalents because they generally correspond to excess debt beyond the amount required to support our operations. In addition, we add our minority interests to our financial statement equity, because all of the debt of such consolidated entities is included in our total debt. SFAS No. 133 requires us to make fair value adjustments to our assets, debt and equity positions to reflect the impact of interest rate instruments we use in connection with our term debt issuances and securitizations. SFAS No. 133 adjustments vary over the term of the underlying debt and securitized funding obligations based on changes in market interest rates. We generally repay our debt obligations as they mature. As a result, we exclude the impact of SFAS No. 133 on both the numerator and denominator in order to exclude the interim effects of changes in market interest rates. For a discussion of our use of interest rate instruments and other derivatives, see Item 7A. We believe the managed leverage measure provides our investors with meaningful information regarding management's decision-making processes.

Our managed leverage strategy involves establishing a leverage level that we believe reflects the risk characteristics of our underlying assets. In establishing a target leverage level, we consider the characteristics of the receivables in our managed portfolio and the prevailing market conditions.

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

Capital Adequacy

Underlying our risk and capital management strategies is the need to leverage capital in a way that:

- Allows creditors to be repaid even in the event of unexpected losses, and
- Provides adequate shareholder returns by pricing our products and services commensurate with the level of risk.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

We set the amount of our equity in proportion to our risk. We manage our capital structure and make adjustments as economic conditions and the level of our portfolio risk change. In order to maintain or adjust our capital structure, we may pay dividends to or receive capital contributions from Ford.

Sources of Cash to Meet Contractual Obligations

In evaluating the sources of cash to meet contractual obligations, we look at all of our assets on the balance sheet and their ability to generate cash.

We evaluate our portfolio semi-annually with statistical models to determine potential losses in extreme circumstances. Potential losses are calculated at a 99.9% confidence level, consistent with bond default levels for single-A rated companies. All identified sources of risk in the portfolio are evaluated, including the limited likelihood that all segments of the portfolio would experience worst-case losses concurrently. Our methodologies for evaluating consumer credit risk and leasing residual value risk are as follows:

- Consumer credit risk evaluation is based on our historical experience with nearly 25 million fully- and partially-liquidated retail installment sale contracts. We divide the historical portfolio into segments and we analyze the distribution and correlations of defaults for each segment. Finally, a model is used to simulate potential retail portfolio behavior in worst-case scenarios.

- Leasing residual value risk evaluation is based on our historical experience with vehicle dispositions since 1993 and a 20-year history of industry-wide used vehicle price volatility. We assume that all of the vehicles from non-defaulting leases will be returned to us at the end of the lease term. We divide the historical portfolio into segments and use a statistical model to estimate the volatility of vehicle auction values.

In addition to considering borrowing and operating costs, our pricing model includes factors related to credit and residual risks, profits and related income taxes. These factors provide the first line of defense against losses. Our committed lines of credit facilities from major banks and the available conduit capacity described in ''Liquidity'' provide additional levels of liquidity.

Capital Adequacy Study Conclusions

At December 31, 2003, we believe that our creditors had risk protection of close to 150% of modeled potential losses calculated at a 99.9% confidence level. This protection is in addition to the committed credit lines and available conduit capacity. This calculation assumes the unlikely event that no subvention payments are received from Ford. Including subvention payments from Ford in our analysis, we believe creditors have protection close to 180% of potential losses. This reflects a 20% improvement compared with last year.

Aggregate Contractual Obligations

We are party to many contractual obligations involving commitments to make payments to others. We record these obligations in our financial statements or disclose them in the notes to our financial statements. Our aggregate contractual obligations are shown below:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in millions)		
Long-term debt obligations	$124,955	$29,534	$49,812	$17,318	$28,291
Operating lease obligations	309	92	134	57	26
Total	$125,264	$29,626	$49,946	$17,375	$28,317

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Critical Accounting Estimates

We consider an accounting estimate to be critical if:

- The accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and
- Changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

The accounting estimates that are most important to our business involve:

- Allowance for credit losses,
- Accumulated depreciation on vehicles subject to operating leases, and
- Sales of receivables in off-balance sheet securitizations and other off-balance sheet transactions.

Management has discussed the development and selection of these critical accounting estimates with Ford's and our audit committees, and these audit committees have reviewed these estimates and disclosures.

Allowance for Credit Losses

The allowance for credit losses is our estimate of the probable credit losses related to impaired finance receivables and operating leases as of the date of the financial statements. We exercise judgment in estimating this amount because credit losses vary substantially over time, and estimating probable losses requires a number of assumptions about matters that are uncertain. Note 5 of our Notes to Financial Statements contains additional information regarding our allowance for credit losses.

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

Assumptions and Approach Used. We use the factors listed above to make projections of two key assumptions:

- *Frequency* — the percentage of finance receivables and operating leases that we expect to default over a period of time, measured principally by the repossession rate, and
- *Loss severity* — the expected difference between the amount a customer owes us when we charge off the finance contract and the amount we receive, net of expenses, from selling the repossessed vehicle, including any recoveries from the customer.

We use these assumptions to assist us in setting our allowance for credit losses.

Sensitivity Analysis. We believe the present level of our allowance for credit losses adequately reflects probable losses related to impaired finance receivables and operating leases. However, changes in the assumptions used to derive frequency and severity would have an impact on the allowance for credit losses. Over the past twenty years, repossession rates for our U.S. retail and lease portfolio have varied between 2% and 4%. For Ford, Lincoln and Mercury brand vehicles in the United States, a 10 basis point (0.10%) increase or decrease in our assessment of the repossession rate could increase or decrease our allowance by about $50 million. Similarly, a 1% increase or decrease in loss severity for the same portfolio could increase or decrease our allowance by about $20 million. Changes in our assumptions affect the provision for credit losses on our income statement and the allowance for credit losses on our balance sheet. We monitor credit loss performance monthly and we assess the adequacy of our allowance for credit losses quarterly.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Accumulated Depreciation on Vehicles Subject to Operating Leases

Accumulated depreciation on vehicles subject to operating leases reflects the cumulative amount of depreciation that has been recorded to date, reducing the value of the leased vehicles in our operating lease portfolio from their original acquisition value to their estimated residual value at the end of the lease term. See Note 4 of our Notes to Financial Statements for information on net investment in operating leases, including the amount of accumulated depreciation.

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

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

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

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

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

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

Sensitivity Analysis. If future auction values for all of the Ford, Lincoln and Mercury brand vehicles in our U.S. operating lease portfolio at year-end 2003 were to decrease by $100 per unit from our present estimates, the total impact would be to increase our depreciation on these vehicles by about $55 million, which would be charged to depreciation expense during the 2004 through 2006 period so that the net investment in operating leases at the end of the lease term for these vehicles is equal to the revised residual value. Similarly, if future return rates for our existing portfolio of Ford, Lincoln and Mercury brand vehicles in the U.S. were to increase by one percentage point from our present estimates, the total impact would be to increase our depreciation on these vehicles by about $10 million, which would be charged to depreciation expense during the 2004 through 2006 period. Adjustments to our accumulated depreciation on vehicles subject to operating leases will be reflected on our income statement in depreciation expense. Accumulated depreciation is included in our balance sheet in net investment in operating leases.

Sales of Receivables in Off-Balance Sheet Securitizations and Other Off-Balance Sheet Transactions

In a securitization, we sell finance receivables to an SPE in exchange for the proceeds from the sale of securities backed by the receivables that the SPE sells to investors. For off-balance sheet securitizations, we are required to recognize a gain or loss on the sale of receivables in the period the sale occurs. We also record our retained interests in these securitizations as assets on our

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

balance sheet at fair value. These retained interests include interest-only strips, also referred to as excess spread, which represent our right to receive collections on sold receivables in excess of amounts needed to pay principal and interest payments to investors, servicing fees and other required amounts. Retained interests may also include senior and subordinated securities, undivided interests in wholesale receivables and restricted cash held for the benefit of the SPE.

Nature of Estimates Required. In determining the gain or loss on each sale of finance receivables and the amount of our retained interests, we allocate the carrying amount of the sold receivables between the portion sold and the portion retained based on their relative fair value at the date of sale.

Assumptions and Approach Used. The most significant factors affecting the fair value of assets retained related to the sale of receivables through securitizations that requires us to make estimates and judgments are:

- Expected credit losses over the life of the sold receivables, called lifetime credit losses;
- Prepayments of sold receivables occurring earlier than scheduled maturities, called prepayment speeds; and
- Discount rates used to estimate the present value of interest-only strips.

To estimate expected lifetime credit losses on the sold receivables, we use statistical models that divide receivables into segments by credit risk quality, contractual term and whether the vehicle financed is new or used. Prepayment speeds and discount rates are subject to less variation, and we make estimates based on our historical experience and other factors. These estimates are made separately for each securitization transaction.

We evaluate the fair value of our retained interests on a quarterly basis and adjust the estimated market value as necessary. These fair value adjustments are reflected, net of tax, as a separate component of other comprehensive income included in stockholder's equity. The fair value analysis for our interest-only strips largely depends on updating our estimate of lifetime credit losses and prepayment speeds. We adjust the fair value of securities we retain based on quoted market prices of securities with similar characteristics. If we determine, based on this updated information, these retained interests are other than temporarily impaired, we would record fair value adjustments in earnings and not stockholder's equity. The recorded amount of our restricted cash retained interest normally does not have to be adjusted.

Sensitivity Analysis. The fair value of the interest-only strip is sensitive to variation in our assumptions of lifetime credit losses, estimated prepayments and discount rates. Note 6 of our Notes to Financial Statements identifies the sensitivity of this asset to changes in each of these assumptions. Changes in these assumptions will also result in a similar change in the gain or loss recorded in the time period the related receivables are sold.

Changes in Accounting Standards

The Financial Accounting Standards Board is expected to issue an exposure draft of an amendment to SFAS No. 140 that: (1) addresses the conditions under which a qualifying SPE is permitted to issue beneficial interests with maturities that are shorter than the maturities of the assets held by the qualifying SPE and roll over those beneficial interests at maturity; (2) amends other requirements related to commitments by transferors to provide additional assets to fulfill obligations to the beneficial interest holders; and (3) addresses other issues related to transfers of financial assets. We are continuing to assess the impact the expected exposure draft may have on our accounting for qualifying SPEs and certain securitization funding programs.

Outlook

Compared with 2003, we anticipate lower revenues as a result of a lower amount of new retail installment sale and lease contracts and a lower impact of a net favorable market valuation of derivative instruments and associated exposures. Based on our experience to date in 2004, we

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

expect improvements in credit losses and strengthening used vehicle prices compared with 2003. At year-end 2004, we expect managed receivables to be in the $170 to $175 billion range.

Cautionary Statement Regarding Forward Looking Statements

Statements included in this Report or incorporated by reference into this Report may constitute ''forward-looking statements'' within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. The words ''anticipate,'' ''believe,'' ''estimate,'' ''expect,'' ''intend,'' ''may,'' ''plan,'' ''will,'' ''project,'' ''future'' and ''should'' and similar expressions are intended to identify forward-looking statements, and these statements are based on our current expectations and assumptions concerning future events. These statements involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such statements, including the following:

Automotive Related:

- Greater price competition resulting from currency fluctuations, industry overcapacity or other factors;
- Significant decline in automotive industry sales and our financing of those sales, particularly in the United States or Europe, resulting from slowing economic growth, geo-political events or other factors;
- Lower-than-anticipated market acceptance of new or existing Ford products;
- Increased safety, emissions, fuel economy or other regulations resulting in higher costs and/or sales restrictions;
- Work stoppages at key Ford or supplier facilities or other interruptions of supplies;
- Discovery of defects in Ford vehicles resulting in delays in new model launches, recall campaigns, increased warranty costs or litigation;
- Unusual or significant litigation or governmental investigations arising out of alleged defects in Ford products or otherwise;
- Reduced availability of or higher prices for fuel;
- Increased price competition in the rental car industry and/or a general decline in business or leisure travel due to terrorist attacks, acts of war or measures taken by governments in response thereto that negatively affect the travel industry;
- Market shift from truck sales in the United States;
- Changes in Ford's requirements under long-term supply arrangements under which Ford is obligated to purchase minimum quantities or pay minimum amounts;
- Change in the nature or mix of automotive marketing programs and incentives;

Ford Credit Related:

- Inability to access debt or securitization markets around the world at competitive rates or in sufficient amounts;
- Higher-than-expected credit losses;
- Collection and servicing problems related to our finance receivables and net investment in operating leases;
- Lower-than-anticipated residual values and higher-than-expected lease return rates;
- New or increased credit, consumer protection or other regulations resulting in higher costs and/or additional financing restrictions;

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

- Changes in Ford's marketing programs that de-emphasize financing incentives, which could result in a decline in our share of financing Ford vehicles;

General:

- Ford's or our inability to implement the Revitalization Plan;
- A further credit rating downgrade;
- Major capital market disruptions that could prevent Ford or us from having access to the capital markets or that would limit our liquidity;
- Availability of securitization as a source of funding;
- Labor or other constraints on Ford's or our ability to restructure Ford's or our business;
- Worse-than-assumed economic and demographic experience for our post-retirement benefit plans (e.g., investment returns, interest rates, health care trends, benefit improvements);
- Economic difficulties in any significant market; and
- Currency, commodity or interest rate fluctuations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Overview

We are exposed to a variety of risks in the normal course of our business. The extent to which we effectively identify, assess, monitor and manage these risks is critical to our financial condition and profitability. The principal types of risk to our business include:

- *Market risk* — the possibility that changes in interest and currency exchange rates will adversely impact our income;
- *Counterparty risk* — the possibility that a counterparty may default on a derivative contract;
- *Credit risk* — the possibility of loss from a customer's failure to make payments according to contract terms;
- *Residual risk* — the possibility that the actual proceeds we receive at lease termination will be lower than our projections or return rates will be higher than our projections;
- *Liquidity risk* — the possibility that we may be unable to meet all of our current and future obligations in a timely manner; and
- *Operating risk* — the possibility of fraud by our employees or outside persons, errors relating to transaction processing and systems and actions that could result in compliance deficiencies with regulatory standards or contractual obligations.

We manage each of these types of risk in the context of its contribution to our overall global risk. We make business decisions on a risk-adjusted basis and price our services consistent with these risks.

Credit, residual, and liquidity risks are discussed in Items 1 and 7. A discussion of market risk, counterparty risk, and operating risk follows.

Market Risk Overview

Given the unpredictability of financial markets, we seek to reduce volatility in our operating results from changes in interest rates and currency exchange rates. We use various financial instruments, commonly referred to as derivatives, to manage market risks. We do not engage in any trading, market-making, or other speculative activities in the derivative markets.

Our strategies to manage market risks are established by the Ford Global Risk Management Committee (''GRMC''). The GRMC is chaired by the Chief Financial Officer of Ford, and its members include the Treasurer of Ford and our Chief Financial Officer.

Direct responsibility for the execution of our market risk management strategies resides with Ford's Treasurer's Office and is governed by written policies and procedures. Separation of duties is maintained between the development and authorization of derivative trades, the transaction of derivatives, and the settlement of cash flows. Regular audits are conducted to ensure that appropriate controls are in place and that they remain effective. In addition, the GRMC and the audit committee of Ford and Ford Credit's Boards of Directors review our market risk exposures and use of derivatives to manage these exposures.

Currency Exchange Rate Risk

Our policy is to minimize exposure to our operating results from changes in currency exchange rates. To meet funding objectives, we borrow in a variety of currencies, principally U.S. dollars and euros. We face exposure to currency exchange rates if a mismatch exists between the currency of our receivables and the currency of the debt funding those receivables. When possible, we fund receivables with debt in the same currency, minimizing exposure to exchange rate movements. When a different currency is used, we execute the following foreign currency derivatives to convert

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

substantially all of our foreign currency debt obligations to the local country currency of the receivables:

- Cross-currency swaps — an agreement to convert non-U.S. dollar long-term debt to U.S. dollar denominated payments or non-local market debt to local market debt for our international affiliates; or

- Foreign currency forwards — an agreement to buy or sell an amount of funds in an agreed currency at a certain time in the future for a certain price.

As a result of this policy, we believe our market risk exposure relating to changes in currency exchange rates is immaterial. For additional information on our derivatives, please refer to the sections ''Derivative Notional Values'' and ''Derivative Fair Values'', and Notes 1 and 16 of our Notes to Financial Statements.

Interest Rate Risk

Nature of Exposure

Our primary market risk exposure is interest rate risk, and the particular market to which we are most exposed is U.S. dollar LIBOR. Our interest rate risk exposure results principally from ''re-pricing risk'' or differences in the re-pricing characteristics of assets and liabilities. An instrument's re-pricing period is a term used to describe how an interest rate-sensitive instrument responds to changes in interest rates. It refers to the time it takes an instrument's interest rate to reflect a change in market interest rates. For fixed-rate instruments, the re-pricing period is equal to the maturity of the instrument's principal, because the principal is considered to re-price only when re-invested in a new instrument. For a floating-rate instrument, the re-pricing period is the period of time before the interest rate adjusts to the market rate. For instance, a floating-rate loan whose interest rate is reset to a market index annually on December 31st would have a re-pricing period of one year on January 1st, regardless of the instrument's maturity.

Re-pricing risk arises when assets and the debt funding those assets have different re-pricing periods, and consequently, respond differently to changes in interest rates. As an example, consider a hypothetical portfolio of fixed-rate assets that is funded with floating-rate debt. If interest rates increase, the interest paid on debt increases while the interest received on assets remains fixed. In this case, the hypothetical portfolio's pre-tax net interest income is exposed to changes in interest rates because its assets and debt have a re-pricing mismatch.

Our receivables consist primarily of fixed-rate retail installment sale and lease contracts and floating-rate wholesale receivables. Fixed-rate retail installment sale and lease contracts are originated principally with maturities ranging between two and six years and generally require customers to make equal monthly payments over the life of the contract. Wholesale receivables are originated to finance new and used vehicles held in dealers' inventory and generally require dealers to pay a floating rate.

Funding sources consist primarily of short- and long-term unsecured debt and sales of receivables in securitizations. In the case of unsecured term debt, and in an effort to have funds available throughout business cycles, we may borrow at terms longer than the terms of our assets, with five to ten year maturities. These debt instruments are principally fixed-rate and require fixed and equal interest payments over the life of the instrument and a single principal payment at maturity.

We are exposed to interest rate risk to the extent that a difference exists between the re-pricing profile of our assets and our debt. Specifically, without derivatives, our assets would re-price more quickly than our debt.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Risk Management Objective

Our interest rate risk management objective is to maximize our financing income while limiting the impact of changes in interest rates. We achieve this objective by setting an established risk tolerance range and staying within the tolerance through the following risk management process.

Risk Management Process

Our risk management process involves a short-term and a long-term evaluation of interest rate risk by considering potential impacts on our pre-tax net interest income as well as the economic value of our portfolio of interest rate-sensitive assets and liabilities (our economic value). Our economic value is a measure of the present value of all future expected cash flows, discounted by market interest rates, and is equal to the present value of our interest rate-sensitive assets minus the present value of our interest rate-sensitive liabilities. Measuring the impact on our economic value is important because it captures the potential long-term effects of interest rate changes.

The financial instruments used in our interest rate risk management process are called interest rate swaps; interest rate swaps are agreements to convert fixed-rate interest payments to floating or floating-rate interest payments to fixed. Interest rate swaps are a common tool used by financial institutions to manage interest rate risk. For additional information on our derivatives, please refer to the sections ''Derivative Notional Values'' and ''Derivative Fair Values'', and Notes 1 and 16 of our Notes to Financial Statements.

On a monthly basis, we determine the sensitivity of our economic value to hypothetical changes in interest rates. We then enter into interest rate swaps, effectively converting portions of our floating-rate debt or assets to fixed or our fixed-rate debt or assets to floating, to ensure that the sensitivity of our economic value falls within an established target. As part of our monthly process, we also monitor the sensitivity of our pre-tax net interest income to interest rates by using pre-tax net interest income simulation techniques. These simulations estimate the one-year pre-tax net interest income of our portfolio of interest rate-sensitive assets and liabilities under various interest rate scenarios, including both parallel and non-parallel shifts in the yield curve. These quantifications of interest rate risk are reported to the Treasurer each month.

The process described above is used to measure and manage the interest rate risk of our operations in the United States, Canada and the United Kingdom, which together represented approximately 85% of our total on-balance sheet finance receivables at December 31, 2003. For our other international affiliates we use a technique, commonly referred to as ''gap analysis,'' to measure re-pricing mismatch. This process uses re-pricing schedules that group assets, debt, and swaps into time-bands based on their re-pricing period. Under this process we enter into interest rate swaps, effectively changing the re-pricing profile of our assets and debt, to ensure that any re-pricing mismatch existing in a particular time-band falls within an established tolerance.

Quantitative Disclosure

As a result of our interest rate risk management process, including derivatives, our debt re-prices faster than our assets. Other things equal, this means that during a period of rising interest rates, the interest rates paid on our debt will increase more rapidly than the interest rates earned on our assets, thereby initially reducing our pre-tax net interest income. Correspondingly, during a period of falling interest rates, we would expect our pre-tax net interest income to initially increase. To provide a quantitative measure of the sensitivity of our pre-tax net interest income to changes in interest rates, we use interest rate scenarios that assume a hypothetical, instantaneous increase or decrease in interest rates of 100 basis points (or 1%) across all maturities, as well as a base case that assumes that interest rates remain constant at existing levels. These interest rate scenarios are purely hypothetical and do not represent our view of future interest rate movements. The differences in pre-tax net interest income between these scenarios and the base case over a twelve-month

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

period represent an estimate of the sensitivity of our pre-tax net interest income. This sensitivity as of year-end 2003 and 2002 is as follows:

	Pre-Tax Net Interest Income Impact Given 100 Basis Point Instantaneous Change in Interest Rates	
	Increase	Decrease
	(in millions)	
December 31, 2003	$(179)	$179
December 31, 2002	(153)	156

The sensitivity analysis presented assumes interest rate changes are instantaneous, parallel shifts in the yield curve. In reality, interest rate changes are rarely instantaneous or parallel. Had the analysis assumed a gradual change in interest rates of 100 basis points, it would have resulted in a lower pre-tax net interest income impact.

Methodology Applied to International Operations

For the disclosures presented above, we calculated the sensitivity of our Canadian operations using the same pre-tax net interest income simulation technique that is used for the United States. We calculated the sensitivity of our other international operations using re-pricing schedules. Under this process we assume the instruments in the various time-bands re-price given the specified interest rate scenarios. This technique is commonly used to measure sensitivity to interest rate changes but incorporates less precision compared with our simulation technique primarily because all instruments grouped in a particular time-band are expected to re-price on the same date rather than at their actual re-pricing date.

Additional Model Assumptions

While the sensitivity analysis presented is our best estimate of the impacts of the specified assumed interest rate scenarios, our actual results could differ from those projected. The model we use to conduct this analysis is heavily dependent on assumptions. Embedded in the model are assumptions regarding the reinvestment of maturing asset principal, refinancing of maturing debt, and predicted repayment of retail installment sale and lease contracts ahead of contractual maturity. We base our projections of repayment of retail installment sale contracts and lease contracts ahead of contractual maturity on historical experience. If interest rates change, actual prepayments could deviate from assumptions used in the model. Additionally, as noted previously, the sensitivity analysis presented assumes interest rate changes are instantaneous, parallel shifts in the yield curve. In reality, changes are rarely instantaneous or parallel. We have presented our sensitivity analysis in this Report using the methodology applied to international operations discussed above and on a pre-tax rather than an after-tax basis, to exclude the potentially distorting impact at assumed tax rates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Derivative Notional Values

The outstanding notional value of our derivatives at the end of each of the years indicated was as follows:

	December 31, 2003	December 31, 2002
	(in billions)	
Interest rate swaps		
Pay-fixed, receive-floating	$ 32.5	$ 65.6
Pay-floating, receive-fixed, excluding securitization swaps	64.9	60.2
Pay-floating, receive-floating (basis), excluding securitization swaps	0.3	0.6
Securitization swaps	56.9	43.1
Total interest rate swaps	$154.6	$169.5
Other Derivatives		
Cross-currency swaps	28.9	30.0
Foreign currency forwards	8.1	8.5
Total notional value	$191.6	$208.0

The derivatives identified above as securitization swaps are interest rate swaps we entered into to facilitate certain of our securitization transactions. Under these swap agreements, we pay a floating-rate interest payment and, depending on the related securitization transaction, receive either a fixed-rate interest payment or a floating rate interest payment with a different market index. The sensitivity analysis presented above includes all derivatives, including our securitization swaps.

At December 31, 2003, our total derivative notional value was $191.6 billion, approximately $16.4 billion lower than a year ago. The notional value of our pay-fixed, receive-floating swaps decreased as swaps matured and were replaced with term funding from our retail debt issuance program. This decrease was offset by an increase in the notional value of securitization swaps, reflecting our increased use of securitization as a funding source. In addition, there was an increase in the notional value of our receive-fixed, pay-floating interest rate swaps, reflecting long-term fixed rate funding issued in 2003.

Derivative Fair Values

The fair value of net derivative financial instruments (derivative assets less derivative liabilities) as reported on our balance sheet as of December 31, 2003 was $8.9 billion, approximately $1.3 billion higher than a year ago. This increase primarily reflects the strengthening of the euro against the U.S. dollar which increases the value of receive-euro / pay-U.S. dollar cross currency swaps and the decrease in U.S. interest rates which increases the value of our pay-floating / receive-fixed rate swaps. For additional information on our derivatives, please refer to Notes 1 and 16 of our Notes to Financial Statements.

Counterparty Risk

The use of derivatives to manage market risk results in counterparty risk, or the risk of a counterparty defaulting on a derivative contract. We and Ford enter into master agreements with counterparties that usually allow for netting of certain exposures in order to manage this risk. We, on a combined basis with Ford, establish exposure limits for each counterparty to minimize risk and provide counterparty diversification. We monitor our exposures on a regular basis and report them to the GRMC monthly.

Our approach to managing counterparty risk is forward-looking and proactive, allowing us to take risk mitigation actions before risks become losses. We establish exposure limits for both mark-to-market and future potential exposure, based on our overall risk tolerance and ratings-based historical default probabilities. The exposure limits are lower for lower-rated counterparties and for

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

longer-dated exposures. We use a Monte Carlo simulation technique to assess our potential exposure by tenor, defined at 95% confidence level.

Substantially all of our counterparty exposures are with counterparties that have long-term debt ratings of single-A or better. Our guideline for counterparty minimum long-term debt ratings is BBB-. Exceptions to these guidelines require prior approval by management.

Operating Risk

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Financial Statements, the accompanying Notes and the Report of Independent Auditors that are filed as part of this Report are listed under Item 15. ''Exhibits, Financial Statement Schedules, and Reports on Form 8-K'' and are set forth on pages FC-1 through FC-37 immediately following the signature pages of this report.

Selected quarterly financial data for us and our consolidated subsidiaries for 2003 and 2002 is in Note 19 of our Notes to Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not required.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Gregory C. Smith., our Chief Executive Officer, and David P. Cosper, our Chief Financial Officer, have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-14 (c) of the Securities Exchange Act of 1934, as amended (the ''Exchange Act''), as of December 31, 2003 and each has concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and regulations.

Changes in Internal Controls

No changes in the Company's internal controls over financial reporting occurred during the quarter ended December 31, 2003 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART III

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed by PricewaterhouseCoopers, LLP (''PwC''), our principal auditor, for auditing our financial statements were $3.6 million and $3.2 million in 2003 and 2002, respectively.

Audit-Related Fees

The aggregate fees billed by PwC for other audit-related services were $4.6 million and $2.2 million in 2003 and 2002, respectively.

Tax Fees

The aggregate fees billed by PwC for tax services were $2.2 million and $2.1 million in 2003 and 2002, respectively.

Total Fees

PwC served as the Company's principal auditor in 2003 and 2002. The total fees paid by the Company to PwC were $10.4 million and $7.5 million in 2003 and 2002, respectively. The Company paid no fees to PwC in 2003 and 2002 for services other than audit, review or attest services.

Pre-Approval Policies and Procedures

Ford's audit committee has established pre-approval policies and procedures that govern the engagement of PwC and the services provided by PwC to Ford Credit are pre-approved in accordance with Ford's policies and procedures. The policies and procedures are detailed as to the particular services and our audit committee is informed of the services provided to us by PwC, including the audit fee requests for these services that have been submitted to and approved by Ford's audit committee. The pre-approval policies and procedures do not include delegation of the Ford or Ford Credit audit committees' responsibilities under the Securities Exchange Act of 1934, as amended, to management.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. *Financial Statements*

Report of Independent Auditors

Ford Motor Credit Company and Subsidiaries

Consolidated Statement of Income for the Years Ended December 31, 2003, 2002 and 2001

Consolidated Balance Sheet, December 31, 2003 and 2002

Consolidated Statement of Stockholder's Equity, December 31, 2003, 2002 and 2001

Consolidated Statement of Cash Flows from Continuing Operations for the Years Ended December 31, 2003, 2002 and 2001

Notes to Financial Statements

The Consolidated Financial Statements, the Notes to Financial Statements and the Report of Independent Auditors listed above are filed as part of this Report and are set forth on pages FC-1 through FC-37 immediately following the signatures pages of this Report.

(a) 2. *Financial Statement Schedules*

Schedules have been omitted because the information required to be contained in them is disclosed elsewhere in the Financial Statements or the amounts involved are not sufficient to require submission.

(a) 3. *Exhibits*

Designation	Description	Method of Filing
Exhibit 3-A	Restated Certificate of Incorporation of Ford Motor Credit Company.	Filed as Exhibit 3-A to Ford Motor Credit Company Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference. File No. 1-6368.
Exhibit 3-B	By-Laws of Ford Motor Credit Company as amended through March 2, 1988.	Filed as Exhibit 3-B to Ford Motor Credit Company Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference. File No. 1-6368.
Exhibit 4-A	Form of Indenture dated as of February 1, 1985 between Ford Motor Credit Company and Manufacturers Hanover Trust Company relating to Debt Securities.	Filed as Exhibit 4-A to Ford Motor Credit Company Registration Statement No. 2-95568 and incorporated herein by reference.
Exhibit 4-A-1	Form of First Supplemental Indenture dated as of April 1, 1986 between Ford Motor Credit Company and Manufacturers Hanover Trust Company supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-B to Ford Motor Credit Company Current Report on Form 8-K dated April 29, 1986 and incorporated herein by reference. File No. 1-6368.
Exhibit 4-A-2	Form of Second Supplemental Indenture dated as of September 1, 1986 between Ford Motor Credit Company and Manufacturers Hanover Trust Company supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-B to Ford Motor Credit Company Current Report on Form 8-K dated August 28, 1986 and incorporated herein by reference. File No. 1-6368.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K (Continued)

Designation	Description	Method of Filing
Exhibit 4-A-3	Form of Third Supplemental Indenture dated as of March 15, 1987 between Ford Motor Credit Company and Manufacturers Hanover Trust Company supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-E to Ford Motor Credit Company Registration Statement No. 33-12928 and incorporated herein by reference.
Exhibit 4-A-4	Form of Fourth Supplemental Indenture dated as of April 15, 1988 between Ford Motor Credit Company and Manufacturers Hanover Trust Company supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-F to Post-Effective Amendment No. 1 to Ford Motor Credit Company Registration Statement No. 33-20081 and incorporated herein by reference.
Exhibit 4-A-5	Form of Fifth Supplemental Indenture dated as of September 1, 1990 between Ford Motor Credit Company and Manufacturers Hanover Trust Company supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4-G to Ford Motor Credit Company Registration Statement No. 33-36946 and incorporated hereby by reference.
Exhibit 4-A-6	Form of Sixth Supplemental Indenture dated as of June 1, 1998 between Ford Motor Credit Company and The Chase Manhattan Bank supplementing the Indenture designated as Exhibit 4-A.	Filed as Exhibit 4.1 to Ford Motor Credit Company Current Report on Form 8-K dated June 15, 1998 and incorporated herein by reference. File No. 1-6368.
Exhibit 4-A-7	Form of Seventh Supplemental Indenture dated as of January 15, 2002 between Ford Motor Credit Company and JPMorgan Chase Bank supplementing the Indenture.	Filed as Exhibit 4-I to Amendment No. 1 to Ford Motor Credit Company Registration Statement No. 333-75274 and incorporated herein by reference.
Exhibit 4-B	Indenture dated as of November 1, 1987 between Ford Motor Credit Company and Continental Bank, National Association relating to Debt Securities.	Filed as Exhibit 4-A to Ford Motor Credit Company Current Report on Form 8-K dated December 10, 1990 and incorporated herein by reference. File No. 1-6368.
Exhibit 4-C	Indenture dated as of August 1, 1994 between Ford Motor Credit Company and First Union National Bank relating to Debt Securities.	Filed as Exhibit 4-A to Ford Motor Credit Company Registration Statement No. 33-55237.
Exhibit 10-A	Copy of Amended and Restated Profit Maintenance Agreement dated as of January 1, 2002 between Ford Motor Credit Company and Ford Motor Company.	Filed as Exhibit 10-A to Ford Motor Credit Company Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference. File No. 1-6368.
Exhibit 10-B	Copy of Agreement dated as of February 1, 1980 between Ford Motor Company and Ford Motor Credit Company.	Filed as Exhibit 10-X to Ford Motor Credit Company Report on Form 10-K for the year ended December 31, 1980 and incorporated herein by reference. File No. 1-6368.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K (Continued)

Designation	Description	Method of Filing
Exhibit 10-C	Copy of Agreement dated as of October 18, 2001 between Ford Motor Credit Company and Ford Motor Company.	Filed as Exhibit 10 to Ford Motor Credit Company Current Report on Form 8-K dated October 18, 2001 and incorporated by reference. File No. 1-6368.
Exhibit 10-D	Copy of Support Agreement as of August 13, 2002 between Ford Motor Credit Company and FCE Bank plc.	Filed as Exhibit 10-D to Ford Motor Credit Company Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference. File No. 1-6368.
Exhibit 12	Ford Motor Credit Company and Subsidiaries Calculation of Ratio of Earnings to Fixed Charges	Filed with this Report.
Exhibit 23	Consent of Independent Auditors	Filed with this Report.
Exhibit 24	Powers of Attorney	Filed with this Report.
Exhibit 31.1	Rule 15d-14(a) Certification of CEO	Filed with this Report.
Exhibit 31.2	Rule 15d-14(a) Certification of CFO	Filed with this Report.
Exhibit 32.1	Section 1350 Certification of CEO	Filed with this Report.
Exhibit 32.2	Section 1350 Certification of CFO	Filed with this Report.
Exhibit 99.1	Ford Motor Company's Annual Report on Form 10-K for 2003 (without Exhibits or Financial Statements)	Filed with this Report.

Instruments defining the rights of holders of certain issues of long-term debt of Ford Credit have not been filed as exhibits to this Report because the authorized principal amount of any one of such issues does not exceed 10% of the total assets of Ford Credit. Ford Credit agrees to furnish a copy of each of such instruments to the Commission upon request.

(b) Reports on Form 8-K

Ford Credit filed or furnished the following Current Reports on Form 8-K during the quarter ended December 31, 2003:

Current Report on Form 8-K dated October 1, 2003 included information relating to Ford's September 2003 U.S. sales results.

Current Report on Form 8-K dated October 2, 2003 included information relating to Ford's 2003 collective bargaining agreement with the United Automobile Workers (UAW) Union.

Current Report on Form 8-K dated October 16, 2003 included information relating to Ford Credit's and Ford's third quarter 2003 financial results.

Current Report on Form 8-K dated November 3, 2003 included information relating to Ford's October 2003 U.S. sales results.

Current Report on Form 8-K dated December 2, 2003 included information relating to Ford's November 2003 U.S. sales results.

Current Report on Form 8-K dated December 16, 2003 included information relating to Ford's negotiations with Visteon Corporation.

Current Report on Form 8-K dated December 22, 2003 included information relating to Ford's new agreements with Visteon Corporation.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Ford Motor Credit Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Ford Motor Credit Company

By: /s/ DAVID P. COSPER*

David P. Cosper
Executive Vice President,
Chief Financial Officer and Treasurer

Date: March 12, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of Ford Credit and in the capacities on the date indicated.

Signature	Title	Date
/s/ GREGORY C. SMITH Gregory C. Smith	Director, Chairman of the Board and Chief Executive Officer (principal executive officer)	March 12, 2004
/s/ DAVID P. COSPER David P. Cosper	Director, Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)	March 12, 2004
/s/ MICHAEL E. BANNISTER Michael E. Bannister	Director, President and Chief Operating Officer	March 12, 2004
/s/ TERRY D. CHENAULT Terry D. Chenault	Director and Executive Vice President — President, Global Operations	March 12, 2004
/s/ ALLAN D. GILMOUR Allan D. Gilmour	Director and Audit Committee Chairman	March 12, 2004
/s/ DONAT R. LECLAIR Donat R. Leclair	Director and Audit Committee Member	March 12, 2004
/s/ MALCOLM S. MACDONALD Malcolm S. Macdonald	Director and Audit Committee Member	March 12, 2004
/s/ JOHN T. NOONE John T. Noone	Director and Executive Vice President — President, Ford Credit International	March 12, 2004
/s/ CARL E. REICHARDT Carl E. Reichardt	Director and Audit Committee Member	March 12, 2004

Signature	Title	Date
/s/ RICHARD C. VAN LEEUWEN Richard C. Van Leeuwen	Director and Executive Vice President — Risk Management	March 12, 2004
/s/ A.J. WAGNER A. J. Wagner	Director and Executive Vice President — President, Ford Credit North America	March 12, 2004
*By: /s/ COREY M. MACGILLIVRAY Corey M. MacGillivray	Attorney-in-Fact	March 12, 2004

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholder of
Ford Motor Credit Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholder's equity and cash flows present fairly, in all material respects, the financial position of Ford Motor Credit Company and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 10, effective January 1, 2002, the Company changed its method of accounting for discontinued operations in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment of Long-lived Assets.*

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
January 21, 2004

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
(in millions)

	For the Years Ended December 31,		
	2003	2002	2001
Financing revenue			
Operating leases	$ 6,946	$ 8,648	$ 9,088
Retail	4,752	5,962	6,900
Interest supplements and other support costs earned from affiliated companies (Note 14)	3,517	3,658	4,125
Wholesale	877	728	1,909
Other	247	294	359
Total financing revenue	16,339	19,290	22,381
Depreciation on operating leases	(7,009)	(8,435)	(8,397)
Interest expense	(5,831)	(6,929)	(8,922)
Net financing margin	3,499	3,926	5,062
Other revenue			
Investment and other income related to sales of receivables (Note 6)	2,765	2,610	1,433
Insurance premiums earned, net	232	261	231
Other income	1,105	649	658
Total financing margin and revenue	7,601	7,446	7,384
Expenses			
Operating expenses	2,357	2,307	2,333
Provision for credit losses (Note 5)	1,998	2,971	3,351
Insurance expenses	211	203	206
Total expenses	4,566	5,481	5,890
Income from continuing operations before income taxes	3,035	1,965	1,494
Provision for income taxes (Note 12)	1,164	730	663
Income from continuing operations before minority interests	1,871	1,235	831
Minority interests in net income of subsidiaries	2	3	1
Income from continuing operations	1,869	1,232	830
Income from discontinued/held-for-sale operations (Note 10)	3	33	9
Loss on disposal of discontinued/held-for-sale operations (Note 10)	(55)	(31)	—
Net income	$ 1,817	$ 1,234	$ 839

The accompanying notes are an integral part of the financial statements.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(in millions)

	December 31, 2003	December 31, 2002
ASSETS		
Cash and cash equivalents	$ 15,688	$ 6,793
Investments in securities (Note 2)	611	655
Finance receivables, net (Note 3)	108,912	94,613
Net investment in operating leases (Note 4)	23,164	31,303
Retained interest in securitized assets (Note 6)	13,017	17,618
Notes and accounts receivable from affiliated companies	1,653	1,672
Derivative financial instruments (Note 16)	9,866	8,365
Assets of discontinued and held-for-sale operations (Note 10)	388	2,776
Other assets (Note 8)	5,530	6,374
Total assets	$178,829	$170,169
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities		
Accounts payable		
Trade, customer deposits, and dealer reserves	$ 1,535	$ 1,431
Affiliated companies	1,258	783
Total accounts payable	2,793	2,214
Debt (Note 9)	149,652	140,259
Deferred income taxes, net (Note 12)	6,334	5,395
Derivative financial instruments (Note 16)	987	772
Liabilities of discontinued and held-for-sale operations (Note 10)	37	851
Other liabilities and deferred income (Note 8)	6,533	7,109
Total liabilities	166,336	156,600
Minority interests in net assets of subsidiaries	19	19
Stockholder's equity		
Capital stock, par value $100 a share, 250,000 shares authorized, issued and outstanding	25	25
Paid-in surplus (contributions by stockholder)	5,117	5,117
Accumulated other comprehensive income/(loss)	420	(387)
Retained earnings	6,912	8,795
Total stockholder's equity	12,474	13,550
Total liabilities and stockholder's equity	$178,829	$170,169

The accompanying notes are an integral part of the financial statements.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
(in millions)

				Accumulated Other Comprehensive Income/(Loss)			
	Capital Stock	Paid-in Surplus	Retained Earnings	Unrealized Gain/(Loss) on Assets	Foreign Currency Translation	Derivative Instruments	Total
Balance at January 1, 2001	$25	$4,273	$ 8,272	$ 194	$(578)	$ —	$12,186
Comprehensive income							
Net income	—	—	839	—	—	—	839
Transition adjustment (net of tax of $126)	—	—	—	—	—	(215)	(215)
Net loss on derivative instruments (net of tax of $223)	—	—	—	—	—	(380)	(380)
Less: reclassification adjustment for losses realized in net income (net of tax of $68)	—	—	—	—	—	116	116
Retained interest in securitized assets (net of tax of $104)	—	—	—	(177)	—	—	(177)
Foreign currency translation	—	—	—	—	(165)	—	(165)
Unrealized gain (net of tax of $11)	—	—	—	19	—	—	19
Less: reclassification adjustment for gains realized in net income (net of tax of $14)	—	—	—	(24)	—	—	(24)
Total comprehensive income, net of tax	—	—	839	(182)	(165)	(479)	13
Paid-in surplus	—	185	—	—	—	—	185
Cash dividends	—	—	(400)	—	—	—	(400)
Year ended December 31, 2001	$25	$4,458	$ 8,711	$ 12	$(743)	$(479)	$11,984
Comprehensive income							
Net income	—	—	1,234	—	—	—	1,234
Net loss on derivative instruments (net of tax of $48)	—	—	—	—	—	(82)	(82)
Less: reclassification adjustment for losses realized in net income (net of tax of $203)	—	—	—	—	—	344	344
Retained interest in securitized assets (net of tax of $130)	—	—	—	220	—	—	220
Foreign currency translation	—	—	—	—	335	—	335
Unrealized gain (net of tax of $15)	—	—	—	25	—	—	25
Less: reclassification adjustment for gains realized in net income (net of tax of $11)	—	—	—	(19)	—	—	(19)
Total comprehensive income, net of tax	—	—	1,234	226	335	262	2,057
Paid-in surplus	—	659	—	—	—	—	659
Cash dividends	—	—	(1,150)	—	—	—	(1,150)
Year ended December 31, 2002	$25	$5,117	$ 8,795	$ 238	$(408)	$(217)	$13,550
Comprehensive income							
Net income	—	—	1,817	—	—	—	1,817
Net gain on derivative instruments (net of tax of $135)	—	—	—	—	(15)	232	217
Less: reclassification adjustment for gains realized in net income (net of tax of $59)	—	—	—	—	—	(94)	(94)
Retained interest in securitized assets (net of tax of $24)	—	—	—	(39)	—	—	(39)
Foreign currency translation	—	—	—	—	721	—	721
Unrealized gain (net of tax of $6)	—	—	—	10	—	—	10
Less: reclassification adjustment for gains realized in net income (net of tax of $5)	—	—	—	(8)	—	—	(8)
Total comprehensive income, net of tax	—	—	1,817	(37)	706	138	2,624
Cash dividends	—	—	(3,700)	—	—	—	(3,700)
Year ended December 31, 2003	$25	$5,117	$ 6,912	$ 201	$ 298	$ (79)	$12,474

The accompanying notes are an integral part of the financial statements.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FROM CONTINUING OPERATIONS
(in millions)

	For the Years Ended December 31, 2003	2002	2001
Cash flows from operating activities			
Income from continuing operations	$ 1,869	$ 1,232	$ 830
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Provision for credit losses	1,998	2,971	3,351
Depreciation and amortization	7,427	8,812	8,470
Gain on sales of finance receivables (Note 6)	(436)	(529)	(412)
Increase in deferred income taxes	798	675	278
Decrease/(increase) in other assets	1,643	(492)	(522)
Increase/(decrease) in other liabilities	1,235	1,796	(1,672)
All other operating activities	(72)	64	116
Net cash provided by operating activities	14,462	14,529	10,439
Cash flows from investing activities			
Purchase of finance receivables (other than wholesale)	(50,365)	(53,567)	(71,077)
Collection of finance receivables (other than wholesale)	31,204	28,310	28,474
Purchase of operating lease vehicles	(9,924)	(19,634)	(26,228)
Liquidation of operating lease vehicles	11,214	16,049	16,466
Increase in wholesale receivables	(4,673)	(2,825)	(2,112)
Net change in retained interest	2,125	(5,340)	5,648
Decrease in note receivable with affiliate	279	347	600
Proceeds from sales of receivables (Note 6)	21,115	41,289	40,831
Purchase of investment securities	(636)	(604)	(726)
Proceeds from sale/maturity of investment securities	698	475	747
Proceeds from debt repayments related to discontinued operations	1,421	—	—
All other investing activities	31	58	(230)
Net cash provided by/(used in) investing activities	2,489	4,558	(7,607)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	19,710	13,479	41,111
Principal payments on long-term debt	(25,493)	(22,133)	(15,705)
Change in short-term debt, net	946	(6,377)	(26,134)
Cash dividends paid	(3,700)	(1,150)	(400)
All other financing activities	—	659	306
Net cash used in financing activities	(8,537)	(15,522)	(822)
Effect of exchange rate changes on cash and cash equivalents	481	291	(135)
Net change in cash and cash equivalents	8,895	3,856	1,875
Cash and cash equivalents, beginning of year	6,793	2,937	1,062
Cash and cash equivalents, end of year	$ 15,688	$ 6,793	$ 2,937
Supplementary cash flow information			
Interest paid	$ 5,726	$ 6,891	$ 8,146
Taxes paid	164	242	177
Supplementary non-cash flow information			
Consolidation of FCAR Owner Trust	$ 1,419	$ —	$ —

The accompanying notes are an integral part of the financial statements.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include Ford Motor Credit Company and its controlled domestic and foreign subsidiaries and joint ventures (referred to herein as ''Ford Credit'', ''we'', ''our'' or ''us''). Effective July 1, 2003, our financial statements also include consolidated Variable Interest Entities (''VIEs'') of which we are the primary beneficiary (see Note 7). Affiliates that we do not consolidate, but have significant influence over operating and financial policies, are accounted for using the equity method. We are an indirect wholly-owned subsidiary of Ford Motor Company (''Ford''). Use of estimates, as determined by management, is required in the preparation of consolidated financial statements in conformity with generally accepted accounting principles. Because of the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from those estimates. For additional discussion on our use of estimates, see Management's Discussion and Analysis of Financial Condition and Results of Operation — Critical Accounting Estimates. Certain amounts in prior years' financial statements have been reclassified to conform with current year presentation.

Nature of Operations

We operate in many locations around the world, the most significant of which are the United States and Europe. Our reportable operating segments include Ford Credit North America and Ford Credit International. Ford Credit North America consists of the United States and Canada. Ford Credit International consists of all other countries.

Our financing operations primarily consist of: the purchase of retail installment sale contracts and retail leases from franchised Ford vehicle dealers; wholesale financing and capital loans to franchised Ford vehicle dealers and other franchises associated with such dealers; and loans to vehicle leasing companies. We conduct insurance operations through The American Road Insurance Company and its subsidiaries (''TARIC''). TARIC is our wholly-owned subsidiary.

Our business is substantially dependent on Ford. Any protracted reduction or suspension of Ford's production or sale of vehicles, resulting from a decline in demand, a work stoppage, governmental action, negative publicity or other event, or significant changes to marketing programs sponsored by Ford could have an effect on us.

The majority of our finance receivables are geographically diversified throughout the United States. Outside the United States finance receivables are concentrated in Europe, Canada and Mexico. We control our credit risk through credit standards, limits on exposure and by monitoring the financial condition of counterparties. TARIC has credit risk related to receivables from reinsurers that are collateralized by trust funds, letters of credit or custodial accounts.

Revenue Recognition

Revenue from finance receivables including direct financing leases is recognized using the interest method. Certain origination costs on receivables are deferred and amortized, using the interest method, over the term of the related receivable as a reduction in financing revenue. Rental revenue on operating leases is recognized on a straight-line basis over the term of the lease. Initial direct costs related to leases are deferred and amortized over the term of the lease. The accrual of interest on receivables is discontinued at the time a receivable is determined to be uncollectible. Subsequent payments are applied as a reduction of principal until such time the receivable becomes contractually current.

Agreements with Ford and other affiliates provide for interest supplements and other support payments to us on certain financing and leasing transactions. These payments are collected and recognized as income over the period that the related finance receivables and leases are outstanding.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 1. ACCOUNTING POLICIES — Continued

Insurance premiums earned are reported net of reinsurance. These premiums are earned over their respective policy periods. Premiums from extended service plan contracts and other contractual liability coverages are earned over the life of the policy based on historical loss experience. Physical damage insurance premiums, including vehicles financed at wholesale by us and our finance subsidiaries, are recognized as income on a monthly basis as billed. Credit life and credit disability premiums are earned over the life of the related policies in proportion to the amount of the insurance protection provided. Certain costs of acquiring new business are deferred and amortized over the term of the related policies on the same basis on which premiums are earned.

Sales of Receivables

We periodically sell finance receivables in securitization and whole-loan sale transactions to fund our operations and to maintain liquidity, respectively. Securitization transactions generally involve surrendering control over these assets by selling finance receivables to off-balance sheet securitization entities. Securitization entities are a common, required element of securitization transactions to meet certain legal and transaction requirements that assure that the sold assets have been isolated from us and our creditors. The securitization entities issue interest-bearing securities collateralized by future collections on the sold receivables.

We record our off-balance sheet sales of receivables in accordance with Statement of Financial Accounting Standards No. 140 (''SFAS No. 140''), *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* To qualify for a sale, the transfer must comply with the following accounting criteria:

- Assets must be isolated from transferor — our assets are transferred to a bankruptcy-remote entity.
- Transfer to a qualifying special purpose entity or an entity that has the right to pledge or exchange the assets — we generally use a qualifying special purpose entity in our transactions, or we sell the assets to an outside entity. In either case, we do not restrict the transferee from pledging or exchanging the assets.
- Transferor does not maintain control over the assets — we are not permitted to regain control over the transferred assets or cause the return of specific assets, other than through a cleanup call.

For off-balance sheet sales of receivables, estimated gains or losses are recognized in the period in which the sale occurs. We retain certain interests in receivables sold in securitization transactions. In determining the gain or loss on each sale of finance receivables, the investment in the sold receivables pool is allocated between the portion sold and the portion retained based on their relative fair values at the date of sale. Retained interests include senior and subordinated securities, undivided interests in wholesale receivables, interest only strips and restricted cash held for the benefit of securitization entities. These interests are recorded at fair value with unrealized gains or losses recorded, net of tax, as a separate component of accumulated other comprehensive income in stockholder's equity. In securitization transactions, we retain the servicing rights and receive a servicing fee, which is recognized as collected over the remaining term of the related sold finance receivables. Interest supplement payments we receive from affiliates related to receivables that were sold in securitizations or whole-loan sale transactions are reflected, on a present value basis, as a receivable on our balance sheet at the time the receivables are sold. Present value accretion is recognized in investment and other income related to sales of receivables.

Whole-loan sale transactions involve selling retail installment sale contracts to a buyer who either retains them or sells them in a subsequent asset-backed securitization. We do not retain any interests in the sold receivables but continue to service such receivables for a fee.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 1. ACCOUNTING POLICIES — Continued

Certain sales of receivables do not qualify for off-balance sheet treatment and, as a result, no gain or loss is recorded for these transactions.

Depreciation

Depreciation expense on operating leases is provided on a straight-line basis over the term of the lease in an amount necessary to reduce the leased vehicle to its estimated residual (salvage) value at the end of the lease term. Our policy is to promptly sell returned off-lease vehicles. We evaluate our depreciation policy for leased vehicles on a regular basis taking into consideration various assumptions, which include estimated residual values at lease termination and the estimated number of vehicles that will be returned to us. Adjustments to reflect revised estimates of residual values at the end of the lease terms are included in depreciation expense on a straight-line basis over the remaining terms of the leases. We also monitor our portfolio of vehicles subject to operating leases for impairment indicators.

Allowance for Credit Losses

The allowance for credit losses is our estimate of probable credit losses related to impaired receivables and operating leases as of the date of the financial statements. This allowance is based on factors including historical credit loss trends, the credit quality of our present portfolio, trends in historical and projected used vehicle values and general economic measures. Additions to the allowance for credit losses are made by recording charges to the provision for credit losses on our income statement. Finance receivables and lease investments are charged to the allowance for credit losses at the earlier of when an account is deemed to be uncollectible or when an account is 120 days delinquent, taking into consideration the financial condition of the borrower or lessee, the value of the collateral, recourse to guarantors and other factors. Recoveries on finance receivables and lease investments previously charged off as uncollectible are credited to the allowance for credit losses.

Cash Equivalents

We consider investments purchased with a maturity of three months or less to be cash equivalents. The book value of these instruments approximates fair value because of the short maturity. As of December 31, 2003, approximately $850 million of our cash balance is legally isolated of which approximately $800 million of this balance supports our FCAR Owner Trust (''FCAR'') asset-backed commercial paper program. Of the $800 million that supports FCAR, approximately $200 million of this legally isolated cash will become unrestricted as servicing fees and cash in excess of commercial paper requirements are released to us.

Derivative Financial Instruments

We operate in many countries, and are exposed to various market risks, including the effects of changes in interest rates and foreign currency exchange rates. Interest rate and currency exposures are monitored and managed by us as an integral part of our overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce potential adverse effects on our operating results. Risk is reduced in two ways: 1) through the use of funding instruments that have interest and maturity profiles similar to the assets they are funding, and 2) through the use of interest rate and foreign exchange derivatives. Our derivatives strategy is defensive; derivatives are not used for speculative purposes. Interest rate swaps are used to manage the effects of interest rate fluctuations. Foreign currency exchange agreements, including forward contracts and swaps are used to manage foreign exchange exposure. The differential paid or received on swap agreements is recognized on an accrual basis as an adjustment to interest expense.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 1. ACCOUNTING POLICIES — Continued

We adopted Statement of Financial Accounting Standards No. 133 (''SFAS No. 133''), *Accounting for Derivative Instruments and Hedging Activities,* as amended, on January 1, 2001. All derivatives are recognized on the balance sheet at fair value. We designate derivatives as a hedge of the fair value of a recognized asset or liability (''fair value'' hedge) or of the variability of cash flows to be received or paid related to a recognized asset or liability (''cash flow'' hedge). We also enter into derivatives that economically hedge certain of our risks, even though hedge accounting is not allowed by SFAS No. 133 or is not applied by us.

Changes in the value of a derivative that is designated as a fair value hedge, along with offsetting changes in the fair value of the underlying hedged exposure, are recorded in earnings. Changes in the value of a derivative that is designated as a cash flow hedge are recorded in accumulated other comprehensive income, a component of stockholder's equity. The fair value of interest rate swaps is calculated using current market rates for similar instruments with the same remaining maturities. Unrealized gains and losses are netted for individual counterparties where legally permissible.

When the terms of an underlying transaction are modified, or when the underlying hedged item is settled prior to maturity, all changes in the fair value of the derivative instrument are marked-to-market with changes in the fair value included in earnings each period until the instrument matures, unless the derivative is subsequently included in another hedge relationship. In situations where assets that were included in fair value hedging relationships have been sold in securitization or whole-loan sale transactions, the accumulated basis adjustments related to the sold assets are reversed and included in earnings in the same period in which the assets were sold.

We manage our foreign currency and interest rate counterparty credit risks by establishing limits and by monitoring the financial condition of counterparties. The amount of exposure we may have to a single counterparty on a worldwide basis is limited by company policy. In the unlikely event that a counterparty fails to meet the terms of a foreign currency or an interest rate instrument, risk is limited to the fair value of the instrument.

Foreign Currency Translation

Revenues, costs and expenses of foreign subsidiaries are translated to U.S. dollars at average-period exchange rates. Assets and liabilities of foreign subsidiaries are translated to U.S. dollars at year-end exchange rates and the effects of these translation adjustments are reported as a separate component of accumulated other comprehensive income in stockholder's equity. Gains and losses arising from transactions denominated in a currency other than the functional currency of the subsidiary involved are included in income.

Paid-In Surplus

Changes to paid-in surplus represent investing activity with Ford related to us.

Insurance Expenses and Liabilities

Insurance underwriting losses and expenses are reported as insurance expenses. The components of insurance expenses are as follows for the years ended December 31:

	2003	2002	2001
		(in millions)	
Insurance claims	$163	$137	$159
Amortization of deferred acquisition costs	35	56	34
Claim adjustment expenses	13	10	13
Insurance expenses	$211	$203	$206

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 1. ACCOUNTING POLICIES — Continued

A liability for reported insurance claims and an estimate of unreported insurance claims, based on past experience, is included in other liabilities and related charges.

Reinsurance

TARIC cedes a majority of its automotive service contracts, all of the warranty contract business, and a portion of its credit life and disability contracts for a ceding commission. Amounts recoverable from reinsurers on unpaid losses, including incurred but not reported losses, and amounts paid to reinsurers relating to the unexpired portion of reinsurance contracts are reported as other assets. Ceded insurance-related expenses deducted from insurance expenses were $498 million, $488 million and $442 million in 2003, 2002 and 2001, respectively.

The effect of reinsurance on premiums written and earned is as follows:

	2003		2002		2001	
	Written	Earned	Written	Earned	Written	Earned
			(in millions)			
Direct	$ 725	$ 851	$ 946	$ 825	$ 974	$ 734
Assumed	32	63	70	88	89	98
Ceded	(553)	(682)	(758)	(652)	(842)	(601)
Net premiums	$ 204	$ 232	$ 258	$ 261	$ 221	$ 231

Commissions on reinsurance ceded are earned on the same basis as related premiums.

Reinsurance contracts do not relieve TARIC from its obligations to its policyholders. Failure of reinsurers to honor their obligations could result in losses to TARIC. Therefore, TARIC evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to manage its exposure to significant losses from reinsurance solvencies.

NOTE 2. INVESTMENTS IN SECURITIES

Investments in securities, which substantially relate to our insurance activities, consist of mortgage-backed, corporate, U.S. government and other securities. Available-for-sale securities are recorded at fair value with unrealized gains and losses excluded from income and reported, net of tax, as a separate component of accumulated other comprehensive income in stockholder's equity. Held-to-maturity securities are recorded at amortized cost. Equity securities that do not have readily determinable fair values are recorded at cost. The basis of cost used in determining realized gains and losses is specific identification.

The fair value of substantially all securities was estimated based on quoted market prices. For securities for which quoted market prices were not available, the estimate of fair value was based on similar types of securities that are traded in the market.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 2. INVESTMENTS IN SECURITIES — Continued

Balance at December 31, 2003:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in millions)		
Available-for-sale securities				
U.S. government and agency	$113	$ 3	$(1)	$115
Municipal	13	—	—	13
Government — non U.S.	63	3	—	66
Corporate debt	148	6	—	154
Mortgage-backed	177	5	(1)	181
Equity	47	31	(3)	75
Held-to-maturity securities	7	—	—	7
Total investments in securities	$568	$48	$(5)	$611

Balance at December 31, 2002:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in millions)		
Available-for-sale securities				
U.S. government and agency	$163	$ 9	$—	$172
Municipal	—	—	—	—
Government — non U.S.	17	1	—	18
Corporate debt	167	9	—	176
Mortgage-backed	215	9	—	224
Equity	46	20	(7)	59
Held-to-maturity securities	6	—	—	6
Total investments in securities	$614	$48	$(7)	$655

The amortized cost and fair value of investments in available-for-sale securities and held-to-maturity securities at December 31, by contractual maturity, were as follows:

Balance at December 31, 2003:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
		(in millions)		
Due in one year or less	$ 50	$ 50	$—	$—
Due after one year through five years	137	141	5	5
Due after five years through ten years	86	92	—	—
Due after ten years	64	65	2	2
Mortgage-backed securities	177	181	—	—
Equity securities	47	75	—	—
Total	$561	$604	$ 7	$ 7

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 2. INVESTMENTS IN SECURITIES — Continued

Balance at December 31, 2002:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in millions)			
Due in one year or less	$ 6	$ 6	$—	$—
Due after one year through five years	161	166	3	3
Due after five years through ten years	95	101	1	1
Due after ten years	85	93	2	2
Mortgage-backed securities	215	224	—	—
Equity securities	46	59	—	—
Total	$608	$649	$ 6	$ 6

Included in the above contractual maturities are investments on deposit with regulatory authorities (at amortized cost), as required by law, totaling $19 million and $16 million at December 31, 2003 and 2002, respectively.

Proceeds from sales of available-for-sale securities were $693 million and $475 million in 2003 and 2002, respectively. Gross realized gains and losses were $16 million and $2 million, respectively in 2003, $10 million and $4 million, respectively in 2002, and $14 million and $4 million, respectively in 2001.

NOTE 3. FINANCE RECEIVABLES

Net finance receivables at December 31 were as follows:

	2003	2002
	(in millions)	
Retail (a)	$ 80,015	$70,833
Wholesale (b)	22,618	16,571
Other (b)	8,661	9,821
Total finance receivables, net of unearned income	111,294	97,225
Less: Allowance for credit losses	(2,382)	(2,612)
Finance receivables, net	$108,912	$94,613
Net finance receivables subject to fair value (c)	$100,947	$86,694
Fair value	102,814	88,221

(a) At December 31, 2003, includes about $14.3 billion of retail receivables that have been sold for legal purposes to our sponsored securitization special purpose entities (''SPEs'') that sell asset-backed securities to FCAR Owner Trust (''FCAR'') and are available only for repayment of asset-backed commercial paper issued by FCAR and other securitization investors and other participants. These receivables are not available to pay our obligations or the claims of our creditors.

(b) At December 31, 2003, includes approximately $800 million of wholesale receivables and $100 million of other receivables with dealers that are reported as consolidated subsidiaries of Ford effective July 1, 2003. These receivables generally are not guaranteed by Ford.

(c) Excludes certain leases that are not financial instruments of $7,965 million and $7,919 million at December 31, 2003 and 2002, respectively.

The fair value of most finance receivables is calculated by discounting future cash flows using an estimated discount rate that reflects the current credit, interest rate and prepayment risks

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 3. FINANCE RECEIVABLES — Continued

associated with similar types of instruments. For receivables with short maturities, the book value approximates fair value.

At December 31, 2003, finance receivables included $936 million owed by three customers with the largest receivables balances.

The contractual maturities of total finance receivables outstanding at December 31, 2003, net of unearned income, were as follows (excludes $525 million related to SFAS No. 133 fair value adjustments included in Retail):

	Due in Year Ending December 31,			Due After	
	2004	2005	2006	2006	Total
			(in millions)		
Retail	$36,258	$22,311	$12,176	$ 8,745	$ 79,490
Wholesale	21,746	608	251	13	22,618
Other	4,137	747	577	3,200	8,661
Total	$62,141	$23,666	$13,004	$11,958	$110,769

It is our experience that a substantial portion of finance receivables are repaid before contractual maturity dates. The above table, therefore, is not to be regarded as a forecast of future cash collections.

The aggregate receivables balances related to accounts past due more than 60 days at December 31 were as follows:

	2003	2002
	(in millions)	
Retail	$1,046	$1,091
Wholesale	186	211
Other	69	66
Total	$1,301	$1,368

Included in retail receivables are investments in direct financing leases related to the leasing of motor vehicles:

	2003	2002
	(in millions)	
Investment in direct financing leases:		
Minimum lease rentals to be received	$4,874	$5,153
Estimated residual values	4,017	3,689
Less: Unearned income	(896)	(988)
Origination costs	46	44
Less: Allowance for credit losses	(128)	(72)
Net investment in direct financing leases	$7,913	$7,826

Minimum direct financing lease rentals for each of the five succeeding years are as follows (in millions): 2004 — $1,930; 2005 — $1,468; 2006 — $1,009; 2007 — $368; 2008 — $95; thereafter — $4.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 4. NET INVESTMENT IN OPERATING LEASES

Operating leases at December 31 were as follows:

	2003	2002
	(in millions)	
Investment in operating leases:		
Vehicles, at cost	$33,419	$42,888
Lease initial direct costs	141	158
Less: Accumulated depreciation	(9,772)	(11,182)
Allowance for credit losses	(624)	(561)
Net investment in operating leases	$23,164	$31,303

Future minimum rentals on operating leases are as follows (in millions): 2004 — $5,806; 2005 — $3,946; 2006 — $2,041; 2007 — $572; 2008 — $143.

NOTE 5. ALLOWANCE FOR CREDIT LOSSES

Following is an analysis of the allowance for credit losses related to finance receivables and operating leases for the years ended December 31:

	2003	2002	2001
		(in millions)	
Balance, beginning of year	$3,173	$2,755	$1,635
Provision charged to operations	1,998	2,971	3,351
Deductions			
Losses	2,538	2,848	2,483
Recoveries	(494)	(486)	(374)
Net losses	2,044	2,362	2,109
Other changes, principally amounts related to finance receivables sold and translation adjustments	121	191	122
Net deductions	2,165	2,553	2,231
Balance, end of year	$3,006	$3,173	$2,755

NOTE 6. SALES OF RECEIVABLES

Servicing Portfolio

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

	Retail	Wholesale	Total
		(in millions)	
Servicing portfolio at December 31, 2001	$ 41,312	$17,436	$ 58,748
2002 activity:			
Receivables sales	38,857	1,855	40,712
(Collections) / net financings	(26,277)	3,163	(23,114)
Servicing portfolio at December 31, 2002	$ 53,892	$22,454	$ 76,346
2003 activity:			
Receivables sales	21,321	—	21,321
Collections and re-acquired receivables	(38,757)	(2,205)	(40,962)
Servicing portfolio at December 31, 2003	$ 36,456	$20,249	$ 56,705

NOTE 6. SALES OF RECEIVABLES — Continued

Retained Interest

Components of retained interest in securitized assets for the years ended December 31 include:

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

Most of the retained interest in sold wholesale receivables ($8.0 billion and $11.4 billion at December 31, 2003 and December 31, 2002, respectively) represents our undivided interest in wholesale receivables that are available to support the issuance of additional securities by a securitization entity; the balance represents credit enhancements. Interest only strips represent the present value of monthly collections on the sold finance receivables in excess of amounts needed by the SPE (securitization trust) to pay principal and interest to investors and servicing fees that will be realized by us. Investments in subordinated securities and restricted cash are senior to interest only strips for credit enhancement purposes.

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

Investment and Other Income

The following table summarizes the activity related to off-balance sheet sales of receivables reported in investment and other income for the years ended December 31:

	2003	2002	2001
		(in millions)	
Net gain on sales of receivables	$ 436	$ 529	$ 412
Servicing fees	677	700	456
Interest income on sold wholesale receivables and retained securities	679	606	379
Excess spread and other	973	775	186
Total investment income related to sales of receivables	$2,765	$2,610	$1,433

For the year ended December 31, 2003, we utilized certain point-of-sale assumptions in our retail transactions, which included a discount rate of 12%, a prepayment speed of 1.0% to 1.5% (which represents expected payments earlier than scheduled maturity dates) and credit losses of 1.4% to 4.9% over the life of sold receivables. These assumptions do not include those utilized by Triad Financial Corporation (''Triad''), our subsidiary, which offers non-prime financing through dealers to consumers. For the year ended December 31, 2003, Triad utilized certain point-of-sale assumptions, which included a discount rate of 16%, a prepayment speed of 1.6% to 1.7% and credit losses of 13% to 14% over the life of sold receivables.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 6. SALES OF RECEIVABLES — Continued

Cash Flow

The following table summarizes the cash flow movements between us and the transferees for the years ended December 31:

	2003	2002	2001
		(in millions)	
Proceeds from sales of retail receivables	$17,539	$32,843	$28,562
Proceeds from revolving-period securitizations	2,610	3,629	2,790
Proceeds from sales of wholesale receivables	966	4,817	8,486
Proceeds from sales of retained notes and certificates	—	—	993
Total proceeds from sales of receivables	$21,115	$41,289	$40,831
Cash flows related to retained interests			
Retail receivables	$ 985	$ 2,489	$ 1,511
Wholesale receivables	1,140	(7,829)	4,137
Total principal	$ 2,125	$(5,340)	$ 5,648
Servicing fees			
Retail	$ 468	$ 475	$ 333
Wholesale	209	225	123
Total servicing fees	$ 677	$ 700	$ 456
Interest income and excess spread			
Retail	$ 735	$ 505	$ 205
Wholesale	810	645	396
Total interest income and excess spread	$ 1,545	$ 1,150	$ 601
Repurchased retail receivables	$ (193)	$ (340)	$ (224)

Other Disclosures

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

	Assumption Percentage	Impact on Fair Value Based on Adverse Change	
		10% Change	20% Change
	(annual rate)	(in millions)	
Cash flow discount rate	12.0% - 16.0%	$(13)	$ (26)
Estimated net credit loss rate	1.0% - 14.0%	(65)	(132)
Prepayment speed	1.0% - 2.0%	(35)	(70)

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

Outstanding delinquencies over 30 days on our securitized portfolio were $957 million and $1,297 million at December 31, 2003 and 2002, respectively. Credit losses, net of recoveries, were $677 million and $454 million for the years ended December 31, 2003 and 2002, respectively. Expected static pool credit losses related to outstanding securitized retail receivables were 2.35% at December 31, 2003, excluding Triad. To calculate the static pool credit losses, actual and projected future credit losses are added together and divided by the original balance of each pool of assets.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 6. SALES OF RECEIVABLES — Continued

FCAR Owner Trust

We use a special purpose trust, FCAR, as a source of funds for our operations. FCAR's activities are limited to issuing asset-backed commercial paper and other securities, borrowings from banks, and buying highly-rated asset-backed securities issued by securitization SPEs sponsored by us.

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

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

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

NOTE 7. VARIABLE INTEREST ENTITIES

In January 2003, the Financial Accounting Standards Board (''FASB'') issued Interpretation No. 46 (''FIN 46''), *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51,* which expands upon and strengthens existing accounting guidance concerning when a company should include in its financial statement the assets, liabilities and activities of another entity. VIEs do not share economic risk and rewards through typical equity ownership arrangements; instead, contractual or other relationships re-distribute economic risks and rewards among equity holders and other parties. Once an entity is determined to be a VIE, the party with the controlling financial interest, the primary beneficiary, is required to consolidate it. FIN 46 also requires disclosures about VIEs that the company is not required to consolidate but of which it has a significant variable interest. Effective July 1, 2003, we adopted FIN 46 for VIEs formed prior to February 1, 2003. Our adoption, on December 15, 2003, of the Revised Interpretation (''FIN46-R'') did not impact our financial reporting.

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

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 7. VARIABLE INTEREST ENTITIES — Continued

FCAR is also considered a VIE under FIN 46-R. Refer to Note 6 for further description of FCAR.

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

NOTE 8. OTHER ASSETS AND OTHER LIABILITIES AND DEFERRED INCOME

Other assets at December 31 were as follows:

	2003	2002
	(in millions)	
Deferred charges and other assets	$1,672	$1,791
Prepaid reinsurance premiums and other reinsurance receivables	1,516	1,644
Investment in used vehicles held for resale, at estimated fair value	1,161	1,502
Collateral held for resale	796	1,040
Property and equipment, net of accumulated depreciation of $286 in 2003 and $213 in 2002	385	397
Total other assets	$5,530	$6,374

Other liabilities and deferred income at December 31 were as follows:

	2003	2002
	(in millions)	
Interest payable	$2,526	$2,232
Deferred income and other liabilities	1,863	2,614
Unearned premiums	1,646	1,800
Post retirement health care obligation	498	463
Total other liabilities and deferred income	$6,533	$7,109

NOTE 9. DEBT

Debt at December 31 was as follows:

	Average Contractual (a) Interest Rates		Weighted-Average (b) Interest Rates			
	2003	2002	2003	2002	2003	2002
					(in millions)	
Short-term debt						
Commercial paper	1.93%	2.84%			$ 6,095	$ 8,180
Asset-backed commercial paper(c)	1.19%	—			8,984	—
Floating rate demand notes	2.80%	3.39%			7,328	5,079
Other short-term debt(d)	3.05%	6.96%			2,290	2,931
Total short-term debt	2.02%	3.75%	2.29%	4.32%	24,697	16,190

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 9. DEBT — Continued

	Average Contractual (a) Interest Rates		Weighted-Average (b) Interest Rates			
	2003	2002	2003	2002	2003	2002
					(in millions)	
Long-term debt						
Senior indebtedness						
Notes payable within one year (e)					29,534	22,841
Notes payable after one year (f)					95,474	101,299
Unamortized discount					(53)	(71)
Total long-term debt (g)	5.84%	5.61%	4.27%	4.76%	124,955	124,069
Total debt	5.15%	5.38%	3.91%	4.70%	$149,652	$140,259
Estimated fair value of debt						
Net short-term debt subject to fair value					$ 24,697	$ 16,190
Short-term debt fair value					24,697	16,190
Net long-term debt subject to fair value (h)					120,265	117,829
Long-term debt fair value					128,244	121,052
Total estimated fair value of debt					152,941	137,242
Interest rate characteristics of debt payable after one year (i)						
Fixed interest rates					$ 83,120	$ 84,953
Variable interest rates (generally based on LIBOR or other short-term rates)					12,301	16,275
Total payable after one year					$ 95,421	$101,228

(a) Fourth quarter average contractual interest rates excluding the effect of interest rate swap agreements.

(b) Fourth quarter rates including the effect of interest rate swap agreements.

(c) Amounts represent asset-backed commercial paper issued by FCAR which is payable solely out of collections on the receivables supporting FCAR's assets and is not our legal obligation.

(d) Includes $54 million and $520 million with affiliated companies at December 31, 2003 and 2002, respectively.

(e) Includes $2 million and $645 million with affiliated companies at December 31, 2003 and 2002, respectively.

(f) Includes $133 million and $208 million with affiliated companies at December 31, 2003 and 2002, respectively. Also, includes $324 million of subordinated debt related to FCAR which is payable solely out of collections on the receivables supporting FCAR's assets and is not our legal obligation.

(g) The average contractual and weighted-average interest rates for total long-term debt represent the rates for both notes payable within one year and notes payable after one year.

(h) Excludes adjustments related to SFAS No. 133 of $4,690 million and $6,240 million at December 31, 2003 and 2002, respectively.

(i) Excludes the effect of interest rate swap agreements.

Debt consists of short-term and long-term unsecured debt, placed directly by us or through securities dealers or underwriters, and bank borrowings. We consider any debt with an original

NOTE 9. DEBT — Continued

maturity of 12 months or less to be short-term debt. We have commercial paper programs in the United States, Europe, Canada and other international markets, with sales mostly to qualified institutional investors. We also obtain short-term funding from the sale of demand notes to retail investors through our floating rate demand notes program. FCE Bank plc (''FCE'') also issues certificates of deposit primarily to a broad range of institutional investors in various markets to obtain short-term funding. Bank borrowings by several of our international affiliates in the ordinary course of business are an additional source of short-term funding.

We obtain long-term debt funding through the issuance of a variety of debt securities in the United States and international capital markets. Long-term debt is debt with an original maturity of more than 12 months. We use several long-term funding programs, including notes offered with a variety of maturities of two years and longer, and medium-term notes sold through sales agents in smaller amounts in various currencies. We reach both retail and institutional investors in our long-term funding programs. We access retail investors in the United States through our Continuously Offered Bonds for Retail Accounts program. We launched the Term Bonds in Retail Distribution program in Canada in December 2002 and expanded our Internotes retail bond offerings in select European markets during the second quarter of 2003.

Our floating rate demand notes program consists of variable denomination floating rate demand notes issued and offered by us. Interest is accrued daily at a rate at least 1/4 point higher than the average yield for all taxable money funds as reported weekly in the Money Fund Report™ and published in the *Wall Street Journal.* The nominal interest rate as of December 31, 2003 ranged from 2.5% to 2.8% depending on the amount invested.

Our overall weighted-average effective interest rate (borrowing cost), including the effect of interest rate swap agreements, for full year 2003 and 2002 was 4.19% and 5.06%, respectively.

The average remaining maturities of our commercial paper was 42 days at December 31, 2003 and 34 days at December 31, 2002 for our U.S., Canada and Europe programs. Senior notes mature at various dates through 2078 (about $1.5 billion matures between 2031 and 2078). Maturities are as follows (in millions): 2004 — $29,534; 2005 — $30,265; 2006 — $19,547; 2007 — $11,260; 2008 — $6,058; thereafter — $28,291. Certain of these obligations are denominated in currencies other than the currency of the issuing country. Foreign currency swap and forward agreements are used to hedge exposure to changes in exchange rates of these obligations.

The fair value of debt is estimated based upon quoted market prices or current rates for similar debt with the same remaining maturities. For short-term debt, the book value approximates fair value because of the short maturities of these instruments.

NOTE 10. DISCONTINUED AND HELD-FOR-SALE OPERATIONS

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

During the fourth quarter of 2003, management committed to a plan to sell AMI Leasing and Fleet Management Services, our operation in the U.S. that offers full service car and truck leasing. We expect to complete the sale of this business during 2004 and have reported this business as held-for-sale under Statement of Financial Accounting Standards No. 144 (''SFAS No. 144''), *Accounting for the Impairment or Disposal of Long-lived Assets,* for all periods shown. We recognized an after-tax charge of $55 million in 2003 on the anticipated loss on sale of these assets, reflected in loss on disposal of discontinued/held-for-sale operations. This amount represents the difference

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 10. DISCONTINUED AND HELD-FOR-SALE OPERATIONS — Continued

between the anticipated selling price of these assets, less costs to sell them, and their recorded book value.

The operating results of the discontinued/held-for-sale operations are as follows:

	2003	2002	2001
		(in millions)	
Total financing margin and revenue	$95	$293	$254
Income before income taxes	$ 4	$ 41	$ 14
Provision for income taxes	1	8	5
Income from discontinued/held-for-sale operations	$ 3	$ 33	$ 9

NOTE 11. SUPPORT FACILITIES

For additional funding and to maintain liquidity, we and our majority-owned subsidiaries including FCE have contractually committed credit facilities with financial institutions that totaled approximately $7.7 billion at December 31, 2003 (including $3.3 billion and $3.2 billion of global credit facilities at Ford Credit and FCE, respectively, and $1.2 billion of non-global credit facilities with varying terms and conditions that support local financing needs). Approximately $1.0 billion of our total facilities were in use at December 31, 2003. Of the $7.7 billion, about 47% of these facilities, which have various maturity dates, are committed through June 30, 2008. Our global credit facilities may be used, at our option by any of our direct or indirect majority-owned subsidiaries. FCE's global credit facilities may be used at its option by any of its direct or indirect majority-owned subsidiaries. We or FCE, as the case may be, will guarantee any such borrowings. All of the global credit facilities are on common contract terms and are free of material adverse change clauses and restrictive financial covenants (for example, debt-to-equity limitations, minimum net worth requirements and credit rating triggers) that would limit our ability to borrow.

At Ford's option, approximately $6.8 billion of Ford's global lines of credit may be used by any of its direct or indirect majority-owned subsidiaries on a guaranteed basis. Ford also has the ability to transfer, on a non-guaranteed basis, $2.5 billion of such credit lines to us and $543 million to FCE.

Additionally, banks provide $18.6 billion of contractually committed liquidity facilities supporting two asset-backed commercial paper programs; $18.2 billion support FCAR and $425 million support our Motown Notes℠ program as of December 31, 2003.

In addition, we have entered into agreements with several bank-sponsored, asset-backed commercial paper issuers under which such issuers are contractually committed to purchase from us, at our option, up to an aggregate of approximately $12.8 billion of receivables. The agreements have varying maturity dates between June 24, 2004 and October 29, 2004. As of December 31, 2003, approximately $4.4 billion of these commitments have been utilized.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 12. INCOME TAXES

Ford's consolidated United States federal and state income tax returns include us and certain of our domestic subsidiaries. In accordance with our intercompany tax sharing agreement with Ford, United States income tax liabilities or credits are allocated to us generally on a separate return basis. The provision for income taxes was estimated as follows:

	2003	2002	2001
		(in millions)	
Currently payable			
U.S. federal	$ —	$ —	$ —
Foreign	198	132	184
State and local	21	—	—
Total currently payable	219	132	184
Deferred tax liability			
U.S. federal	683	436	416
Foreign	118	85	44
State and local	144	77	19
Total deferred	945	598	479
Total provision	$1,164	$730	$663

A reconciliation of the provision for income taxes with the United States statutory tax rate as a percentage of income before income taxes, excluding equity in net income of affiliated companies, minority interest in net income of a joint venture and discontinued/held-for-sale operations, for the last three years is shown below:

	2003	2002	2001
U.S. statutory tax rate	35.0%	35.0%	35.0%
Effect of (in percentage points):			
Taxes attributable to foreign source income	—	—	7.2
State and local income taxes	3.5	2.5	2.2
Investment income not subject to tax or subject to tax at reduced rates	(0.2)	(0.3)	(0.5)
Other	0.1	(0.1)	0.5
Effective tax rate	38.4%	37.1%	44.4%

In 2001, included in taxes attributable to foreign source income was the write-off of deferred tax assets related to strategic partnering actions in Brazil.

Deferred tax assets and liabilities reflect the estimated tax effect of accumulated temporary differences between assets and liabilities for financial reporting purposes and those amounts as

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 12. INCOME TAXES — Continued

measured by tax laws and regulations. The components of deferred tax assets and liabilities at December 31 were as follows:

	2003	2002
	(in millions)	
Deferred tax assets		
Net operating losses and foreign tax credits	$ 3,513	$ 5,000
Provision for credit losses	1,909	1,871
Alternative minimum tax	313	309
Employee benefit plans	206	188
Other	134	80
Total deferred tax assets	6,075	7,448
Deferred tax liabilities		
Leasing transactions	7,965	8,600
Finance receivables	2,953	2,837
Sales of receivables	1,040	820
Purchased tax benefits	250	255
Other	201	331
Total deferred tax liabilities	12,409	12,843
Net deferred tax liabilities	$ 6,334	$ 5,395

We have an intercompany tax sharing agreement with Ford. Under this agreement, United States income tax liabilities or credits are allocated to us, generally on a separate return basis. In this regard, the deferred tax assets related to net operating losses and foreign tax credits represent amounts primarily due from Ford.

NOTE 13. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

We, and certain of our subsidiaries, provide selected health care and life insurance benefits for retired salaried employees under unfunded plans sponsored by Ford and certain of its subsidiaries. Our U.S. and Canadian salaried employees may become eligible for those benefits if they retire while working for us; however, benefits and eligibility rules may be modified from time to time. The estimated cost for post-retirement health care benefits is accrued on an actuarial basis over the period of employee's service.

Increasing the assumed health care cost trend rate by one percentage point is estimated to increase the aggregate service and interest cost components of net post-retirement benefit expense for 2003 by about $6 million and the accumulated post-retirement benefit obligation at December 31, 2003 by about $70 million. A decrease of one percentage point would reduce service and interest costs by about $5 million and decrease the December 31, 2003 post-retirement benefit obligation by about $60 million.

On December 8, 2003, the U.S. President signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The law provides for a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit at least actuarially equivalent to the benefit established by the law. We provide retiree drug benefits that exceed the value of the benefits that will be provided by Medicare Part D, and our retirees' out-of-pocket costs are less than they would be under Medicare Part D. Therefore, we have concluded that our plan is at least ''actuarially equivalent'' to the Medicare Part D plan and that we will be eligible for the subsidy. We have reflected the impact of the subsidy as an unrecognized gain, which reduced our benefit obligation by $35 million at December 31, 2003. Final authoritative guidance, when issued by the FASB, could require us to re-determine the impact of this legislation.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 13. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS — Continued

Net post-retirement benefit expense for U.S. and Canadian salaried employees included the following as of January 1:

	2003	2002	2001
		(in millions)	
Costs recognized in income			
Service cost	$ 26	$ 20	$ 19
Interest cost	33	30	33
Curtailments	—	—	5
Amortization of prior service cost	(19)	(17)	(7)
Amortization of losses	10	7	2
Net post-retirement benefit expense	$ 50	$ 40	$ 52
Discount rate for expense	6.75%	7.25%	7.50%

The status of these plans were as follows for the years ended December 31:

	2003	2002
	(in millions)	
Change in benefit obligation		
Benefit obligation at January 1	$ 490	$ 417
Service cost	26	20
Interest cost	33	30
Amendments	(4)	(15)
Plan participant contributions	1	1
Benefits paid	(19)	(17)
Actuarial (gain)/loss	(62)	54
Benefit obligation at December 31	$ 465	$ 490
Status of plan		
Projected benefit obligation	$(465)	$(490)
Unamortized prior service cost	(93)	(107)
Unamortized net losses	69	143
Net amount recognized	$(489)	$(454)
Amounts recognized in the Balance Sheet consist of:		
Accrued liabilities	$(489)	$(454)
Assumptions as of December 31		
Discount rate	6.25%	6.75%
Initial health care cost trend rate	9%	11%
Ultimate health care cost trend rate	5%	5%
Year ultimate trend rate is reached	2010	2008

NOTE 14. TRANSACTIONS WITH AFFILIATED COMPANIES

An agreement with Ford provides for payments by Ford to us that would maintain our consolidated income before income taxes and net income at specified minimum levels. No payments were made under the agreement during 2003, 2002, or 2001. We formally documented our long-standing business practices with Ford in an Agreement dated October 18, 2001, a copy of which was filed with the SEC on that date. Identified below are transactions that we undertook with Ford (and other affiliates) within the framework of the Agreement.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 14. TRANSACTIONS WITH AFFILIATED COMPANIES — Continued

Income Statement

The effect of transactions with affiliated companies included in our income statement were as follows for the years ended December 31:

	2003	2002	2001
		(In millions)	
Interest supplements and other support costs earned from Ford and other affiliates (a)	$3,517	$3,658	$4,125
Earned insurance premiums ceded to a Ford-owned affiliate	(643)	(618)	(581)
Loss and loss adjustment expenses recovered from a Ford-owned affiliate	378	378	339
Interest income earned from tax sharing agreement with Ford (b)	89	130	140
Cost of Ford provided advice and services (c)	(172)	(115)	(136)
Interest expense on debt with Ford and affiliated companies	(58)	(76)	(114)
Interest income earned on loans to Ford and affiliates	23	34	49
Employee retirement plan costs allocated to Ford Credit from Ford (d)	25	—	(1)
Interest income earned on receivables with Ford-owned dealers (e)	3	—	—

(a) We charge Ford for interest supplements and other support costs as they are earned and are recorded in financing revenue. In addition to the amounts shown above, we received about $1.2 billion in 2003, $1.0 billion in 2002, and $0.7 billion in 2001, related to receivables that were sold in securitizations or whole-loan sale transactions. These payments are reflected, on a present value basis, as a receivable on our balance sheet at the time the receivables are sold. Present value accretion is recognized in investment and other income related to sales of receivables. At December 31, 2003, in the United States and Canada, approximately $4.1 billion of interest supplements were accrued by Ford and will be received by us over the terms of the related finance contracts.

(b) We and Ford revised our intercompany tax sharing agreement in 1997 effective for years ended after December 31, 1994. We recorded a deferred tax asset for amounts due from Ford under the revised agreement. Ford compensates us for the temporary use of these funds. The interest income earned by us is included in other income.

(c) We receive technical and administrative advice and services from Ford and its subsidiaries, occupy office space furnished by Ford and its subsidiaries and utilize data processing facilities maintained by Ford. The costs for such advice and services are charged to operating expenses.

(d) Retirement benefits are provided under defined benefit plans for our employees and our subsidiaries in the United States by the Ford General Retirement Plan and for employees of certain foreign subsidiaries by other Ford retirement plans. Employee retirement plan costs allocated to us and our subsidiaries from Ford are charged to operating expenses.

(e) Certain dealers are reported as consolidated subsidiaries of Ford effective July 1, 2003. Revenue from providing financing to these dealers is included in financing revenue.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 14. TRANSACTIONS WITH AFFILIATED COMPANIES — Continued

Balance Sheet

The effect of transactions with affiliated companies included in our balance sheet were as follows at December 31:

	2003	2002
	(in millions)	
Receivables purchased from certain divisions and subsidiaries of Ford (a)	$2,917	$ 2,466
Investment in vehicles leased to employees of Ford and other affiliates (b)	939	989
Outstanding loans to Ford and other affiliates	344	623
Outstanding loans from Ford and other affiliates	(189)	(1,373)
Fair values of vehicles held for resale that were purchased from Ford and its subsidiaries (c)	1,161	1,502
Receivables with Ford-owned dealers (d)	920	—

Additionally, Ford and other affiliates provide guarantees to us and our subsidiaries of $133 million and $347 million at December 31, 2003 and 2002, respectively, for certain finance receivables.

(a) We purchase certain receivables generated by divisions and affiliates of Ford, primarily in connection with the delivery of vehicle inventories from Ford vehicle assembly plants in the United States to dealers and the sale of parts and accessories by Ford to dealers. These receivables are included in net finance receivables.

(b) We have entered into a sale-leaseback agreement with Ford for vehicles leased to employees of Ford and its subsidiaries. The net investment in these vehicles is included in operating leases.

(c) We purchase from Ford and its affiliates certain vehicles that were previously acquired by Ford principally from its fleet and rental car customers. The fair values of these vehicles held for resale are included in other assets.

(d) Certain dealers are reported as consolidated subsidiaries of Ford effective July 1, 2003. Receivables from these dealers are included in net finance receivables.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Various legal actions, governmental investigations and other proceedings and claims relating to state and federal laws concerning finance and insurance, employment-related matters and other contractual relationships are pending or may be instituted or asserted in the future against us and our subsidiaries. Some of these matters are class actions or seeking class action status. Some of these matters may involve compensatory, punitive or treble damage claims and attorneys' fees in very large amounts, or other relief which, if granted, would require very large expenditures.

Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance and it is reasonably possible that some of the foregoing matters could be decided unfavorably to us or the subsidiary involved. Although the amount of liability at December 31, 2003 with respect to these matters cannot be ascertained, we believe that any resulting liability should not materially affect our and our subsidiaries consolidated financial position or results of operations.

Certain subsidiaries are subject to regulatory capital requirements requiring maintenance of certain minimum capital levels that limit the abilities of the subsidiaries to pay dividends.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 15. COMMITMENTS AND CONTINGENCIES — Continued

At December 31, 2003, we had the following minimum rental commitments under non-cancelable operating leases (in millions): 2004 — $92; 2005 — $74; 2006 — $60; 2007 — $32; 2008 — $25; thereafter — $26. These amounts include rental commitments for certain land, buildings, machinery and equipment. Our rental expense was $108 million for the period ended December 31, 2003.

Guarantees

On November 26, 2002, the FASB issued Interpretation No. 45 (''FIN 45''), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* FIN 45 clarifies the requirements of SFAS No. 5, *Accounting for Contingencies,* related to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. For certain guarantees issued after December 31, 2002, FIN 45 requires a guarantor to recognize, upon issuance of a guarantee, a liability for the fair value of the obligations it assumes under the guarantee. During 2003, we issued new guarantees and indemnifications, which are included in the disclosures below and are recorded in the financial statements at amounts that were not material. Guarantees issued prior to January 1, 2003 are not subject to liability recognition but are subject to expanded disclosure requirements.

At December 31, 2003, the following guarantees and indemnifications were issued and outstanding:

Guarantees of certain obligations of unconsolidated and other affiliates: In some cases, we have guaranteed debt and other financial obligations of unconsolidated affiliates, including joint ventures and Ford. Expiration dates vary or guarantees will terminate on payment or cancellation of the obligation. A payment under these guarantees would be triggered by failure of the guaranteed party to fulfill its guaranteed obligations. Generally, we are entitled to collect from the guaranteed party amounts it would have to pay pursuant to a guarantee. However, our ability to collect these amounts is sometimes deferred until the third party is paid in full. The maximum potential future payment under these guarantees is approximately $129 million.

Indemnifications: In the ordinary course of business, we execute contracts that include indemnifications typical in the industry, which are related to several types of transactions, such as debt funding, derivatives, the sale of receivables and the sale of businesses. These indemnifications might include any of the following matters: intellectual property and privacy rights; governmental regulations and employment-related issues; dealer, supplier, and other commercial contractual relationships; financial status; tax related issues; securities law; and environmental related issues. Performance under these indemnities would generally be triggered by breach of terms of a contract or by a third party claim. We regularly evaluate the probability of having to incur costs for others and appropriately accrued for expected losses that are probable. We are party to numerous indemnifications and many of these indemnities do not limit potential payments; therefore, we are unable to estimate a maximum potential amount of future payments that could result from claims made under these indemnities.

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS

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

To protect our operations from global market risks, including the effects of changes in foreign currency exchange rates and interest rates we use various financial instruments, commonly referred to as derivatives. We have elected to apply hedge accounting to a portion of these derivatives. To qualify for hedge accounting treatment, each derivative is designated as a hedge at inception and evaluated for effectiveness throughout the hedge period. We have thorough hedge documentation,

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS — Continued

which outlines our hedging policy and practices. Some derivatives either do not qualify for hedge accounting under SFAS No. 133 or we elect not to apply hedge accounting and report the mark to fair value in earnings. Regardless of hedge accounting treatment, we only enter into transactions with a high correlation with the underlying risk. Our interest rate risk management objective is to maximize our financing income while limiting the effect of changes in interest rates. We achieve this objective by setting an established risk tolerance range and staying within the tolerance through our risk management process. Our hedging program adheres to a strict risk management policy and the program is reviewed on a regular basis by our management. We do not engage in any trading or market-making.

Nature of Exposure

Currency Exchange Rate Risk

We face exposure to currency exchange rates if a mismatch exists between the currency of our receivables and the currency of the debt funding those receivables. When possible, we fund receivables with debt in the same currency, minimizing exposure to exchange rate movements. When funding is in a different currency, we execute the following foreign currency derivatives to convert substantially all of our foreign currency debt obligations to the currency of the receivables:

- Cross-currency swaps — an agreement to convert non-U.S. dollar long-term debt to U.S. dollar denominated payments or non-local market debt to local market debt for our international affiliates; or

- Foreign currency forwards — an agreement to buy or sell an amount of funds in an agreed currency at a certain time in the future for a certain price.

Interest Rate Risk

Re-pricing risk arises when assets and the related debt have different re-pricing periods, and consequently, respond differently to changes in interest rates. The financial instruments used in our interest rate risk management process are called interest rate swaps.

- Interest rate swaps — an agreement to convert fixed-rate interest payments to floating or floating-rate interest payments to fixed.

Net Investment in Foreign Operations

We use foreign currency forward exchange contracts and options to hedge the net assets of certain foreign entities to offset the translation and economic exposures related to our investment in these entities.

Balance Sheet Impact

The fair value of derivatives reflects the price that a third party would be willing to pay or receive in an arm's length transaction and includes mark-to-market adjustments to reflect the effect of changes in interest rates, accrued interest, and for derivatives with a foreign currency component, a revaluation adjustment. The following table summarizes the estimated net fair value of Ford Credit's derivative financial instruments, taking into consideration the effects of legally enforceable netting

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS — Continued

agreements, which allow us to settle positive and negative positions with the same counterparty on a net basis, at December 31:

	2003			2002		
	Notional (in billions)	Fair Value Assets (in millions)	Fair Value Liabilities (in millions)	Notional (in billions)	Fair Value Assets (in millions)	Fair Value Liabilities (in millions)
Foreign currency swaps	$ 29	$6,257	$1,119	$ 30	$3,653	$819
Interest rate swaps	155	3,930	213	169	5,081	341
Foreign currency forwards and options	8	24	—	9	19	—
Impact of netting agreements	—	(345)	(345)	—	(388)	(388)
Total derivative financial instruments	$192	$9,866	$ 987	$208	$8,365	$772

In 2003, the increase in the fair value of derivative assets compared with 2002, primarily reflects the strengthening of the euro against the dollar, which increases the value of receive euro/pay US dollar cross currency swaps.

Income Statement Impact

Changes in derivative fair values are recognized in current earnings or accumulated other comprehensive income depending on whether the derivative has been designated and qualifies for hedge accounting and if so, the type of hedge designation.

Cash Flow Hedges

Changes in the fair value of derivatives designated as cash flow hedges are included in other comprehensive income/(loss), a component of stockholder's equity, and are reclassified to earnings at the time the associated hedged transaction affects net income. The impact to earnings from hedge ineffectiveness was a gain of $3 million in 2003, and a gain of $1 million in 2002, which was recorded in other income. In assessing hedge effectiveness for cash flow hedges related to interest rates, we use the variability of cash flows method and exclude accrued interest. Net interest settlements and accruals excluded from the assessment of hedge effectiveness were expenses of $482 million in 2003 and $765 million in 2002 and were recorded in interest expense. While net interest settlements and accruals are excluded from our hedge effectiveness testing, they are included in evaluating our overall risk management objective to maximize our financing income while limiting the effect of changes in interest rates.

We expect to reclassify losses of approximately $162 million ($112 million after tax) from stockholder's equity to net income during the next twelve months. Events that may cause reclassification of amounts from other comprehensive income to net income include changes in interest rates, interest settlements on the associated hedged transaction, and initiation or discontinuation of cash flow hedge accounting. Consistent with our comprehensive risk-management practices, neither these nor future reclassifications are anticipated to have a material effect on net income.

Our designated cash flow hedges include hedges of revolving commercial paper balances. At December 31, 2003, the maximum length of time over which forecasted transactions are hedged is 30 months.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS — Continued

Fair Value Hedges

Changes in the fair value of derivatives designated as fair value hedges, along with the changes in the fair value of the underlying hedged exposure, are recognized in income. The impact to earnings from hedge ineffectiveness was a gain of $255 million in 2003 and a charge of $193 million in 2002, which was recorded in other income. In assessing hedge effectiveness, we exclude certain components, representing accrued interest on the receive and pay legs of the swap. Net interest settlements and accruals reflecting income of $1,830 million in 2003 and $1,534 million in 2002 were recorded as a reduction in interest expense. We also exclude from the assessment of hedge effectiveness foreign exchange adjustments, representing the portion of the derivative's fair value attributable to the change in foreign currency exchange rates for the reporting period, which were favorable adjustments totaling $1,325 million in 2003 and $1,471 million in 2002 and were recorded in other income. While net interest settlements and accruals and foreign currency adjustments are excluded from our hedge effectiveness testing, they are included in evaluating our overall risk management objective to offset the economic impact of changes in interest rates and foreign currency exchange rates. The favorable adjustments related to foreign currency derivatives reported above were offset by net unfavorable revaluation impacts on debt denominated in a currency other than the location's functional currency, which was also recorded in other income.

Net Investment Hedges

We use foreign currency forward exchange contracts and options to hedge the net assets of certain foreign entities to offset the translation and economic exposures related to our investment in these entities. Changes in the value of these derivative instruments are included in other comprehensive income as a foreign currency translation adjustment. Ineffectiveness, which is recognized in other income, was a loss of $17 million in 2003 and an amount that was not significant in 2002.

Other Derivative Instruments

In accordance with our corporate risk management policies, we use derivative instruments, such as swaps and forward contracts that economically hedge certain exposures (foreign currency and interest rates). In certain instances, these economic hedges do not qualify for hedge accounting treatment or we elect not to apply hedge accounting. For non-designated hedges, this resulted in reflecting unrealized gains and losses from the effect of changes in interest rates currently in earnings, which was a gain of $58 million in 2003 and was a loss of $33 million in 2002. In addition, net interest settlements and accruals related to non-designated swaps resulted in income of $105 million in 2003 and expense of $251 million in 2002. These net interest settlement and accrual amounts were included in evaluating our overall risk management objective to maximize our financing income while limiting the effect of changes in interest rates. Unrealized and realized gains and losses related to certain non-designated foreign currency derivatives that economically hedge a foreign currency exposure resulted in favorable adjustments totaling $1,890 million in 2003 and $1,554 million in 2002. The favorable adjustments related to our foreign currency derivatives reported above were offset by net unfavorable revaluation impacts on debt denominated in a currency other than the location's functional currency. Earnings impacts related to non-designated hedging activity are reported in other income.

NOTE 17. STOCK OPTIONS

Effective January 1, 2003, Ford adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (''SFAS No. 123''), *Accounting for Stock-Based Compensation,* for stock-based employee compensation. Under the modified prospective method of adoption selected by Ford under the provisions of Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure,* stock-based employee compensation expense recognized by Ford in 2003 is the same as that which would have been

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 17. STOCK OPTIONS — Continued

recognized had the fair value recognition provisions of SFAS No. 123 been applied to all awards from its original effective date. Results of prior years have not been restated. Certain of our employees are included in the Ford stock compensation plan and costs of this plan are allocated to us based on the total number of employees at Ford Credit that are eligible for stock options. Our employees may be allowed to transfer employment status with Ford Credit and Ford which could impact the number of our employees eligible for stock options. Employee stock option expense was $13 million for the period ended December 31, 2003 and is charged to operating expenses. The total number of shares outstanding for our employees participating in the Ford plan at December 31, 2003 was approximately 11.8 million, with a weighted average exercise price of $19.46.

The remainder of this Note, including the tables on stock option activity, option exercise price ranges, and estimated fair value of options, provides supplementary information related to Ford's stock compensation plan:

Ford has stock options outstanding under two Long-term Incentive Plans (''LTIP''), the 1990 LTIP and the 1998 LTIP. No further grants may be made under the 1990 LTIP and all outstanding options are exercisable. Grants may be made under the 1998 LTIP through April 2008. All outstanding options under the 1990 LTIP continue to be governed by the terms and conditions of the existing option agreements for those grants. Under the 1998 LTIP, 33% of the options are generally exercisable after the first anniversary of the date of grant, 66% after the second anniversary, and 100% after the third anniversary. Stock options expire ten years from the grant date and, beginning in 2003, are expensed. Additionally, Ford has outstanding performance stock rights, restricted stock units, restricted stock grants and equivalents, and stock appreciation rights.

Under the 1998 LTIP, 2% of Ford's issued common stock as of December 31 becomes available for granting plan awards in the succeeding calendar year. Any unused portion is available for later years. The limit may be increased up to 3% in any year, with a corresponding reduction in shares available for grants in future years. At December 31, 2003, the number of unused shares carried forward aggregated to 36.2 million shares.

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

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

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 17. STOCK OPTIONS — Continued

Details on various stock option exercise price ranges are as follows:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Shares (millions)	Weighted-Average Life (years)	Weighted-Average Exercise Price	Shares (millions)	Weighted-Average Exercise Price
$ 7.09 — 10.58	33.7	9.2	$ 8.10	1.2	$ 9.75
10.62 — 15.81	51.9	2.7	12.40	48.9	12.25
15.91 — 23.88	91.5	6.5	20.11	64.5	21.45
23.97 — 35.79	56.9	6.2	30.88	46.4	31.13
41.03 — 42.52	0.7	4.3	$41.42	0.7	$41.42
Total options	234.7			161.7	

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

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

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

NOTE 18. SEGMENT INFORMATION

We divide our operating segments based on geographic regions: the North America Segment and the International Segment. We measure the performance of our segments primarily on an income before income taxes basis, after excluding the impact to earnings from hedge ineffectiveness in applying SFAS No. 133, and results of discontinued/held-for-sale operations. Hedge ineffectiveness, which is included in eliminations/other, is excluded in assessing segment performance because our risk management activities are carried out on a centralized basis at the corporate level.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 18. SEGMENT INFORMATION — Continued

Key operating data for our operating segments for the years ended or at December 31 were as follows:

	Ford Credit North America	Ford Credit International	Eliminations / Other	Ford Credit Financial Statements
		(in millions)		
2003				
Revenue (a)	$19,535	$3,552	$(2,646)	$20,441
Income (b)				
Income before income taxes	2,076	657	302	3,035
Provision for income taxes	818	230	116	1,164
Income from continuing operations	1,259	427	183	1,869
Other disclosures (a)				
Depreciation on operating leases	6,452	557	—	7,009
Interest expense	5,539	1,739	(1,447)	5,831
Finance receivables (including net investment in operating leases)	141,602	42,245	(51,771)	132,076
Total assets	165,985	46,632	(33,788)	178,829
2002				
Revenue (a)	$23,007	$3,571	$(3,768)	$22,810
Income (b)				
Income before income taxes	1,665	541	(241)	1,965
Provision for income taxes	644	189	(103)	730
Income from continuing operations	1,022	351	(141)	1,232
Other disclosures (a)				
Depreciation on operating leases	7,887	548	—	8,435
Interest expense	7,418	1,502	(1,991)	6,929
Finance receivables (including net investment in operating leases)	158,307	39,249	(71,640)	125,916
Total assets	175,974	41,802	(47,607)	170,169

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 18. SEGMENT INFORMATION — Continued

	Ford Credit North America	Ford Credit International	Eliminations / Other	Ford Credit Financial Statements
		(in millions)		
2001				
Revenue (a)	$24,382	$3,578	$(3,257)	$24,703
Income (b)				
Income before income taxes	1,525	390	(421)	1,494
Provision for income taxes	568	137	(42)	663
Income from continuing operations	957	254	(381)	830
Other disclosures (a)				
Depreciation on operating leases	7,899	497	1	8,397
Interest expense	8,968	1,753	(1,799)	8,922
Finance receivables (including net investment in operating leases)	175,050	33,585	(63,529)	145,106
Total assets	183,278	34,277	(44,459)	173,096

(a) Operating segments are presented on a managed asset basis (managed assets include on-balance sheet receivables and securitized off-balance sheet receivables) for these items; therefore, eliminations/other include adjustments to reconcile to financial statement results.

(b) Eliminations/other largely reflects the impact of the net market valuation of derivative instruments and associated exposures (hedge ineffectiveness) because our risk management activities are carried out on a centralized basis at the corporate level. In addition, included in 2001 in eliminations/other are Revitalization Plan charges related to strategic partnering actions in Brazil, government initiatives in Argentina related to currency devaluation and consumer debt, and voluntary employee separation costs in North America. These items are included in eliminations/other because the decision-making related to undertaking these actions was performed at the corporate level, or because the events were outside the control of operating management. Therefore, these charges were not reflected in segment results.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 18. SEGMENT INFORMATION — Continued

Total revenue, income before income taxes, income from continuing operations, finance receivables, and assets identifiable with operations in the United States, Europe, and other foreign locations were as follows:

	2003	2002	2001
		(in millions)	
Revenue			
United States operations	$ 15,547	$ 18,052	$ 20,021
European operations	2,453	2,228	2,058
Other foreign operations	2,441	2,530	2,624
Total revenue	$ 20,441	$ 22,810	$ 24,703
Income before income taxes			
United States operations	$ 2,217	$ 1,240	$ 1,111
European operations	434	338	297
Other foreign operations	384	387	86
Total income before income taxes	$ 3,035	$ 1,965	$ 1,494
Income from continuing operations			
United States operations	$ 1,338	$ 745	$ 719
European operations	320	214	156
Other foreign operations	211	273	(45)
Total income from continuing operations	$ 1,869	$ 1,232	$ 830
Finance receivables at December 31 (including net investment in operating leases)			
United States operations	$ 88,439	$ 85,659	$107,588
European operations	28,162	24,459	19,885
Other foreign operations	15,475	15,798	17,633
Total finance receivables	$132,076	$125,916	$145,106
Assets at December 31			
United States operations	$130,302	$124,544	$130,078
European operations	31,706	28,668	25,077
Other foreign operations	16,821	16,957	17,941
Total assets	$178,829	$170,169	$173,096

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 19. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected financial data by calendar quarter were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
			(in millions)		
2003					
Total revenue	$5,522	$5,138	$4,943	$4,838	$20,441
Depreciation on operating leases	2,128	1,822	1,615	1,444	7,009
Interest expense	1,519	1,479	1,430	1,403	5,831
Total financing margin and revenue	1,875	1,837	1,898	1,991	7,601
Provision for credit losses	521	542	446	489	1,998
Income from continuing operations	442	401	503	523	1,869
2002					
Total revenue	$5,918	$5,693	$5,575	$5,624	$22,810
Depreciation on operating leases	2,140	2,093	2,069	2,133	8,435
Interest expense	1,874	1,742	1,737	1,576	6,929
Total financing margin and revenue	1,904	1,858	1,769	1,915	7,446
Provision for credit losses	891	660	711	709	2,971
Income from continuing operations	249	325	287	371	1,232

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES
CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

	For the Years Ended December 31,				
	2003	2002	2001	2000	1999
	(in millions)				
Earnings					
Income before income taxes	$3,035	$1,965	$ 1,494	$ 2,507	$2,085
Less equity in net income/(loss) of affiliated companies	12	13	5	(22)	(25)
Fixed charges	5,867	6,967	8,959	8,940	7,165
Earnings before fixed charges	$8,890	$8,919	$10,448	$11,469	$9,275
Fixed charges					
Interest expense	$5,831	$6,929	$ 8,922	$ 8,910	$7,140
Rents	36	38	37	30	25
Total fixed charges	$5,867	$6,967	$ 8,959	$ 8,940	$7,165
Ratio of earnings to fixed charges	1.52	1.28	1.17	1.28	1.29

For purposes of our ratio, earnings consist of the sum of pre-tax income from continuing operations before adjustment for minority interests in consolidated subsidiaries, less equity in net income/(loss) of affiliated companies, plus fixed charges. Fixed charges consist of interest on borrowed funds, amortization of debt discount, premium, and issuance expense, and one-third of all rental expense (the proportion deemed representative of the interest factor).

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

Re: Ford Motor Credit Company Registration Statement
Nos. 333-91953, 333-92595, 333-45015, 333-86832 and 333-107955 on Form S-3

We hereby consent to the incorporation by reference in the aforementioned Registration Statements of Ford Motor Credit Company and Subsidiaries of our report dated January 21, 2004 relating to the financial statements, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

Detroit, Michigan
March 12, 2004

Exhibit 24

FORD MOTOR CREDIT COMPANY

CERTIFICATE OF SECRETARY

The undersigned, Susan J. Thomas, Secretary of FORD MOTOR CREDIT COMPANY, a Delaware corporation (the ''Company''), DOES HEREBY CERTIFY that the following resolutions were duly adopted by the Board of Directors of the Company on March 11, 2004 at a regular meeting of the Board of Directors, and such resolutions have not been amended, modified, rescinded or revoked and are in full force and effect on the date hereof.

WITNESS my hand and the seal of the Company this 12th day of March 2004.

/s/ SUSAN J. THOMAS

Susan J. Thomas
Secretary

[Corporate Seal]

FORD MOTOR CREDIT COMPANY

RESOLUTIONS

RESOLVED, That preparation of an annual report of the Company on Form 10-K for the year 2003, including exhibits or financial statements and schedules and other documents in connection therewith (collectively, the *''Annual Report''*), to be filed with the Securities and Exchange Commission (the *''Commission''*) under the Securities Exchange Act of 1934, as amended, be and it hereby is in all respects authorized and approved; that the directors and appropriate officers of the Company, and each of them, be and hereby are authorized to sign and execute on their own behalf, or in the name and on behalf of the Company, or both, as the case may be, such Annual Report, and any and all amendments thereto, with such changes therein as such directors and officers may deem necessary, appropriate or desirable, as conclusively evidenced by their execution thereof; and that the appropriate officers of the Company, and each of them, be and hereby are authorized to cause such Annual Report and any such amendments, so executed, to be filed with the Commission.

RESOLVED, That each officer and director who may be required to sign and execute such Annual Report or any amendment thereto or document in connection therewith (whether in the name and on behalf of the Company, or as an officer or director of the Company, or otherwise), be and hereby is authorized to execute a power of attorney appointing G. C. Smith, D. P. Cosper, T. J. Kuehn, D. L. Korman, S. J. Thomas, and C. MacGillivray, and each of them, severally, his or her true and lawful attorney or attorneys to sign in his or her name, place and stead in any such capacity such Annual Report and any and all amendments thereto, and to file the same with the Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform in the name and on behalf of each of said officers and directors who shall have executed such power of attorney, every act whatsoever which such attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as such officers or directors might or could do in person.

POWER OF ATTORNEY WITH RESPECT TO

ANNUAL REPORT ON FORM 10-K OF FORD MOTOR CREDIT COMPANY

KNOW ALL MEN BY THESE PRESENTS that each person that is a director of FORD MOTOR CREDIT COMPANY, does hereby constitute and appoint G.C. Smith, D.P. Cosper, T.J. Kuehn, D.L. Korman, S.J. Thomas, and C. MacGillivray, and each of them, severally, his or her true and lawful attorney and agent at any time and from time to time to do any and all acts and things and execute, in his or her name (whether on behalf of FORD MOTOR CREDIT COMPANY, or as an officer or director of FORD MOTOR CREDIT COMPANY, or by attesting the seal of FORD MOTOR CREDIT COMPANY, or otherwise) any and all instruments which said attorney and agent may deem necessary or advisable in order to enable FORD MOTOR CREDIT COMPANY to comply with the Securities Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the Annual Report of FORD MOTOR CREDIT COMPANY on Form 10-K for the year 2003 and any and all amendments thereto, as heretofore duly authorized by the Board of Directors of FORD MOTOR CREDIT COMPANY, including specifically but without limitation thereto, power and authority to sign his name (whether on behalf of FORD MOTOR CREDIT COMPANY, or as an officer or director of FORD MOTOR CREDIT COMPANY, or by attesting the seal of FORD MOTOR CREDIT COMPANY, or otherwise) to such Annual Report and to any such amendments to be filed with the Securities and Exchange Commission, or any of the exhibits or financial statements and schedules filed therewith, and to file the same with the Securities and Exchange Commission; and such Director does hereby ratify and confirm all that said attorneys and agents, and each of them, shall do or cause to be done by virtue hereof. Any one of said attorneys and agents shall have, and may exercise, all the powers hereby conferred.

IN WITNESS WHEREOF, each of the undersigned has signed his name hereto as of the 11th day of March 2004.

/s/ MICHAEL E. BANNISTER M. E. Bannister	/s/ JOHN T. NOONE J. T. Noone
/s/ TERRY D. CHENAULT T. D. Chenault	/s/ CARL E. REICHARDT C. E. Reichardt
/s/ DAVID P. COSPER D. P. Cosper	/s/ GREGORY C. SMITH G. C. Smith
/s/ ALLAN D. GILMOUR A. D. Gilmour	/s/ RICHARD C. VAN LEEUWEN R. C. Van Leeuwen
/s/ DONAT R. LECLAIR D. R. Leclair	/s/ A.J. WAGNER A. J. Wagner
/s/ MALCOLM S. MACDONALD M. S. Macdonald	

Exhibit 31.1

CERTIFICATION

I, Gregory C. Smith, Chairman of the Board and Chief Executive Officer of Ford Motor Credit Company, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2003 of Ford Motor Credit Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

/s/ GREGORY C. SMITH

Gregory C. Smith
Chairman of the Board and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, David P. Cosper, Executive Vice President, Chief Financial Officer and Treasurer of Ford Motor Credit Company, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2003 of Ford Motor Credit Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

/s/ DAVID P. COSPER

David P. Cosper
Executive Vice President,
Chief Financial Officer and Treasurer

Exhibit 32.1

FORD MOTOR CREDIT COMPANY

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gregory C. Smith, Chairman of the Board and Chief Executive Officer of Ford Motor Credit Company (the ''Company''), hereby certify pursuant to Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of title 18 of the United States Code that:

1. the Company's Annual Report on Form 10-K for the year ended December 31, 2003, to which this statement is filed as an exhibit (the ''Report''), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GREGORY C. SMITH

Gregory C. Smith
Chairman of the Board and
Chief Executive Officer

Dated: March 12, 2004

Exhibit 32.2

FORD MOTOR CREDIT COMPANY

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David P. Cosper, Executive Vice President, Chief Financial Officer and Treasurer of Ford Motor Credit Company (the ''Company''), hereby certify pursuant to Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of title 18 of the United States Code that:

1. the Company's Annual Report on Form 10-K for the year ended December 31, 2003, to which this statement is filed as an exhibit (the ''Report''), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID P. COSPER

David P. Cosper
Executive Vice President,
Chief Financial Officer and Treasurer

Dated: March 12, 2004

Exhibit 99.1

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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004

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 1-6368

Ford Motor Credit Company

(Exact name of registrant as specified in its charter)

Delaware	**38-1612444**
(State of incorporation)	(I.R.S. employer identification no.)
One American Road, Dearborn, Michigan	**48126**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code (313) 322-3000

Indicate by check mark whether 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 ✓ No ____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes ____ No ✓

As of July 30, 2004, the registrant had outstanding 250,000 shares of Common Stock. No voting stock of the registrant is held by non-affiliates of the registrant.

REDUCED DISCLOSURE FORMAT

The registrant meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

EXHIBIT INDEX APPEARS AT PAGE 37

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The consolidated financial statements include Ford Motor Credit Company and its controlled domestic and foreign subsidiaries and joint ventures (referred to herein as ''Ford Credit'', ''we'', ''our'' or ''us''). The interim financial data presented herein are unaudited, but in the opinion of management present in all material respects the results of our operations and financial condition for the periods and at the dates presented. Results for interim periods should not be considered indicative of results for a full year. Reference should be made to the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2003 (the ''10-K Report''). We are not presenting information relating to earnings per share because we are an indirect, wholly owned subsidiary of Ford Motor Company (''Ford''). Certain amounts in prior period financial statements have been reclassified to conform to current period presentation.

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME FOR THE PERIODS ENDED JUNE 30, 2004 AND 2003 (in millions)

	Second Quarter		First Half	
	2004	2003	2004	2003
	(Unaudited)		(Unaudited)	
Financing revenue				
Operating leases	$ 1,463	$ 1,876	$ 3,023	$ 3,938
Retail	1,117	1,126	2,241	2,205
Interest supplements and other support costs earned from affiliated companies	866	855	1,672	1,739
Wholesale	223	227	462	423
Other	60	72	109	161
Total financing revenue	3,729	4,156	7,507	8,466
Depreciation on operating leases	(1,242)	(1,822)	(2,549)	(3,950)
Interest expense	(1,295)	(1,479)	(2,624)	(2,998)
Net financing margin	1,192	855	2,334	1,518
Other revenue				
Investment and other income related to sales of receivables	581	672	1,130	1,563
Insurance premiums earned, net	61	61	121	125
Other income	290	249	515	506
Total financing margin and revenue	2,124	1,837	4,100	3,712
Expenses				
Operating expenses	552	539	1,103	1,123
Provision for credit losses	76	542	377	1,063
Insurance expenses	74	95	111	138
Total expenses	702	1,176	1,591	2,324
Income from continuing operations before income taxes	1,422	661	2,509	1,388
Provision for income taxes	520	258	918	542
Income from continuing operations before minority interests	902	403	1,591	846
Minority interests in net income of subsidiaries	1	2	1	3
Income from continuing operations	901	401	1,590	843
Loss from discontinued/held-for-sale operations	(4)	—	(5)	—
Net income	$ 897	$ 401	$ 1,585	$ 843

The accompanying notes are an integral part of the financial statements.

ITEM 1. FINANCIAL STATEMENTS (Continued)

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(in millions)

	June 30, 2004 (Unaudited)	December 31, 2003
Assets		
Cash and cash equivalents	$ 8,832	$ 15,688
Investments in securities	641	611
Finance receivables, net	107,607	108,912
Net investment in operating leases	21,638	23,164
Retained interest in securitized assets	16,396	13,017
Notes and accounts receivable from affiliated companies	1,438	1,653
Derivative financial instruments	5,782	9,866
Assets of discontinued/held-for-sale operations	385	388
Other assets	4,401	5,530
Total assets	$167,120	$178,829
Liabilities and Stockholder's Equity		
Liabilities		
Accounts payable		
Trade, customer deposits, and dealer reserves	$ 1,531	$ 1,535
Affiliated companies	1,456	1,258
Total accounts payable	2,987	2,793
Debt	138,270	149,652
Deferred income taxes, net	7,073	6,334
Derivative financial instruments	636	987
Liabilities of discontinued/held-for-sale operations	92	37
Other liabilities and deferred income	5,905	6,533
Total liabilities	154,963	166,336
Minority interests in net assets of subsidiaries	11	19
Stockholder's equity		
Capital stock, par value $100 a share, 250,000 shares authorized, issued and outstanding	25	25
Paid-in surplus (contributions by stockholder)	5,117	5,117
Accumulated other comprehensive income	407	420
Retained earnings	6,597	6,912
Total stockholder's equity	12,146	12,474
Total liabilities and stockholder's equity	$167,120	$178,829

The accompanying notes are an integral part of the financial statements.

ITEM 1. FINANCIAL STATEMENTS (Continued)

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FROM CONTINUING OPERATIONS
For the Periods Ended June 30, 2004 and 2003
(in millions)

	First Half 2004	First Half 2003
	(Unaudited)	
Cash flows from operating activities		
Net income	$ 1,585	$ 843
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	377	1,063
Depreciation and amortization	2,789	4,149
Gain on sales of finance receivables	(130)	(284)
Increase in deferred income taxes	687	329
Decrease in other assets	3,415	1,202
(Decrease) / increase in other liabilities	(654)	260
All other operating activities	(88)	40
Net cash provided by operating activities	7,981	7,602
Cash flows from investing activities		
Purchase of finance receivables (other than wholesale)	(23,553)	(20,732)
Collection of finance receivables (other than wholesale)	18,594	11,990
Purchase of operating lease vehicles	(5,878)	(5,332)
Liquidation of operating lease vehicles	4,448	6,405
Decrease / (increase) in wholesale receivables	265	(3,210)
Net change in retained interest	(3,764)	408
(Increase) / decrease in note receivable with affiliate	(53)	360
Proceeds from sale of receivables	5,326	13,573
Purchase of investment securities	(425)	(314)
Proceeds from sale / maturity of investment securities	386	372
Proceeds from debt repayments related to discontinued operations	—	1,421
All other investing activities	(28)	100
Net cash (used in) / provided by investing activities	(4,682)	5,041
Cash flows from financing activities		
Proceeds from issuance of long-term debt	5,595	7,266
Principal payments on long-term debt	(16,320)	(18,167)
Change in short-term debt, net	2,553	2,829
Cash dividends paid	(1,900)	(1,900)
Net cash used in financing activities	(10,072)	(9,972)
Effect of exchange rate changes on cash and cash equivalents	(83)	205
Net change in cash and cash equivalents	(6,856)	2,876
Cash and cash equivalents, beginning of period	15,688	6,793
Cash and cash equivalents, end of period	$ 8,832	$ 9,669
Supplementary cash flow information		
Interest paid	$ 3,251	$ 3,320
Taxes paid	67	76

The accompanying notes are an integral part of the financial statements.

ITEM 1. FINANCIAL STATEMENTS (Continued)

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1. FINANCE RECEIVABLES

Net finance receivables at June 30, 2004 and December 31, 2003 were as follows (in millions):

	June 30, 2004	December 31, 2003
	(Unaudited)	
Retail (a)	$ 79,779	$ 80,015
Wholesale (b)	22,293	22,618
Other (c)	7,747	8,661
Total finance receivables, net of unearned income	109,819	111,294
Less: Allowance for credit losses	(2,212)	(2,382)
Finance receivables, net	$107,607	$108,912

(a) At June 30, 2004 and December 31, 2003, includes about $15.3 billion and $14.3 billion, respectively, of retail receivables that have been sold for legal purposes to securitization special purpose entities (''SPEs'') and are available only for repayment of debt issued by those entities, and to pay other securitization investors and other participants. These receivables are not available to pay our obligations or the claims of our creditors.

(b) At June 30, 2004 and December 31, 2003, includes about $1.4 billion and $800 million, respectively, of wholesale receivables with dealers that are reported as consolidated subsidiaries of Ford effective July 1, 2003. Ford generally does not guarantee these receivables.

(c) At June 30, 2004 and December 31, 2003, includes approximately $100 million of other receivables with dealers that are reported as consolidated subsidiaries of Ford effective July 1, 2003. Ford generally does not guarantee these receivables.

NOTE 2. SALES OF RECEIVABLES

Retained Interest

Components of retained interest in receivables sold in securitization transactions at June 30, 2004 and December 31, 2003 were as follows (in millions):

	June 30, 2004	December 31, 2003
	(Unaudited)	
Wholesale receivables sold to securitization entities	$12,875	$ 9,249
Subordinated securities	1,326	1,568
Interest-only strips	1,100	1,169
Restricted cash held for benefit of securitization entities	541	511
Senior securities	554	520
Retained interest in securitized assets	$16,396	$13,017

Most of the retained interest in sold wholesale receivables ($11.4 billion and $8.0 billion at June 30, 2004 and December 31, 2003, respectively) represents our undivided interest in wholesale receivables that are available to support the issuance of additional securities by a securitization entity; the balance represents credit enhancements. Interest-only strips represent the present value of monthly collections on the sold finance receivables in excess of amounts needed by the SPE (securitization trust) to pay principal and interest to investors and servicing fees that will be realized by us. Investments in subordinated securities and restricted cash are senior to interest-only strips for credit enhancement purposes.

Retained interests are recorded at fair value. For wholesale receivables, book value approximates fair value because of their short-term maturities. The fair values of senior and subordinated

ITEM 1. FINANCIAL STATEMENTS (Continued)

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2. SALES OF RECEIVABLES (Continued)

securities are estimated based on market prices. In determining the fair value of interest-only strips, we discount the present value of the projected cash flows retained at various discount rates based on economic factors in individual countries.

Investment and Other Income

The following table summarizes the activity related to off-balance sheet sales of receivables reported in investment and other income for the periods ended June 30 (in millions):

	Second Quarter		First Half	
	2004	2003	2004	2003
	(Unaudited)		(Unaudited)	
Net gain on sales of receivables	$ 69	$ 51	$ 130	$ 284
Interest income on sold wholesale receivables and retained securities	166	197	305	407
Servicing fees	111	179	230	376
Excess spread and other	235	245	465	496
Total investment income related to sales of receivables	$581	$672	$1,130	$1,563

Securitization Special Purpose Entities

We use SPEs, including on-balance sheet SPEs, as a source of funds for our operations. At June 30, 2004, about $15.3 billion of retail installment receivables reported on our balance sheet have been sold for legal purposes to securitization SPEs and are available only for repayment of debt issued by those entities and to pay other securitization investors and other participants. These receivables are not available to pay our obligations or the claims of our creditors. The debt issued by the SPEs, which includes both asset-backed commercial paper and medium- term notes, is payable solely out of collections on these receivables and is not our legal obligation; these issuances, for financial statement reporting purposes, are reported as debt on our balance sheet.

ITEM 1. FINANCIAL STATEMENTS (Continued)

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3. DEBT

Debt at June 30, 2004 and December 31, 2003 was as follows (in millions):

	Interest Rates					
	Average Contractual(a)		Weighted-Average(b)		June 30,	December 31,
	2004	2003	2004	2003	2004	2003
					(Unaudited)	
Short-term debt						
Commercial paper	1.4%	1.9%			$ 7,953	$ 6,095
Asset-backed commercial paper(c)	1.1%	1.2%			9,150	8,984
Floating rate demand notes	2.3%	2.8%			7,829	7,328
Other short-term debt(d)	5.9%	5.9%			2,252	2,290
Total short-term debt	1.9%	2.3%	2.2%	2.5%	27,184	24,697
Long-term debt						
Senior indebtedness						
Notes payable within one year(e)					31,391	29,534
Notes payable after one year(f)					79,755	95,474
Unamortized discount					(60)	(53)
Total long-term debt(g)	5.9%	5.8%	4.0%	4.2%	111,086	124,955
Total debt	5.1%	5.2%	3.7%	3.9%	$138,270	$149,652

(a) Second Quarter 2004 and Fourth Quarter 2003 average contractual rates excluding the effect of interest rate swap agreements.

(b) Second Quarter 2004 and Fourth Quarter 2003 weighted-average rates including the effect of interest rate swap agreements. Second Quarter 2004 long-term rate includes swap income of $28 million related to non-designated interest rate swaps, which is reflected in other income.

(c) Amounts represent asset-backed commercial paper issued by FCAR Owner Trust (''FCAR'') which is payable solely out of collections on the receivables supporting FCAR's assets and is not our legal obligation.

(d) Includes $65 million and $54 million with affiliated companies at June 30, 2004 and December 31, 2003, respectively.

(e) Includes $51 million and $2 million with affiliated companies at June 30, 2004 and December 31, 2003, respectively.

(f) Includes $53 million and $133 million with affiliated companies at June 30, 2004 and December 31, 2003, respectively. Also includes debt of $752 million at June 30, 2004 and $324 million at December 31, 2003, which is payable solely out of collections on receivables and is not our legal obligation.

(g) The average contractual and weighted-average interest rates for total long-term debt represent the rates for both notes payable within one year and notes payable after one year.

NOTE 4. VARIABLE INTEREST ENTITIES

In January 2003, the Financial Accounting Standards Board (''FASB'') issued Interpretation No. 46 (''FIN 46''), *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*, which expands upon and strengthens existing accounting guidance concerning when a company should include in its financial statements the assets, liabilities and activities of another entity. In December 2003, the FASB issued FIN 46R, which revised FIN 46, in order to clarify the provisions of the original interpretation. A Variable Interest Entity (''VIE'') does not share economic risks and rewards through typical equity ownership arrangements; instead, contractual or other relationships

ITEM 1. FINANCIAL STATEMENTS (Continued)

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4. VARIABLE INTEREST ENTITIES (Continued)

re-distribute economic risks and rewards among equity holders and other parties. Once an entity is determined to be a VIE, the party with the controlling financial interest, the primary beneficiary, is required to consolidate it. FIN 46 also requires disclosures about VIEs that the company is not required to consolidate but in which it has a significant variable interest. Effective July 1, 2003, we adopted FIN 46 for VIEs formed prior to February 1, 2003. Our adoption of FIN 46R, on December 15, 2003, did not impact our financial reporting.

We have investments in certain joint ventures deemed to be VIEs of which we are not the primary beneficiary. The risks and rewards associated with our interests in these entities are based primarily on ownership percentages. Our maximum exposure (approximately $133 million at June 30, 2004) to any potential losses associated with these VIEs is limited to our equity investments and, where applicable, receivables due from the VIEs.

On-balance sheet securitization SPEs, discussed in Note 2, are also considered VIEs under FIN 46R.

We also sell receivables to bank-sponsored asset-backed commercial paper issuers that are SPEs of the sponsor bank and are not consolidated by us. At June 30, 2004, these SPEs held about $4.5 billion of retail installment sale contracts previously owned by us.

NOTE 5. RETAINED EARNINGS AND COMPREHENSIVE INCOME

The following table summarizes earnings retained for use in the business for the periods ended June 30 (in millions):

	Second Quarter		First Half	
	2004	2003	2004	2003
	(Unaudited)		(Unaudited)	
Retained earnings, beginning balance	$ 6,700	$8,237	$ 6,912	$ 8,795
Net income	897	401	1,585	843
Dividends	(1,000)	(900)	(1,900)	(1,900)
Retained earnings, ending balance	$ 6,597	$7,738	$ 6,597	$ 7,738

The following table summarizes comprehensive income for the periods ended June 30 (in millions):

	Second Quarter		First Half	
	2004	2003	2004	2003
	(Unaudited)		(Unaudited)	
Net income	$897	$401	$1,585	$ 843
Other comprehensive (loss)/income	(33)	194	(13)	395
Total comprehensive income	$864	$595	$1,572	$1,238

Comprehensive income includes foreign currency translation adjustments, unrealized gains and losses on investments in securities, unrealized gains and losses on certain derivative instruments, and unrealized gains and losses on retained interests in securitized assets (net of related tax effects).

ITEM 1. FINANCIAL STATEMENTS (Continued)

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6. GUARANTEES

The fair value of guarantees and indemnifications issued since December 31, 2002 are recorded in the financial statements and are de minimis. At June 30, 2004, the following guarantees and indemnifications were issued and outstanding:

Guarantees of certain obligations of unconsolidated and other affiliates: In some cases, we have guaranteed debt and other financial obligations of unconsolidated affiliates, including joint ventures and Ford. Expiration dates vary, and guarantees will terminate on payment and/or cancellation of the obligation. A payment would be triggered by failure of the guaranteed party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from the third party amounts paid by us under the guarantee. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full. The maximum potential payments under these guarantees total approximately $136 million.

Indemnifications: In the ordinary course of business, we execute contracts that include indemnifications typical in the industry, which are related to several types of transactions, such as debt funding, derivatives, the sale of receivables, and the sale of businesses. These indemnifications might include claims related to any of the following: privacy rights; governmental regulations and employment-related issues; commercial contractual relationships; financial status; tax related issues; securities law; and environmental related issues. Performance under these indemnities would generally be triggered by a breach of the terms of a contract or by a third-party claim. We regularly evaluate the probability of having to incur costs associated with these indemnifications and have accrued for expected losses that are probable. We are party to numerous indemnifications and many of these indemnities do not limit potential payment; therefore, we are unable to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

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

Income Statement Impact

The following table presents, for the periods ended June 30, the ineffective portion of both fair value and cash flow hedges, amortization of mark-to-market adjustments associated with hedging relationships that have been terminated, and mark-to-market adjustments that reflect changes in interest rates for non-designated hedging activity (in millions):

	Second Quarter		First Half	
	2004	2003	2004	2003
	(Unaudited)		(Unaudited)	
Income before income taxes	$88	$99	$135	$120

Balance Sheet Impact

The fair value of derivatives reflects the price that a third party would be willing to pay or receive in arm's length transactions for assuming our position in the derivatives transaction and includes mark-to-market adjustments to reflect the effects of changes in interest rates, accrued interest and, for derivatives with a foreign currency component, a revaluation adjustment. The following table summarizes, at June 30, 2004 and December 31, 2003, the estimated fair value of our derivative

ITEM 1. FINANCIAL STATEMENTS (Continued)

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

financial instruments, taking into consideration the effects of legally enforceable netting agreements, which allow us to settle positive and negative positions with the same counterparty on a net basis (in millions):

	June 30, 2004		December 31, 2003	
	Fair Value Assets	Fair Value Liabilities	Fair Value Assets	Fair Value Liabilities
	(Unaudited)			
Foreign currency swaps	$3,534	$ 771	$6,257	$1,119
Interest rate swaps	2,598	215	3,930	213
Foreign currency forwards and options	—	—	24	—
Impact of netting agreements	(350)	(350)	(345)	(345)
Total derivative financial instruments	$5,782	$ 636	$9,866	$ 987

Period-to-period changes in the derivative asset and liability amounts may be impacted by net interest or foreign currency settlements, changes in foreign currency and interest rates, and the notional amount of derivatives outstanding.

NOTE 8. SEGMENT INFORMATION

We divide our operating segments based on geographic regions: the North America Segment (includes operations in the United States and Canada) and the International Segment (includes operations in all other countries). We measure the performance of our segments primarily on an income before income taxes basis, after excluding the impact to earnings from hedge ineffectiveness, and other adjustments in applying SFAS No. 133. These adjustments are included in unallocated risk management and excluded in assessing segment performance because our risk management activities are carried out on a centralized basis at the corporate level, with only certain elements allocated to our two segments. The segments are presented on a managed basis (managed basis includes on-balance sheet receivables and securitized off-balance sheet receivables activity), and the effect of off-balance sheet securitizations is included in unallocated/eliminations. Certain amounts in prior year segment information have been reclassified to conform with the current year presentation.

ITEM 1. FINANCIAL STATEMENTS (Continued)

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8. SEGMENT INFORMATION (Continued)

Key operating data for our operating segments for the periods ended June 30 or at June 30 were as follows (in millions):

			Unallocated/Eliminations			
	North America Segment	International Segment	Unallocated Risk Management	Effect of Sales of Receivables	Total	Ford Credit Financial Statements
			(Unaudited)			
Second Quarter 2004						
Revenue	$3,974	$997	$88	$(398)	$(310)	$4,661
Income						
Income before income taxes	1,114	220	88	—	88	1,422
Provision for income taxes	414	77	29	—	29	520
Income from continuing operations	700	143	58	—	58	901
Other disclosures						
Depreciation on operating leases	1,094	148	—	—	—	1,242
Interest expense	1,101	438	—	(244)	(244)	1,295
Provision for credit losses	55	21	—	—	—	76
Second Quarter 2003						
Revenue	$4,769	$894	$99	$(624)	$(525)	$5,138
Income						
Income before income taxes	403	159	99	—	99	661
Provision for income taxes	173	56	29	—	29	258
Income from continuing operations	230	103	68	—	68	401
Other disclosures						
Depreciation on operating leases	1,680	142	—	—	—	1,822
Interest expense	1,455	414	—	(390)	(390)	1,479
Provision for credit losses	485	57	—	—	—	542

ITEM 1. FINANCIAL STATEMENTS (Continued)

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8. SEGMENT INFORMATION (Continued)

	North America Segment	International Segment	Unallocated/Eliminations: Unallocated Risk Management	Unallocated/Eliminations: Effect of Sales of Receivables	Unallocated/Eliminations: Total	Ford Credit Financial Statements
			(Unaudited)			
First Half 2004						
Revenue	$ 8,019	$ 1,961	$135	$ (842)	$ (707)	$ 9,273
Income						
Income before income taxes	1,928	446	135	—	135	2,509
Provision for income taxes	716	156	46	—	46	918
Income from continuing operations	1,212	290	88	—	88	1,590
Other disclosures						
Depreciation on operating leases	2,295	254	—	—	—	2,549
Interest expense	2,239	898	—	(513)	(513)	2,624
Provision for credit losses	315	62	—	—	—	377
Finance receivables (including net investment in operating leases)	135,909	38,741	371	(45,776)	(45,405)	129,245
Total assets	153,036	43,093	371	(29,380)	(29,009)	167,120
First Half 2003						
Revenue	$ 9,887	$ 1,811	$127	$ (1,165)	$ (1,038)	$ 10,660
Income						
Income before income taxes	955	313	120	—	120	1,388
Provision for income taxes	397	110	35	—	35	542
Income from continuing operations	558	203	82	—	82	843
Other disclosures						
Depreciation on operating leases	3,674	276	—	—	—	3,950
Interest expense	3,029	834	7	(872)	(865)	2,998
Provision for credit losses	958	105	—	—	—	1,063
Finance receivables (including net investment in operating leases)	150,821	37,857	755	(55,997)	(55,242)	133,436
Total assets	174,792	40,920	755	(41,467)	(40,712)	175,000

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We were incorporated in Delaware in 1959. We are an indirect, wholly owned subsidiary of Ford. We provide vehicle and dealer financing in 36 countries to more than 10 million customers and 12,500 automotive dealers. Our principal executive offices are located at One American Road, Dearborn, Michigan 48126, and our telephone number is (313) 322-3000.

Our North America Segment includes our operations in the United States and Canada. These operations primarily offer our financing products and services to and through Ford, Lincoln, Mercury, Mazda, Jaguar, Land Rover, Volvo and Aston Martin brand dealers. Our International Segment includes our operations in all other countries in which we do business directly and indirectly. The Ford Credit International segment includes operations in three main regions: Europe, Asia-Pacific and Latin America. These operations offer substantially similar products and services, subject to local legal restrictions and market conditions. For a more detailed discussion of our business segments and the geographic scope of our operations, refer to the ''Overview'' section of Item 1 of our 10-K Report.

We review our business performance from several perspectives, including:

- On-balance sheet basis — includes receivables we own and receivables sold for legal purposes that remain on our balance sheet,
- Securitized off-balance sheet basis — includes receivables sold in securitization transactions that are not reflected on our balance sheet,
- Managed basis — includes on-balance sheet and securitized off-balance sheet receivables that we continue to service, and
- Serviced basis — includes managed receivables and receivables sold in whole-loan sale transactions where we retain no interest in the sold receivables, but which we continue to service.

We analyze our financial performance primarily on an on-balance sheet and managed basis. We retain interests in receivables sold in off-balance sheet securitizations, and with respect to subordinated retained interests, we have credit risk. As a result, we evaluate credit losses, receivables and leverage on a managed basis as well as on an on-balance sheet basis. In contrast, we do not have the same financial interest in the performance of receivables sold in whole-loan sale transactions. As a result, we generally review the performance of our serviced portfolio only to evaluate the effectiveness of our origination and collection activities. To evaluate the performance of these activities, we monitor a number of serviced performance measures, such as repossession statistics, losses on repossessions and the number of bankruptcy filings.

We measure the performance of our North America Segment and our International Segment primarily on an income before income taxes basis, after excluding the impact to earnings from hedge ineffectiveness, and other adjustments in applying SFAS No. 133 because our risk management activities are carried out on a centralized basis at the corporate level, with only certain elements allocated to our two segments. For further discussion regarding our segments, see Note 8 of our Notes to Financial Statements.

New Developments

Sales Branch Integration

On May 17, 2004, Ford Credit announced that it intends to create an integrated sales platform for its sales operations in the U.S. and Canada over the next two years. This effort will have the impact of consolidating our existing 163 branches into 78 multi-brand sales branches that will support sales activities for Ford Credit, Volvo Car Finance, PRIMUS, Jaguar Credit, Land Rover Capital Group, Mazda Credit and Commercial Lending Services. Although the operations will be integrated, individual brand identities will be retained. In addition, regional sales offices are in the process of being consolidated, which will result in 11 new regions from the existing 18.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Results of Operations

Second Quarter 2004 Compared with Second Quarter 2003

In the second quarter of 2004, we earned $897 million, up $496 million or 124% compared with earnings of $401 million a year ago. Our consolidated pre-tax income from continuing operations was $1,422 million, up $761 million or 115% from earnings of $661 million a year ago. The increase in earnings primarily resulted from improvement in credit loss performance (about $450 million) and improved financing margin (about $350 million), offset partially by the impact of lower off-balance sheet securitizations and whole-loan sale transactions (about $100 million). The improved financing margin primarily resulted from the improvement in lease residual performance (about $200 million) and the favorable impact of the low interest rate environment. The improvement in lease residual performance primarily resulted from higher used vehicles prices and a reduction in the percentage of vehicles returned to us by dealers at the end of the lease period.

Results of our operations by business segment for the second quarter of 2004 and 2003 are shown below:

	Second Quarter			
			2004 Over/ (Under) 2003	
	2004	2003	Amount	Percentage
	(in millions)			
Income before income taxes				
North America Segment	$1,114	$403	$711	176%
International Segment	220	159	61	38
Unallocated/eliminations	88	99	(11)	
Pre-tax income from continuing operations	1,422	661	761	115
Provision for income taxes and minority interests	(521)	(260)	(261)	
Loss from discontinued/held-for-sale operations	(4)	0	(4)	
Total net income	$ 897	$401	$496	124%

North America Segment income before income taxes in the second quarter of 2004 was up $711 million compared with the second quarter of 2003. This increase primarily reflected a lower provision for credit losses and improved financing margin. The lower provision for credit losses resulted from fewer repossessions and a lower average loss per repossession. The improvement in financing margin primarily related to lower depreciation expense on operating leases and the favorable impact of the low interest rate environment. The lower depreciation expense reflected lower levels of operating leases, improved residual values and lower return rates.

International Segment income before income taxes in the second quarter of 2004 was up $61 million compared with the second quarter of 2003. This increase primarily reflected favorable changes in currency exchange rates in Europe and Asia-Pacific, lower operating costs in Europe and gains on the sale of our full-service leasing (insurance and maintenance of vehicles offered in conjunction with a vehicle lease to business lessees) portfolios in the United Kingdom and Italy.

Income before income taxes in the unallocated/eliminations category in the second quarter of 2004 was down $11 million compared with the second quarter of 2003. The decline primarily reflected a reduction in the net favorable market valuation of derivative instruments and associated exposures.

First Half 2004 Compared with First Half 2003

In the first half of 2004, we earned $1,585 million, up $742 million or 88% compared with earnings of $843 million a year ago. Our consolidated pre-tax income from continuing operations

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

was $2,509 million, up $1,121 million or 81% from earnings of $1,388 million a year ago. The increase in earnings primarily resulted from improvement in credit loss performance and improved financing margin, offset partially by the impact of lower off-balance sheet securitizations and whole-loan sale transactions. The improved financing margin primarily resulted from the improvement in lease residual performance and the favorable impact of the low interest rate environment. The improvement in lease residual performance primarily resulted from higher used vehicles prices and a reduction in the percentage of vehicles returned to us by dealers at the end of the lease period.

Results of our operations by business segment for the first half of 2004 and 2003 are shown below:

	First Half			
			2004 Over/ (Under) 2003	
	2004	2003	Amount	Percentage
	(in millions)			
Income before income taxes				
North America Segment	$1,928	$ 955	$ 973	102%
International Segment	446	313	133	42
Unallocated/eliminations	135	120	15	
Pre-tax income from continuing operations	2,509	1,388	1,121	81
Provision for income taxes and minority interests	(919)	(545)	(374)	
Loss from discontinued/held-for sale operations	(5)	0	(5)	
Total net income	$1,585	$ 843	$ 742	88%

North America Segment income before income taxes in the first half of 2004 was up $973 million compared with the first half of 2003. This increase primarily reflected a lower provision for credit losses and improved financing margin, offset partially by lower income related to sales of receivables. The lower provision for credit losses primarily resulted from fewer repossessions and a lower average loss per repossession. The improvement in financing margin primarily related to lower depreciation on operating leases and the favorable impact of the low interest rate environment. The lower depreciation expense reflected lower levels of operating leases, improved residual values and lower return rates. The reduction in sales of receivables income primarily reflected lower sales of receivables and lower outstanding off-balance sheet receivables.

International Segment income before income taxes in the first half of 2004 was up $133 million compared with the first half of 2003. This increase primarily reflected favorable changes in currency exchange rates in Europe and Asia-Pacific, lower operating costs in Europe and the sale of our full-service leasing portfolios in the United Kingdom and Italy.

Income before income taxes in the unallocated/eliminations category in the first half of 2004 was up $15 million compared with the first half of 2003. The improvement primarily reflected the net favorable market valuation of derivative instruments and associated exposures.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Placement Volume and Financing Share

Total worldwide financing contract placement volumes, excluding financing volumes for unconsolidated entities, for new and used vehicles are shown below:

	Second Quarter		First Half		Full Year			
	2004	2003	2004	2003	2003	2002	2001	2000
	(in thousands)							
Worldwide								
Retail installment	654	696	1,290	1,373	2,805	3,215	4,441	3,728
Operating and finance leases	144	143	259	279	487	775	1,050	1,228
Total financing volume	798	839	1,549	1,652	3,292	3,990	5,491	4,956
North America Segment								
United States	472	491	900	963	1,980	2,512	3,819	3,525
Canada	52	60	88	101	197	212	227	210
Total North America Segment	524	551	988	1,064	2,177	2,724	4,046	3,735
International Segment								
Europe	209	223	422	444	836	917	988	795
Other international	65	65	139	144	279	349	457	426
Total International Segment	274	288	561	588	1,115	1,266	1,445	1,221
Total financing volume	798	839	1,549	1,652	3,292	3,990	5,491	4,956

Shown below are our financing shares of new Ford, Lincoln and Mercury brand vehicles sold by dealers in the United States and Ford brand vehicles sold by dealers in Europe. Also shown below are our wholesale financing shares of new Ford, Lincoln and Mercury brand vehicles acquired by dealers in the United States and of new Ford brand vehicles acquired by dealers in Europe:

	Second Quarter		First Half		Full Year			
	2004	2003	2004	2003	2003	2002	2001	2000
United States								
Financing share — Ford, Lincoln and Mercury								
Retail installment and lease	39%	34%	38%	35%	39%	41%	54%	51%
Wholesale	78	83	79	83	82	85	84	84
Europe								
Financing share — Ford								
Retail installment and lease	28%	32%	28%	31%	31%	34%	37%	32%
Wholesale	97	96	97	97	97	97	97	97

North America Segment

Our total financing contract placement volumes were 524,000 contracts in the second quarter of 2004, down 27,000 contracts or 5% compared with a year ago reflecting our reduction of used and non-Ford retail installment financing as a result of our continued focus on supporting Ford's brands. Financing share of new Ford, Lincoln and Mercury brand cars and light trucks sold by dealers in the United States was 39% in the second quarter of 2004 compared with 34% a year ago. This increase primarily reflected our increase in Ford business not involving Ford-sponsored special-rate financing programs, which we refer to as non-subvened business. The increase in non-subvened business was a result of our additional marketing programs and competitive pricing actions related to this business.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In the second quarter of 2004, wholesale market share was 78% compared with 83% a year ago. The decline primarily reflected the impact of pricing actions by competitor financing sources. In the second quarter of 2004, we launched dealer loyalty programs intended to improve our wholesale market share.

In the first half of 2004, our total financing contract placement volumes were 988,000, down 76,000 contracts or 7% compared with a year ago. This overall decrease reflected our reduction of used and non-Ford retail installment financing as a result of our continued focus on supporting Ford's brands.

International Segment

In the second quarter of 2004, our total financing contract placement volumes were 274,000, down 14,000 contracts or 5% compared with a year ago. This decline resulted from lower volumes in Britain, primarily from lower Ford-sponsored marketing incentives.

In the first half of 2004, our total financing contract placement volumes were 561,000, down 27,000 contracts or 5% compared with a year ago. This overall decrease resulted primarily from the same factors described in the preceding paragraph.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Financial Condition

Finance Receivables and Operating Leases

Our financial condition is impacted significantly by the level of our receivables, which are shown below:

	June 30, 2004	December 31, 2003	2002	2001	2000
		(in billions)			
Receivables					
On-Balance Sheet (including on-balance sheet securitizations)					
Finance receivables					
Retail installment	$ 77.7	$ 77.8	$ 68.4	$ 83.4	$ 79.9
Wholesale	22.2	22.5	16.4	15.4	33.7
Other	7.7	8.6	9.8	9.1	8.4
Total finance receivables, net	107.6	108.9	94.6	107.9	122.0
Net investment in operating leases	21.6	23.2	31.3	37.2	36.5
Total on-balance sheet	$129.2	$132.1	$125.9	$145.1	$158.5
Memo: Allowance for credit losses included above	$ 2.7	$ 3.0	$ 3.2	$ 2.8	$ 1.6
Securitized Off-Balance Sheet					
Finance receivables					
Retail installment	$ 23.9	$ 29.1	$ 48.9	$ 41.2	$ 26.0
Wholesale	21.9	20.3	22.5	17.5	2.3
Other	—	—	—	—	—
Total finance receivables	45.8	49.4	71.4	58.7	28.3
Net investment in operating leases	—	—	—	—	0.1
Total securitized off-balance sheet	$ 45.8	$ 49.4	$ 71.4	$ 58.7	$ 28.4
Managed					
Finance receivables					
Retail installment	$101.6	$106.9	$117.3	$124.6	$105.9
Wholesale	44.1	42.8	38.9	32.9	36.0
Other	7.7	8.6	9.8	9.1	8.4
Total finance receivables	153.4	158.3	166.0	166.6	150.3
Net investment in operating leases	21.6	23.2	31.3	37.2	36.6
Total managed	$175.0	$181.5	$197.3	$203.8	$186.9
Serviced	$180.5	$188.8	$202.3	$203.8	$186.9

On-Balance Sheet Receivables. On-balance sheet finance receivables and net investment in operating leases, net of allowance for credit losses, at June 30, 2004, were $129.2 billion, down $2.9 billion from year-end 2003. The decrease primarily reflected the impact of lower retail and lease placement volumes.

At June 30, 2004, on-balance sheet receivables included $15.3 billion of retail receivables that have been sold for legal purposes to securitization SPEs and are available only for repayment of debt issued by those entities and to pay other securitization investors and other participants. These receivables are not available to pay the obligations of Ford Credit or the claims of Ford Credit's creditors.

Securitized Off-Balance Sheet Receivables. Total securitized off-balance sheet receivables at June 30, 2004, were $45.8 billion, down $3.6 billion from year-end 2003. The decrease primarily reflected the slower pace of off-balance sheet securitizations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Managed Receivables. Total managed receivables at June 30, 2004, were $175.0 billion, down $6.5 billion from year-end 2003.

Serviced Receivables. Serviced receivables include our managed receivables and receivables that we sold in whole-loan sale transactions. We continue to service the receivables sold in whole-loan sale transactions. We retain no interest in the receivables, however, and all credit risk associated with the receivables is transferred to the buyer.

Credit Risk

Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Credit risk has a significant impact on our business. We actively manage the credit risk of our consumer and non-consumer portfolios to balance our level of risk and return. The allowance for credit losses reflected on our balance sheet is our estimate of the probable credit losses for receivables and leases that are impaired at the points in time shown on our balance sheet.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Credit Loss Experience

Worldwide

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

	Second Quarter		First Half		Full Year		
	2004	2003	2004	2003	2003	2002	2001
				(in millions)			
Credit Losses							
On-Balance Sheet							
Retail installment and lease	$326	$422	$659	$ 915	$1,871	$2,292	$2,052
Wholesale	6	16	9	17	148	40	33
Other	—	14	(1)	13	25	30	24
Total on-balance sheet	332	452	667	945	2,044	2,362	2,109
Reacquired Receivables (retail)	13	18	38	18	92	—	—
Total on-balance sheet (including reacquired receivables)	$345	$470	$705	$ 963	$2,136	$2,362	$2,109
Securitized Off-Balance Sheet							
Retail installment and lease	$101	$150	$234	$ 343	$ 677	$ 448	$ 218
Wholesale	—	3	—	3	—	6	1
Other	—	—	—	—	—	—	—
Total securitized off-balance sheet	$101	$153	$234	$ 346	$ 677	$ 454	$ 219
Managed							
Retail installment and lease	$440	$590	$931	$1,276	$2,640	$2,740	$2,270
Wholesale	6	19	9	20	148	46	34
Other	—	14	(1)	13	25	30	24
Total managed	$446	$623	$939	$1,309	$2,813	$2,816	$2,328
Loss-to-Receivables Ratios							
On-Balance Sheet (including reacquired receivables)*							
Retail installment and lease	1.37%	1.82%	1.41%	1.94%	1.97%	2.05%	1.74%
Wholesale	0.11	0.35	0.08	0.19	0.79	0.25	0.12
Total including other	1.07%	1.50%	1.09%	1.56%	1.67%	1.72%	1.36%
Memo: On-Balance Sheet (excluding reacquired receivables)	1.03%	1.44%	1.03%	1.53%	1.60%	1.72%	1.36%
Managed							
Retail installment and lease	1.42%	1.70%	1.48%	1.81%	1.91%	1.73%	1.43%
Wholesale	0.05	0.18	0.04	0.10	0.37	0.13	0.10
Total including other	1.02%	1.32%	1.06%	1.37%	1.50%	1.39%	1.19%

* We believe that the use of the on-balance sheet loss-to-receivables ratio that includes the credit losses on reacquired receivables is useful to our investors because it provides a more complete presentation of our on-balance sheet credit loss performance.

Credit Losses — On-Balance Sheet. In the second quarter of 2004, credit losses for our on-balance sheet portfolio excluding credit losses on reacquired receivables declined $120 million or

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

27% from a year ago reflecting improved loss performance in our U.S. retail installment and operating lease portfolio resulting from lower repossessions and a lower average loss per repossession. Our on-balance sheet loss-to-receivables ratio including reacquired receivables in the second quarter of 2004 was 1.07%, down from 1.50% in 2003, reflecting improvements in our credit loss performance and lower on-balance sheet receivables at Fairlane Credit, LLC (''Fairlane Credit'') and Triad Financial Corporation (''Triad''), whose receivables include primarily contracts with sub-prime customers.

In the first half of 2004, net credit losses for our on-balance sheet portfolio excluding credit losses on reacquired receivables were $667 million, down $278 million or 29% from a year ago for the same reasons stated above. The on-balance sheet loss-to-receivables ratio including reacquired receivables for the first half of 2004 was 1.09%, down from 1.56% in the first half of 2003.

Credit Losses — Securitized Off-Balance Sheet. In the second quarter of 2004, credit losses for our securitized off-balance sheet portfolio decreased $52 million or 34% from a year ago, reflecting primarily improved loss performance in our U.S. retail installment receivables and an overall lower level of securitized receivables resulting from lower securitization volumes in the last year. In the first half of 2004, credit losses for our securitized off-balance sheet portfolio declined $112 million or 32% from a year ago.

Credit Losses — Managed. In the second quarter of 2004, credit losses for our managed portfolio decreased $177 million or 28% from a year ago primarily reflecting improved performance in our U.S. retail installment and operating lease portfolio and an overall lower level of receivables resulting from lower placement volumes. Our loss-to-receivables ratio was 1.02%, down from 1.32% a year ago. In the first half of 2004, credit losses for our managed portfolio declined $370 million or 28% from a year ago.

Ford Credit U.S. Retail and Operating Lease

The following table shows the loss-to-receivables, repossession, bankruptcy and delinquency statistics for our Ford, Lincoln and Mercury brand U.S. retail installment sale and lease portfolio, which was approximately 60% of our worldwide-managed portfolio of retail receivables and net investment in operating leases at June 30, 2004.

	Second Quarter		First Half		Full Year			
	2004	2003	2004	2003	2003	2002	2001	2000
On-Balance Sheet								
Credit losses (in millions)	$ 164	$ 254	$ 367	$ 512	$1,088	$1,180	$1,135	$ 806
Loss-to-receivables ratios (including reacquired receivables)	1.21%	1.95%	1.35%	2.03%	2.04%	1.87%	1.61%	1.12%
Managed								
Credit losses (in millions)	$ 200	$ 352	$ 469	$ 753	$1,530	$1,520	$1,304	$ 865
Loss-to-receivables ratios	1.16%	1.72%	1.33%	1.77%	1.89%	1.50%	1.31%	0.98%
Other Metrics — Serviced								
Repossessions (in thousands)	38	45	84	96	200	199	174	141
Repossession ratios	2.72%	2.91%	2.98%	3.01%	3.27%	2.79%	2.45%	2.19%
Average loss per repossession	$6,450	$7,500	$6,650	$7,500	$7,350	$6,960	$6,600	$5,800
New bankruptcy filings (in thousands)	23	30	46	58	107	118	91	71
Over-60-day delinquency ratios	0.15%	0.33%	0.18%	0.38%	0.35%	0.36%	0.40%	0.30%

On-Balance Sheet. Credit losses declined $90 million in the second quarter of 2004 compared with a year ago, reflecting our emphasis on purchasing higher quality receivables and enhancements to our collection practices. These actions, along with improved economic conditions in the U.S., have contributed to lower delinquency ratios and lower repossessions in the second quarter.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In addition, lower lease-end termination volumes have contributed to higher used vehicle prices, reducing the average loss per repossession.

Managed. Credit losses declined $152 million compared with a year ago reflecting our improved loss performance as described above and lower levels of managed receivables resulting from lower retail installment and lease placement volumes.

Other Metrics — Serviced. Repossessions are shown in aggregate and as a percent of the average number of accounts outstanding during the relevant periods, defined as the repossession ratio. In the second quarter of 2004, the total number of repossessions decreased 7,000 units compared with a year ago. Our repossession ratio decreased 19 basis points reflecting about a 14% reduction in the average number of outstanding contracts compared with 2003. Our average loss per repossession was $6,450, down $1,050 per unit or 14% from a year ago.

In the first half of 2004, our total number of repossessions was 84,000, down 12% from a year ago. Our first half repossession ratio was 2.98%, down from 3.01% a year ago. The average loss per repossession for the first half was $6,650, down from $7,500 in 2003.

In the second quarter of 2004, the over-60-day delinquency ratio was 0.15%, down from 0.33% a year ago. For quarterly ratios, delinquencies are expressed as a percent of the end-of-period accounts outstanding for non-bankrupt accounts. Full year delinquency ratios are expressed as an average of the quarterly ratios for non-bankrupt accounts.

Allowance for Credit Losses

Our allowance for credit losses and our allowance for credit losses as a percentage of end-of-period net receivables, for our on-balance sheet portfolio, are shown below:

	June 30,	December 31,			
	2004	2003	2002	2001	2000
		(in billions)			
Allowance for Credit Losses					
Retail installment and lease	$2.6	$2.8	$2.9	$2.5	$1.5
Wholesale	0.1	0.1	0.2	0.2	0.1
Other	0.0	0.1	0.1	0.1	0.0
Total allowance for credit losses	$2.7	$3.0	$3.2	$2.8	$1.6
As a Percentage of End-of-Period Net Receivables					
Retail installment and lease	2.53%	2.76%	2.92%	2.10%	1.28%
Wholesale	0.47	0.71	1.36	1.03	0.37
Other	0.49	0.67	0.62	0.66	0.24
Total	2.05%	2.28%	2.52%	1.89%	1.03%

At June 30, 2004, our allowance for credit losses was down about $300 million compared with year-end 2003, reflecting primarily improving portfolio performance, especially in the United States, and the impact of lower receivables.

Residual Risk

We are exposed to residual risk on operating leases, Red Carpet Option contracts and similar balloon payment products where the customer has the right to return the financed vehicle to us. Our residual risk on retail lease and other contracts is composed of two types of risk: residual value risk and return rate risk. Residual value risk is the possibility that the actual net proceeds we realize upon the sale of returned vehicles at contract termination, which is referred to as the residual value of these vehicles, will be lower than our projection of these values. Return rate risk is the possibility that the percentage of vehicles returned to us at contract termination will be higher than we expect.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Retail Operating Lease Experience

We use various statistics to monitor our residual value risk and return rate risk. Placement volume measures the number of leases we purchase each year. Termination volume measures the number of vehicles for which the lease has ended in each year. Return rates are the percentage of vehicles that are returned to us at the end of the terminated lease and not purchased by either the customer or the dealer. The following table shows placement volumes, termination volumes and return rates for our North America Segment, which accounted for 92% of our total net investment in operating leases at June 30, 2004:

	Second Quarter		First Half		Full Year			
	2004	2003	2004	2003	2003	2002	2001	2000
Placement Volume (in thousands)								
Ford, Lincoln and Mercury Cars	12	18	24	37	57	104	163	205
Ford, Lincoln and Mercury Trucks	54	38	98	80	144	261	408	538
Jaguar, Land Rover and Volvo*	15	13	25	22	48	95	90	53
Other	11	6	20	7	25	9	17	23
Total North America Segment	92	75	167	146	274	469	678	819
Termination Volume (in thousands)								
Ford, Lincoln and Mercury Cars	39	51	74	101	167	169	151	154
Ford, Lincoln and Mercury Trucks	69	121	142	237	412	486	366	360
Jaguar, Land Rover and Volvo*	16	15	28	27	55	48	34	28
Other	4	6	8	11	20	34	80	87
Total North America Segment	128	193	252	376	654	737	631	629
Return Rate								
Ford, Lincoln and Mercury Cars	75%	77%	77%	79%	78%	62%	58%	62%
Ford, Lincoln and Mercury Trucks	49	70	53	70	68	66	66	63
Jaguar, Land Rover and Volvo*	57	56	56	54	54	43	45	51
Other	53	54	53	55	55	50	60	69
Total North America Segment	58%	70%	60%	71%	69%	63%	62%	63%

* We first reported placement volumes for Land Rover in 2001.

In the second quarter of 2004, placement volumes were up 17,000 units compared with a year ago. Termination volumes were down 65,000 units compared with a year ago, largely related to lower contract placement volumes in 2001 and 2002. In the second quarter of 2004, return rates were down 12 percentage points compared with a year ago, reflecting primarily higher residual values, lower contract lease-end values and lower termination volumes. Specifically, the return rate improvement largely was related to Ford, Lincoln and Mercury trucks, as the residual values of this segment improved more significantly than the other vehicle segments.

Credit Ratings

Our short- and long-term debt is rated by four credit rating agencies designated as nationally recognized statistical rating organizations (''NRSROs'') by the SEC:

- Dominion Bond Rating Service Limited (''DBRS'');
- Fitch, Inc. (''Fitch'');
- Moody's Investors Service, Inc. (''Moody's''); and
- Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc. (''S&P'').

In several markets, locally recognized rating agencies also rate us. A credit rating reflects an assessment by the rating agency of the credit risk associated with particular securities we issue,

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

based on information provided by Ford, other sources, and us. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets. Our credit ratings from all of the NRSROs are closely associated with their opinions on Ford. Our lower ratings over the past several years are primarily a reflection of those opinions, including concerns regarding Ford's automotive cash flow and profitability, declining market share, excess industry capacity, industry pricing pressure and rising healthcare costs.

In April 2004, Moody's and DBRS, and in May 2004, S&P, each confirmed our long- and short-term debt ratings, and their outlook or trend. Also in May 2004, Fitch affirmed our long- and short-term debt ratings, and revised the outlook to stable from negative. The following chart summarizes our credit ratings and the outlook assigned by the NRSROs since 2001:

	DBRS*			Fitch			Moody's			S&P		
Date	Long-Term	Short-Term	Trend	Long-Term	Short-Term	Outlook	Long-Term	Short-Term	Outlook	Long-Term	Short-Term	Outlook
Aug. 2001	A	R-1 (low)	Stable	A+	F1	Negative	A2	P-1	Negative	A	A-1	Negative
Sep. 2001	A	R-1 (low)	Stable	A−	F2	Negative	A2	P-1	Negative	A	A-1	Negative
Oct. 2001	A (low)	R-1 (low)	Stable	A−	F2	Negative	A2	P-1	Negative	BBB+	A-2	Stable
Jan. 2002	A (low)	R-1 (low)	Stable	BBB+	F2	Negative	A3	P-2	Negative	BBB+	A-2	Negative
Oct. 2002	A (low)	R-1 (low)	Negative	BBB+	F2	Negative	A3	P-2	Negative	BBB	A-2	Negative
Apr. 2003	BBB (high)	R-1 (low)	Stable	BBB+	F2	Negative	A3	P-2	Negative	BBB	A-2	Negative
Nov. 2003	BBB (high)	R-1 (low)	Stable	BBB+	F2	Negative	A3	P-2	Negative	BBB−	A-3	Stable
May 2004	BBB (high)	R-1 (low)	Stable	BBB+	F2	Stable	A3	P-2	Negative	BBB−	A-3	Stable

* NRSRO designation granted on February 27, 2003

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Funding

Our outstanding debt and securitized off-balance sheet funding was as follows on the dates indicated:

	June 30, 2004	December 31, 2003	2002	2001	2000
			(in billions)		
Debt					
Commercial paper — unsecured	$ 8.0	$ 6.1	$ 8.2	$ 15.7	$ 42.3
Asset-backed commercial paper (FCAR)	9.2	9.0	—	—	—
Floating rate demand notes	7.8	7.3	5.1	4.0	3.7
Other short-term debt	2.2	2.3	2.9	2.9	3.9
Total short-term debt	27.2	24.7	16.2	22.6	49.9
Long-term debt (including notes payable within one year)	111.1	125.0	124.1	123.2	95.7
Total debt	138.3	149.7	140.3	145.8	145.6
Securitized Off-Balance Sheet Funding					
Securitized off-balance sheet portfolio	45.8	49.4	71.4	58.7	28.4
Retained interest	(16.4)	(13.0)	(17.6)	(12.5)	(3.7)
Total securitized off-balance sheet funding	29.4	36.4	53.8	46.2	24.7
Total debt plus securitized off-balance sheet funding	$167.7	$186.1	$194.1	$192.0	$170.3
Memo: Asset-backed commercial paper (FCAR) previously reported as securitized off-balance sheet funding	—	—	$ 11.9	$ 12.1	$ 0.7
Ratios					
Credit lines to total unsecured commercial paper	96%	>100%	>100%	87%	57%
Credit lines to total unsecured commercial paper (including Ford bank lines)	>100	>100	>100	>100	7
Securitized funding to managed receivables	24	25	27	23	13
Short-term debt and notes payable within one year to total debt	42	36	28	30	43
Short-term debt and notes payable within one year to total capitalization	39	33	25	28	40

At June 30, 2004, unsecured commercial paper was up $1.9 billion compared with year-end 2003, reflecting increased investor demand. At June 30, 2004, total debt plus securitized off-balance sheet funding was down $18.4 billion compared with year-end 2003, reflecting repayment of debt maturing in the second quarter of 2004 and lower asset levels, which reduced our funding needs.

During the second quarter of 2004, we issued $2.2 billion of long-term debt with maturities of one to 10 years, including about $600 million of unsecured institutional funding and about $1.6 billion of unsecured retail bonds. In addition, we realized proceeds of about $2.1 billion from sales of receivables in off-balance sheet securitizations.

We expect our full-year 2004 public term funding requirements to be between $13 billion and $19 billion. In the first half of 2004, we completed about $8 billion of public term funding transactions. Because of significant available liquidity and a relatively smaller balance sheet size, we plan, depending on market conditions, to repurchase a portion of our outstanding debt securities during the remainder of 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Liquidity

Maintaining liquidity through access to diverse funding sources has always been a key factor in our funding strategy. We define liquidity as our ability to meet our funding needs, which include purchasing retail installment sale and lease contracts, funding other financing programs and repaying our debt obligations as they become due. Our policy is to have sufficient cash and cash equivalents, unused conduit capacity, securitizable assets and back-up credit facilities to provide liquidity for all of our short-term funding obligations. In addition to unsecured debt offerings (discussed above) and sales of receivables (discussed below), we have access to the following other sources of liquidity:

Cash and Cash Equivalents. At June 30, 2004, our cash and cash equivalents totaled $8.8 billion, compared with $15.7 billion at the end of 2003, down $6.9 billion primarily reflecting second quarter 2004 debt maturities in excess of new debt issuances. In the normal course of our funding transactions, we may generate more proceeds than are necessary for our immediate funding needs. These excess amounts are maintained primarily as highly liquid investments, provide liquidity for our short-term funding obligations and give us flexibility in the use of our other funding programs. Our cash and cash equivalents include short-term U.S. Treasury bills, federal agency discount notes, A-1/P-1 (or higher) rated commercial paper, and bank time deposits with investment grade institutions. The average term of these investments is typically less than 60 days. We monitor our cash levels daily and adjust them as necessary to support our short-term liquidity needs.

Conduit Program. We have entered into agreements with several bank-sponsored commercial paper issuers (''conduits'') under which such conduits are contractually committed to purchase from us, at our option, up to $11.8 billion of receivables in the aggregate. This is an extremely liquid funding source, as we are able to access funds in two days. These agreements have varying maturity dates between September 16, 2004 and June 23, 2005 and, in the past, have been renewed on an annual basis. As of June 30, 2004, we had utilized approximately $3.7 billion of these conduit commitments. These agreements do not contain restrictive financial covenants (for example, debt-to-equity limitations or minimum net worth requirements) or material adverse change clauses that would relieve the conduit of its obligation to purchase receivables. However, they do contain provisions that could terminate the unused portion of the purchase commitments if the performance of the sold receivables deteriorates beyond specified levels. Based on our experience, we do not expect any commitments to be terminated due to these performance requirements. None of these arrangements may be terminated based on a change in our credit rating.

Back-up Credit Facilities

Our back-up credit facilities were as follows on the dates indicated:

	June 30,		December 31,			
	2004	2003	2003	2002	2001	2000
			(in billions)			
Back-up Credit Facilities						
Ford Credit	$ 4.8	$ 6.4	$ 4.3	$ 8.6	$ 9.0	$20.0
FCE	2.9	3.4	3.4	5.3	4.6	4.7
Ford bank lines (available at Ford's option)	6.7	6.7	6.8	7.6	8.4	8.4
Asset-backed commercial paper lines	18.6	16.4	18.6	13.6	12.5	1.4
Total back-up facilities	33.0*	32.9*	33.1	35.1	34.5	34.5
Drawn amounts	(1.1)	(1.2)	(1.0)	(0.9)	(0.7)	(0.9)
Total available back-up facilities	$31.9*	$31.7*	$32.1	$34.2	$33.8	$33.6

* As of July 1

For additional funding and to maintain liquidity, we and our majority-owned subsidiaries, including FCE Bank plc (''FCE''), have contractually committed credit facilities with financial institutions that totaled approximately $7.7 billion at July 1, 2004. This includes $4.8 billion of Ford

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Credit facilities ($3.9 billion global and $0.9 billion non-global) and $2.9 billion of FCE facilities ($2.7 billion global and $0.2 billion non-global). Approximately $1.1 billion of our total facilities were in use at July 1, 2004. These facilities have various maturity dates. Of the $7.7 billion, about 42% of these facilities are committed through June 30, 2009. Our global credit facilities may be used at our option by any of our direct or indirect majority-owned subsidiaries. FCE's global credit facilities may be used at its option by any of its direct or indirect majority-owned subsidiaries. We or FCE, as the case may be, will guarantee any such borrowings. All of the global credit facilities have substantially identical contract terms (other than commitment amounts) and are free of material adverse change clauses and restrictive financial covenants (for example, debt-to-equity limitations, minimum net worth requirements and credit rating triggers) that would limit our ability to borrow.

At Ford's option, approximately $6.7 billion of Ford's global lines of credit may be used by any of its direct or indirect majority-owned subsidiaries on a guaranteed basis. Ford also has the ability to transfer, on a non-guaranteed basis, $2.5 billion of such credit lines to us and $518 million to FCE.

Additionally, at July 1, 2004, banks provided $18.6 billion of contractually committed liquidity facilities supporting two asset-backed commercial paper programs; $18.2 billion supported our FCAR program and $425 million supported our Motown Notes℠ program. Facilities supporting our FCAR program increased to $18.5 billion at July 12, 2004, reflecting additional bank commitments of $250 million. Unlike our other credit facilities described above, these facilities provide liquidity exclusively to each individual asset-backed commercial paper program. Utilization of these facilities is not at our discretion but is determined by and subject to conditions specific to each program. At July 1, 2004, about $16.3 billion of FCAR's bank credit facilities were available to support FCAR's asset-backed commercial paper or subordinated debt. Although not eligible to support commercial paper, the remaining $1.9 billion of available credit lines could be accessed for additional funding if additional subordinated debt is issued.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Off-Balance Sheet Arrangements and Other Sales of Receivables Transactions

Sales of Receivables Activity

The following table illustrates our worldwide off-balance sheet receivables sales activity for the periods indicated:

	Second Quarter		First Half		Full Year			
	2004	2003	2004	2003	2003	2002	2001	2000
	(in billions)							
Net Proceeds from Receivable Sales								
North America Segment								
Public retail	$ 1.7	$ —	$ 1.7	$ 5.7	$ 5.7	$15.5	$16.6	$18.8
Conduit	—	0.5	0.7	1.1	1.8	2.5	6.2	—
Triad	—	—	0.6	0.9	1.7	1.1	—	—
Motown Notes^{SM} program	—	—	1.0	1.0	1.0	4.8	—	—
FCAR	—	—	—	—	—	8.3	12.1	—
Public wholesale	—	—	—	—	—	—	5.0	—
Canada and other	—	—	—	—	1.4	1.2	—	—
Total North America Segment	1.7	0.5	4.0	8.7	11.6	33.4	39.9	18.8
International Segment								
Europe								
Public	0.3	0.8	0.7	1.1	1.5	2.2	0.7	0.7
Conduit	0.1	0.3	0.2	0.3	1.1	0.3	—	—
Total Europe	0.4	1.1	0.9	1.4	2.6	2.5	0.7	0.7
Asia Pacific	—	—	0.4	0.5	0.9	0.5	0.2	—
Latin America	—	—	—	—	0.6	—	—	—
Total International Segment	0.4	1.1	1.3	1.9	4.1	3.0	0.9	0.7
Net proceeds	2.1	1.6	5.3	10.6	15.7	36.4	40.8	19.5
Whole-loan sales	—	1.0	—	3.0	5.4	4.9	—	—
Total net proceeds	2.1	2.6	5.3	13.6	21.1	41.3	40.8	19.5
Retained interest and other	0.2	0.1	(0.5)	(0.4)	0.2	(0.6)	11.7	2.1
Total receivables sold	2.3	2.7	4.8	13.2	21.3	40.7	52.5	21.6
Prior period sold receivables, net of paydown activity	49.0	59.9	46.5	49.4	35.4	35.6	6.2	6.8
Total sold receivables outstanding at the end of the relevant period	51.3	62.6	51.3	62.6	56.7	76.3	58.7	28.4
Memo:								
Less: Receivables outstanding in whole-loan sale transactions	(5.5)	(6.6)	(5.5)	(6.6)	(7.3)	(5.0)	—	—
Total securitized off-balance sheet receivables	$45.8	$56.0	$45.8	$56.0	$49.4	$71.3	$58.7	$28.4

At June 30, 2004, outstanding sold receivables totaled $51.3 billion, down $11.3 billion or 18% compared with a year ago. This decrease primarily reflected our lower funding requirements and the use of on-balance sheet securitizations. In the second quarter of 2004, $2.3 billion of receivables were sold in off-balance sheet transactions, down about $400 million from the second quarter of 2003. In the first half of 2004, $4.8 billion of receivables were sold in off-balance sheet transactions, down $8.4 billion or 64% compared with the first half of 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Our worldwide proceeds from the sale of retail and wholesale finance receivables through off-balance sheet securitizations and whole-loan sale transactions are shown below for the periods indicated:

	Second Quarter		First Half		Full Year			
Receivable Type	2004	2003	2004	2003	2003	2002	2001	2000
	(in billions)							
Retail	$2.1	$1.6	$4.3	$ 9.6	$14.7	$31.6	$32.3	$19.2
Wholesale	—	—	1.0	1.0	1.0	4.8	8.5	0.3
Net proceeds	2.1	1.6	5.3	10.6	15.7	36.4	40.8	19.5
Whole-loan	—	1.0	—	3.0	5.4	4.9	—	—
Total net proceeds	$2.1	$2.6	$5.3	$13.6	$21.1	$41.3	$40.8	$19.5

The Effect of Receivables Sales Activity on Financial Reporting

We report the following items in *Investment and other income related to sales of receivables* on our income statement:

- Gain or loss on sales of finance receivables,
- Interest income from retained securities, including from our undivided interest in wholesale receivables,
- Servicing fee income from sold receivables that we continue to service, and
- Excess spread and other income.

The following table summarizes activity related to off-balance sheet sales of receivables reported in *Investment and other income related to sales of receivables* for the periods indicated:

	Second Quarter		First Half		Full-Year			
	2004	2003	2004	2003	2003	2002	2001	2000
	(in millions)							
Net gain on sales of receivables	$ 69	$ 51	$ 130	$ 284	$ 436	$ 529	$ 412	$ 14
Interest income from retained securities	166	197	305	407	679	606	379	152
Servicing fees	111	179	230	376	677	700	456	190
Excess spread and other	235	245	465	496	973	775	186	201
Investment and other income related to sales of receivables	581	672	1,130	1,563	2,765	2,610	1,433	557
Less: Whole-loan income	(32)	(48)	(56)	(109)	(234)	(79)	—	—
Income related to off-balance sheet securitizations	$ 549	$ 624	$ 1,074	$ 1,454	$ 2,531	$ 2,531	$ 1,433	$ 557
Memo:								
Finance receivables sold	$ 2,400	$ 2,666	$ 4,852	$13,248	$21,321	$40,712	$52,533	$21,618
Servicing portfolio as of period-end	51,304	62,595	51,304	62,595	56,705	76,346	58,748	28,366
Pre-tax gain per dollar of retail receivables sold	2.9%	1.9%	2.7%	2.1%	2.0%	1.4%	1.2%	0.1%

In the second quarter of 2004, investment and other income related to sales of receivables declined $91 million or 14% compared with a year ago. This decline resulted from lower levels of outstanding sold receivables, down about $11 billion compared with the second quarter of 2003, reflecting primarily our lower funding requirements. Excluding the effects of whole-loan sale transactions, which totaled $10.4 billion in the 2002-2004 period, off-balance sheet securitization

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

income declined $75 million compared with 2003. In the first half of 2004, off-balance sheet securitization income declined $380 million or 26% compared with the first half of 2003. The decline reflects primarily lower off-balance sheet retail receivables sales in 2004, and lower levels of outstanding sold receivables.

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

The following table shows, on an analytical basis, the earnings impact of our off-balance sheet securitizations had we reported them as on-balance sheet and funded them through asset-backed financings for the periods indicated:

	Second Quarter		First Half		Full-Year			
	2004	2003	2004	2003	2003	2002	2001	2000
	(in millions)							
Financing revenue								
Retail revenue	$ 663	$ 951	$1,365	$2,030	$ 3,580	$ 4,040	$ 2,954	$ 1,622
Wholesale revenue	284	297	551	589	1,080	1,101	499	384
Total financing revenue	947	1,248	1,916	2,619	4,660	5,141	3,453	2,006
Borrowing cost	(244)	(390)	(513)	(872)	(1,491)	(2,205)	(1,784)	(1,242)
Net financing margin	703	858	1,403	1,747	3,169	2,936	1,669	764
Credit losses	(101)	(153)	(234)	(346)	(677)	(454)	(219)	(92)
Income before income taxes	$ 602	$ 705	$1,169	$1,401	$ 2,492	$ 2,482	$ 1,450	$ 672
Memo:								
Income related to off-balance sheet securitizations	$ 549	$ 624	$1,074	$1,454	$ 2,531	$ 2,531	$ 1,433	$ 557
Recalendarization impact of off-balance sheet securitizations	$ (53)	$ (81)	$ (95)	$ 53	$ 39	$ 49	$ (17)	$ (115)

In the second quarter of 2004, the impact to earnings of off-balance sheet securitizations was $53 million lower than had these transactions been structured as on-balance sheet securitizations. For the first half of 2004, the impact was $95 million lower than had these transactions been structured as on-balance sheet securitizations. These differences result from recalendarization effects caused by gain-on-sale accounting requirements. This effect will fluctuate as the amount of receivables sold in our off-balance sheet securitizations increases or decreases over time.

Leverage

We use leverage, or the debt-to-equity ratio, to make various business decisions, including establishing pricing for retail, wholesale and lease financing, and assessing our capital structure. For a discussion of our capital structure, see ''Capital Adequacy'' in our 2003 10-K Report. We calculate leverage on a financial statement basis and on a managed basis using the following formulas:

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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

The following table shows the calculation of our financial statement leverage:

	June 30, 2004	December 31, 2003	2002	2001	2000
	(in billions)				
Total debt	$138.3	$149.7	$140.3	$145.8	$145.6
Total stockholder's equity	12.1	12.5	13.6	12.0	12.2
Debt-to-equity ratio (to 1)	11.4	12.0	10.3	12.2	11.9

At June 30, 2004, our financial statement leverage was 11.4 to 1, compared with 12.0 to 1 at year-end 2003. This decrease in leverage resulted primarily from lower funding requirements.

The following table shows the calculation of our managed leverage:

	June 30, 2004	December 31, 2003	2002	2001	2000
	(in billions)				
Total debt	$138.3	$149.7	$140.3	$145.8	$145.6
Securitized off-balance sheet receivables outstanding	45.8	49.4	71.4	58.7	28.4
Retained interest in securitized off-balance sheet receivables	(16.4)	(13.0)	(17.6)	(12.5)	(3.7)
Adjustments for cash and cash equivalents	(8.8)	(15.7)	(6.8)	(2.9)	(1.1)
Adjustments for SFAS No. 133	(3.2)	(4.7)	(6.2)	(2.1)	—
Total adjusted debt	$155.7	$165.7	$181.1	$187.0	$169.2
Total stockholder's equity (including minority interest)	$ 12.1	$ 12.5	$ 13.6	$ 12.0	$ 12.2
Adjustments for SFAS No. 133	0.1	0.2	0.5	0.6	—
Total adjusted equity	$ 12.2	$ 12.7	$ 14.1	$ 12.6	$ 12.2
Managed debt-to-equity ratio (to 1)	12.7	13.0	12.8	14.8	13.9

We believe that managed leverage is useful to our investors because it reflects the way we manage our business. We retain interests in receivables sold in off-balance sheet securitization transactions and, with respect to subordinated retained interests, are exposed to credit risk. Accordingly, we consider securitization as an alternative source of funding and evaluate credit losses, receivables and leverage on a managed as well as a financial statement basis. We also deduct cash and cash equivalents because they generally correspond to excess debt beyond the amount required to support our operations. In addition, we add our minority interests to our financial statement equity, because all of the debt of such consolidated entities is included in our total debt. SFAS No. 133 requires us to make fair value adjustments to our assets, debt and equity positions to reflect the impact of interest rate instruments we use in connection with our term debt issuances and securitizations. SFAS No. 133 adjustments vary over the term of the underlying debt and securitized funding obligations based on changes in market interest rates. We generally repay our debt obligations as they mature. As a result, we exclude the impact of SFAS No. 133 on both the

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

numerator and denominator in order to exclude the interim effects of changes in market interest rates. For a discussion of our use of interest rate instruments and other derivatives, see Item 7A of our 10-K Report. We believe the managed leverage measure provides our investors with meaningful information regarding management's decision-making processes.

Our managed leverage strategy involves establishing a leverage level that we believe reflects the risk characteristics of our underlying assets. In establishing a target leverage level, we consider the characteristics of the receivables in our managed portfolio and the prevailing market conditions.

At June 30, 2004, our managed leverage was 12.7 to 1, down from 13.0 to 1 at year-end 2003. Our dividend policy is based in part on our strategy to maintain managed leverage at the lower end of the 13 - 14 to 1 range. Based on our profitability and managed receivable levels, we paid dividends of $1.9 billion in the first half of 2004.

Changes in Accounting Standards

The Financial Accounting Standards Board is expected to issue an exposure draft of an amendment to SFAS No. 140 that: (1) addresses the conditions under which a qualifying SPE is permitted to issue beneficial interests with maturities that are shorter than the maturities of the assets held by the qualifying SPE and roll over those beneficial interests at maturity; (2) amends other requirements related to commitments by transferors to provide additional assets to fulfill obligations to the beneficial interest holders; and (3) addresses other issues related to transfers of financial assets. We are continuing to assess the impact the expected exposure draft may have on our accounting for qualifying SPEs and certain securitization funding programs.

Outlook

We expect our earnings in the second half of 2004 to be lower than our earnings in the first half of 2004 primarily reflecting the impact of lower receivables, seasonal increases in credit losses and higher interest rates. At year-end 2004, we expect our managed receivables to be about $170 billion.

Cautionary Statement Regarding Forward Looking Statements

Statements included in this Report or incorporated by reference into this Report may constitute "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "will," "project," "future" and "should" and similar expressions are intended to identify forward-looking statements, and these statements are based on our current expectations and assumptions concerning future events. These statements involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such statements, including the following:

Automotive Related:

- Greater price competition resulting from currency fluctuations, industry overcapacity or other factors;
- Significant decline in automotive industry sales and our financing of those sales, particularly in the United States or Europe, resulting from slowing economic growth, geo-political events or other factors;
- Lower-than-anticipated market acceptance of new or existing Ford products;
- Increased safety, emissions, fuel economy or other regulations resulting in higher costs and/or sales restrictions;
- Work stoppages at key Ford or supplier facilities or other interruptions of supplies;
- Discovery of defects in Ford vehicles resulting in delays in new model launches, recall campaigns, increased warranty costs or litigation;

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

- Unusual or significant litigation or governmental investigations arising out of alleged defects in Ford products or otherwise;
- Reduced availability of or higher prices for fuel;
- Market shift from truck sales in the United States;
- Changes in Ford's requirements under long-term supply arrangements under which Ford is obligated to purchase minimum quantities or pay minimum amounts;
- Change in the nature or mix of automotive marketing programs and incentives;

Ford Credit Related:

- Inability to access debt or securitization markets around the world at competitive rates or in sufficient amounts;
- Higher-than-expected credit losses;
- Collection and servicing problems related to our finance receivables and net investment in operating leases;
- Lower-than-anticipated residual values and higher-than-expected lease return rates;
- New or increased credit, consumer protection or other regulations resulting in higher costs and/or additional financing restrictions;
- Changes in Ford's marketing programs that de-emphasize financing incentives, which could result in a decline in our share of financing Ford vehicles;

General:

- Ford's or our inability to implement the Revitalization Plan;
- Credit rating downgrades;
- Major capital market disruptions that could prevent Ford or us from having access to the capital markets or that would limit our liquidity;
- Availability of securitization as a source of funding;
- Labor or other constraints on Ford's or our ability to restructure Ford's or our business;
- Increased price competition in the rental car industry and/or a general decline in business or leisure travel due to terrorist attacks, acts of war, epidemic diseases or measures taken by governments in response thereto that negatively affect the travel industry;
- Worse-than-assumed economic and demographic experience for our post-retirement benefit plans (e.g., investment returns, interest rates, health care trends, benefit improvements);
- Economic difficulties in any significant market; and
- Currency, commodity or interest rate fluctuations.

Other Financial Information

PricewaterhouseCoopers LLP (''PwC'') has not audited the interim financial information included in this 10-Q report. In reviewing such information, PwC has applied limited procedures in accordance with professional standards for reviews of interim financial information. Accordingly, you should restrict your reliance on their reports on such information. PwC is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the interim financial information because such reports do not constitute ''reports'' or ''parts'' of the registration statements prepared or certified by PwC within the meaning of Sections 7 and 11 of the Securities Act of 1933.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In our 10-K Report, we discuss in greater detail our market risk, counter-party risk, and operating risk. To provide a quantitative measure of the sensitivity of our pre-tax net interest income to changes in interest rates, we use interest rate scenarios that assume a hypothetical, instantaneous increase or decrease in interest rates of 100 basis points (or 1%) across all maturities, as well as a base case that assumes that interest rates remain constant at existing levels. These interest rate scenarios are purely hypothetical and do not represent our view of future interest rate movements. The differences in pre-tax net interest income between these scenarios and the base case over a twelve-month period represent an estimate of the sensitivity of our pre-tax net interest income. Under this model, we estimate that at June 30, 2004, all else constant, such an increase in interest rates would reduce our pre-tax net interest income by approximately $177 million over the next twelve months, compared with $179 million at December 31, 2003. The sensitivity analysis presented assumes interest rate changes are instantaneous, parallel shifts in the yield curve. In reality, interest rate changes are rarely instantaneous or parallel. Had the analysis assumed a gradual change in interest rates of 100 basis points, it would have resulted in a lower pre-tax net interest income impact.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Michael E. Bannister, our Chief Executive Officer, and David P. Cosper, our Vice Chairman, Chief Financial Officer and Treasurer, have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-14(c) of the Securities Exchange Act of 1934, as amended (the ''Exchange Act''), as of June 30, 2004 and each has concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and regulations.

Changes in Internal Controls

No changes in the Company's internal controls over financial reporting occurred during the quarter ended June 30, 2004, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

As a result of Ford transferring its shares to Ford Holdings, LLC on July 1, 2004, we are now a wholly owned subsidiary of Ford Holdings, LLC. Ford Holdings, LLC is a wholly owned subsidiary of Ford.

You can find additional information about Ford in Ford's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, which has been included as an exhibit to this Report (without Exhibits or Financial Statements).

ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Exhibits: please refer to Exhibit Index on page 37.

Instruments defining the rights of holders of certain issues of long-term debt of Ford Credit have not been filed as exhibits to this Report because the authorized principal amount of any one of such issues does not exceed 10% of the total assets of Ford Credit. Ford Credit agrees to furnish a copy of each of such instruments to the Commission upon request.

(b) Reports on Form 8-K

Ford Credit filed the following Current Reports on Form 8-K during the quarter ended June 30, 2004:

Current Report on Form 8-K dated April 1, 2004 included information relating to Ford's March 2004 U.S. sales results.

Current Report on Form 8-K dated April 21, 2004 included information relating to Ford Credit's and Ford's first quarter 2004 financial results.

Current Report on Form 8-K dated April 22, 2004 included information relating to the appointment of officers at Ford Credit and Ford.

Current Report on Form 8-K dated May 3, 2004 included information relating to Ford's April 2004 U.S. sales results.

Current Report on Form 8-K dated June 2, 2004 included information relating to Ford's May 2004 U.S. sales results.

Current Report on Form 8-K dated June 16, 2004 included information relating to Ford's second quarter 2004 earnings guidance.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Ford Motor Credit Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FORD MOTOR CREDIT COMPANY

By: /s/ DAVID P. COSPER

(DAVID P. COSPER)
Vice Chairman, Chief Financial Officer and Treasurer

Date: August 6, 2004

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Ford Motor Credit Company:

We have reviewed the accompanying consolidated balance sheet of Ford Motor Credit Company and its subsidiaries as of June 30, 2004, and the related consolidated statements of income for each of the three-month and six month periods ended June 30, 2004 and 2003, and the consolidated statement of cash flows from continuing operations for the six-month periods ended June 30, 2004 and 2003. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2003, and the related consolidated statements of income, stockholder's equity, and cash flows from continuing operations for the year then ended (not presented herein), and in our report dated January 21, 2004 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2003, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
August 5, 2004

FORD MOTOR CREDIT COMPANY

EXHIBIT INDEX

Designation	Description	Method of Filing
Exhibit 12	Ford Motor Credit Company and Subsidiaries Calculation of Ratio of Earnings to Fixed Charges	Filed with this Report
Exhibit 15	Letter of PricewaterhouseCoopers LLP, Independent Accountants, dated August 5, 2004, relating to Financial Information	Filed with this Report
Exhibit 31.1	Rule 15d-14(a) Certification of CEO	Filed with this Report
Exhibit 31.2	Rule 15d-14(a) Certification of CFO	Filed with this Report
Exhibit 32.1	Section 1350 Certification of CEO	Filed with this Report
Exhibit 32.2	Section 1350 Certification of CFO	Filed with this Report
Exhibit 99	Items 2 and 4 of Part I and Items 1, 2 and 6 of Part II of Ford Motor Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004	Filed with this Report

EXHIBIT 12

FORD MOTOR CREDIT COMPANY AND SUBSIDIARIES
CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

	First Half 2004	For the Years Ended December 31, 2003	2002	2001	2000	1999
			(in millions)			
Earnings						
Income before income taxes	$2,509	$3,035	$1,965	$ 1,494	$ 2,507	$2,085
Less: Equity in net income / (loss) of affiliated companies	5	12	13	5	(22)	(25)
Fixed charges	2,641	5,867	6,967	8,959	8,940	7,165
Earnings before fixed charges	$5,145	$8,890	$8,919	$10,448	$11,469	$9,275
Fixed charges						
Interest expense	$2,624	$5,831	$6,929	$ 8,922	$ 8,910	$7,140
Rents	17	36	38	37	30	25
Total fixed charges	$2,641	$5,867	$6,967	$ 8,959	$ 8,940	$7,165
Ratio of earnings to fixed charges	1.95	1.52	1.28	1.17	1.28	1.29

For purposes of our ratio, earnings consist of the sum of pre-tax income from continuing operations before adjustment for minority interests in consolidated subsidiaries, less equity in net income / (loss) of affiliated companies, plus fixed charges. Fixed charges consist of interest on borrowed funds, amortization of debt discount, premium, and issuance expense, and one-third of all rental expense (the proportion deemed representative of the interest factor).

EXHIBIT 15

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Ford Motor Credit Company Registration Statements
Nos. 333-91953, 333-92595, 333-45015, 333-86832 and 333-107955 on Form S-3

Commissioners:

We are aware that our report dated August 5, 2004 on our review of interim financial information of Ford Motor Credit Company for the three and six-month periods ended June 30, 2004 and 2003 and included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2004 is incorporated by reference in the aforementioned Registration Statements.

/s/ PRICEWATERHOUSECOOPERS LLP

Detroit, Michigan
August 5, 2004

EXHIBIT 31.1

CERTIFICATION

I, Michael E. Bannister, Chairman of the Board and Chief Executive Officer of Ford Motor Credit Company, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 of Ford Motor Credit Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2004

/s/ MICHAEL E. BANNISTER

Michael E. Bannister
Chairman of the Board and
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, David P. Cosper, Vice Chairman, Chief Financial Officer and Treasurer of Ford Motor Credit Company, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 of Ford Motor Credit Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2004

/s/ DAVID P. COSPER

David P. Cosper
Vice Chairman,
Chief Financial Officer and Treasurer

EXHIBIT 32.1

FORD MOTOR CREDIT COMPANY

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Michael E. Bannister, Chairman of the Board and Chief Executive Officer of Ford Motor Credit Company (the ''Company''), hereby certify pursuant to Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of title 18 of the United States Code that:

1. the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, to which this statement is filed as an exhibit (the ''Report''), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL E. BANNISTER

Michael E. Bannister
Chairman of the Board and
Chief Executive Officer

Date: August 3, 2004

EXHIBIT 32.2

FORD MOTOR CREDIT COMPANY

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David P. Cosper, Vice Chairman, Chief Financial Officer and Treasurer of Ford Motor Credit Company (the ''Company''), hereby certify pursuant to Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of title 18 of the United States Code that:

1. the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, to which this statement is filed as an exhibit (the ''Report''), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID P. COSPER

David P. Cosper
Vice Chairman,
Chief Financial Officer and Treasurer

Date: August 3, 2004

EXHIBIT 99

Items 2 and 4 of Part I and Items 1, 2 and 6 of Part II of Ford's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004. ALL REFERENCES TO WE, OUR, AND US IN THIS EXHIBIT 99 REFER TO FORD MOTOR COMPANY.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SECOND QUARTER RESULTS OF OPERATIONS

Our worldwide net income was $1.2 billion in the second quarter of 2004, or $0.57 per diluted share of Common and Class B Stock. In the second quarter of 2003, net income was $417 million, or $0.22 per share.

Results by business sector for the second quarter of 2004 and 2003 are shown below (in millions):

	Second Quarter Net Income/(Loss)		
	2004	2003*	2004 Over/(Under) 2003
Income/(loss) before income taxes			
Automotive sector	$ (57)	$ 3	$(60)
Financial Services sector	1,559	715	844
Total Company	1,502	718	784
Provision for/(benefit from) income taxes	268	194	74
Minority interests in net income/(loss) of subsidiaries	72	98	(26)
Income/(loss) from continuing operations	1,162	426	736
Income/(loss) from discontinued/held-for-sale operations	3	(9)	12
Net income/(loss)	$1,165	$417	$748

* Certain amounts were reclassified to conform to current period presentation consistent with the presentation in our 10-K Report. Reclassifications include profits and losses related to discontinued/held-for-sale operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Automotive Sector

Details of Automotive sector results for the second quarter of 2004 and 2003 are shown below (in millions):

	Second Quarter					
	Income/(Loss) Before Taxes			Income/(Loss) Before Taxes Excluding Special Items		
	2004	2003	2004 Over/(Under) 2003	2004	2003	2004 Over/(Under) 2003
Americas						
Ford North America	$335	$445	$(110)	$455	$445	$ 10
Ford South America	22	(69)	91	22	(69)	91
Total Americas	357	376	(19)	477	376	101
Ford Europe and PAG						
Ford Europe	191	(525)	716	211	(525)	736
PAG	(362)	166	(528)	(362)	166	(528)
Total Ford Europe and PAG	(171)	(359)	188	(151)	(359)	208
Ford Asia Pacific and Africa/Mazda						
Ford Asia Pacific and Africa	(5)	(28)	23	(5)	(28)	23
Mazda and Associated Operations	60	45	15	60	45	15
Total Ford Asia Pacific and Africa/Mazda	55	17	38	55	17	38
Other Automotive	(298)	(31)	(267)	(298)	(31)	(267)
Total, excluding special items				83	3	80
Special items*				(140)	—	(140)
Total Automotive	$(57)	$ 3	$ (60)	$(57)	$ 3	$ (60)

* Special items include $(120) million of charges for revaluation and restructuring of our investment in Ballard Power Systems (see discussion below) and $(20) million of charges related to the completion of the previously announced Ford Europe restructuring plan.

Details of Automotive sector sales and vehicle unit sales for the second quarter 2004 and 2003 are shown below:

	Sales (in billions)				Vehicle Unit Sales* (in thousands)			
	2004	2003	2004 Over/(Under) 2003		2004	2003	2004 Over/(Under) 2003	
Americas								
Ford North America	$20.5	$20.7	$(0.2)	(1)%	919	982	(63)	(6)%
Ford South America	0.7	0.4	0.3	75	67	49	18	37
Total Americas	21.2	21.1	0.1	0	986	1,031	(45)	(4)
Ford Europe and PAG								
Ford Europe	6.7	5.2	1.5	29	453	407	46	11
PAG	6.9	6.4	0.5	8	201	197	4	2
Total Ford Europe and PAG	13.6	11.6	2.0	17	654	604	50	8
Ford Asia Pacific and Africa	1.9	1.4	0.5	36	108	83	25	30
Total Automotive	$36.7	$34.1	$ 2.6	8%	1,748	1,718	30	2%

* Included in vehicle unit sales of Ford Asia Pacific and Africa are Ford-badged vehicles sold in China and Malaysia by our unconsolidated subsidiaries totaling 22,000 and 9,000 units in 2004 and 2003, respectively. The revenue from these units is not reflected in the dollar sales reported above.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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

	2004	2003	2004 Over/(Under) 2003	Market
Americas				
Ford North America	18.1%	19.3%	(1.2) pts.	U.S.(b)
Ford South America	11.1	11.7	(0.6)	Brazil(b)
Ford Europe and PAG(a)				
Ford Europe	8.6	8.5	0.1	Europe(b)
PAG	1.3/2.4	1.3/2.2	0/0.2	U.S./Europe
Ford Asia Pacific and Africa	13.7	13.6	0.1	Australia(b)

(a) 2004 European market share for Ford Europe and PAG are based, in part, on estimated vehicle registrations.

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

The following discussion, except where noted, is based on Income/(Loss) Before Taxes Excluding Special Items. We believe this measure to be useful to investors because it excludes elements that we do not consider to be indicative of earnings from our on-going operating activities. As a result, it provides investors with a more relevant measure of the results generated by our operations.

Compared with the second quarter of 2003, the improvement of $80 million in income before income taxes for the Automotive sector reflected improved unit sales volume, primarily at Ford Europe, and product mix, primarily at Ford North America (about $400 million); favorable net pricing, primarily at Ford North America (about $200 million); unchanged cost performance (measured at constant volume, mix and exchange); the effects of unfavorable changes in exchange rates (about $200 million); and higher net interest (about $300 million), which is discussed below under ''Other Automotive.''

The unchanged cost performance resulted from the following factors:

- quality related costs increased by about $300 million, primarily reflecting the non-recurrence of favorable accrual adjustments for warranty and additional service action costs in the year-ago period;
- manufacturing and engineering costs declined by about $200 million,
- overhead costs, which includes administrative and staff support, declined by about $200 million;
- net product costs declined by about $100 million; the reductions on carryover models and the effect of the discontinuation of a supplier cost reduction sharing program more than offset higher costs on new models;
- depreciation and amortization costs increased by about $200 million; and
- pension and retiree health care expenses were unchanged.

Americas

Ford North America. The improvement in profits for Ford North America primarily reflected improved product mix and positive net pricing, offset partially by lower volume and unfavorable cost performance. Positive net pricing included the favorable impact of higher than expected proceeds from sales of vehicles returned to us by daily rental car companies pursuant to repurchase options.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Vehicle unit sales were down by 63,000 units, which primarily reflected lower market share in the U.S., offset partially by higher U.S. industry volume (up 1.8%). U.S. market share was down 1.2 percentage points, primarily due to a reduction in retail market share.

We have been in an alliance with Ballard Power Systems Inc. (''Ballard'') and Daimler-Chrysler AG (''DCX'') since 1998 to develop fuel cell technology for the automotive industry. We presently own 22 million shares of Ballard, representing 18.7% of its outstanding shares. On July 8, 2004, we signed a non-binding memorandum of understanding (''MOU'') with Ballard and DCX to acquire from Ballard a 50% interest in Ballard AG, Ballard's vehicular fuel systems subsidiary, in exchange for 8.3 million shares of Ballard stock. DCX presently owns 49% of Ballard AG and plans to acquire the remaining 1% from Ballard. This acquisition will allow us jointly with DCX to focus on the research, development and manufacturing of the vehicular fuel cell system and Ballard to focus on fuel cell research, development and manufacturing. Contemporaneous with the execution of the MOU, Ballard issued to Ford and DCX a conditional call notice in satisfaction of a pre-existing capital call obligation. Pursuant to this contingent call notice, we and DCX would be required to invest C$25 million and C$30 million, respectively, to acquire additional shares of Ballard at a price of C$12.33863 per share at the closing of the transactions contemplated by the MOU. Assuming the transactions contemplated by the MOU occur, our ownership interest in Ballard would decrease from 18.7% to 13.9% and DCX's ownership interest would increase from 16.6% to 18.8%. (See also Note 6 of the Notes to the Financial Statements for a discussion of our investment in Ballard.)

Ford South America. The improvement in profits and sales for Ford South America primarily reflected positive net pricing and higher unit sales volumes, partially offset by unfavorable cost performance. The higher unit sales volumes reflected higher industry sales volume. The unfavorable cost performance reflected higher material costs, primarily for steel.

Ford Europe and PAG

Ford Europe. The improvement for Ford Europe primarily reflected higher vehicle unit sales volume and favorable cost performance, including the effects of our previously announced restructuring actions. The increase in vehicle unit sales volume primarily reflected the higher sales in Turkey and Russia, the strength of the Ford Focus C-Max model, and a slower rate of dealer stock reductions. The improvement in revenue reflected the increase in vehicle unit sales and stronger European currencies.

PAG. The deterioration in results for PAG primarily reflected unfavorable changes in exchange rates, unfavorable product mix, higher costs including the effects of product change-over at Land Rover, and lower net pricing. Sales at Jaguar, particularly in the U.S., were less than expected and the cost improvements progressed slower than expected at Jaguar and Land Rover.

Ford Asia Pacific and Africa / Mazda

Ford Asia Pacific and Africa. The improvement for Ford Asia Pacific and Africa primarily reflected favorable changes in exchange rates and increased vehicle unit sales, offset partially by higher costs. The increase in revenue primarily reflected higher sales and improved product mix in Australia, South Africa, and Taiwan, as well as favorable exchange rates. The increase in vehicle unit sales reflected higher industry volumes in China, Australia, and Taiwan, and improved market share in South Africa.

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

Other Automotive

The increase in loss before income taxes for Other Automotive primarily reflected the reclassification of interest expense on our 6.50% Junior Subordinated Debentures due 2032 held by a

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

subsidiary trust, Ford Motor Company Capital Trust II (prior to July 1, 2003, this interest expense was included in *Minority interests in net income/(loss) of subsidiaries*) and lower earnings on our gross cash.

Financial Services Sector

Our Financial Services sector includes two primary segments, Ford Credit and Hertz. Details of Financial Services sector income/(loss) before income taxes for the second quarter of 2004 and 2003 are shown below (in millions):

	Second Quarter Income/(Loss) Before Income Taxes		
	2004	2003	2004 Over/(Under) 2003
Ford Credit	$1,422	$661	$761
Hertz*	144	57	87
Other Financial Services	(7)	(3)	(4)
Total Financial Services sector	$1,559	$715	$844

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

Ford Credit

The improvement in earnings resulted primarily from improvement in credit loss performance (about $450 million), improved lease residual performance (about $200 million) and improved financing margin (about $150 million), offset partially by the impact of lower off-balance sheet securitizations and whole-loan sale transactions (about $100 million). The improvement in lease residual performance resulted from higher used vehicle prices and a reduction in the percentage of vehicles returned by dealers to Ford Credit at the end of the lease period.

Details of actual credit losses net of recoveries (''credit losses'') and loss-to-receivables ratios (annualized credit losses during a period as a percentage of average net receivables for that period) for the second quarter of 2004 and 2003 are shown below:

	Second Quarter	
	2004	2003
Credit losses (in millions)		
On-balance sheet	$332	$452
Managed	446	623
Loss-to-receivables ratio		
On-balance sheet	1.03%	1.44%
On-balance sheet (including credit losses associated with reacquired receivables)*	1.07%	1.50%

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

The decrease of $120 million in credit losses for the on-balance sheet portfolio primarily reflected improved loss performance in the U.S. retail installment and operating lease portfolio resulting from lower repossessions and a lower average loss per repossession. The on-balance sheet loss-to-receivables ratio including reacquired receivables in the second quarter of 2004 was 1.07%, down from 1.50% in 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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

	June 30, 2004	December 31, 2003
On-balance sheet (including on-balance sheet securitizations)	$129.2	$132.1
Securitized off-balance sheet	45.8	49.4
Managed	$175.0	$181.5
Serviced	$180.5	$188.8

The decrease in on-balance sheet finance receivables and net investment in operating leases of $2.9 billion primarily reflected the impact of lower retail and lease placement volumes. The decrease in securitized off-balance sheet receivables of $3.6 billion primarily reflected the slower pace of off-balance sheet securitizations.

Shown below is Ford Credit's allowance for credit losses related to finance receivables and operating leases for the periods specified:

	June 30, 2004	December 31, 2003
Allowance for credit losses (in billions)	$2.7	$3.0
Allowance as a percentage of end-of-period net receivables	2.05%	2.28%

The decrease in the allowance for credit losses of about $300 million primarily reflected improving portfolio performance, especially in the United States, and the impact of lower receivables.

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

	Second Quarter	
	2004	2003
Net gain on sales of receivables	$ 69	$ 51
Interest income from retained securities	166	197
Servicing fees	111	179
Excess spread and other	235	245
Investment and other income related to sales of receivables	581	672
Less: Whole-loan income	(32)	(48)
Income related to off-balance sheet securitizations	$ 549	$ 624
Memo:		
Finance receivables sold	$ 2,400	$ 2,666
Servicing portfolio as of period-end	51,304	62,595
Pre-tax gain per dollar of retail receivables sold	2.9%	1.9%

Investment and other income related to sales of receivables decreased $91 million or 14% from $672 million in the second quarter 2003 to $581 million in the second quarter of 2004. This decline resulted from lower levels of outstanding sold receivables, down about $11 billion compared with the second quarter of 2003, reflecting primarily lower funding requirements. Excluding the effects of whole-loan sale transactions, which totaled $10.4 billion in the 2002-2004 period, off-balance sheet securitization income declined $75 million from $624 million in the second quarter of 2003 to $549 million in the second quarter of 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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

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

	Second Quarter	
	2004	2003
Financing revenue		
Retail revenue	$ 663	$ 951
Wholesale revenue	284	297
Total financing revenue	947	1,248
Borrowing cost	(244)	(390)
Net financing margin	703	858
Credit losses	(101)	(153)
Income before income taxes	$ 602	$ 705
Memo:		
Income related to off-balance sheet securitizations	$ 549	$ 624
Recalendarization impact of off-balance sheet securitizations	(53)	(81)

In the second quarter of 2004, the impact to earnings of off-balance sheet securitizations was $53 million lower than had these transactions been structured as on-balance sheet securitizations. This difference results from recalendarization effects caused by gain-on-sale accounting requirements. This effect will fluctuate as the amount of receivables sold in off-balance sheet securitizations increases or decreases over time.

Hertz

In the second quarter of 2004, income before income taxes was $144 million, compared with $57 million in the second quarter of 2003. The improvement was primarily due to higher rental volume in the Hertz worldwide car rental business, offset partially by lower pricing. Earnings were also favorably impacted by lower fleet costs, higher net proceeds received in excess of book value on the disposal of used vehicles and equipment, and improved cost performance.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

FIRST HALF RESULTS OF OPERATIONS

Our worldwide net income was $3.1 billion in the first half of 2004, or $1.51 per diluted share of Common and Class B Stock. In the first half of 2003, net income was $1.3 billion, or $0.67 per share.

Results by business sector for the first half of 2004 and 2003 are shown below (in millions):

	First Half Net Income/(Loss)		
	2004	2003*	2004 Over/(Under) 2003
Income/(loss) before income taxes			
Automotive sector	$1,749	$ 665	$1,084
Financial Services sector	2,642	1,393	1,249
Total Company	4,391	2,058	2,333
Provision for/(benefit from) income taxes	1,097	531	566
Minority interests in net income/(loss) of subsidiaries	157	200	(43)
Income/(loss) from continuing operations	3,137	1,327	1,810
Income/(loss) from discontinued/held-for-sale operations	(20)	(14)	(6)
Net income/(loss)	$3,117	$1,313	$1,804

* Certain amounts were reclassified to conform to current period presentation consistent with the presentation in our 10-K Report. Reclassifications include profits and losses related to discontinued/held-for-sale operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Automotive Sector

Details of Automotive sector results for the first half of 2004 and 2003 are shown below (in millions):

	First Half					
	Income/(Loss) Before Taxes			Income/(Loss) Before Taxes Excluding Special Items		
	2004	2003	2004 Over/(Under) 2003	2004	2003	2004 Over/(Under) 2003
Americas						
Ford North America	$2,297	$1,681	$ 616	$2,417	$1,681	$ 736
Ford South America	37	(100)	137	37	(100)	137
Total Americas	2,334	1,581	753	2,454	1,581	873
Ford Europe and PAG						
Ford Europe	167	(772)	939	216	(772)	988
PAG	(342)	78	(420)	(342)	78	(420)
Total Ford Europe and PAG	(175)	(694)	519	(126)	(694)	568
Ford Asia Pacific/Africa and Mazda						
Ford Asia Pacific and Africa	23	(53)	76	23	(53)	76
Mazda and Associated Operations	114	86	28	114	86	28
Total Ford Asia Pacific/Africa and Mazda	137	33	104	137	33	104
Other Automotive	(547)	(255)	(292)	(564)	(255)	(309)
Total, excluding special items				1,901	665	1,236
Special items*				(152)	—	(152)
Total Automotive	$1,749	$ 665	$1,084	$1,749	$ 665	$1,084

* Special items include $(120) million of charges for revaluation and restructuring of our investment in Ballard Power Systems (see discussion above), $(49) million related to the completion of the previously announced Ford Europe restructuring plan, and $17 million related to a prior divestiture.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Details of Automotive sector sales and vehicle unit sales for the first half 2004 and 2003 are shown below:

	Sales (in billions)				Vehicle Unit Sales* (in thousands)			
	2004	2003	2004 Over/(Under) 2003		2004	2003	2004 Over/(Under) 2003	
Americas								
Ford North America	$43.8	$42.9	$0.9	2%	1,930	2,006	(76)	(4)%
Ford South America	1.3	0.7	0.6	86	133	93	40	43
Total Americas	45.1	43.6	1.5	3	2,063	2,099	(36)	(2)
Ford Europe and PAG								
Ford Europe	13.2	10.2	3.0	29	876	791	85	11
PAG	13.7	11.8	1.9	16	390	369	21	6
Total Ford Europe and PAG	26.9	22.0	4.9	22	1,266	1,160	106	9
Ford Asia Pacific and Africa	3.5	2.7	0.8	30	204	165	39	24
Total Automotive	$75.5	$68.3	$7.2	11%	3,533	3,424	109	3%

* Included in vehicle unit sales of Ford Asia Pacific and Africa are Ford-badged vehicles sold in China and Malaysia by our unconsolidated subsidiaries totaling 34,000 and 13,000 in 2004 and 2003, respectively. The revenue from these units is not reflected in the dollar sales reported above.

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

	2004	2003	2004 Over/(Under) 2003	Market
Americas				
Ford North America	18.4%	19.6%	(1.2) pts.	U.S.(b)
Ford South America	11.2	11.1	0.1	Brazil(b)
Ford Europe and PAG(a)				
Ford Europe	8.9	8.9	0	Europe(b)
PAG	1.3/2.4	1.3/2.2	0/0.2	U.S./Europe
Ford Asia Pacific	13.6	13.9	(0.3)	Australia(b)

(a) 2004 European market share for Ford Europe and PAG are based, in part, on estimated vehicle registrations.

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

The following discussion is based on Income/(Loss) Before Taxes Excluding Special Items. We believe this measure to be useful to investors because it excludes elements that we do not consider to be indicative of earnings from our on-going operating activities. As a result, it provides investors with a more relevant measure of the results generated by our operations.

Americas

Ford North America. The improvement in profits for Ford North America primarily reflected improved product mix, positive net pricing, and favorable cost performance, offset partially by lower volume.

Ford South America. The improvement in profits for Ford South America primarily reflected positive net pricing and higher vehicle unit sales volume and improved product mix, offset partially by unfavorable cost performance. The higher unit sales volume reflected stronger

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

industry sales volumes and higher market share, particularly for the Ford EcoSport, Fiesta, and Cargo models.

Ford Europe and PAG

Ford Europe. The improvement in profits for Ford Europe primarily reflected favorable cost performance, including the effects of our previously announced restructuring actions, higher vehicle unit sales volume and positive net pricing. The increase in vehicle unit sales volume primarily reflected the strength of the Ford Focus C-Max model and higher sales in Turkey and Russia. The improvement in revenue primarily reflected stronger European currencies and the increase in vehicle unit sales.

PAG. The deterioration in results for PAG primarily reflected unfavorable changes in exchange rates, unfavorable product mix, and negative net pricing, offset partially by higher unit sales volume. The higher unit sales volume reflected higher market share in Europe and higher industry volumes in Europe and the U.S.

Ford Asia Pacific and Africa / Mazda

Ford Asia Pacific and Africa. The improvement for Ford Asia Pacific and Africa primarily reflected favorable changes in exchange rates and higher unit sales volume.

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

Other Automotive

The increase in loss before income taxes for Other Automotive primarily reflected the reclassification of interest expense on our 6.50% Junior Subordinated Debentures due 2032 held by a subsidiary trust, Ford Motor Company Capital Trust II (prior to July 1, 2003, this interest expense was included in *Minority interests in net income / (loss) of subsidiaries*) and lower earnings on our gross cash.

Financial Services Sector

Details of Financial Services sector income / (loss) before income taxes for the first half of 2004 and 2003 are shown below (in millions):

	First Half Income / (Loss) Before Income Taxes		
	2004	2003	2004 Over / (Under) 2003
Ford Credit	$2,509	$1,388	$1,121
Hertz*	137	(2)	139
Other Financial Services	(4)	7	(11)
Total Financial Services sector	$2,642	$1,393	$1,249

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

Ford Credit

The improvement in earnings resulted primarily from improvement in credit loss performance, improved lease residual performance and improved financing margin, offset partially by the impact of lower off-balance sheet securitizations and whole-loan sale transactions. The improvement in lease residual performance resulted from higher used vehicle prices and a reduction in the percentage of vehicles returned by dealers to Ford Credit at the end of the lease period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Details of credit losses and loss-to-receivables ratios for the first half of 2004 and 2003 are shown below:

	First Half	
	2004	2003
Credit losses (in millions)		
On-balance sheet	$667	$ 945
Managed	939	1,309
Loss-to-receivables ratio		
On-balance sheet	1.03%	1.53%
On-balance sheet (including credit losses associated with reacquired receivables)*	1.09%	1.56%

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

The decrease of $278 million in credit losses for the on-balance sheet portfolio primarily reflected improved loss performance in the U.S. retail installment and operating lease portfolio resulting from lower repossessions and a lower average loss per repossession. The on-balance sheet loss-to-receivables ratio including reacquired receivables in the first half of 2004 was 1.09%, down from 1.56% in 2003.

Hertz

In the first half of 2004, income before income taxes was $137 million, compared with a loss of $2 million in the first half of 2003. The improvement was primarily due to higher rental volume in the Hertz worldwide car rental business, offset partially by lower pricing. Earnings were also favorably impacted by lower fleet costs, higher net proceeds received in excess of book value on the disposal of used vehicles and equipment, and improved cost performance.

Liquidity and Capital Resources

Automotive Sector

For the Automotive sector, liquidity and capital resources include cash generated by operations, gross cash balances, funds raised in capital markets and committed credit lines.

Gross Cash. Automotive gross cash includes cash and cash equivalents, marketable and loaned securities and assets contained in a short-term Voluntary Employee Beneficiary Association trust (''VEBA'') as detailed below (in billions):

	2004		2003	
	June 30	January 1	June 30	January 1
Cash and cash equivalents	$ 5.9	$ 5.4	$ 7.5	$ 5.2
Marketable securities	11.6	10.8	15.0	17.4
Loaned securities	5.3	5.7	4.6	—
Total cash, marketable and loaned securities	22.8	21.9	27.1	22.6
Short-term VEBA assets	4.0	4.0	1.6	2.7
Gross cash	$26.8	$25.9	$28.7	$25.3

In managing our business, we classify changes in gross cash into four categories: operating-related (both including and excluding pension/long-term VEBA contributions and tax refunds), capital transactions with the Financial Services sector, acquisitions and divestitures and other (primarily financing related). Our key metric for operating-related cash flow is cash flow before funded pension plan and long-term VEBA contributions and tax refunds. This metric best represents the ability of our Automotive operations to generate cash. We believe the cash flow analysis

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

reflected in the table below, which differs from a cash flow statement presented in accordance with GAAP, is useful to investors because it includes cash flow elements that we consider to be related to our operating activities (e.g., capital spending) that are not included in *Cash flows from operating activities before securities trading,* the most directly comparable GAAP financial measure.

Changes in Automotive gross cash for the second quarter and first half of 2004 and 2003 are summarized below (in billions):

	Second Quarter		First Half	
	2004	2003	2004	2003
Gross cash at end of period	$26.8	$28.7	$26.8	$28.7
Gross cash at beginning of period	26.5	26.6	25.9	25.3
Total change in gross cash	$ 0.3	$ 2.1	$ 0.9	$ 3.4
Operating-related cash flows				
Automotive income/(loss) before income taxes, excluding special items	$ 0.1	$ —	$ 1.9	$ 0.7
Capital expenditures	(1.4)	(2.0)	(2.6)	(3.4)
Depreciation and special tools amortization	1.6	1.3	3.2	2.7
Changes in receivables, inventory and trade payables	(1.4)	(0.2)	(1.0)	(0.6)
Other	1.2	1.7	0.9	2.4
Total operating-related cash flows before pension/long-term VEBA contributions and tax refunds	0.1	0.8	2.4	1.8
Funded pension plans/long-term VEBA contributions	(0.3)	(0.1)	(1.5)	(1.3)
Tax refunds	—	—	—	0.9
Total operating-related cash flows	(0.2)	0.7	0.9	1.4
Capital transactions with Financial Services sector*	1.0	0.9	1.9	1.7
Divestitures and acquisitions	0.1	0.2	0.3	0.4
Other				
Dividends paid to shareholders	(0.2)	(0.2)	(0.4)	(0.4)
Changes in total Automotive sector debt	(0.3)	0.4	(1.7)	0.2
Other	(0.1)	0.1	(0.1)	0.1
Total change in gross cash	$ 0.3	$ 2.1	$ 0.9	$ 3.4

* Primarily dividends, capital contributions, loans and loan repayments.

Shown in the table below is a reconciliation between *Cash flows from operating activities before securities trading* and operating-related cash flows, calculated as shown in the table above, for the second quarter and first half of 2004 and 2003 (in billions):

	Second Quarter		First Half	
	2004	2003	2004	2003
Cash flows from operating activities before securities trading	$ 1.0	$2.8	$3.6(a)	$ 5.7(a)
Items included in operating-related cash flow				
Capital expenditures	(1.4)	(2.0)	(2.6)	(3.4)
Net transactions between Automotive and Financial Services sectors	0.6	—	0.5(b)	(0.3)(b)
Other	(0.4)	(0.1)	(0.6)	(0.6)
Operating-related cash flows	$(0.2)	$0.7	$0.9	$ 1.4

(a) As shown in our condensed sector statement of cash flows for the Automotive sector.

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

Automotive operating-related cash flow, excluding pension and long-term VEBA contributions and tax refunds, was positive at about $100 million for the second quarter 2004. This reflects Automotive pre-tax profit excluding special items ($83 million), depreciation and amortization in

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

excess of capital spending (about $200 million), and other operating-related changes, primarily timing differences between expense or revenue recognition and the corresponding cash payments for items such as health care, pension, marketing and warranty (positive cash flow of $1.2 billion), offset by changes in receivables, inventory, and trade payables (negative cash flow of $1.4 billion).

Capital transactions with the Financial Services sector, primarily dividends received from Ford Credit, totaled $1 billion in the second quarter of 2004.

Balance Sheet Improvement Actions. We are taking actions over time to strengthen the Automotive balance sheet. By year-end 2004, we plan to have taken actions that, in total, will have reduced our obligations by about $10 billion over the past two years. These capital improvements include pre-funding our healthcare and pension obligations and reducing Automotive debt.

In 2003, these actions included $2.8 billion in contributions to our U.S. and non-U.S. funded pension plans and a $2 billion contribution to a long-term VEBA, which we are using to pre-fund a portion of our healthcare obligation.

In the second quarter 2004, we contributed about $300 million to our non-U.S. funded pension plans, for a total of $1.5 billion in contributions to non-U.S. funded pension plans for the first half 2004.

In the first half 2004, we repurchased $1 billion of senior debt in the open market. The majority of our purchases have been among four large issues, which have maturities between 2028 and 2032. In addition, in January 2004, we redeemed our 9% Trust Originated Preferred Securities, which had the effect of reducing our subordinated debt by about $700 million.

In the second half of 2004, we plan $2 billion of additional balance sheet improvement actions, including a $1.5 billion contribution on July 21, 2004 to our long-term VEBA.

Shutdown Working Capital Financing. Each year during the summer and at year end, vacation and holiday production shutdowns occur. During these periods, wholesale revenues are not generated (because we are not shipping and selling vehicles to dealers). Historically, we funded the seasonal cash outflows during the shut-down period by reducing cash reserves.

In July 2004, we initiated an alternative source of cost-effective funding for the 2004 United States summer vacation shutdown through an uncommitted auction facility with our bank group. We received $3.6 billion in bids in our first auction and elected to raise $2.3 billion, which matures on September 7, 2004. We expect to use this funding process for future shutdowns.

With this shutdown working capital financing, a portion of our cash reserves otherwise held for shutdown periods can be deployed more efficiently to address other longer-term liabilities (including pension and healthcare obligations and debt retirement), as described above.

Debt. At June 30, 2004, our Automotive sector had total senior debt of $13.7 billion, compared with $15.0 billion at December 31, 2003. The debt decrease primarily reflected the repurchases described above.

Ford Motor Company Capital Trust II (the ''Trust II'') had outstanding $5.0 billion of trust preferred securities at June 30, 2004. The dividend and liquidation preferences on these securities are paid from interest and principal payments on our junior subordinated debentures held by the Trust II in a principal amount of $5.2 billion.

Credit Facilities. Excluding credit facilities of our Variable Interest Entities, at July 1, 2004, the Automotive sector had $7.0 billion of contractually committed credit agreements with various banks, of which $6.9 billion were available for use. Seventy-six percent of the total facilities are committed through June 30, 2009. Of the $7.0 billion, $6.7 billion constitute global credit facilities and may be used, at Ford's option, by any of its direct or indirect majority-owned subsidiaries on a guaranteed basis. Ford also has the ability to transfer, on a non-guaranteed basis, $2.5 billion of such global credit facilities to Ford Credit and $518 million to FCE Bank plc. (''FCE''), Ford Credit's European operation. All of the global credit facilities are free of material adverse change clauses and restrictive

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

financial covenants (for example, debt-to-equity limitations, minimum net worth requirements and credit rating triggers) that could limit our ability to borrow.

Financial Services Sector

Ford Credit

Debt and Cash. Ford Credit's total debt was $138.3 billion at June 30, 2004, down $11.4 billion compared with December 31, 2003. This decrease primarily reflected repayment of debt maturing in the second quarter of 2004 and lower asset levels, which reduced Ford Credit's funding needs. Ford Credit's unsecured commercial paper outstanding at June 30, 2004 totaled $8.0 billion, up $1.9 billion compared with December 31, 2003.

Funding. During the second quarter of 2004, Ford Credit issued $2.2 billion of long-term debt with maturities of one to 10 years, including about $600 million of unsecured institutional funding and about $1.6 billion of unsecured retail bonds. In addition, Ford Credit realized proceeds of about $2.1 billion from sales of receivables in off-balance sheet securitizations.

Ford Credit expects its full-year 2004 public term funding requirements to be between $13 billion and $19 billion. In the first half of 2004, it completed about $8 billion of public term funding transactions. Because of significant available liquidity and a relatively smaller balance sheet size, Ford Credit plans, depending on market conditions, to repurchase a portion of its outstanding debt securities during the remainder of 2004.

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

Ford Credit's financial statement leverage (debt-to-equity ratio) is calculated in the following table:

	June 30, 2004	December 31, 2003
Total debt (in billions)	$138.3	$149.7
Total stockholder's equity (in billions)	12.1	12.5
Debt-to-equity ratio (to 1)	11.4	12.0

At June 30, 2004, Ford Credit's financial statement leverage was 11.4 to 1, compared with 12.0 to 1 at December 31, 2003. This decrease in leverage resulted primarily from lower funding requirements.

Ford Credit's managed leverage is calculated in the following table (in billions, except ratios):

	June 30, 2004	December 31, 2003
Total debt	$138.3	$149.7
Securitized off-balance sheet receivables outstanding	45.8	49.4
Retained interest in securitized off-balance sheet receivables	(16.4)	(13.0)
Adjustments for cash and cash equivalents	(8.8)	(15.7)
Adjustments for SFAS No. 133	(3.2)	(4.7)
Adjusted debt	$155.7	$165.7
Total stockholder's equity (including minority interest)	$ 12.1	$ 12.5
Adjustment for SFAS No. 133	0.1	0.2
Adjusted equity	$ 12.2	$ 12.7
Managed debt-to-equity ratio (to 1)	12.7	13.0

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

At June 30, 2004, Ford Credit's managed leverage was 12.7 to 1, down from 13.0 to 1 at year-end 2003. Ford Credit's dividend policy is based in part on its strategy to maintain managed leverage at the lower end of the 13 — 14 to 1 range. Based on Ford Credit's profitability and managed receivable levels, it paid dividends of $1.9 billion in the first half of 2004.

Credit Facilities. For additional funding and to maintain liquidity, Ford Credit and its majority-owned subsidiaries (including FCE) have contractually committed credit facilities with financial institutions that totaled approximately $7.7 billion at July 1, 2004. This includes $4.8 billion of Ford Credit facilities ($3.9 billion global and $0.9 billion non-global) and $2.9 billion of FCE facilities ($2.7 billion global and $0.2 billion non-global). Approximately $1.1 billion of the total facilities were in use at July 1, 2004. Of the $7.7 billion, about 42% of these facilities are committed through June 30, 2009. The global credit facilities may be used, at Ford Credit's or FCE's option, by any of their direct or indirect majority-owned subsidiaries. Ford Credit or FCE, as the case may be, will guarantee any such borrowings. All of the global credit facilities are free of material adverse change clauses and restrictive financial covenants (for example, debt-to-equity limitations, minimum net worth requirements and credit rating triggers) that would limit our ability to borrow.

Additionally, at July 1, 2004, banks provided $18.6 billion of contractually committed liquidity facilities supporting two asset-backed commercial paper programs; $18.2 billion support Ford Credit's FCAR program and $425 million support Ford Credit's Motown Notes℠ Program. Facilities supporting Ford Credit's FCAR program increased to $18.5 billion at July 12, 2004, reflecting additional bank commitments of $250 million.

In addition, Ford Credit also has entered into agreements with several bank-sponsored commercial paper issuers (''conduits'') under which such conduits are contractually committed to purchase from Ford Credit, at Ford Credit's option, up to an aggregate of approximately $11.8 billion of receivables. The agreements have varying maturity dates between September 16, 2004 and June 23, 2005. As of June 30, 2004, approximately $3.7 billion of these conduit commitments have been utilized.

Hertz

Debt and Cash. At June 30, 2004, Hertz had total debt of $9.2 billion, up $1.6 billion from December 31, 2003. Commercial paper outstanding at June 30, 2004 totaled $2.4 billion, compared with $2.2 billion at December 31, 2003. At June 30, 2004, Hertz had cash and cash equivalents of $860 million, up from $610 million at December 31, 2003.

Hertz has an asset backed securitization (''ABS'') program for its domestic car rental fleet to reduce its borrowing costs and enhance its financing resources. On March 31, 2004, Hertz issued $600 million of medium term notes under its ABS program. As of June 30, 2004, $1.1 billion was outstanding under the ABS program consisting of $500 million of commercial paper and the $600 million of medium term notes.

Total Company

Stockholders' Equity. Our stockholders' equity was $13.6 billion at June 30, 2004, up $1.9 billion from December 31, 2003. The increase primarily reflected net income of $3.1 billion less dividends of $366 million and other comprehensive loss of $795 million. See Note 8 of the Notes to the Financial Statements for further discussion of other comprehensive income/(loss).

Off-Balance Sheet Arrangements

Special Purpose Entities. At June 30, 2004, the total outstanding principal amount of receivables sold by Ford Credit held by off-balance sheet securitization entities was $45.8 billion, down $3.6 billion from December 31, 2003. Ford Credit's retained interests in such sold receivables at June 30, 2004 were $16.4 billion, up $3.4 billion from December 31, 2003. The decrease in receivables held by off-balance sheet securitization entities primarily reflected Ford Credit's lower

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

funding requirements. The increase in retained interests primarily reflected the maturity of a wholesale term securitization in June 2004.

Outlook

Shown below are our 2004 planning assumptions, operational metrics milestones and financial results milestones and our outlook for achieving these milestones:

	Base	Full Year Outlook
Planning Assumptions		
Industry volume (SAAR) — U.S.	17.0 million units	17.0
Europe	16.9 million units	17.2

	Milestone	
Operation Metrics		
Quality	Improve in all regions	On Track
Market share	Flat or improve in all regions	Mixed
Automotive cost performance(a)	Improve by at least $500 million	Better
Capital spending	$7 billion	Lower
Operating-related cash flow(b)	$1.2 billion positive	On Track

	Pre-tax income(c) (in billions)			
Financial Results				
Automotive				
Americas				
Ford North America	$ 1.5	—	$ 1.7	On Track / Better
Ford South America	(0.1)	—	0	On Track
Ford Europe / PAG				
Ford Europe	(0.2)	—	(0.1)	On Track / Better
PAG	0.5	—	0.6	Worse
Ford Asia Pacific and Africa / Mazda	0	—	0.1	On Track
Total Automotive	0.9	—	1.1	On Track
Financial Services	2.6	—	2.7	Better
Total Company	$ 3.5	—	$ 3.8	Better

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

(b) Excluding pension / long-term VEBA contributions and tax refunds.

(c) Excluding special items.

Second quarter 2004 results included the effect of favorable experience related to prior-year tax matters, which resulted in an effective tax rate of 20% for the quarter. We expect our effective tax rate for the remainder of the year to average about 28%, for a full-year effective rate of about 26%.

We continue to believe that our Automotive sector is on track to achieve $0.9 to $1.1 billion of pre-tax income in 2004, excluding special items. Our present expectation is that Ford North America and Ford Europe will meet or slightly exceed the full year milestones. Ford South America and Ford Asia Pacific and Africa / Mazda appear to be on track to meet the full year milestones. We do not expect that PAG will meet the full year milestone of $500 million to $600 million in pre-tax profit and is unlikely to achieve breakeven for the year. We are assessing business improvement actions for PAG, particularly at Jaguar.

Second quarter 2004 results for the Financial Services sector again exceeded our expectations and we continue to expect that the Financial Services sector will exceed the full year earnings milestone of $2.6 — $2.7 billion in pre-tax profit.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Overall, we expect to exceed our total company milestone for pre-tax income, excluding special items. Based on present conditions, we expect special items for the full year to be about $260 million pre-tax (or about $0.08 per share) consisting primarily of charges related to the revaluation and restructuring of our investment in fuel cell technologies and completion of the Ford Europe restructuring actions.

The pricing and competitive environment in the automotive industry remains intense and may intensify further in the balance of the year due to the high level of dealer inventories across the industry and many new products scheduled to be introduced in 2004 by various manufacturers.

Based on the foregoing and subject to the risks described under ''Risk Factors'' below, we expect third quarter per share earnings to be in the range of breakeven to $0.05, from continuing operations and excluding special items. For full-year 2004, we have increased our per share earnings guidance by $0.15 from a range of $1.65 to $1.75 to a range of $1.80 to $1.90, from continuing operations and excluding special items. This increase reflects our expectation that our Financial Services sector will exceed our previous guidance, as well as the effect of the change to our full-year tax rate to about 26% as discussed above.

Risk Factors

Statements included or incorporated by reference herein may constitute ''forward looking statements'' within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- greater price competition resulting from currency fluctuations, industry overcapacity or other factors;
- a significant decline in industry sales, particularly in the U.S. or Europe, resulting from slowing economic growth, geo-political events or other factors;
- lower-than-anticipated market acceptance of new or existing products;
- work stoppages at key Ford or supplier facilities or other interruptions of supplies;
- the discovery of defects in vehicles resulting in delays in new model launches, recall campaigns or increased warranty costs;
- increased safety, emissions, fuel economy or other regulation resulting in higher costs and/or sales restrictions;
- unusual or significant litigation or governmental investigations arising out of alleged defects in our products or otherwise;
- worse-than-assumed economic and demographic experience for our post retirement benefit plans (e.g., investment returns, interest rates, health care cost trends, benefit improvements);
- currency or commodity price fluctuations;
- changes in interest rates;
- a market shift from truck sales in the U.S.;
- economic difficulties in any significant market;
- reduced availability of or higher prices for fuel;
- labor or other constraints on our ability to restructure our business;
- a change in our requirements under long-term supply arrangements under which we are obligated to purchase minimum quantities or pay minimum amounts;
- credit rating downgrades;

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

- inability to access debt or securitization markets around the world at competitive rates or in sufficient amounts;
- higher-than-expected credit losses;
- lower-than-anticipated residual values for leased vehicles;
- increased price competition in the rental car industry and/or a general decline in business or leisure travel due to terrorist attacks, acts of war, epidemic disease or measures taken by governments in response thereto that negatively affect the travel industry; and
- our inability to implement the Revitalization Plan.

Other Financial Information

The interim financial information included in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 has not been audited by PricewaterhouseCoopers LLP (''PwC''). In reviewing such information, PwC has applied limited procedures in accordance with professional standards for reviews of interim financial information. Accordingly, you should restrict your reliance on their reports on such information. PwC is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the interim financial information because such reports do not constitute ''reports'' or ''parts'' of the registration statements prepared or certified by PwC within the meaning of Sections 7 and 11 of the Securities Act of 1933.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. William Clay Ford, Jr., our Chief Executive Officer, and Donat R. Leclair, our Chief Financial Officer, have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-14 (c) of the Securities Exchange Act of 1934, as amended (the ''Exchange Act''), as of June 30, 2004 and each has concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and regulations.

Change in internal controls. No changes in the Company's internal controls over financial reporting occurred during the quarter ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Product Liability Matters

Buell-Wilson v. Ford. During December 2002, an action was filed in Superior Court in San Diego County, California, alleging that defects in stability, roof strength and warnings in a 1997 Ford Explorer caused an accident in which the plaintiff was seriously injured. In June of 2004, the jury rendered a verdict in favor of the plaintiff and ordered us to pay $122.6 million in compensatory damages and $246 million in punitive damages. We have filed motions for judgment notwithstanding the verdict and for a new trial. If those motions are denied, we will appeal to the California Court of Appeals.

F-150 Radiator Class Actions. (Previously discussed on page 29 of the 10-K Report). The Texas Court of Appeals reversed the class certification orders and remanded the case to the trial court for further proceedings. Additional purported statewide class action suits with similar allegations and claims for relief have been filed in state courts in Bibb County, Georgia and in Madison County, Illinois.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the second quarter of 2004, we issued a total of 23,099 shares of our common stock under our Restricted Stock Plan for Non-Employee Directors to certain directors as part of their total compensation. Such shares were not registered pursuant to the Securities Act of 1933, as amended, in reliance on Section 4(2) thereof.

During the second quarter of 2004, we purchased shares of our Common Stock as follows:

Period	Total Number of Shares Purchased(a)	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
April 1, 2004 through April 30, 2004	1,587,194	$14.27	0	No publicly announced repurchase program in place
May 1, 2004 through May 31, 2004	1,535,414	$14.64	0	No publicly announced repurchase program in place
June 1, 2004 through June 30, 2004	1,671,811	$15.49	0	No publicly announced repurchase program in place
Total	4,794,419	$14.81	0	

(a) We currently do not have a publicly announced repurchase program in place. Of the 4,794,419 shares purchased, 4,784,243 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 the 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. The remaining shares were acquired from our employees or former employees 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 stock as a result of the conversion of restricted stock equivalents awarded to our executives or directors, or to pay the exercise price and related income taxes with respect to the exercise of a stock option.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) *Exhibits*

Please refer to the Exhibit Index on Page 34.

(b) *Reports on Form 8-K*

The Registrant filed the following Current Reports on Form 8-K during the quarter ended June 30, 2004:

Current report on Form 8-K dated April 1, 2004 included information relating to U.S. retail sales of Ford vehicles in March 2004.

Current report on Form 8-K dated April 21, 2004 included information relating to Ford's first quarter 2004 financial results.

Current report on Form 8-K dated April 22, 2004 included information relating to executive appointments.

Current report on Form 8-K dated May 3, 2004 included information relating to U.S. retail sales of Ford vehicles in April 2004.

Current report on Form 8-K dated June 2, 2004 included information relating to U.S. retail sales of Ford vehicles in May 2004.

Current report on Form 8-K dated June 16, 2004 included information relating to second quarter earnings guidance.