Folder Title:	President Wolfensohn - Briefing Book for President's Meetings and Events - Luncheon Meeting - Ford Motor Company Executives and World Bank Staff - May 23, 1997
Folder ID:	30487910
Series:	Meeting and event briefing materials
Dates:	09/24/1996 – 05/23/1997
Subfonds:	Records of President James D. Wolfensohn
Fonds:	Records of the Office of the President
ISAD Reference Code:	WB IBRD/IDA EXC-13-10
Digitized:	05/21/2025

Luncheon/Meeting: Ford Motor Company Executives & WB Staff

Friday, May 23, 1997
12:00 - 2:00 p.m.
JDW Private Dining Room

Archive Management for the President's Office

Document Log

Reference # : Archive-01426

1R@

Edit Print

A. CLASSIFICATION

- [x] Meeting Material
- [ ] Trips
- [ ] Speeches
- [ ] Annual Meetings
- [ ] Corporate Management
- [ ] Communications with Staff
- [ ] Phone Logs
- [ ] Calendar
- [ ] Press Clippings/Photos
- [ ] JDW Transcripts
- [ ] Social Events
- [ ] Other

B. SUBJECT: LUNCHEON/MEETING: FORD MOTOR COMPANY EXECUTIVES AND WORLD BANK STAFF // R. FRANK TO MAKE PRESENTATION - "WHAT CAN THE WORLD BANK DO WITH FORD MOTOR CO." // (B) (N) (Confirmed) // (TOTAL - 10)
VENUE: JDW'S PRIVATE DINING ROOM
CONTACT: AMY SHOWLER @ 313-845-0625 // FAX: 313-337-6903
WB ATTENDEES: JDW*, R. FRANK*, J. STIGLITZ*, A. JABRE* (FOR LINDBAEK-TRAVELLING), IIDA*, RISCHARD*, MARISELA* (FOR HANY) (7)
FORD EXECUTIVES ATTENDING: (3)
MR. JOHN DEVINE, CHIEF FINANCIAL OFFICER
MR. WAYNE BOOKER, VICE CHAIRMAN
MR. MAC MACDONALD, TREASURER
NOTES: 3/21 - ALI SPOKE TO FRANK ABOUT PRESENATION PER JDW'S INSTRUCTIONS / EMAIL SENT ON 3/22 // 3-26 FORD CONFIRMED THEIR ATTENDANCE
(5/13) CIHAT (10)
(B) R. FRANK // DUE : MONDAY, MAY 19
EXC: HA (JDW) // ALI (3/26)
Brief Includes Note to Mr. Wolfensohn from Richard Frank - May 19, 1997, "re: Lunch with Ford Motor Company" and tabs:
- Briefing Note
- WB Relationship w/Auto Industry
- Bios
- Correspondence: Letter to Richard Frank from John M. Devine - May 14, 1997; Letter to John Devine from Richard Frank - April 28, 1997 with attachment #1: "Ford and World Bank Group Executive Meeting" and #2 "1996 Highlights"
- Economist Articles: "Car crash ahead" and "Global pile up"

Brief Sent by Ford with tabs:
- Background
- First Qtr 1997 Results
- 1996 Results Summary
- 1996 Annual Report
- New Market Initiatives
- Ford Credit

DATE: 05/23/97

C. VPU

Corporate

- [ ] CTR
- [ ] EXT
- [ ] LEG
- [ ] MPS
- [ ] OED
- [ ] SEC/Board
- [ ] TRE

Regional

- [ ] AFR
- [ ] EAP
- [ ] ECA
- [ ] LAC
- [ ] MNA
- [ ] SAS

Central

- [ ] CFS
- [ ] DEC
- [ ] ESD
- [ ] FPD
- [ ] FPR
- [ ] HRO

Affilliates

- [ ] GEF
- [ ] ICSID
- [ ] IFC
- [ ] Inspection Panel
- [ ] Kennedy Center
- [ ] MIGA

D. EXTERNAL PARTNER

- [ ] IMF
- [ ] UN
- [ ] MDB/Other IO
- [ ] NGO
- [ ] Private Sector

- [ ] Part I
- [ ] Part II
- [ ] Other

E. COMMENTS:

File Location	Cleared By	Date:
[x] EXC [ ] IISC [x] Archives	Hany Assaad	05/28/97

View Update History

Portfolio Analysis - CPOPA

IFC'S INVESTMENTS - MOTOR VEHICLES AND COMPONENTS (Including Motorcycles)

(As of March 31, 1997, Amounts in US$)

Company	Business	Department	Country	Project Rating	Disbursed Loan	Disbursed Equity	Undisbursed Loan	Undisbursed Equity	Total Exposure
AEF Canplas	Automotive components	AFRICA	Nigeria	3	316,405	-	-	-	316,405
GKN Invel	Automotive components	ASIA	India	1	-	1,401,268	-	-	1,401,268
Guangzhou Auto	Automotive and light vehicle	ASIA	China	3	1,875,000	4,549,680	-	-	6,424,680
Hindustan	Automotive components	ASIA	India	1	8,491,471	-	-	-	8,491,471
M&M	Automotive and light vehicle	ASIA	India	1	1,000,001	6,493,493	-	-	7,493,494
Nanjing Kumho	Automotive tires	ASIA	China	1	7,568,222	3,814,000	8,411,778	-	19,814,000
PT Astra	Automotive and light vehicle	ASIA	Indonesia	1	-	12,159,256	-	-	12,159,256
UCAL	Automotive components	ASIA	India	1	-	627,520	-	-	627,520
Millat Tractors	Agricultural vehicle	CAMENA	Pakistan	1	1,005,848	-	-	-	1,005,848
Pak Suzuki Motor	Automotive and light vehicle	CAMENA	Pakistan	2	3,442,073	-	-	-	3,442,073
Autokola	Automotive components	EUROPE	Czech Republic	1	14,453,451	-	-	-	14,453,451
Magyar Suzuki	Automotive and light vehicle	EUROPE	Hungary	3	-	6,517,017	-	-	6,517,017
Nesky	Automotive components	EUROPE	Poland	1	1,626,248	500,000	-	-	2,126,248
TAM/Deutz	Bus and commercial vehicle	EUROPE	Slovenia	1	2,006,593	-	-	-	2,006,593
Aislantes Leon	Automotive components	LAC	Mexico	2	5,500,000	-	-	-	5,500,000
Cifunsa	Automotive parts foundry	LAC	Mexico	1	18,000,000	-	-	-	18,000,000
Icollantas	Automotive tires	LAC	Colombia	2	14,000,000	5,459,001	-	-	19,459,001
Metalsa	Automotive components	LAC	Mexico	1	15,962,264	-	-	-	15,962,264
NEMAK	Automotive components	LAC	Mexico	1	16,203,390	-	11,796,610	-	30,000,000
Sector Total					113,470,966	41,521,237	20,208,388	-	175,200,591

20

Note

May 19, 1997

President Has Seen

Mr. Wolfensohn

Jim,

re: Lunch with Ford Motor Company

As a follow up to your discussion with Mr. Alex Trotman, I have been in touch with Mr. John Devine, Ford's CFO, to develop a discussion format on how we can work together. This will take place during the lunch you will be hosting on Friday, May 23, 1997. The timing is constrained given that there will be a senior management retreat that day.

Please find attached for your information/comments briefing materials for the above meeting, which includes how we are planning to organize the event.

Any thoughts or suggestions on the program would be appreciated.

Richard Frank's note requesting your comments on the plans for your luncheon with Ford's CFO.
(the luncheon will be on Friday, 5/23).

OK with me - [illegible] Maurele 5/19

Richard

Attachment

President answers: "OK with me"
5/19

cc: Messrs. Kaji, Koch-Weser, Stiglitz, Iida, Rischard, Jabre

Briefing Note

Meeting and Luncheon with Ford Motor Company

Friday, May 23
12:00 - 2:00 p.m.

Participants (biodata attached)

Ford Motor Company
Mr. John Devine, Chief Financial Officer
Mr. Wayne Booker, Vice Chairman
Mr. Malcolm Macdonald, Treasurer

World Bank Group
Messrs. Wolfensohn, Frank, Kaji, Koch-Weser, Stiglitz, Iida, Rischard, Jabre

Purpose of Meeting

- Follow-up to conversation between Messrs. Wolfensohn and Alex Trotman, Chairman of the Board, President and Chief Executive Officer of Ford. Main issues Ford would like to discuss are attached.

- Meeting Structure

    - Mr. Wolfensohn introductory remarks
    - Ford Motor Company – Emerging Markets Business Strategy
    - Richard Frank Private Sector Products and Services Overview
    - Caio Koch-Weser & Gautam Kaji Regional/Country Overviews

Main Issues for Discussion

- **Products and Services** – Ford interested in learning of Bank Group activities, services and information it provides to facilitate private investment in Emerging Economies. This would include the Group's work on country policy and regulatory frameworks, business environment financing and risk mitigation constraints and information on country and sector prospects and constraints. **Ford's interest in the Emerging Economies are focused on expanding its automotive and financial service business.**

- **Regional Reviews** – Ford interested in the Bank's views on country specific macroeconomic situation, risk factors and business climate.

    - Asia – emphasis on major countries such as China
    - Latin America – a region in which Ford is well established but sees future expansion
    - Eastern Europe/Russia
    - Africa – Ford involvement mainly bases in South Africa but interested to hear about projects in other parts of the Region

Monica Liley x36241
May 19, 1997

Business Context

- First quarter 1997 earnings were 100% above first quarter 1996. Entry strategies being implemented for key growth markets: China, India, Thailand, Vietnam, Indonesia, Belarus, Russia and Turkey. Please see attached for further background infomation.

Relationship with the World Bank Group

- Please see attached Summary of the Bank Group's Relationship with the Auto Industry

Attachments

- <**1**> Correspondence with Mr. John Devine
- <**2**> Ford Motor Company 1996 Highlights
- <**3**> Ford Motor Company – First Quarter 1997 Earnings Review and 1997 Outlook
- <**4**> Ford Motor Company – Entry Strategies for Key Growth Markets
- <**5**> Summary of the Bank Group's Relationship with the Auto Industry
- <**6**> "Car Crash Ahead" – recent article on the automotive industry in The Economist
- <7> Biodata

Monica Liley x36241
May 19, 1997

WB Relationship w/
Auto Industry

Summary of the Bank Group's Relationship with the Auto Industry

(US$'000)	Bank - Supplier	IFC	MIGA	Total
Toyota	840			840
Mitsui	1,484			1,484
Mitsubishi	1,007			1,007
Daimler-Benz	46,467			46,467
Peugeot	2,756	11,224[a]		13,980
Renault	35,726	248[b]		35,974
BMW				
Volvo	12,605	89,850[c]	27,000[d]	129,455
VW	4,557			4,557
GM	52,098	3,688[e]		55,786
Chrysler	6,886	26,000[f]		32,886
Ford	**5,587**			**5,587**

[a] 1 project as Capital Goods Supplier, 1 project as Company Manager, 4 projects as Equity Holder, and 2 project as Technical Assistant

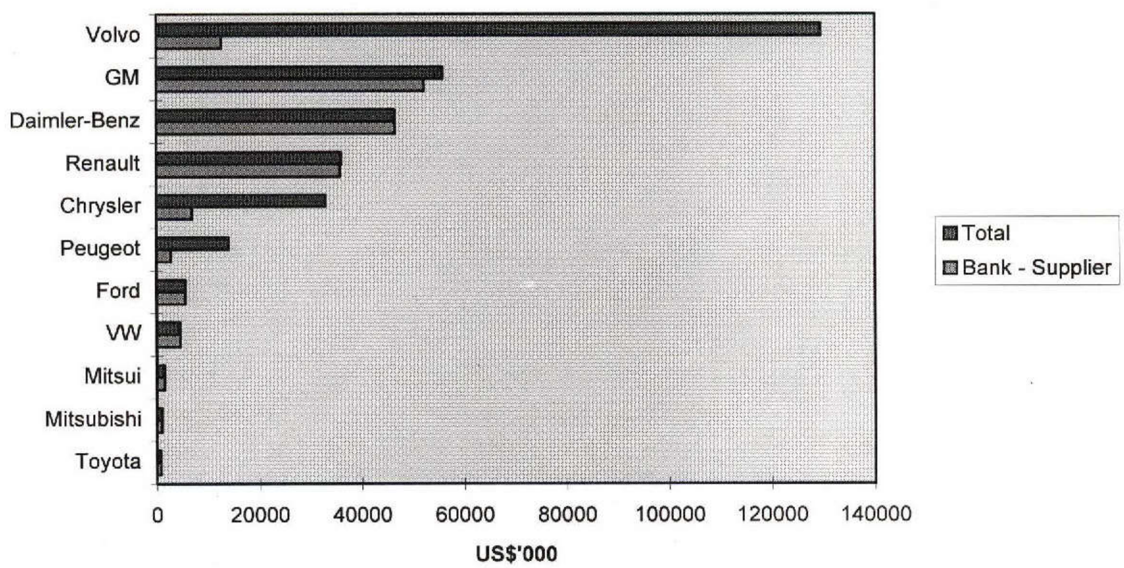
[b] 1 project as Equity Holder and 1 project as Capital Goods Supplier

[c] 3 projects as Client Company, 2 projects as Company Manager, 3 projects as Equity Holder, 1 project as Lender, and 1 project as Technical Assistant

[d] 1 project as Guarantee Holder

[e] 1 project each as Capital Goods Supplier, Lender, and Technical Assistant

[f] 1 project as Lender



Bios

Global News | Public Affairs

Ford Motor Company
The American Road
Room 904
Dearborn, Michigan 48121

Telephone: (313) 322-9600
Fax: (313) 845-0570
(313) 337-1784

NEWS

RELEASE AT ANY TIME

BIOGRAPHY: John M. Devine

John M. Devine was elected executive vice president as of Nov. 1, 1996, and also is chief financial officer, Ford Motor Company, a position which he assumed Oct. 1, 1994.

Devine joined Ford in 1967 as a finance analyst in Ford Division. He held a variety of supervisory and managerial positions between 1970 and 1977 in Product Development and Finance.

In 1977, he moved to Ford of Europe where he served in a number of finance positions before being appointed controller - Product Development in 1981.

Devine was named staff director, Finance for Ford Asia-Pacific in 1983. He was appointed vice president of Northern Pacific Business Development and president of Ford Motor Company (Japan) in 1986. Also in 1986, Devine joined the Board of Directors of Mazda Motor Corp. In 1987, Devine was named controller - Truck Operations.

He joined First Nationwide Bank, a Ford subsidiary, in 1988 as president and chief operating officer and was named chairman and CEO in April 1991. He returned to Ford as vice president and corporate controller in June 1994.

Devine was born May 13, 1944, in Pittsburgh, Penn. He holds a bachelor's degree in economics from Duquesne University and an M.B.A. from the University of Michigan.

# # #

10/10/96

NEWS RELEASE

RELEASE AT ANY TIME

BIOGRAPHY: W. WAYNE BOOKER

W. Wayne Booker is a vice chairman of Ford Motor Company, with responsibility for business development in growth markets.

Named a company vice president on Oct. 12, 1989 and vice chairman on Nov. 1, 1996, Booker is responsible for the company's presence in markets ranging from China and Japan, through Southeast Asia and India, to Russia and Belarus.

He also is responsible for the company's associations with many key global business partners, including the company's overall relationship with Mazda, Kia and other automotive joint ventures throughout the world. Booker is a member of the boards of AutoAlliance International Inc., the Ford-Mazda manufacturing joint venture company based in Flat Rock, Mich., and of AutoAlliance (Thailand) Company Ltd., a joint venture recently established by Ford, Mazda and local partners in Thailand.

He also was in charge of all of the company's international automotive operations prior to their integration into Ford Automotive Operations in January 1996.

Booker joined the company in 1959 as a Ford Division cost analyst. He moved to the Automotive Assembly Division (AAD) in 1961 as a financial analyst and became a supervisor in the division's Cost Analysis Department
in 1963.

Booker moved to the Norfolk (Va.) Assembly Plant in 1966 to serve as plant controller. In 1967, he became manager of the profit analysis department at AAD and in 1968, was appointed to the position of executive assistant to the general manager of AAD.

In 1969, he transferred to Finance Staff as a supervisor in the Latin American Financial Analysis Department and the following year, was named assistant manager of the Overseas Profit Analysis Department.

In 1971, Booker was appointed finance director for Ford of Mexico. Three years later, he became staff director of Finance for Latin American Automotive Operations. Booker was named divisional controller for the Engine Division in 1977 and assistant controller of Profit and Market Analysis, North American Automotive Operations in 1978.

He became assistant controller of International Automotive Operations (IAO) in 1981, director - president of Ford of Brazil in 1986 and director - executive vice president of Autolatina Limitada, the holding company for Ford's joint venture with Volkswagen in Brazil and Argentina, in January 1987. Booker was appointed executive director, Latin American Automotive Operations in 1988.

In addition to his Ford responsibilities, Booker serves on the board of several international councils. They are the US-China Business Council, the National Committee on US-China Relations, the National Center for APEC and the US-Thailand Business Council.

Booker was born Aug. 28, 1934, in Sullivan, Ind., and holds a bachelor's degree in economics from Purdue University.

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11/6/96

Global News | Public Affairs

Ford Motor Company
The American Road
Room 904
Dearborn, Michigan 48121

Telephone: (313) 322-9600
Fax: (313) 845-0570
(313) 337-1754

NEWS

RELEASE ANY TIME

BIOGRAPHY: Malcolm S. Macdonald

Malcolm S. Macdonald is treasurer of Ford Motor Company. He has global responsibility for banking, portfolio operations, financing, insurance and pension asset investments.

Prior to this position, Mr. Mcdonald was assistant treasurer of Ford Motor Company, a position he held since August 1981.

He also has held the positions of assistant controller of International Automotive Operations Financial Analysis and served more than six years as treasurer for Ford of Europe Incorporated in Warley, England.

He joined Ford of Britain in Dagenham, England as a finance trainee in 1959. Later, Mr. Macdonald was assigned to Ford's Finance Staff in Dearborn where he held a number of positions as a finance analyst and supervisor before becoming manager of the Overseas Financing department in 1971. He was named treasurer of Ford of Europe in 1974.

Mr. Maedonald was born March 25, 1940, in Wigan, England. He qualified as an accountant at South East Essex Technical College and later was selected for a Ford of Britain Trust Scholarship to Harvard Business School, Cambridge, Mass., where he received an MBA degree in 1965.

Mr. Macdonald lives in Bloomfield Hills, Mich.

\# # #

9/24/96

Correspondence

Ford

John M. Devine
Executive Vice President
and Chief Financial Officer

Ford Motor Company
The American Road
P.O. Box 1899
Dearborn, Michigan 48121-1899

May 14, 1997

Mr. Richard Frank
Managing Director
Chairman, Private Sector Development Group
The World Bank
1818 H. Street, N.W.
Washington, D.C. 20433

Dear Richard,

Thanks for the outline for our meeting on May 23 and the background documents on World Bank. For your information, enclosed are two copies of background material on Ford.

The discussion outline looks fine. In addition, we would be pleased to cover the recent article on the automotive industry in The Economist as well as other major issues impacting the business.

Please call if you have any questions. I'm looking forward to seeing you on the 23rd.

Best regards,

John Devine

Enclosures

CC: A. Assaad
Allison
BP
to handle
& coordinate

The World Bank
Washington, D.C. 20433
U.S.A

RICHARD FRANK
Managing Director
Chairman, Private Sector Development Group

April 28, 1997

Mr. John Devine
Executive Vice President & Chief Financial Officer
Ford Motor Co.
12th Floor
Dearborn, Michigan 48121

Dear John:

As a follow up to our phone conversation, I have put together an outline to guide our discussions on May 23. Please let me know if I have captured the key elements from your perspective.

Under separate cover I have also sent you a set of background documents on the World Bank Group - particularly relating to our work with the private sector. The Bank Group is famous - or notorious - for producing documents so I hope you won't feel overwhelmed. On the other hand, if you would like extra copies of any of these papers, please let me know.

Sincerely yours,

Richard Frank

FORD & WORLD BANK GROUP EXECUTIVE MEETING

May 23, 1997

"Collaboration in the Emerging Economies"

Regional Reviews with emphasis on country specific macroeconomic situation, risk factors and business climate

- **Asia** - emphasis on major countries such as China
- **Latin America** - a region in which Ford is well established but sees future expansion
- **Eastern Europe/Russia** -

  Africa - Ford involvement mainly based in South Africa but interested to hear about projects in other parts of the Region

Products and Services -

Bank Group to outline the type of activities, services and information it provides to facilitate private investment in Emerging Economies. This would include the Group's work on country policy and regulatory frameworks, business environment financing and risk mitigation constraints and information on country and sector prospects and constraints.

Ford's interests in the Emerging Economies are focused on expanding its automotive and financial service business.

A Solid Year Overall

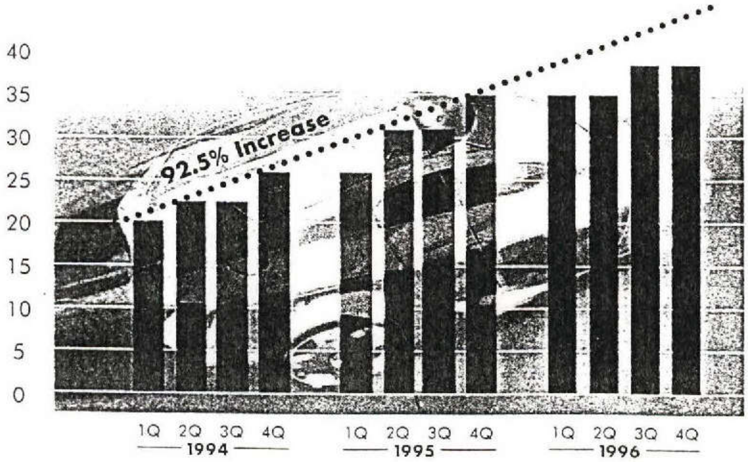
- Full-year earnings were $4.4 billion or $3.64 per share, up seven percent from 1995. Fourth quarter earnings were up 82 percent from the same quarter in 1995.
- Worldwide sales and revenues in 1996 increased to $147 billion from $137.1 billion the prior year.
- Stockholders' equity at year-end was $26.8 billion, up nine percent.
- Capital spending, as a percentage of revenue, was down. And we ended the year with record automotive net cash of $7.2 billion.
- Our Financial Services Group had another record year. The Associates reported its 22nd year of increased earnings. Ford Credit remains the most profitable captive finance company in the world with earnings of $1.4 billion in 1996.
- Hertz also reported record earnings, up 51 percent over 1995.
- We launched important new products like the Ford Expedition in North America, Ka in Europe, and Jaguar XK8 on both sides of the Atlantic. 1997 will bring more exciting new products like the Ford ZX2 and Ranger, Lincoln Navigator and Town Car in North America; the Puma in Europe; and the Ka, Fiesta pickup and Ranger in South America.

Steps Taken to Create Shareholder Value

- An initial public offering of 67 million shares of The Associates common stock generated more than $1.8 billion in cash and a one-time gain for Ford of $650 million.
- Substantially all of the assets of USL Capital were sold in 1996, generating more than $1 billion in cash and a gain of nearly $100 million.
- We increased our dividends for the fifth time in the last three years.
- In our automotive operations, we continued to build momentum in the U.S. and put together a comprehensive plan to address our challenges in Europe and South America.

Dividend Per Share Increases 1994-1996

cents per share



Economist Articles

Attachment 6

The Economist

Car crash ahead

THERE has always been something special about cars and the making of them. Henry Ford turned the car-assembly line into an enduring symbol of industrialisation. Later, Alfred Sloan made General Motors into a model for the modern corporation: the inventor of operating divisions, marketing plans and planned obsolescence. More recently, Toyota's invention of "lean production" ushered in a general revolution in manufacturing. Today the industry seems poised once again to become an example for other businesses, as car manufacturers grapple with the opportunities and challenges of globalisation. What a pity that this looks set to be an example of exactly the wrong way for an industry to become global.

In theory, no business better illustrates the great opportunity that the opening up of world markets presents to the mature companies of the rich world. With a turnover of well over $1 trillion, and 10m employees, the car industry is still the world's largest manufacturing business. At present, many car makers are doing well. The American Big Three (GM, Ford and Chrysler) and Japan's Toyota are rich in cash.

Nonetheless, having powered ahead for so long, the industry as a whole must now execute a death-defying turn. In the rich countries of Western Europe, Japan and North America, where the industry has until now earned most of its money, roads are becoming congested and markets saturated. Luckily for car makers, demand for cars in the developing world is set to grow, at just the right moment to make up for the shortfall in the traditional markets. But to steer in this new direction is harder than it looks. The reason is that it is not just the demand for cars that is growing in these new markets. For a while the supply of them will grow faster still, pushing down prices and profits everywhere (see pages).

New kids on the block, and old heads

Such is the rush to capture new markets in Asia and Latin America that on some estimates the industry will by 2000 have the capacity to produce about 22m more vehicles a year than the world wants. In other words, every car plant in America could close, and the world would still have too many cars. The Asia-Pacific region, already the world's biggest producer, will add the capacity to make an extra 6m cars a year in the next five years. Worse still for the established companies, new entrants are joining the scramble. South Korea alone is building an industry with capacity about five times greater than the demand for cars in its domestic market. The South Koreans do not intend to confine their competition to the developing world. They will be muscling into Europe as well.

Unless you happen to be a car maker, there is nothing to lament in all this. On the contrary, when too many cars pursue too few customers, consumers are sure to benefit. And not just consumers. One of the much-touted virtues of globalisation is that it will increase productivity and therefore prosperity in general. If they were left to slug it out on their own, car makers would in time compete the extra capacity away. The more efficient firms would prosper and the weak would fall by the wayside. Factories would be located in places -- whether Detroit, Bavaria or Bangladesh -- that have a comparative advantage in car making, and investors' capital would be allocated wherever it could earn the best return.

All these gains, however, depend on car making becoming a normal industry, guided by industrial logic rather than by politics. It is still far from being that. Developing countries from Brazil to Indonesia continue to see their car makers as a symbol of industrial virility to be nurtured by government investment and sheltered behind high tariffs and other barriers to competition. The same sentiment is still widespread in the rich world, especially in Europe. The upshot is that competition is hampered from sorting out the efficient firms from the inefficient, and car plants may not end up where costs, proximity to markets and comparative advantage dictate. Instead, the location of factories is determined in part by the need to circumvent trade barriers, and business success depends in part on the ability of companies to win the support and protection of their national governments.

Battleground Europe

Might this not change, given the lip service that so many governments pay to the notions of free trade and competition? It is possible. But so is a further retreat into protection.

In Western Europe, in particular, many car makers are struggling in their overcrowded home markets and terrified of the emerging competition with South Korea and Japan. Lately, the bosses of some of these firms have taken to speaking about the industry's excess capacity as if this were an affliction visited upon them from outer space, rather than the product of their own investment decisions. In these special conditions, they say, they need special help.

Some of Europe's governments are all too ready to agree. France and Spain, for example, have recently been dishing out taxpayers' money to people who trade in old cars for new ones; Italy is about to give Fiat a boost by doing the same. But these distortions of the market may pale into insignificance when global competition really hots up. In 1999 Japan is to be allowed to abandon the "voluntary" limits that have so far capped the number of cars it can sell in the European Union, adding to the competition from South Korea and bringing the possibility that one or two of Europe's firms will be forced into mergers or out of business altogether. In such circumstances, will Europe's governments allow them to fail?

It is hard to say. A Tory Britain let BMW buy Rover, but national sentiment has so far prevented a natural merger between France's Renault and Sweden's Volvo. Indeed, such is the fear of restructuring in Europe that an unremarkable decision by Renault earlier this year to consolidate production in fewer factories raised a howl of protest from Europe's politicians. In the rich world the old instinct in favour of "national champions" and industrial policy is supposed to be out of fashion but lingers damagingly on. And in much of the developing world these ideas are not even out of fashion: far from being embarrassed by the generous help they dole out to their car makers, many governments are proud of it.

This is madness. Many of the things that made cars seem special no longer apply, if they ever did. The notion that cars must form the centre of every industrial economy looks pretty quaint given that the combined market value of Detroit's Big Three is dwarfed by that of Bill Gates's Microsoft. And yet the car industry could still provide a valuable example for others to follow. It could be the perfect illustration of the benefits of globalisation -- but only if it is globalisation underpinned by free enterprise, and free trade.

The Economist Home Page - Search - Contents - Next article

THE COMING CAR CRASH

The Economist

Global pile-up

The world's biggest manufacturing industry is in a panic about over-capacity. So it should be

JUST as cities from Bangkok to Sao Paulo are blighted by monster traffic jams, so the firms that put all those vehicles on the road are facing their own snarl-up, and for the same reason: too many cars. In rich countries, car sales are static (like the traffic); and though demand is growing in Asia and Latin America, production is growing even faster thanks to a rush of recent investment. The result is a worldwide glut of cars--nice for consumers, nasty for car makers and nerve-wracking for politicians. The over-capacity cannot last forever. The pressure to bring supply into line with demand could drive one or two firms bust, or produce several capacity-cutting mergers or break "make everything" giants into niche-seeking specialists.

Whatever the nature of the shake-up, it will have big implications because car making looms so large in manufacturing, employment and political sensitivities. The world's top three manufacturing companies are General Motors, Ford and Toyota. Of the top 50 manufacturers, no fewer than 13 are motor companies, employing 2.5m people. Three times as many are employed in garages and in the industries that supply the car assemblers with parts. These pages look at the extent and the reasons for the car glut; ask how bad the problems really are; and suggest the possible future shape of the car industry.

Bumper to bumper

If all the car firms in the world ran flat out, they could produce 68m cars a year (including other light vehicles such as pick-ups and sport utility vehicles). In 1996, they actually made 50m--73% of capacity. It is worse in some places than others. In Western Europe, car makers turn out around 6m fewer vehicles than they could (33% below capacity); in Japan, 4m fewer (50% below); and 3.9m (21%) fewer in North America.

For the firms, this is bad news. Car companies are accustomed to making their really big bucks when operating at over 80% of capacity. Clearly, most are miles from that. But the situation may be even worse than this implies. Time was that when ever the American utilisation rate went over 70% (as it is now), the return on sales of the big three car firms was at least 8%. Now, though, such returns at GM and Ford are below 5% (Chrysler's is a little higher), even though all are reporting healthy earnings. This is not a glitch. As chart shows, the return on assets of big firms round the world has been in decline for more than ten years, come rain or shine. That suggests that firms cannot simply count on being rescued when the two big economies now growing slowly--Japan and continental Europe--pick up again. Rather, it seems that something other than the state of the economic cycle is to blame for the industry's woes.

The first explanation is clearly that "mature markets"--Europe, especially--are true to that name. New cars are being bought simply to replace old ones. There is no net growth. Some people reckon that road congestion and worries about environmental damage from cars are becoming so bad that car use in Europe will actually be reduced in a few years' time--possibly by government intervention. Politicians who worry a lot about car-industry jobs are also beginning to realise that there can be votes in curbing car use where congestion and air pollution are worst.

It is true that some other green changes could help car makers--notably a switch to electric cars which could give the manufacturers a new product. Daimler Benz (which already produces an advanced fuel-cell car) recently bought 27% of Ballard, a maker of fuel cells. But electric cars are unlikely to make much of a commercial impact for many years--too late to be a solution to the industry's current problems.

The second explanation for those problems stems, paradoxically, from something that car makers have used to cut costs. This is globalisation. By manufacturing round the world and by selling variations of the same product in many markets, car firms have been able to push profits higher than they would otherwise have been. The trouble is that the big trend in the industry has been to "build where you sell", first exemplified by the surge of Japanese transplant factories in America, where Toyota will soon overtake Chrysler to become one of the "Big Three" car producers. The resulting rush to build plants all over the place has merely added to the capacity mountain.

over the place has merely added to the capacity mountain.

To some extent, firms are responding to the artificial incentives offered by trade barriers. Some governments in emerging markets have sheltered their infant car industries behind tariff walls while much of the protection put in place in America and Europe to shelter domestic producers from Japanese imports in the 1980s is still in place. That partly explains the build-up of Japanese car-making capacity in Western Europe, where Japanese output will soon reach 1.2m cars a year, according to Ian Robertson of the Economist Intelligence Unit (EIU, a sister organisation to *The Economist*). Toyota's bosses were due in Europe in early May to start searching for a place to build yet another new car plant.

But old-fashioned unrealistic expectations have also played a role. With markets stagnant in Europe and Japan and growing slowly in America, car makers have been expanding capacity in emerging markets faster than those markets can bear. The Asia-Pacific region is a good example. Already the world's biggest producer of cars, making half a million more than North America's 15m vehicles last year, it is seeing new plants being built that will add 6m cars a year in the next five years. Autofacts, an American consultancy firm, reckons that capacity in the region (including Japan) will soon outstrip sales by 9m vehicles--and that is after allowing for big increases in local demand and exports.

Expectations can become unrealistic because companies tend to double their bets when things get tough. William Pochiluk of Autofacts calls it a variation of the "fallacy of composition theory: what is a good strategy for one car maker is not good for the entire industry if all adopt comparable strategies." As in musical chairs, no one wants to be left out when the music stops. Firms are reluctant to be the first to close a factory lest it should lead to lower market share, or the first to forgo investment in a growing market. Thus car exports from Japan, for instance, have fallen from 4.6m in 1986 to 2.9m in 1995, as a consequence of Japan's expansion abroad. Yet only one Japanese car factory has been closed.

Overheating

The tendency of car firms to think the problems are everyone else's fault is likely to mean things will get worse before they get better. In three years' time, according to most forecasters, world capacity will have grown to almost 80m vehicles a year, while demand (and so production) will at best have risen to barely 60m. By 2000, over-capacity will have risen from 18m to 22m units--equivalent to 80 of the world's 630 car assembly factories standing idle. Looked at another way, every factory in North America could close--and there would still be excess capacity.

Some of the biggest problems are building up in two parts of the world that were supposed to be parts of the solution, Asia and Latin America. Industry experts think that factories in Asia will be lucky to use three-quarters of their capacity by the end of the decade. One big factor is the entry into car making of Samsung in South Korea, despite saturation in the country's home market and the opening of competitors' factories around the region. With a home market of only 1.2m cars and total production around 2.2m, the Koreans are building an industry capable of producing over 6m a year by 2000. Meanwhile, in South-East Asia, the construction of new plants by Nissan, Honda and Mitsubishi means capacity will double by 2000.

Latin America has also seen a worrying wave of investment. For the moment, car factories are working flat out to meet demand, which is forecast to rise by 80% by the end of the decade. Fiat, Ford and Volkswagen have spent about $2 billion modernising factories in Brazil, while Chrysler, Toyota, Honda, Peugeot, Renault and Mercedes are all building plants in Brazil or Argentina to take advantage of Mer co sur's would-be common market. Altogether the car companies will invest over $16 billion by 2002, which will more than double capacity to over 2.5m vehicles. In short, all the growth foreseen in emerging markets will have been swallowed up in expanded capacity, leaving average capacity utilisation round the world stuck at around 75% even during a boom (see chart).

For consumers, of course, all this is good news: it drives prices down (or forces car firms to add extra features at no extra cost, or produces, as in America, a flood of nearly-new formerly-leased cars which are cheaper still). But the firms will have to respond somehow. What will they do?

The motor stalls

Some, no doubt, will clamour for protection. Many Europeans, such as Jacques Calvet, the chairman of PSA Peugeot Citroën, would like to see import restrictions on Japanese cars kept in place indefinitely. At the moment, the market is supposed to be wide open by 2000.

Labour unrest is likely to back up such demands to slow down the pace of adjustment. The car industry, because of the numbers it employs and because it is regarded as a "national champion" in many countries, is peculiarly subject to strikes, demonstrations and political bargaining. When Renault said it would close its Belgian factory at Vilvoorde, tens of thousands marched through the streets of Brussels in protest and several politicians got up in arms. Similarly, when Ford threatened to shut down its in protest and several politicians got up in arms. Similarly, when Ford threatened to shut down its Halewood assembly plant in England, the British government miraculously found money to help keep it open. Such things could become familiar occurrences--and not just in Europe, where at least one car company may go under. In Japan, too, several of the smaller groups are under threat.

So considerable noise is likely to attend the car companies' attempts to adjust to excess capacity. But adjust they must and not just to compete that excess away. The underlying problem facing all car firms is that the nature of their business is changing. An industry that has been organised on national, regional and exporting lines is becoming a global system with production spread out around the world.

This is the other side of globalisation. By turning themselves into global firms, car makers can cut costs and improve efficiency. Just about every volume car producer is rationalising the number of basic car chassis (known as platforms) it produces, and making each one capable of supporting different models. The same is happening to engines and gearboxes. Thousands of suppliers are being cut to a few hundred, who are being asked to design more new products. Frequently, they must now design and supply, say, whole braking systems, rather than just drums or pads to be bolted together in the factory where cars are assembled.

The result is that firms which depend heavily on their home national or regional market (notably Chrysler in America and Renault, PSA Peugeot Citroën and Fiat in Europe) risk being swamped. Either there will have to be straightforward consolidation into fewer producers of volume cars (by mergers or bankruptcies), or car companies will have to turn themselves inside out and become more like systems integrators than metal-bashers.

Industry experts such as John Lindquist of Boston Consulting Group (BCG) and Daniel Jones of Cardiff University expect more of the latter than the former. In particular, says Professor Jones, there will be more of the production alliances and joint ventures that have developed in the past ten years. For instance, Renault and PSA have jointly developed and produced their latest engine in a factory in France; BMW and Chrysler are doing the same with a small engine in Brazil, while Volkswagen and Ford share production of a "people carrier" (minivan) in Portugal.

But closures will almost certainly have to play a part in reducing spare capacity and boosting profits--as GM and Ford testify. As the Japanese built up production in America, largely at GM's expense, the Detroit giant eventually shut down around 20 of its least efficient plants. It has emerged smaller but stronger. "There's no question that every continent has excess capacity now," says Louis Hughes, head of international operations at GM, "but consistently, we've still been able to make money. It hasn't been a big issue because our capacity has been fully utilised."

Ford is now being forced to follow suit. It recently closed the car side of its Lorain factory in Ohio, and was only dissuaded from closing its Halewood assembly plant in England by the offer of government finance to adapt it for a new model in a few years' time. More closures look likely. The firm is trying to accustom European politicians and trade unions to the fact that it has to cut back the least efficient bits of its business after losses reaching $300m in the region last year.

Ford is putting itself through an agonising reorganisation. In the process it is losing ground in Europe and America. Some say this is because executives have lost their focus as a result of the internal upheaval. But Graeme Maxton of the EIU thinks that Ford is ahead of GM in the game of preparing for the global market. He reckons that GM--profitable as it may be now--has yet to face up to its main problem: the continuing slide in its share of the American and world car markets.

End of the road?

The record of American car makers in cutting capacity is pretty good. But such cuts are likely to be just part of the adjustment process because of the relentless pressure of global competition. Even in America, despite Ford's and GM's reductions, excess capacity is rising again because the Japanese are once more stepping up production. After a long spell of worrying about upsetting the Americans and provoking more trade barriers, Japanese manufacturers led by Toyota are becoming more aggressive, seeking to fill every niche in the market.

For what is likely to happen in future, consider the views of Mr Lindquist of BCG. Car-industry bosses, he thinks, will have to look beyond their current preoccupation with production lines and capacity numbers and concentrate instead on how to make the best of the changing economics of the industry. As he points out, high rates of plant utilisation no longer bring as much increase in profit as they used to. Instead, some companies will have to stop chasing volume and concentrate on improving their profit margins by better and more efficient marketing. He thinks the ability of a car company to compete depends not so much on its manufacturing as its design and marketing and its ability to organise its supply of parts.

Eventually, manufacturing by the vehicle assembler is likely to fall to just 10% of the cost of a car, or even less. The rest will go mainly on buying in supplies, marketing and research and development. The glut of assembly plants is speeding up the search for radical ways to save costs, all the way from parts purchasing to dealer networks. It used to take car companies five years to develop and start making a new model; now most can do it in under three.

The car companies are realising that they have to wheel in fresh products and retire old ones after only a few years. In order to satisfy consumer tastes and fads, most manufacturers are trying to shorten the order-to-delivery cycle time to under two weeks, so that a consumer can get the specification and colour he or she wants quickly, rather than have to compromise with whatever happens to be in stock.

None of this is making life any easier for car companies or their suppliers and dealers. The ones that survive will be those which make their factories flexible enough to manufacture profitably at lower volumes. Many companies have made great strides in reducing their break-even level. Fiat, for instance, which can crank out some 2.4m cars, could stay in the black with only half that number (as it may have to during a downturn). Even so, operating like that is hardly any way to generate high returns on capital employed. It seems only a matter of time before Japanese and European companies face the truth and start to slash their capacity, by closing sites or shrinking them. Europe's marginal car factories may not all shut with the same bang that brought 10,000 protesters on to the streets of Belgium--but they will have to start to fade away.

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The History of Ford Motor Company . . .
An American Legend

Overview

Ford Motor Company entered the business world without fanfare on June 16, 1903, when the late Henry Ford and 11 associates filed incorporation papers at Michigan's State Capitol in Lansing. With an abundance of faith, but only $28,000 in cash, the pioneering industrialists gave birth to what was to become one of the world's largest corporations. Few companies are as closely identified with the history and development of America throughout the 20 th century as Ford. And perhaps no other American firm is as well known across the globe.

At the time of its incorporation, Ford was a tiny operation in a converted Detroit wagon factory staffed with 10 people. Today, the company is the world's second-largest industrial corporation, and is the second-largest producer of cars and trucks, with active manufacturing, assembly or sales operations in 31 countries on six continents.

Paralleling Ford's domestic growth was a foreign expansion program which began in 1904, just one year after the company was formed. On Aug.17 of that year, a modest plant opened in the small town of

Walkerville, Ontario, with the imposing name of Ford Motor Company of Canada, Ltd. From this small beginning grew an overseas organization of manufacturing plants, assembly plants, parts depots and dealers, with Ford represented in some 200 countries and territories around the world. About 60,000 companies worldwide supply Ford with goods and services.

More than 338,000 men and women now come to work each day in Ford factories, laboratories and offices around the world. Ford products are sold in more than 200 nations and territories by a global network of some 10,500 dealers. And the company's annual sales exceed the gross national products of many industrialized nations. With 6.7 million car and commercial vehicle sales in 1994, Ford held a 13 percent global share.

In The Beginning

Like most great enterprises, Ford's beginnings were modest. The company had anxious moments in its infancy, balancing precariously on the brink of bankruptcy. But one month after incorporation a ray of hope shone when the first car was sold to a Chicago dentist named Pfennig. A worried group of stockholders, skeptically eyeing a bank balance that had dwindled to $223.65, breathed easier, and a young Ford Motor Company had taken its first step.

During the next five years, young Henry Ford, as chief engineer and later as president, directed a development and production program which started in a converted wagon factory on Mack Avenue in Detroit and later moved to a larger building at Piquette and Beaubien Streets. In the first 15 months 1,700 Model A cars chugged out of the old wagon factory.

The Early Years

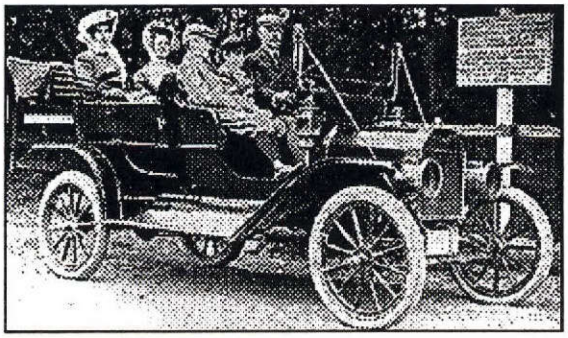
Between 1903 and 1908, Henry Ford and his engineers used the first 19 letters of the alphabet to designate their creations, although some of the cars were experimental and never reached the public. The most successful of the early production cars was the Model N -- a small, light, four-cylinder machine which went on the market at $500. A $2,500 six-cylinder luxury car, the Model K, sold poorly.

The Model K's failure, along with Mr. Ford's insistence that the company's future lay in the production of inexpensive cars for a mass market, caused increasing friction between Mr. Ford and Alexander Malcomson, a Detroit coal dealer who had been instrumental in raising the original $28,000. As a result, Mr. Malcomson left the company and Mr. Ford acquired enough of his stock to increase his holdings to 58-1/2 percent. He became president in 1906, replacing John S. Gray, a Detroit banker.

Squabbles among the stockholders did not threaten the young company's future as seriously as did a man named George Selden. Mr. Selden had a patent on "road locomotives" powered by internal combustion engines. To protect his patent, he formed a powerful syndicate to license selected manufacturers and collect royalties for every "horseless carriage" built or sold in America, attempting to monopolize the industry. Hardly had the doors been opened at the Mack Avenue factory when Selden's syndicate filed suit against the Ford company which bravely had gone into business without a Selden license.

Forced to choose between closing the doors or fighting a battery of attorneys who already had whipped bigger companies into line, Henry Ford and his partners decided to fight. Eight years later, in 1911, after incredibly complicated court proceedings, Ford Motor Company won the battle which freed it and the entire auto industry from Selden's strait jacket.

Despite harassments from Selden's syndicate, the little company kept improving its machines, making its way through the alphabet until it reached the Model T in 1908.



A considerable improvement over all previous models, this car was an immediate success. Nineteen years and more than 15 million Model T's later (1927), Ford Motor Company was a giant industrial complex that spanned the globe. Its cars had started an urban revolution. And the Ford assembly line ignited an industrial revolution.

Pre-World War II Expansion

During those years of hectic expansion, Ford Motor Company:

- ☐ Began producing trucks and tractors (1917).
- ☐ Became wholly owned by Henry Ford and his son, Edsel, who succeeded his father as president in 1919 after a conflict with stockholders over the millions to be spent to build the giant Rouge manufacturing complex in Dearborn, Mich.
- ☐ Bought the Lincoln Motor Company (1922).
- ☐ Built the first of 196 Ford Tri-Motor airplanes used by America's first commercial airlines (1925).

By 1927, time had run out on the Model T. Improved, but basically unchanged for so many years, it was losing ground to more stylish, powerful machines offered by Ford's competitors. On May 31, Ford plants across the country closed down for six months while the company retooled for the Model A. It was a vastly improved car in all respects. More than 4,500,000 Model A's, in several body styles and a wide variety of colors, rolled onto the nation's highways between late 1927 and 1931. But even the Model A eventually reached the end of the line when consumers demanded more luxury and power.

Ford Motor Company delivered both with its next entry -- the Ford V-8 -- which the public saw for the first time on April 1, 1932. Ford was the first company in history to successfully cast a V-8 engine block in one piece. Experts had told Mr. Ford that it couldn't be done. It was many years before Ford's competitors learned how to mass-produce a reliable V-8. In the meantime, the car and its powerful engine became the darling of performance-minded Americans. In 1938, six years after the V-8 was introduced, production started on the Mercury which became Ford's entry in the growing medium-priced field.

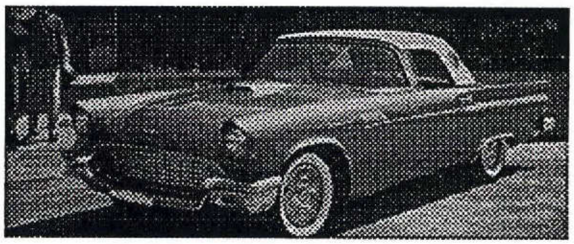
In 1942, civilian car production came to a halt as the company threw all its resources into the U.S. war effort. Initiated by Edsel Ford, the giant wartime program produced 8,600 four-engined B-24 "Liberator" bombers, 57,000 aircraft engines, over 250,000 jeeps, tanks, tank destroyers, and other pieces of war machinery, all in under three years.

The Post-War Reorganization

Edsel Ford died in 1943 just as his program was reaching its maximum efficiency. A saddened Henry Ford resumed the presidency until the war's end when he resigned for the second time. His oldest grandson, Henry Ford II, became president on Sept. 21, 1945. Even as Henry Ford II drove the industry's first post-war car off the assembly line, he was making plans to reorganize and decentralize the company. Losing money at the rate of several million dollars a month, Ford Motor Company was in critically poor condition to resume its pre-war position as a major force in a fiercely competitive auto industry.

He proved to be the ideal individual to lead Ford from a family business to a modern publicly-owned corporation. In much the same manner as his grandfather had faced problems at the company's beginning, Henry Ford II tackled the job of building an automobile company all over again. His post-war reorganization and expansion plan rapidly restored the company's health.

Henry Ford II's genius was in his ability to find the most talented people, and bring them into leadership positions in the rapidly growing post-war organization. For example, he hired Ernie Breech, who would lead the Ford operation for the next 15 years. He also hired ten young former Air Force intelligence officers, whom the press quickly dubbed "The Whiz Kids." They included J. Edward Lundy, Arjay Miller, and Robert McNamara, financial disciplinarians who brought quantitative analysis, the science of modern management, to Ford Motor Company.

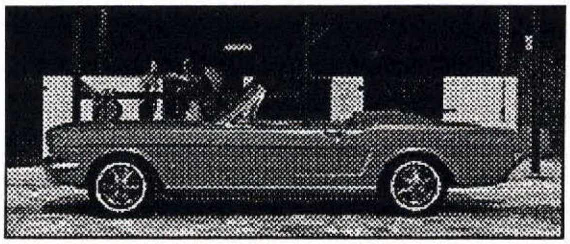


In the fall of 1954, the **Thunderbird**, an American classic, joined the Ford car family as a 1955 model two-seater sports car. Its introduction singlehandedly started the personal luxury car segment of the market in the United States. The original Thunderbird was offered with a 160-horsepower V-8 engine and three-speed manual transmission and had a unique feature -- a convertible canvas roof for fair and sunny weather and a detachable plastic hardtop for foul weather.

In 1956, Ford took a decisive step forward when it went "public." In the largest stock issue of all time, 10,200,000 shares of the Ford Motor Company were put up for sale and 250,000 investors rushed to buy $657 million for 20 percent of what up to then had been a family business.

Two years later, Ford announced its entry into the heavy and extra-heavy truck market, and by 1959 it had produced its 50-millionth vehicle.

However, the direction of the American auto industry changed forever on April 17, 1964, when a very different kind of car was unveiled to the public at theWorld's Fair in New York. The **Ford Mustang**, with its long hood, short rear deck, and sporty features, caused a sensation that confirmed the theories of Ford product planners who thought a car with a youthful touch would appeal to World War II baby boomers.



Like the U.S. appearance of the Beatles two months earlier, this fun and affordable new car proved to be a springtime boost to a nation that had spent a long winter mourning the death of President John F. Kennedy. The Mustang possessed the attributes of a sport car, but in the Ford tradition, provided simplicity and value for the money. Dealers were swamped with some 22,000 orders on the car's first day.

Global Expansion

Ford was the first international company. Within three years of its founding, Ford was exporting cars to Europe. Within ten years, Ford had assembly plants in Canada, Europe, Australia, South America, and Japan, Henry Ford's policy was to become a contributing citizen in every country where Ford sold cars. His slogan was "Build them where you sell them."

By the 1960s, Ford leaders anticipated a weakening of trade barriers and moved to regional trading blocks ahead of the pack. **Ford of Europe** was established in 1967, 20 years ahead of the European Economic Community's arrival. And Ford established the **North American Automotive Operations (NAAO)**, consolidating the U.S., Canada and Mexico in 1972, more than a decade ahead of the North American Free Trade Agreement.

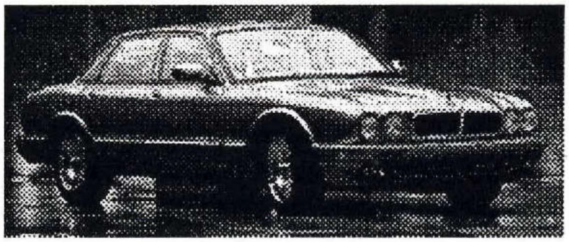
Ford Lio Ho Motor Company, Ltd. was established in 1972 in Chung Li, near Taipei. This manufacturing and vehicle assembly complex produces Festiva (four- and five-door models), Liata/Aztec (public launch in June) and Telstar cars, and Pronto (Suzuki-derived) and Econovan trucks. In addition, Ford Lio Ho markets Mondeo and Scorpio models imported from Ford of Europe, and Probe and Taurus from North America. Ford owns 70 percent of this affiliate, which employs about 3,000 people and has 55 dealers.

In 1973, Ford renewed operations in Spain with the incorporation of Ford Espana S.A. and the opening of a sales office in Madrid. In 1976, Ford launched a car assembly and manufacturing complex at Almusafes (near Valencia, Spain) which now produces Fiesta and Escort cars and manufactures engines.

In 1979, Ford acquired 25 percent equity interest in Mazda. Two pieces of property in Yokohama were key assets in the Mazda equity transaction. In 1986, Ford acquired a 10 percent equity in Kia Motors Corporation. Kia supplies the Ford Festiva, a subcompact car sold in Taiwan, Australia, New Zealand, Venezuela, Japan and some smaller markets.

In 1987, Ford Motor Company bought 75 percent of Aston Martin Lagonda and the remaining shares in

July 1994. In addition to providing financial security, Ford enables Aston Martin to gain access to its worldwide technical, manufacturing and supply systems for the design and development of new products. Aston Martin dates back to 1914, when Lionel Martin and Henry Bamford, who were Singer dealers in London, decided to build their own car. They mounted a 1.4 liter four-cylinder Coventry Simplex engine in an Isotto Fraschini chassis and called it Aston Martin.



In February 1990, Jaguar was acquired by Ford Motor Company. Founded in 1922 by William Lyons and William Walmsley, Jaguar got its start as the Swallow Sidecar Company. From motorcycle sidecars, they branched into custom-bodied automobiles and, in 1931, into their own line of high-performance automobiles called "SS" cars.

In 1991, Ford and Volkswagen announced the formation of a joint venture, AUTOEUROPA, to produce a new multi-purpose vehicle in spring 1995. A new 210,000 square feet AUTOEUROPA manufacturing plant was built in Palmela (southeast of Lisbon in the Setubal region), Portugal. The plant will has a capacity of 180,000 units per year.

New Leaders, Old Legacy

The legacy of belief in working people continued throughout Henry Ford II's years. He reiterated his grandfather's equal employment policies, predating Federal civil rights legislation. In 1968, Henry Ford II expanded the company's commitment to social responsibility by expanding minority employment, and creating minority dealer and supplier development programs.

In the late 1970s when the American worker was being criticized for producing poor quality, Henry Ford II said, "there is no such thing as a bad employee, only bad managers." Ford Motor Company leadership accepted responsibility, and were the first American auto company to make quality "Ford's number one operating priority."

The first Ford chiefs after Henry Ford II retired were Donald Petersen and then Harold "Red" Poling. Each made major contributions in leading Ford to become the American auto industry's quality leader.

While others in industry believed that high tech robots could increase quality by "replacing" workers, Ford Motor Company held to its long-standing belief in people. "Teamwork" became the norm, from in-plant participatory groups to a new way of developing cars based on cross-functional teams. The idea was to bring representatives from every engineering and management specialty together into each vehicle development team, then give them the authority to make as many decisions as possible.

The first team effort was on a bold new car, the Ford Taurus. The effort was so immensely successful that each subsequent vehicle team was given more authority and independence. As more Ford teams worked more directly with customers, they realized that the very definition of "quality" had to expand. And in 1980, Ford introduced the 1981 Escort, its first attempt at a "World Car."

Entering the Modern Age

The real opportunity to once again become a global company came with the electronics revolution of the late 1980s. While many companies initially saw the computer age as a means of replacing humans with artificial intelligence, Ford leaders recognized that the real value in this new technology was that it could greatly expand the power of each individual.

Electronic communication allowed Ford to connect individuals to one another as never before --to increase knowledge exponentially and empower individuals to become more complete participants in decision making processes. In 1987, Ford launched a computer-based system known as the Worldwide Engineering Release System (WERS), to link manufacturing and engineering groups in Ford locations throughout the world. This emerging technology allowed Ford to establish a global network, not only inside of the company, but also with suppliers, joint venture partners, in common research efforts with academia and governments, and a direct and open link to customers around the globe.

Modern Global Car

Enabling communications technology also allowed Ford leadership to develop a genuine global car, the **CDW27**. Ford of Europe needed a new mid-sized family car, yet with a market potential of only 250,000 units a year, the company could not afford to build a sophisticated new vehicle for one region. Yet if Ford could spread the cost of development and production around the world, realizing a 100,000 unit or more market potential, then the astronomical cost could be offset.

CDW27 became Ford's first modern global car. It was named **Mondeo** in Europe, Taiwan and the Middle East, and slightly modified versions went on sale in North America with the names Ford Contour and Mercury Mystique. The CDW27 was not, however, a return to a world car like the legendary Model T Ford. The original idea of a world car as exemplified by the Model T was to achieve an ultimately simplified vehicle with universal acceptance. That was no longer possible in a world market where sophisticated customers expected advanced technologies, and given the complexity of social and environmental expectations in vastly different countries.

The Model T was designed for the lowest common denominator. The Ford CDW27, on the other hand, was a highly sophisticated car, with two all-new, state-of-the-art, high-output engines, a new electronically controlled transmission, new electronic traction control and adaptive dampers, air bags, anti-lock brakes, and all of the other technological refinements customers wanted.

Ford's CDW27 became the prototype for a new way of thinking about product development. It proved that true globalization was finally possible, and that customer-focused teams were the way of the competitive future.

Ford 2000 -- Serving Tomorrow's People

In October of 1993, Alex Trotman became Chairman and Chief Executive Officer of Ford Motor Company, and everyone at Ford understood what would happen next. For Trotman is a globalist. He was born and raised in England and Scotland, with the first half of his career in product planning in Europe, where he played a key role in establishing Ford of Europe. Within a day of his appointment, Trotman initiated a year-long series of studies and development efforts to globalize Ford. The results of this effort led to Ford 2000.

Ford 2000 is an initiative that began in 1994 with the consolidation of Ford's North American and European operations, and continues with a commitment to bring the entire Ford global organization into a single operation by the year 2000.

Ford 2000 created a single, global management team. This has allowed the company to eliminate duplication, initiate best practices, use common components and designs for the advantage of scale, and allocate resources to wherever they are needed to best serve market needs. Ford 2000 combines the power, resources, and reach of a world company with the immediacy, the intimacy, the agility, and the spirit of a small one.

Ford 2000's strength is that it fully utilizes the company's depth of human diversity. Ford believes that diversity will be the engine that drives the creative energy of the corporation of the 21st century. Successful companies will be those who are able to draw on this diversity, to stay on the innovative and competitive edge of their fields.

So the company that started this century with a single man envisioning products that would service more people, is ending the century with a global organization that retains and expands Ford's heritage of serving people, inside and outside of the Ford global community.

First Qtr 1997 Results

FIRST QUARTER 1997
EARNINGS REVIEW AND 1997 OUTLOOK

Investor and
Financial Media Relations
Mel Stephens

April 16, 1997

FIRST QUARTER 1997 HIGHLIGHTS

- EARNINGS OF $1.20 A SHARE -- UP 67¢ A SHARE
- CONTINUED IMPROVEMENT IN AUTOMOTIVE RESULTS
  - FAST START ON COST IMPROVEMENTS
  - STRONG ACCEPTANCE OF NEW PRODUCTS
  - EARNED A PROFIT IN EUROPE
  - REDUCED LOSS IN SOUTH AMERICA
  - ACTIONS TAKEN TO IMPROVE ONGOING PROFITABILITY
- ON TRACK TO MEET 1997 AUTOMOTIVE FINANCIAL MILESTONES
- SOLID QUARTER FOR FINANCIAL SERVICES

- Slide #1 summarizes First Quarter 1997 highlights.
- First Quarter earnings were $1.5 billion, or $1.20 per share, which is about 30¢ higher than consensus analyst estimates and up 67¢ from a year ago. This is a solid start for 1997, and reflects a "fast start" on our cost reduction efforts. The entire Ford organization is 'charged up' and focused on what needs to be done following the Employee Cascade meetings last fall. At this point, however, I view these cost improvements as planned reductions implemented early -- not necessarily incremental savings.
- In addition, we continue to see strong acceptance of our new products worldwide. The Expedition continues to lead its segment in the U.S., the Ka is doing well in Europe, and we are building momentum with our newly-launched models in South America.
- Looking at profitability on a regional basis, we continued to improve our profit margins in North America, we earned a profit in Europe, and we reduced our loss in South America.
- Also, during the Quarter, we announced several actions to improve ongoing Automotive profitability.
- We are off to a "good start" and we are "on track" to meet our 1997 Automotive financial milestones we laid out in January. Our solid First Quarter report card shows that the changes we have been making to our Automotive operations for the past two years are beginning to pay off.
- In our Financial Services business, we achieved another solid Quarter.

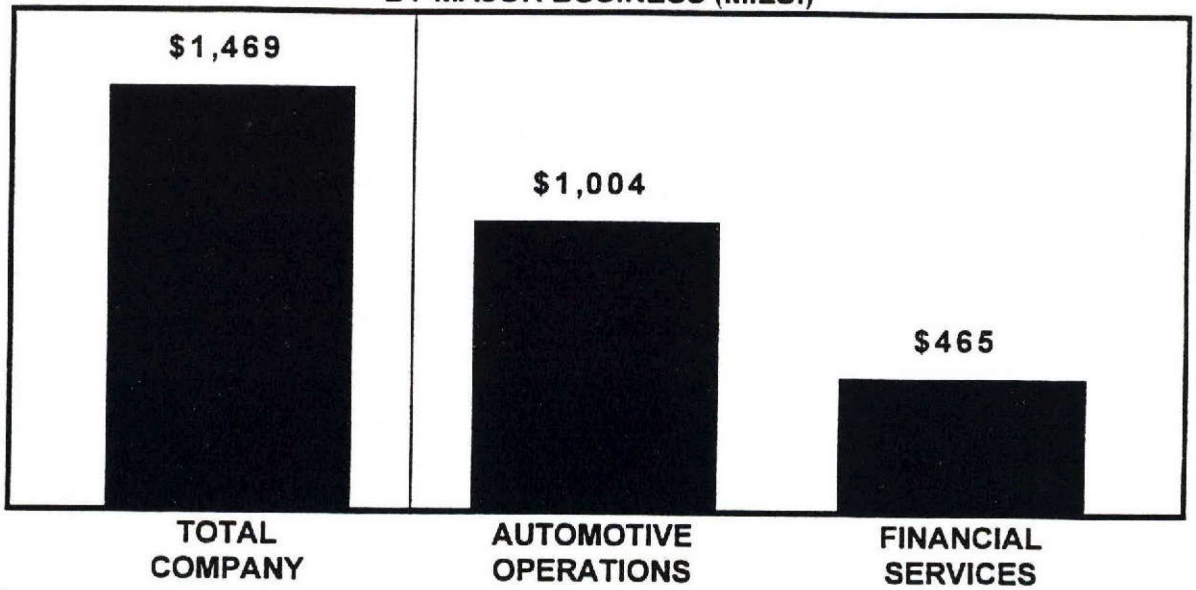
FIRST QUARTER 1997 RESULTS

	FIRST QUARTER RESULTS	FIRST QUARTER B/(W) 1996
NET INCOME (MILS.)		
AUTOMOTIVE	$1,004	$ 862
FINANCIAL SERVICES	465	(46)
TOTAL COMPANY	$1,469	$ 816
EFFECTIVE TAX RATE	35%	1 PT.
EARNINGS PER SHARE (FULLY DILUTED)	$1.20	$0.67
VEHICLE UNIT SALES (000)	1,681	43
COMBINED CAR & TRUCK MARKET SHARES		
UNITED STATES	25.1%	(0.7) PTS.
EUROPE	11.4	(0.7)
BRAZIL	11.0	1.5
U.S. TOTAL MARKETING COSTS AS A PERCENT OF REVENUE	9.4%	(0.1) PTS.
AUTOMOTIVE CAPITAL SPENDING		
AMOUNT (BILS.)	$1.6	$0.2
PERCENT OF REVENUE	5.6%	0.7 PTS.
AUTOMOTIVE RETURN ON SALES		
UNITED STATES	4.5%	4.2 PTS.
WORLDWIDE	3.5	2.9
AUTOMOTIVE NET CASH (BILS.)	$7.8	$2.0

- Slide #2 shows some detail of our First Quarter results.
- Net income was $1.5 billion, up $816 million (or 125%) from a year ago. The effective tax rate was 35%. Worldwide vehicle unit sales in the Quarter were 1,681,000, up 43,000.
- In the U.S., First Quarter share was down 7/10 of a point, reflecting lower sales of models we will be discontinuing (6/10 of a point), and continued focus on sales of our higher-margin vehicles.
- In Europe, our share was down 7/10 of a point, but up 5/10 of a point from the Fourth Quarter of 1996. The decline from a year ago reflects intense competitive market throughout Europe, with no signs of letting up. Revenue is under pressure as marketing costs remain high, and pricing is flat or negative. [Presently, there are several million units of industry overcapacity in Europe.]
- In Brazil, our share was 11.0%, up 1 1/2 points, reflecting sales momentum with new products (Escort, Fiesta, Ranger and Ka). In Argentina (not shown), Ford was the combined market share leader in the First Quarter for the first time since 1985, with a market share of 19.9%, up 3.9 points.
- Total marketing costs in the U.S. as a percent of revenue at 9.4% were about equal to last year.
- Automotive capital spending continued to decline (down 7/10 of a point, to 5.6% of revenue), reflecting the completion of high-volume launches and intense focus on improving investment efficiency. Absolute capital spending was down $200 million from a year ago to $1.6 billion.
- Worldwide Automotive return on sales was 3.5%, up 2.9 points from a year ago.
- Our Automotive net cash position is $2 billion higher than a year ago at $7.8 billion.

TOTAL COMPANY
FIRST QUARTER 1997 NET INCOME

BY MAJOR BUSINESS (MILS.)

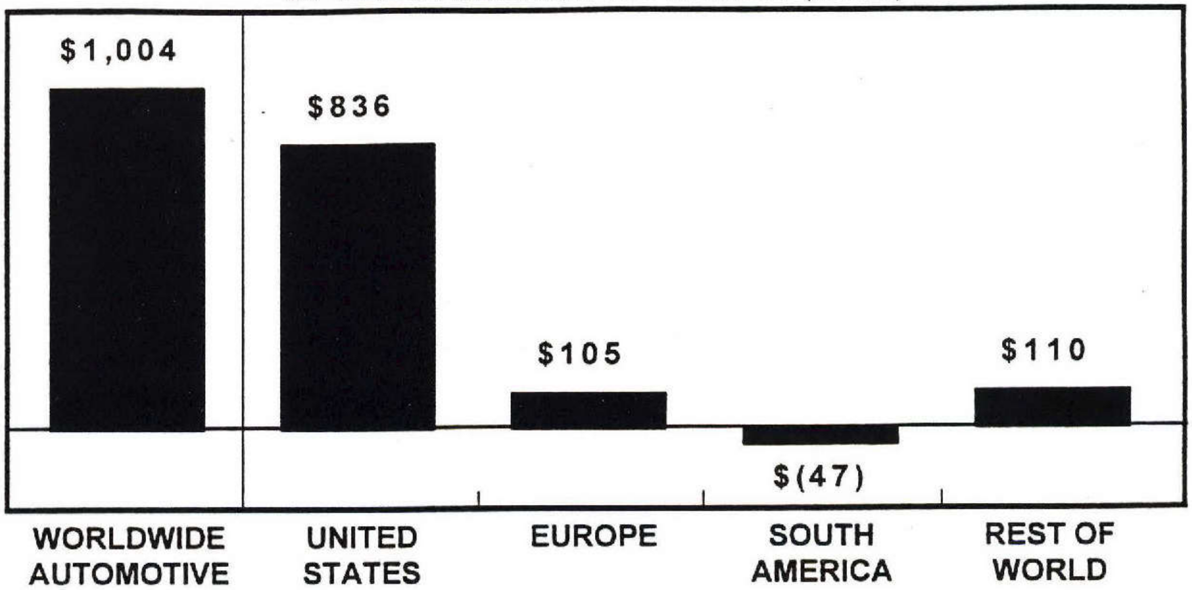


	TOTAL COMPANY	AUTOMOTIVE OPERATIONS	FINANCIAL SERVICES
B/(W) THAN YEAR AGO	$816	$862	$(46)

- Slide #3 shows First Quarter 1997 net income by major business.
- In total, Ford earned $1.5 billion, more than double what we earned a year ago.
- First Quarter results included $1 billion in Automotive Operations, up $862 million. This represents the fourth consecutive quarter in which Automotive results have improved on a year-to-year basis.
- In Financial Services, we earned $465 million, down $46 million.
- Results by business will be reviewed in greater detail on subsequent slides.

WORLDWIDE AUTOMOTIVE OPERATIONS
FIRST QUARTER 1997 NET INCOME/(LOSS)

BY MAJOR GEOGRAPHIC REGION (MILS.)



B/(W) THAN YEAR AGO	$862	$788	$32	$13	$29

- Slide #4 shows the geographic distribution of First Quarter 1997 Automotive earnings.

- Ford earned $836 million in the United States, up $788 million form a year ago. U.S. results have been improving since the Second Quarter of last year, reflecting continuing cost reductions and improving product mix.

- In Europe, we earned $105 million, up $32 million. We are determined to improve our results in Europe, and 1997 should be a step in that direction. Europe continues to be a very competitive market which struggles under excess capacity and fierce competition. We made strides with our cost performance, but are disappointed that the competitive environment continues to intensify -- putting pressure on both volume and revenue. The improvement in the First Quarter was a result of cost reduction actions, especially in material costs. There is still a lot of hard work ahead of us in Europe going forward.

- In South America, we lost $47 million, an improvement of $13 million from a year ago. Although losses in the Region continue, they have been reduced considerably from the Second Half of 1996. Significant cost reductions are under way in Brazil, including reductions in operating costs, material costs, and personnel-related costs. We project losses to continue in the Region for the remainder of the year, as modernization of the product line-up in Brazil and Argentina is completed.

- Except for Ford's share of Mazda's loss, all of Ford's major Automotive operations in Rest of World -- Canada, Australia, Mexico, Taiwan, and New Zealand -- were profitable in the First Quarter. In total, these operations earned $110 million, up $29 million compared with a year ago.

AUTOMOTIVE PROGRESS AND PLANS

- ACTIONS ANNOUNCED
  - ELIMINATION OF SHIFT AT HALEWOOD
  - IDLING OF PASSENGER CAR SYSTEM AT LORAIN
  - CLOSING AN ENGINE PLANT AND TWO FOUNDRIES IN BRAZIL
  - DROPPING LOW-MARGIN VEHICLE LINES
  - SELLING HEAVY TRUCK BUSINESS
  - INCREASING EXPEDITION CAPACITY

- ACTIONS PLANNED
  - LAUNCH NAVIGATOR IN U.S.
  - LOOK AT PULL-AHEAD TOWN CAR LAUNCH IN U.S.
  - LAUNCH NEW ZX2 AND RANGER IN U.S.
  - LAUNCH NEW PUMA IN EUROPE (FIESTA DERIVATIVE)
  - ADD NEW PRODUCTS IN BRAZIL (FIESTA-DERIVED PICKUP AND RANGER)

- A you can see on slide #5, we had a very busy First Quarter.

- During the quarter, we announced several tough, but necessary adjustments to our capacity:
  - -- In Europe, we are eliminating a shift at Halewood;
  - -- In the United States, we are idling the passenger car system at Lorain;
  - -- And in Brazil, we closed 2 foundries, an engine plant, and are downsizing the Ipiranga Truck Plant.

- We also continued to take steps to improve our business mix by discontinuing Aspire, Ford Probe, Mercury Cougar, Ford Thunderbird, and Aerostar. We also announced plans to sell our heavy truck business to Freightliner to focus more resources on our core business. We are not simply "downsizing" our business. Rather, we are making a comprehensive review of our operations to be sure we are focusing our resources on products our customers want the most. In this regard, we were able to increase the line-speed at Michigan truck so we can produce even more Expeditions.

- Our product line up today is the freshest in our history, and more great-quality new cars and trucks are coming to market:
  - -- We will be launching the Lincoln Navigator next month (Job #1 -- May 12);
  - -- We are pulling ahead the launch of the new Lincoln Town Car (from November to October);
  - -- And we have a new Ranger coming in the U.S. this fall, a new Fiesta-derived sporty coupe called the Puma is being launched in Europe this month, and we continue to launch new products in Brazil (in addition to the recently launched Escort, Fiesta, and Ka, we have a Fiesta-derived pickup and new Ranger coming later this year).

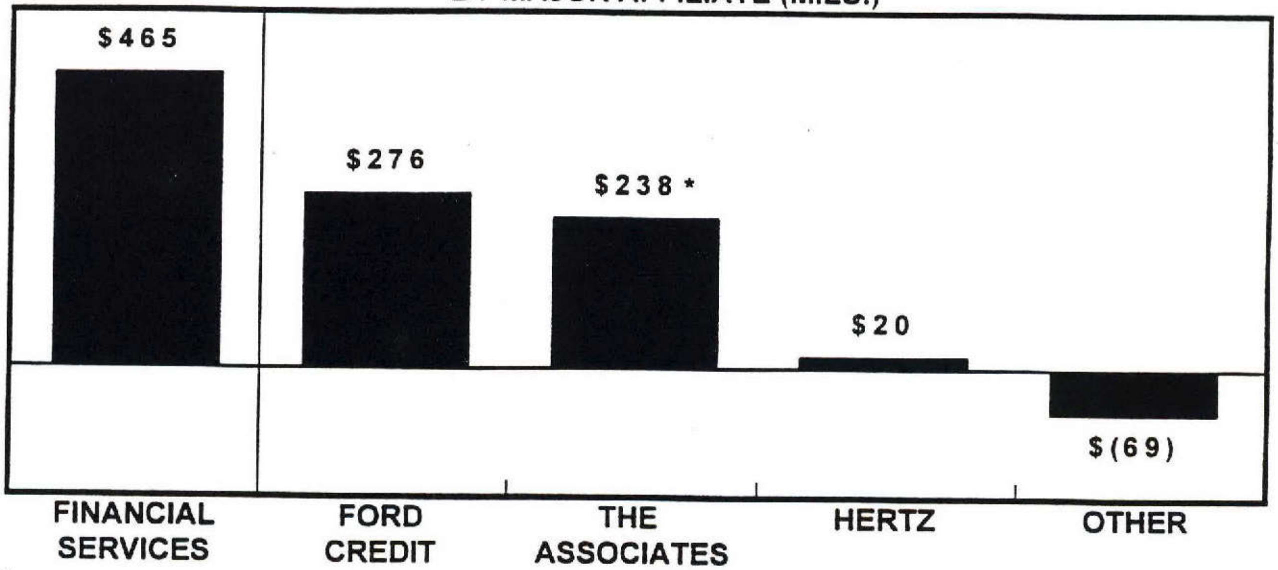
ON TRACK TO MEET 1997 AUTOMOTIVE FINANCIAL MILESTONES

1997 FULL YEAR MILESTONES	1ST QTR. 1997 STATUS	BETTER THAN 1ST QTR. 1996
NORTH AMERICA -- 4% ROS OR BETTER	5.1%	4.4 PTS.
EUROPE -- BREAKEVEN OR BETTER	$105 MILLION	$32 MILLION
SOUTH AMERICA -- REDUCE LOSS	$(47) MILLION	$13 MILLION
TOTAL COSTS -- DOWN $1 BILLION FROM 1996 (AT CONSTANT VOLUME & MIX)	$800 MILLION	BASE
CAPITAL SPENDING -- ABSOLUTE EQUAL TO 1996; PERCENT OF REVENUE DOWN	$1.6 BILLION 5.6%	$0.2 BILLION 0.7 PTS.

- Slide #6 shows the First Quarter status of our 1997 Automotive financial milestones.
- In North America, we have a targeted return on sales of 4% for the year. In the First Quarter, we achieved a 5.1% return.
- In Europe, we have a target to break even in 1997. In the First Quarter, we earned $105 million.
- In South America, we targeted reduced losses for 1997 (compared with 1996). In the First Quarter losses were $13 million lower than a year ago, and down sharply compared with the Second Half of 1996 (not shown).
- We have a target to reduce <u>total</u> Automotive costs by $1 billion in 1997 (at constant volume and mix). We had a "fast start" on our cost reduction efforts this year. In the First Quarter, our total Automotive costs were down $800 million from a year ago (<u>at constant volume and mix</u>).
- And finally, we have a target to reduce capital spending as a percent of revenue, and hold it equal to 1996 on an absolute basis. In the First Quarter, as a percent of revenue, capital spending was down 7/10 of a point, to 5.6%. Absolute capital spending was down $200 million to $1.6 billion.
- When we outlined for the first time, our game plan and metrics for 1997, it wasn't without a little nervousness. The strong First Quarter gives us more confidence we can deliver on these metrics, but we are not yet declaring a new, higher chinning bar. There are still some cautions and challenges ahead. <u>Clearly, we are off to a "good start" and are "on track" to meet our 1997 Automotive financial milestones, but there is plenty of work left to be done</u>.

FINANCIAL SERVICES
SOLID FIRST QUARTER 1997 NET INCOME

BY MAJOR AFFILIATE (MILS.)



	FINANCIAL SERVICES	FORD CREDIT	THE ASSOCIATES	HERTZ	OTHER
B/(W) THAN YEAR AGO	$(46)	$(63)	$46	$11	$(40)

* Ford's share is $192 million

- Slide #7 shows Financial Services earnings by major affiliate.

- Ford's Financial Services business continued to turn in solid results in the First Quarter, with earnings of $465 million, down $46 million from a record $511 million a year ago. The reduction reflects primarily the exclusion of USL Capital ($32 million), the majority of whose assets were sold in the Second Half of 1996.

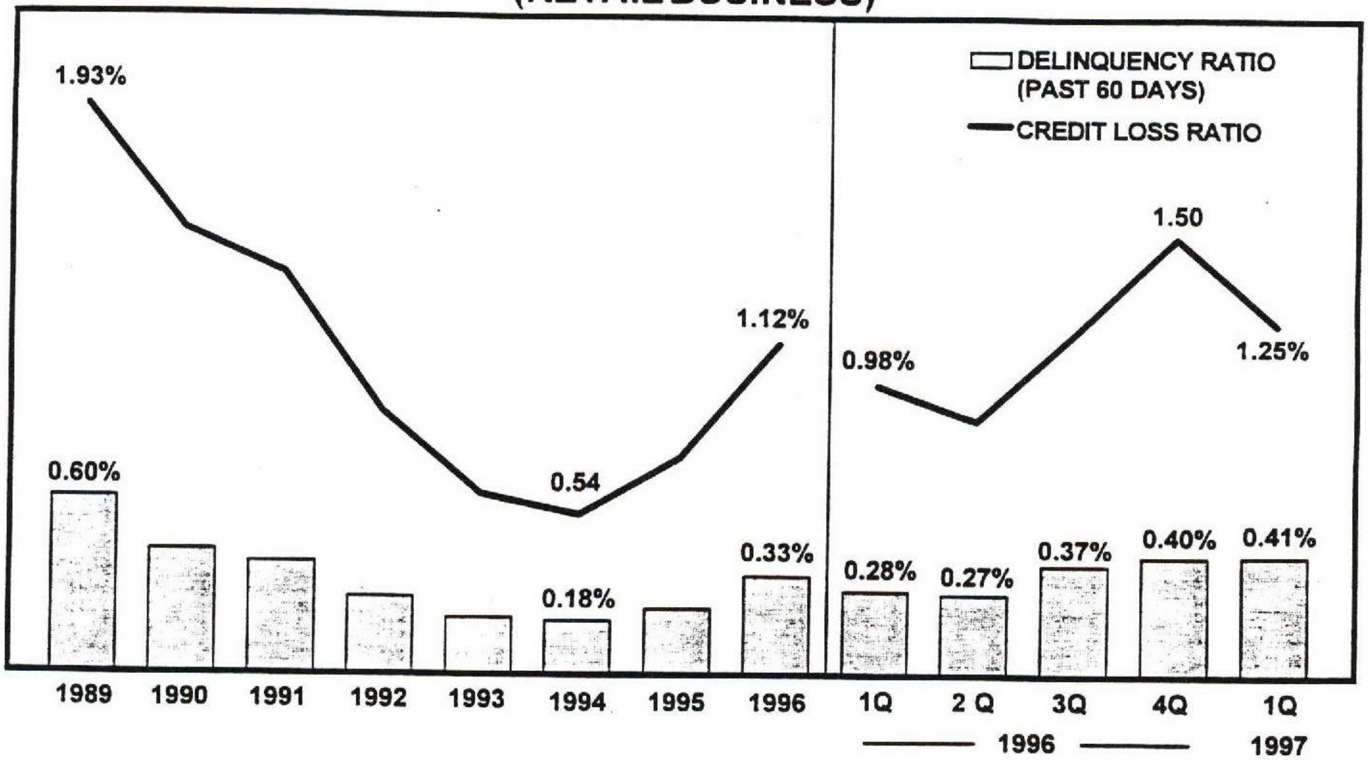
- Among the continuing operations, both The Associates and Hertz reported record profits for the quarter, while Ford Credit's earnings were down.

- On April 15, The Associates reported record earnings of $238 million in the First Quarter, up 24% from a year ago; Ford's share of the Associates First Quarter 1997 earnings was $192 million -- the minority interest ($46 million) is included in "Other" on the slide. [At the present price of about $46 a share, Ford's 80% share of The Associates is worth about $13 billion, or $11 per Ford share.]

- On April 10, Hertz reported record First Quarter earnings of $20 million, more than double the $9 million earned in the same period a year ago.

- Ford Credit earned $276 million, down $63 million from a year ago. The decline reflects primarily increased credit losses. Credit loss experience is shown on the next slide.

FORD CREDIT
U.S. DELINQUENCY AND CREDIT LOSS RATIOS
(RETAIL BUSINESS)



- Slide #8 shows an update on recent trends of delinquencies (represented by the bars) and credit loss ratios (represented by the line) for Ford Credit's U.S. retail business.

- The delinquency ratio indicates the percent of accounts past due by more than 60 days. The rate of delinquencies declined steadily from 1989 to 1994. Delinquencies started to trend upward in 1995 and 1996. In the First Quarter 1997, they were up from the First Quarter of 1996, and about flat with the Fourth Quarter of 1996. Presently, U.S. delinquencies are up a bit from the experience in 1993-1994, but still below the rates in the 1989-1991 period.

- Credit losses, which are expressed as a percent of net receivables, generally follow the pattern of delinquencies. Present credit loss ratios are up about 25 basis points from a year ago, but down 25 basis points from the Fourth Quarter of 1996, and well below the peak levels reached during 1989.

1997 OUTLOOK

- FIRST QUARTER REPRESENTS A GOOD START
- ON TRACK TO MEET 1997 AUTOMOTIVE FINANCIAL MILESTONES
  - IMPROVING AUTOMOTIVE RESULTS DRIVEN BY PROFIT FOCUS, COST REDUCTIONS, AND NEW PRODUCTS
  - IMPORTANT NEW PRODUCTS COMING; STRONG U.S. PRODUCT MIX
  - STABLE INDUSTRY ENVIRONMENT IN MAJOR MARKETS (FULL YEAR ABOUT EQUAL TO 1996)
- SOLID FINANCIAL SERVICES EARNINGS, BUT DOWN FROM LAST YEAR'S RECORD
- CAUTIONS
  - U.S. INTEREST RATES
  - VALUE OF THE YEN
  - EUROPEAN MARKET CONDITIONS
  - NEW COMPETITIVE ENTRIES WORLDWIDE

- Slide #9 summarizes our outlook for 1997.
- In the First Quarter, we got off to a solid start. This gives us increased confidence that we can deliver on the tough business objectives we set for ourselves.
- While we are on track to meet our full year Automotive financial milestones, we are not yet ready to increase the chinning bar by setting new, higher targets. Here's what we see:
  -- Improving Automotive results driven by an intense focus on profitability -- each vehicle line is being run as a business. The sales Divisions are focusing on profitability of market share. Costs are being attacked across the board, and our new higher-margin products (like Expedition) continue to sell well;

  -- We have more new products coming, like the new Lincoln Navigator and Town Car which should help our U.S. product mix;

  -- And looking at 1997 industry volumes in our major markets, we expect more of the same with full year volumes about equal to last year.
- In Financial Services, we expect continuing solid results, but down from last year's record.
- While we are off to a good start, there are a number of cautions on our radar screen as we look ahead. It is still very early in the year, and we face several tough challenges going forward -- rising U.S. interest rates, the value of the yen, overall European market conditions, and ever increasing competition, as many new entries are introduced around the world this year.
- In summary, <u>we are pleased with our progress</u>, and <u>cautiously optimistic about the rest of the year</u>.

1996 Results Summary

FOURTH QUARTER AND FULL YEAR 1996 EARNINGS REVIEW AND 1997 OUTLOOK

Investor and
Financial Media Relations
January 29, 1997

1996 HIGHLIGHTS

• SOLID YEAR OVERALL

- FULL YEAR EARNINGS $4.4 BILLION, UP 7%; 4TH QUARTER UP 82%
- RECORD FINANCIAL SERVICES EARNINGS
- STRONG MOMENTUM IN U.S. AUTOMOTIVE OPERATIONS; CHALLENGES IN EUROPE AND SOUTH AMERICA
- GLOBAL PRODUCT DEVELOPMENT ORGANIZATION STREAMLINED
- IMPORTANT NEW PRODUCTS LAUNCHED -- EXPEDITION, KA, XK8
- CONTINUED SALES SUCCESS; INCLUDING WORLDWIDE TRUCK LEADERSHIP

• STEPS TAKEN TO CREATE SHAREHOLDER VALUE

- HIGHLY SUCCESSFUL PARTIAL IPO OF THE ASSOCIATES
- USL CAPITAL ASSETS SOLD; NEW OWNERSHIP FOR BUDGET RENT-A-CAR
- STRATEGIC OPTIONS UNDER REVIEW FOR HERTZ CORPORATION
- INCREASED FOCUS ON AUTOMOTIVE PRODUCTS OPERATIONS
- DIVIDEND INCREASED; PRESENT YIELD HIGHEST OF BIG THREE

• ACTION PLANS IN PLACE TO ADDRESS CHALLENGES

- Slide #1 summarizes 1996 highlights.

- 1996 was a solid year overall. Full year earnings were $4.4 billion, up 7% from 1995. We ended the year with solid Fourth Quarter earnings of $1.2 billion, up 82% from a year ago. Our Financial Services earnings were a record. In our Automotive Operations, we continued to build momentum in the U.S.; Europe and South America represented challenges. We made excellent progress implementing an integrated global cycle plan which will give us more products at lower investment. We were able to further streamline our global product development organization, from 5 global Vehicle Centers to 3. This will allow us to accelerate the improvement of our cost structure. Important new products were launched -- Expedition, KA, and Jaguar XK8 -- and we continued sales success with our strongest-ever product line up. We are the world's leader in trucks, and in the U.S., we had the #1-selling vehicle (F-Series), the #1 Sport Utility (Explorer), the #1 car (Taurus), and 5 of the top 10 best-selling vehicles, including Ranger and Escort. In Europe, we had 2 of the top 6 best-selling vehicles (Fiesta and Escort).

- Steps were taken to create shareholder value. We restructured our Financial Services business, including the highly successful partial IPO of The Associates, the sale of USL Capital's assets, and new ownership for Budget Rent A Car. These actions strengthened our Financial Services balance sheet and established a market value for The Associates. At the present price, our 80% interest in The Associates is worth $13 billion or $11 per Ford Share. Our dividend was increased for the 5th time in the last three years, and our present dividend yield is the highest of the Big Three and about 2½ points higher than either the Dow or S&P 500 averages.

- We have a tough business plan in place for 1997, including comprehensive action plans to address our challenges in Europe and South America.

IMPACT OF 1996 ONE-TIME FACTORS

	FOURTH QUARTER			FULL YEAR		
	PRE-TAX PROFIT (MILS.)	NET INCOME (MILS.)	EPS	PRE-TAX PROFIT (MILS.)	NET INCOME (MILS.)	EPS
OPERATING RESULTS EXCL. ONE-TIME FACTORS	$2,022	$1,336	$1.10	$6,905	$4,370	$3.58
ONE-TIME FACTORS						
GAIN ON ASSOCIATES IPO	$ 0	$ 0	$ 0	$ 650	$650	$0.54
SALE OF USL CAPITAL ASSETS	0	0	0	263	95	0.08
BUDGET RENT-A-CAR ACTIONS	316	204	0.17	(384)	(233)	(0.20)
SEPARATION PROGRAMS	(497)	(336)	(0.28)	(641)	(436)	(0.36)
NET ONE-TIME FACTORS	$(181)	$(132)	$(0.11)	$(112)	$ 76	$0.06
REPORTED RESULTS INCL. ONE-TIME FACTORS	$1,841	$1,204	$0.99	$6,793	$4,446	$3.64

- Slide #2 shows the impact of one-time factors on 1996 results.
- Excluding one-time factors, Fourth Quarter net income was $1,336 million or $1.10 per share; this compares with the First Call consensus of $1.02 per share.
- Fourth Quarter results included two one-time factors -- a partial reversal of the earlier write-off for loans to Budget Rent A Car added $204 million or 17¢ a share, and the cost of employee separation programs subtracted $336 million or 28¢. The net impact of these two factors reduced Fourth Quarter earnings by $132 million or 11¢ a share.
- Full Year results included four one-time factors -- the gain from the partial IPO of The Associates added $650 million or 54¢ a share, the sale of USL Capital assets added $95 million or 8¢, actions on Budget Rent A Car subtracted $233 million or 20¢, and costs for separation programs subtracted $436 million or 36¢ a share. The net impact of these four factors added $76 million or 6¢ a share to Full Year results.

FOURTH QUARTER AND FULL YEAR 1996 RESULTS

	FOURTH QUARTER RESULTS	FOURTH QUARTER B/(W) 1995	FULL YEAR RESULTS	FULL YEAR B/(W) 1995
NET INCOME (MILS.)				
AS REPORTED	$1,204	$ 544	$4,446	$ 307
EXCL. ONE-TIME FACTORS	1,336	777	4,370	315
EFFECTIVE TAX RATE	32%	(11) PTS.	32%	3 PTS.
EARNINGS PER SHARE				
AS REPORTED	$0.99	$0.51	$3.64	$0.31
EXCL. ONE-TIME FACTORS	1.10	0.64	3.58	0.25
VEHICLE UNIT SALES (000)	1,753	163	6,653	47
COMBINED CAR & TRUCK MARKET SHARES				
UNITED STATES	26.2%	1.3 PTS.	25.2%	(0.4)PTS.
EUROPE	11.0	(0.1)	11.8	(0.4)
BRAZIL	12.3	0.2	10.7	(1.0)
U.S. TOTAL MARKETING COSTS AS A PERCENT OF REVENUE	6.8%	0.4 PTS.	8.0%	0.2 PTS.
AUTOMOTIVE CAPITAL SPENDING				
AMOUNT (BILS.)	$2.4	$0.1	$8.2	$0.5
PERCENT OF REVENUE	7.7%	1.3 PTS.	7.0%	0.9 PTS.

- Slide #3 provides a summary of Fourth Quarter and Full Year 1996 results compared with 1995.

- Fourth Quarter reported net income of $1,204 million was up 82% from a year ago. Excluding the impact of one-time factors, Fourth Quarter net income was $1,336 million, more than double a year ago. The effective tax rate in the Fourth Quarter was 32%, equal to the Full Year rate. Vehicle unit sales in the Fourth Quarter were 1,753,000, up 163,000; Full Year units were 6,653,000, up 47,000.

- Full year market shares in three of Ford's largest markets were down from 1995. This reflected a planned strategy to reduce sales of less profitable vehicles in both the U.S. and Europe; in Brazil, the lower share reflected the transition following the dissolution of Autolatina. In the U.S., Ford's Fourth Quarter share was up 1.3 points reflecting strong sales of F-Series, Taurus, and sport utility vehicles (Explorer, Mountaineer, and the all-new Expedition). In Europe, Ford's Fourth Quarter share was down 1/10 of a point, reflecting a continued de-emphasis of fleet sales and the ramp up of newly-launched products (KA and Mondeo). In Brazil, our Fourth Quarter share was 12.3%, up 2/10 of a point, reflecting sales momentum with new products (Escort and Fiesta); in December, Ford's share in Brazil reached 12.9%, about 3 points higher than the share in the First Nine Months.

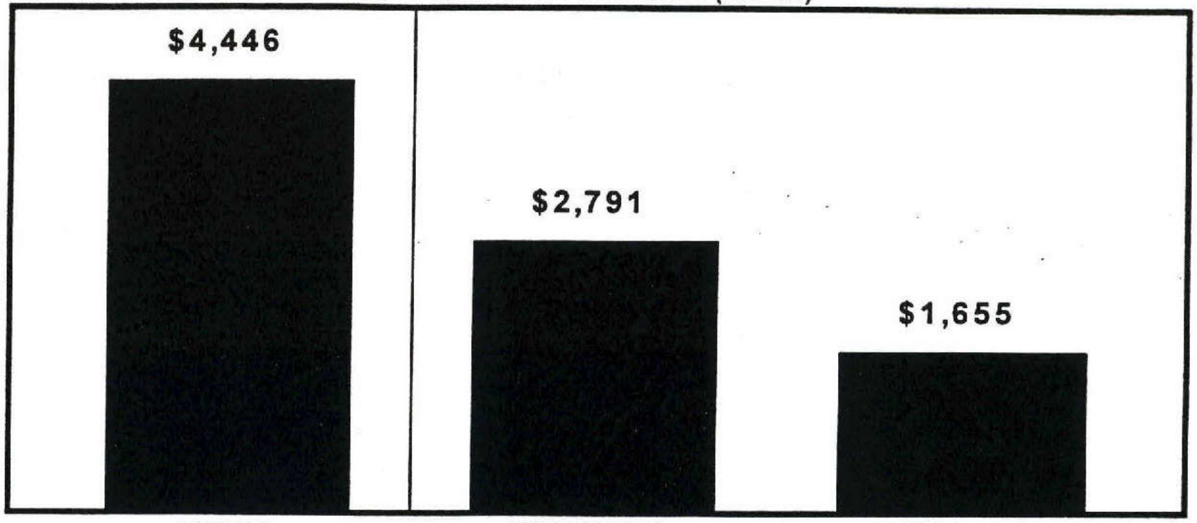
- The Company's U.S. sales momentum in the Fourth Quarter was achieved without an increase in marketing costs. Total marketing costs in the U.S. as a percent of revenue declined from 7.2% to 6.8%. This is consistent with the Company's strategy to focus on the profitability of market share.

- Automotive capital spending continued to decline as a percent of revenue, reflecting the completion of high-volume product launches and continuing focus on improving investment efficiency. For the Full Year, absolute capital spending declined for the first time since 1992.

TOTAL COMPANY

FULL YEAR 1996 NET INCOME

BY MAJOR BUSINESS (MILS.)

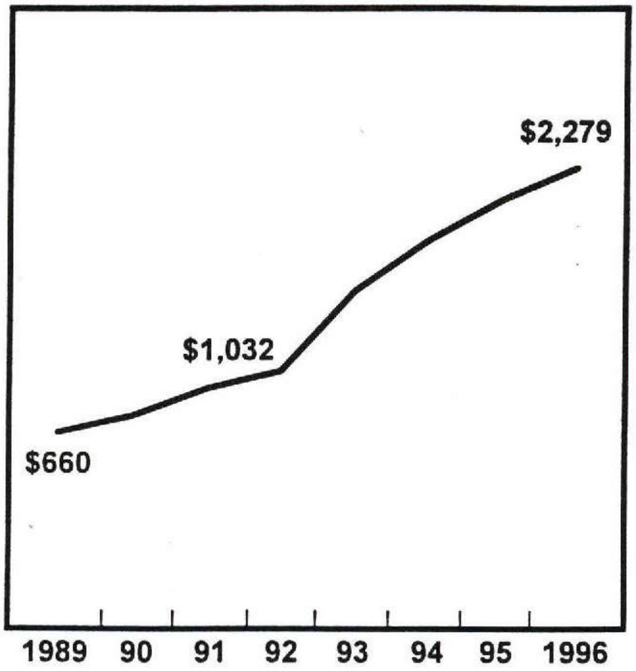


	TOTAL COMPANY	FINANCIAL SERVICES	AUTOMOTIVE OPERATIONS
B/(W) THAN YEAR AGO			
- AS REPORTED	$307	$708	$(401)
- EXCL. ONE-TIME	315	196	119

- Slide #4 shows Full Year 1996 net income by major business.
- In total, Ford earned $4.4 billion, up 7 % from 1995.
- Full Year results included record earnings of $2.8 billion in Financial Services, and $1.6 billion in Automotive Operations.
- Compared with 1995, Financial Services earnings were up $708 million. This included a net gain of $512 million in 1996 related to restructuring actions, primarily the gain of $650 million from the partial IPO of The Associates. Excluding one-time factors, Financial Services earnings were a record $2,279 million, up $196 million from 1995. Details by operation are shown on the next slide.
- Ford's worldwide Automotive Operations was down $401 million from 1995. Excluding one-time factors -- higher costs for voluntary separation programs and the non-recurrence of the gain on Autolatina -- Automotive earnings were up $119 million. Automotive results will be reviewed in greater detail on subsequent slides.

GROWING FINANCIAL SERVICES EARNINGS

FSG NET INCOME* (MILS.)



* Excludes one-time factors
** Restated to reflect Ford's 80% interest

	1996 ACTUAL (BILS.)	B/(W) 1995 (BILS.)
CONTINUING OPERATIONS		
FORD CREDIT	$ 1.4	$(0.1)
THE ASSOCIATES**	0.7	0.1
HERTZ	0.2	0.1
INTEREST/OTHER	0	0.1
SUBTOTAL	$ 2.3	$ 0.2
ONE-TIME FACTORS		
GAIN ON THE ASSOCIATES	$ 0.6	$ 0.6
USL CAPITAL	0.1	0.1
WRITE-DOWN ON BUDGET	(0.2)	(0.2)
SUBTOTAL	$ 0.5	$ 0.5
TOTAL FIN'L. SVCS.	$ 2.8	$ 0.7

- Slide #5 shows the trend of Financial Services earnings since 1989 and details of 1996 results by major affiliate.

- Ford's Financial Services business continued to turn in solid growth; with earnings more than tripling since 1989. In 1996, each of Ford's continuing Financial Service operations posted record earnings except Ford Credit, which was down slightly.

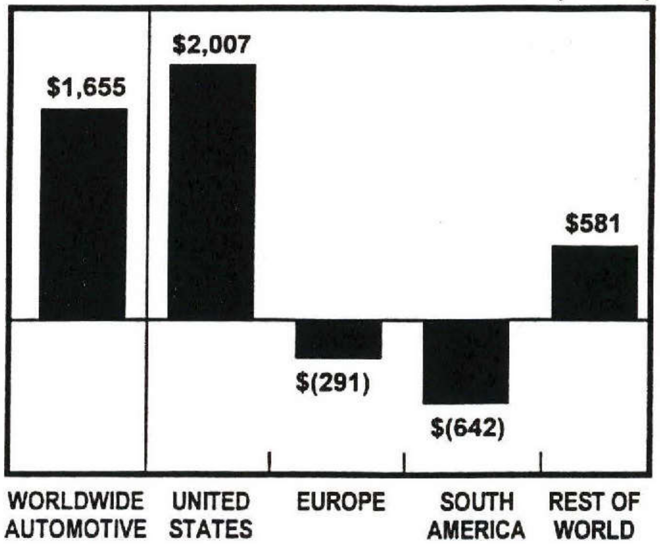
- The Associates earned a record $857 million, up 19% from 1995. Results shown on this slide have been restated to reflect Ford's 80% interest. This was the 22nd consecutive year of increased earnings for The Associates.

- Hertz Corporation posted record earnings of $159 million, up 51%. This was the 4th consecutive year of record earnings for Hertz.

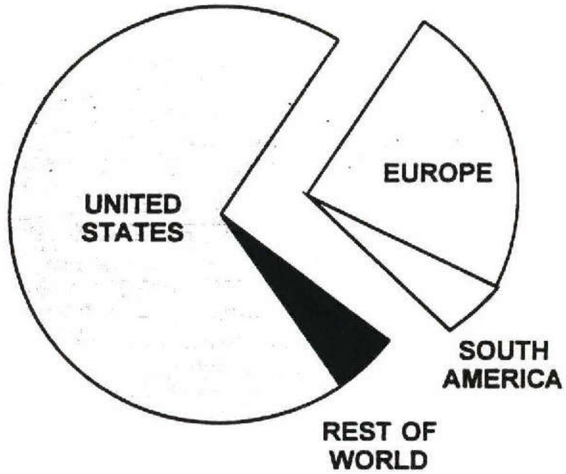
- Ford Credit had its second best year ever with earnings of $1,441 million. The decline in earnings from last year's record reflected an increase in credit losses, consistent with industry trends in consumer finance.

WORLDWIDE AUTOMOTIVE OPERATIONS
FULL YEAR 1996 NET INCOME/(LOSSES)

BY MAJOR GEOGRAPHIC REGION (MILS.)



MEMO: REVENUE MIX



B/(W) THAN YEAR AGO	WORLDWIDE AUTOMOTIVE	UNITED STATES	EUROPE	SOUTH AMERICA	REST OF WORLD
- AS REPORTED	$(401)	$164	$(407)	$(548)	$390
- EXCL. ONE-TIME	119	290	(337)	(224)	390

- Slide #6 shows the geographic distribution of 1996 Automotive earnings and revenues.

- Ford earned $2 billion in the United States, which represents about two-thirds of Ford's worldwide automotive revenues. U.S. results have been improving since the Second Quarter, reflecting an improving product mix and continuing cost reductions.

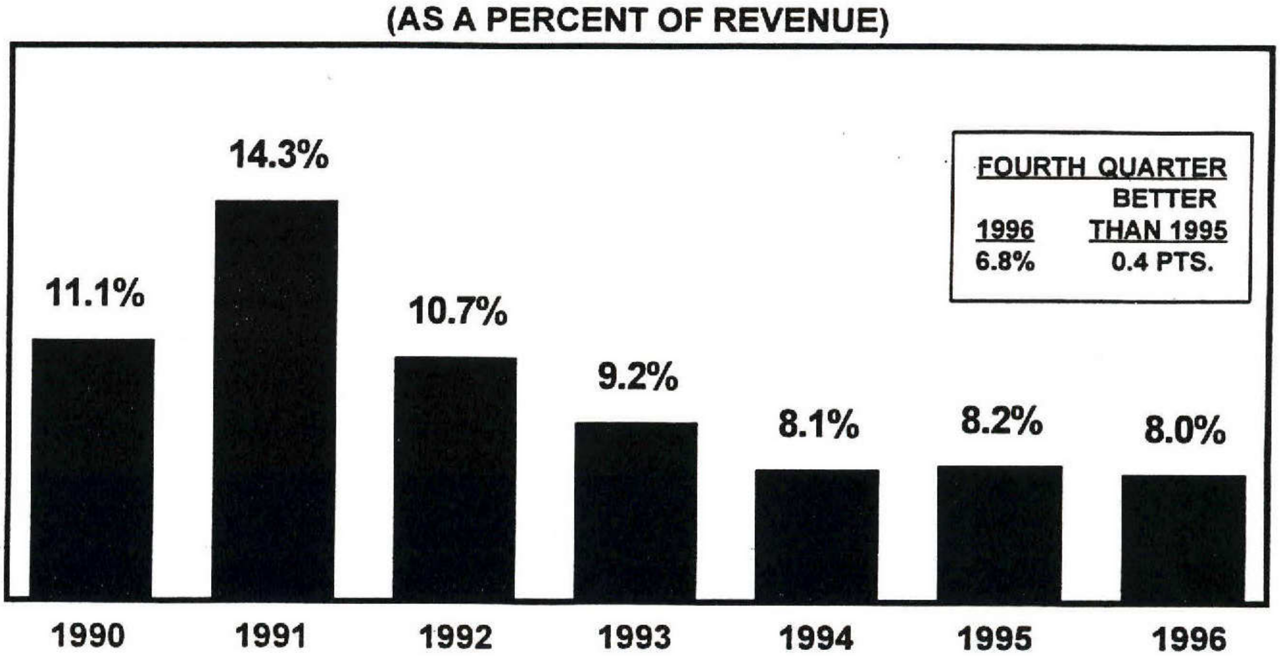
- Results in Europe and South America deteriorated in 1996. In Europe, we lost $291 million. The competitive environment in Europe is very tough, and 1996 was a year of important product launches for Ford. Higher costs associated with major new vehicle launches, a less rich product mix, and continuing high marketing costs combined to depress our European results.

- In South America, we lost $642 million. Ford's challenge is to launch a new company, following the dissolution of Autolatina in 1995. Increased losses in 1996 reflect higher costs related to re-establishing Ford operations, the launch of new products, and a market shift to smaller cars.

- Improving Automotive results in Europe and South America is a top priority for 1997. Comprehensive action plans are in place for each region. Both markets will benefit from newly-launched products. In addition, we have a strong focus on reducing costs, including aggressive actions to reduce material costs, reductions in employment, and steps to rationalize capacity. Operating improvements are targeted for both regions -- breakeven or better in Europe, and reduced losses in South America, with breakeven targeted for 1998.

- All of Ford's major Automotive operations in Rest of World -- Canada, Australia, Mexico, Taiwan, South Africa, Japan, and New Zealand -- were profitable in 1996. In total, these operations earned $581 million, up $390 million compared with 1995.

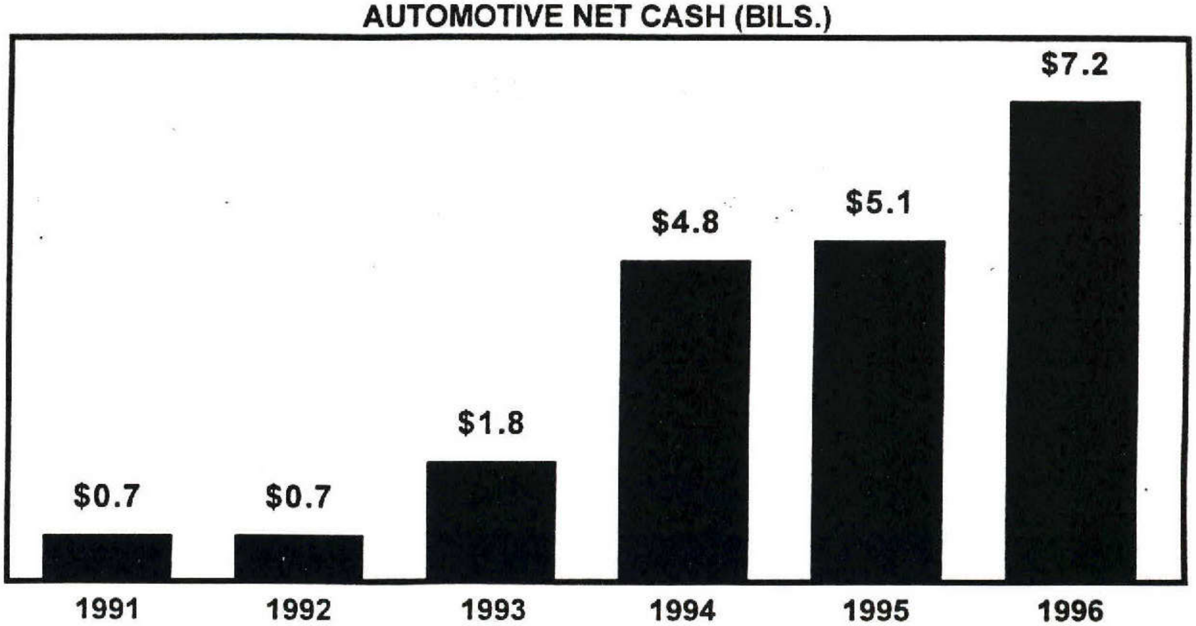
U.S. AUTOMOTIVE OPERATIONS
TOTAL MARKETING COSTS DECLINING



- Slide #7 shows the trend of total U.S. marketing costs as a percent of revenue since 1990.
- Ford's total U.S. marketing costs have declined steadily as a percent of revenue since the recession in the early 1990s, with spending in the last three year's being essentially flat.
- For the Full Year 1996, U.S. marketing costs averaged 8% of revenue, down from 8.2% in 1995. In the Fourth Quarter, U.S. marketing costs averaged 6.8%, down from 7.2% in 1995. (Marketing costs are lower in the Second Half than in the First Half because carryover rebates are accrued in the First Half.)
- There are many differences among competitors in how marketing costs are reported. We plan to focus on marketing costs as a percent of revenue because it includes <u>total</u> marketing costs (variable and fixed, for both retail and fleet). It also more closely represents those costs included in reported profits.

FORD MOTOR COMPANY

AUTOMOTIVE BALANCE SHEET STRENGTHENED



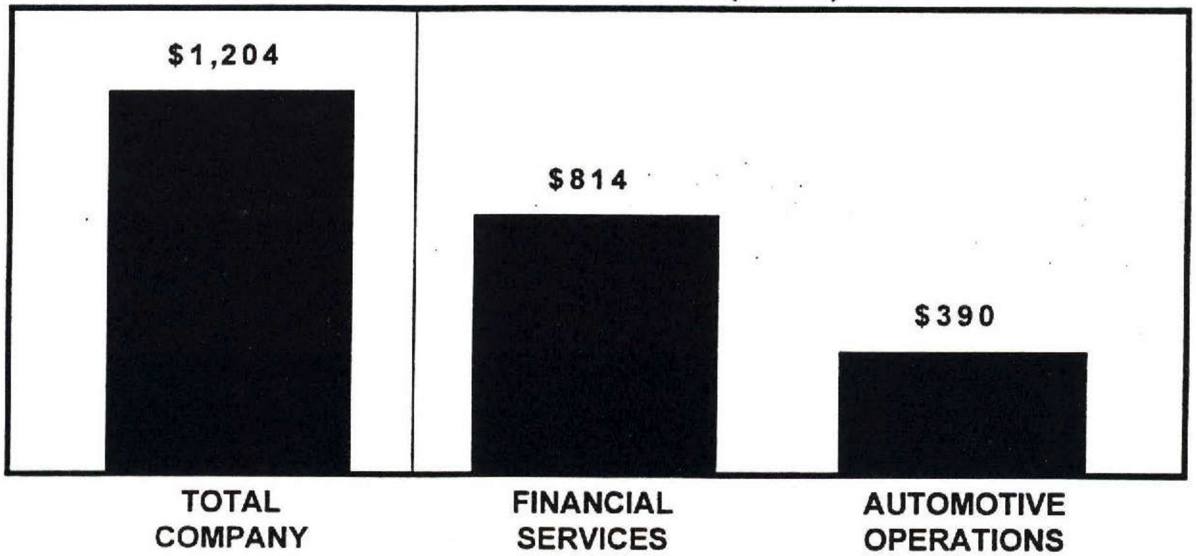
	1991	1992	1993	1994	1995	1996
GROSS CASH (BILS.)	$9.8	$9.0	$9.8	$12.1	$12.4	$15.4
DEBT (BILS.)	9.1	8.3	8.0	7.3	7.3	8.2

- Slide #8 shows how our Automotive balance sheet has strengthened since 1991.
- Ford ended the year with a record automotive cash balance of $15.4 billion; automotive net cash was a record $7.2 billion.
- Ford's U.S. pension plans continue to be fully funded (not shown). On a projected benefit obligation basis, our U.S. plans were over-funded by $2.7 billion (110% funded); on an accumulated benefits obligation basis, our U.S. plans were over-funded by $4.4 billion (117% funded) -- both U.S. funding measures improved from 1995, and are the best of the Big Three.
- Ford's credit ratings also remain the highest of the Big Three.
- In addition to strengthening our Automotive balance sheet, we also strengthened our Financial Services balance sheet (not shown). Cash proceeds of more than $3 billion from the restructuring of our Financial Services business during 1996 -- including the partial IPO of The Associates and the sale of USL Capital's assets -- were used to reduce our overall leverage.

TOTAL COMPANY

FOURTH QUARTER 1996 NET INCOME

BY MAJOR BUSINESS (MILS.)



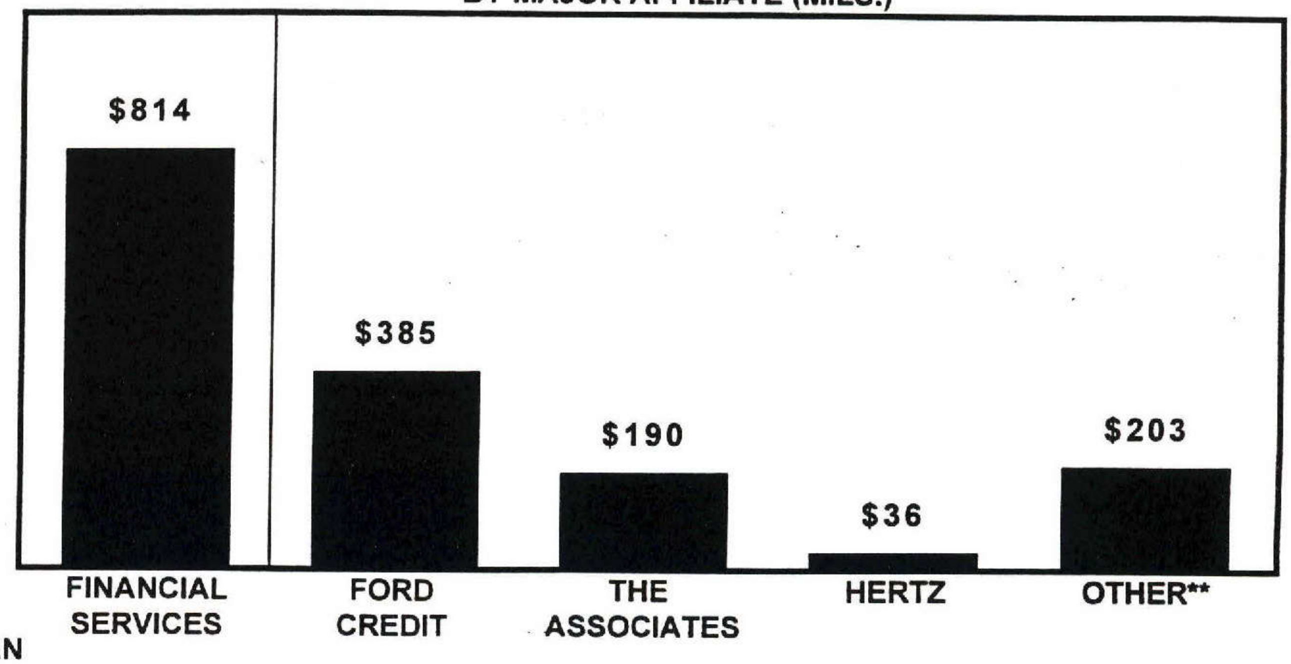
B/(W) THAN YEAR AGO	TOTAL COMPANY	FINANCIAL SERVICES	AUTOMOTIVE OPERATIONS
- AS REPORTED:	$544	$170	$374
- EXCL. ONE-TIME	777	(34)	811

- Slide #9 shows our Fourth Quarter results by major business.
- Total Company earnings were $1.2 billion, up $544 million or 82% from 1995. Excluding one-time factors, total Company earnings were $1.3 billion, more than double last year.
- Financial Services' earnings were $814 million, up $170 million from a year ago. Fourth Quarter earnings this year included a gain of $204 million from the partial reversal of the Second Quarter write down of loans to Budget Rent A Car. Excluding this gain, Financial Services' earnings were down $34 million compared with 1995.
- Worldwide Automotive Operations' earnings were $390 million, up $374 million. Fourth Quarter Automotive results this year included a larger charge for voluntary separation programs than the year-ago period and the non-recurrence of a gain on Autolatina. Excluding these one-time factors from both periods, Automotive operating results were up $811 million.

FINANCIAL SERVICES

FOURTH QUARTER NET INCOME

BY MAJOR AFFILIATE (MILS.)



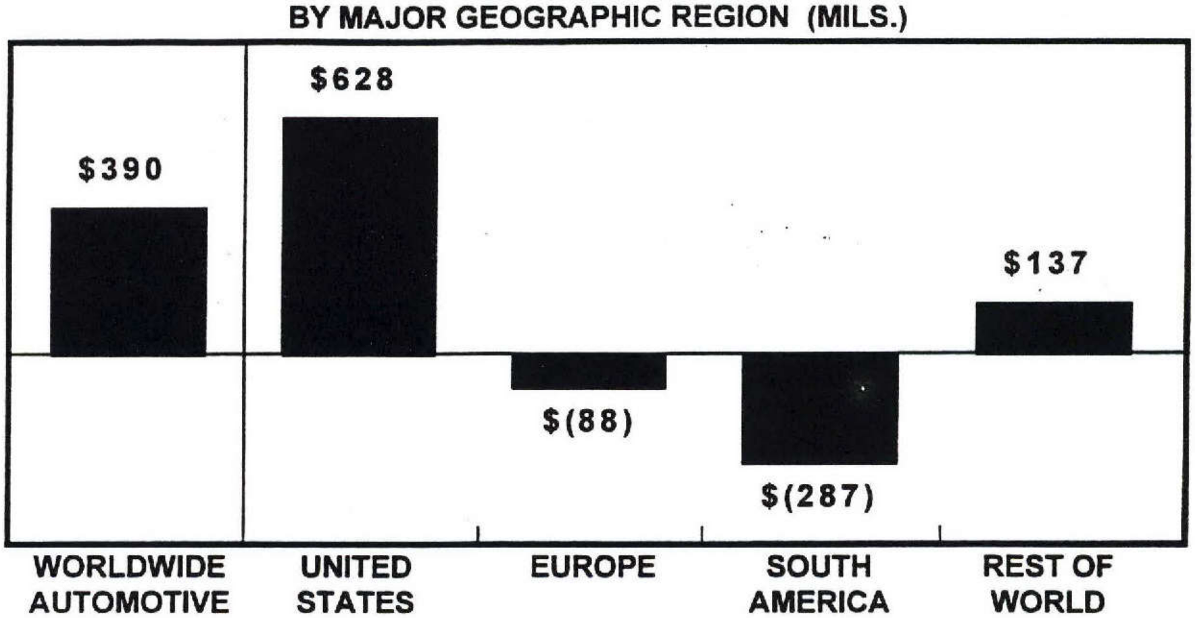
	FINANCIAL SERVICES	FORD CREDIT	THE ASSOCIATES	HERTZ	OTHER**
B/(W) THAN YEAR AGO	$170	$(70)	$31*	$15	$194

* Restated to reflect Ford's 80% interest

** Includes $204 million reversal of Second Quarter Budget Rent-A-Car write-down

- Slide #10 shows Fourth Quarter earnings for Financial Services by major affiliate.
- Ford Credit earned $385 million, down $70 million from a year ago. The decline was more than explained by higher credit losses. While credit losses increased during 1996, present credit loss ratios are below the peak levels reached in 1989.
- The Associates posted record earnings of $234 million (not shown), up 20% from a year ago. Ford's 80% interest was worth $190 million.
- Hertz Corporation posted record Fourth Quarter earnings of $36 million, up $15 million or 71% from a year ago.
- The partial reversal of the Second Quarter write down of loans for Budget Rent A Car, worth $204 million, is included in "Other".

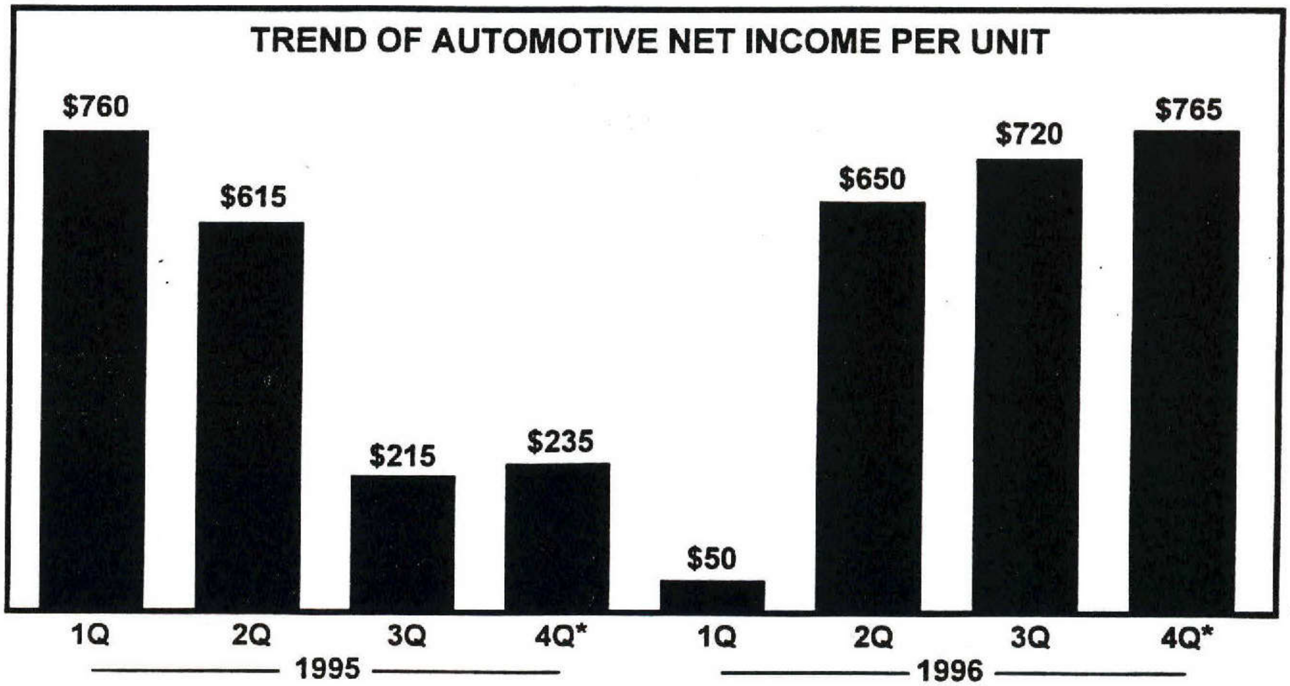
WORLDWIDE AUTOMOTIVE OPERATIONS
FOURTH QUARTER 1996 NET INCOME/(LOSS)



B/(W) THAN YEAR AGO	WORLDWIDE AUTOMOTIVE	UNITED STATES	EUROPE	SOUTH AMERICA	REST OF WORLD
- AS REPORTED	$374	$460	$(40)	$(175)	$129
- EXCL. ONE-TIME	811	547	13	122	129

- Slide #11 shows Fourth Quarter Automotive earnings on a geographic basis.
- In the U.S., Automotive earnings were $628 million. Europe lost $88 million, Latin America lost $287 million, and Rest of World operations earned $137 million (primarily Canada and Australia). Fourth Quarter results included two one-time factors -- costs for separation programs in both 1996 and 1995, and a gain of $230 million on Autolatina in 1995. Excluding these one-time factors, Automotive results improved in each major geographic region.
- U.S. Automotive posted the largest year-to-year improvement ($547 million excluding one-time factors), continuing a steady trend of improvement since the Second Quarter.

U.S. AUTOMOTIVE OPERATIONS
RECOVERING PROFITABILITY



ROS	4.2%	3.4%	1.1%	1.2%	0.3%	3.7%	3.7%	3.9%

* Excludes costs for separation programs

- Slide # 12 shows the recovery in U.S. Automotive Operations on a per-unit basis.
- In the Fourth Quarter, U.S. net income, excluding costs for separation programs, was $765 a unit. This reflects a full recovery of profitability following the high-volume launches in the Second Half of 1995 and First Quarter of this year.
- U.S. Automotive return on sales in the Fourth Quarter, excluding costs for separation programs, was 3.9%.
- For 1997, we expect U.S. Automotive profitability to continue to improve.

1997 OUTLOOK

- HEALTHY INDUSTRY ENVIRONMENT IN MAJOR MARKETS
- IMPORTANT NEW PRODUCTS COMING -- ZX2, NAVIGATOR, TOWN CAR, AND RANGER IN U.S.; PUMA IN EUROPE; KA, FIESTA PICKUP, AND RANGER IN SOUTH AMERICA
- IMPROVING AUTOMOTIVE RESULTS DRIVEN BY STRONG PRODUCTS AND COST REDUCTIONS
- GROWTH IN FINANCIAL SERVICES EARNINGS
- CONTINUED STRENGTHENING OF BALANCE SHEET
- ATTRACTIVE DIVIDEND YIELD; FOCUS ON SHAREHOLDER VALUE

- This last slide (slide # 13) summarizes our 1997 outlook.

Ford Motor Company

ANNUAL REPORT 1996

Operating Highlights

	1996	1995	1994
Worldwide vehicle unit sales of cars and trucks (in thousands)			
- United States	**3,897**	3,993	4,218
- Outside United States	**2,756**	2,613	2,635
Total Company	**6,653**	6,606	6,853
Sales and revenues (in millions)			
- Automotive	**$118,023**	$110,496	$107,137
- Financial Services	**28,968**	26,641	21,302
Total Company	**$146,991**	$137,137	$128,439
Net income (in millions)*			
- Automotive	**$ 1,655**	$ 2,056	$ 3,913
- Financial Services	**2,791**	2,083	1,395
Total Company	**$ 4,446**	$ 4,139	$ 5,308
Capital expenditures (in millions)			
- Automotive	**$ 8,209**	$ 8,676	$ 8,310
- Financial Services	**442**	321	236
Total Company	**$ 8,651**	$ 8,997	$ 8,546
Automotive capital expenditures as a percentage of sales	**7.0%**	7.9%	7.8%
Stockholders' equity at December 31			
- Total (in millions)	**$ 26,762**	$ 24,547	$ 21,659
- After-tax return on Common and Class B stockholders' equity	**17.6%**	18.2%	33.6%
Automotive balance sheet at December 31 (in millions)			
- Cash and Marketable Securities	**$ 15,414**	$ 12,406	$ 12,083
- Debt	**8,156**	7,307	7,258
Automotive Net Cash	**$ 7,258**	$ 5,099	$ 4,825
After-tax return on sales			
- U.S. Automotive	**2.7%**	2.5%	4.1%
- Worldwide Automotive	**1.4**	1.9	3.7
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK AFTER PREFERRED STOCK DIVIDENDS			
Income/(loss) assuming full dilution			
- Automotive	**$ 1.33**	$ 1.59	$ 3.25
- Financial Services	**2.31**	1.74	1.19
Total Company	**$ 3.64**	$ 3.33	$ 4.44
Cash dividends	**$ 1.47**	$ 1.23	$ 0.91
Shares of Common and Class B Stock (in millions)			
- Average number outstanding	**1,179**	1,071	1,010
- Number outstanding at December 31	**1,188**	1,159	1,023

* One-time actions included in net income are described in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 28

Contents

Company Profile:

In 1996, Ford Motor Company employed 371,702 people serving customers in more than 200 countries and territories. The entire Ford team is dedicated to delivering outstanding value to our customers and shareholders.

Ford is the world's largest producer of trucks, and the second largest producer of cars and trucks combined. We sell more than 70 different types of vehicles worldwide, marketed under the Ford, Lincoln, Mercury, Jaguar and Aston Martin brands. Ford also has equity interests in Mazda Motor Corporation (33.4 percent) and Kia Motors Corporation (9.4 percent).

In October 1996, the company built its 250-millionth vehicle. Since the company's first vehicle — the Model A — was built in 1903, we've produced an average of more than eight cars or trucks a minute. If all these vehicles could be parked bumper-to-bumper, they would circle the world 30 times.

Ford also is one of the largest providers of financial services worldwide through Ford Credit, The Associates and related businesses. Together they provide consumer and commercial financial services through 2,400 branches in 33 countries.

Hertz Corporation – the world's largest rental car company – also is a Ford subsidiary.

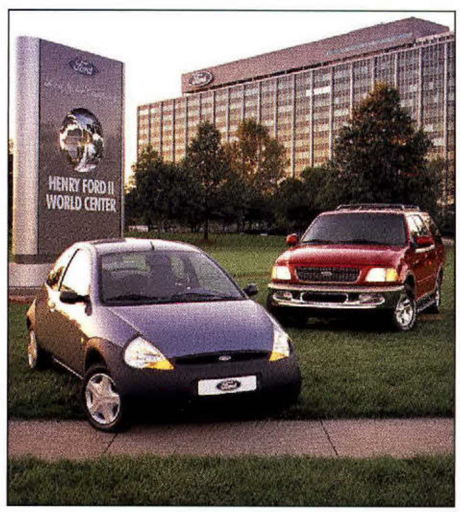
About the Cover:

We're changing everything we do to achieve breakthrough operating improvements that will allow us to better satisfy our customers. Ford is taking steps to produce the highest quality, best value products and bring them to market faster. This will give the company a ***new edge*** over the competition.

Ford's newest small car, called Ka, represents the big changes taking place throughout our company. Launched in Europe last fall and Brazil and Argentina in 1997, Ka was developed in just over 24 months with tremendous input from employees and suppliers. Ka is based on the Fiesta platform, but it has a character all its own — thanks to Ford's "New Edge" design, which combines smooth, sculpted surfaces with clear, crisp intersections.

The Ka is assembled in Valencia, Spain, and was photographed for the cover in Madrid's Parque Juan Carlos I, near the rounded surfaces and edge highlights of the sculpture, "Espacio Mexico."

The Ka is just a hint of what's in the pipeline at Ford. The hugely successful Ford Expedition (shown below with the Ka), is another example of our new way of doing business. Expedition shares a platform and almost half of its parts with Ford F-150, yet the vehicles appeal to different customers. The all-new Ka and Expedition are terrific examples of how we're developing an industry-leading line-up of exciting products to help our customers enjoy life more.



Ka and Expedition in front of the newly dedicated Henry Ford II World Center.

Customers first. They were introduced to a record number of new vehicles from Ford Motor Company in 1996.

They saw a new Mondeo and Ka in Europe. Ford F-Series pickups, Expedition, Escort, Mercury Tracer and Mountaineer in North America. Fiesta in Brazil. Escort in India. Right-hand-drive Taurus, Explorer and Mondeo in Asia. The new Jaguar XK8, and much more — the strongest product line-up in Ford history.

They liked what they saw from the Ford team.

Our customers purchased or leased 6,653,000 of our cars and trucks in 1996. They made Ford the best-selling brand in Europe; gave us the best-selling car, best-selling truck and best-selling sport utility vehicle in the U.S.; truck leadership in Canada; car leadership in Britain and Spain; market leadership in Australia and Taiwan. More people bought Ford trucks than any other truck in the world. And customers financed nearly four million vehicles through Ford Credit, more than any other automotive finance company.

As a result, Ford earned $4.4 billion, our fourth best year ever and second best since 1988. Automotive net cash was increased to a record $7.2 billion. Shareholder equity was increased by $2.2 billion, and our total return to shareholders was 17 percent.

The Ford team achieved these results while successfully completing our busiest schedule of worldwide product launches ever; re-launching ourselves in South America after the dissolution of our Autolatina joint venture; and restructuring to regain profitability in the highly competitive European market.

We're pleased with our efforts in 1996, and with the enthusiasm customers have shown for our new vehicles. But we aren't satisfied with our overall business results.

Our Long-Term Vision

Our vision is to be the world's leading automotive company, from the viewpoint of our customers, shareholders and employees. To achieve that vision, we're rebuilding our company around a simple premise: everything we do must maximize the quality and value of our products for our customers, or we shouldn't do it. By creating the greatest value for our customers at the lowest cost to Ford, we'll increase our company's value to our shareholders.

Two years ago we began transforming our automotive business into a single, globally integrated operation. Our goal was to use economy of scale and the best practices from around the world to give our customers products with higher quality and lower cost at a faster pace.

Quality. Cost. Speed.

The full benefits of this change won't be realized until the end of the decade, but substantial progress already has been made. The focus has been on

Ford Chairman Alex Trotman at the Paris Auto Show during the launch of the company's new small car, called Ka.

Ford Expedition, 1997 North American Truck of the Year, is our first entry into the full-size four-door sport utility market. It offers best-in-class towing, payload and fuel economy.

reengineering the four core processes of our automotive business — product development, manufacturing, vehicle ordering and distribution, and after-sales service — so that they deliver maximum quality and value to our customers.

Last year we reorganized our components operations as a separate group — Automotive Products Operations — to improve their competitiveness.

We're investing in emerging markets where we expect to see strong, profitable growth in the future — places like China, India, Thailand, Poland, Belarus and many more. As part of that strategic thrust, we increased our equity stake in Mazda to 33.4 percent in 1996.

Our Short-Term Agenda

While we're committed to our long-term strategy for the company, we have an all-out effort under way to improve our short-term results. Our efforts are focused in two areas:

1. Improve near-term automotive results.

2. Continue to grow the earnings and unlock the value of our Financial Services Group.

Here's where we are, and what we're doing:

The Automotive Business

In our automotive operations, even as we make major long-term improvements in our core business processes, we are taking across-the-board actions to improve our quality and costs in the near term.

Our vision is to be the world's leading automotive company, from the viewpoint of our customers, shareholders and employees.

We've opened Quality Centers in North America and Europe to bring together the people and processes necessary to solve emerging quality problems quickly. We've changed our design and testing procedures to emphasize long-term durability. And we've tied executive compensation directly to long-term quality, as measured by our warranty statistics. Our goal is a substantial improvement in quality.

We were pleased to be recognized late last year as the first of the world's major automakers to achieve corporate certification on a global basis under the ISO 9001 international quality standards.

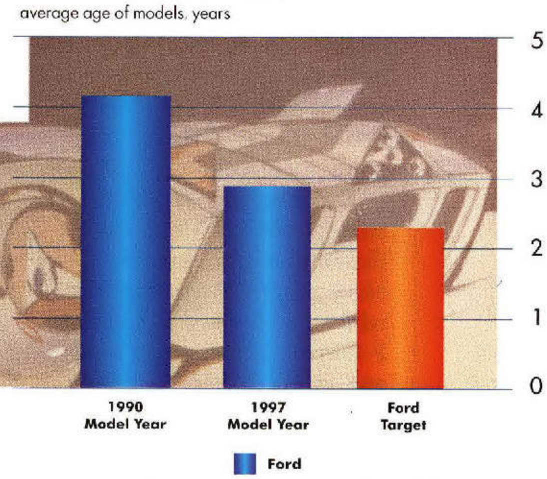
The Ford organization understands cost reductions are necessary for us to be competitive. We are projecting that our total costs in 1997 at constant sales volume will be down from the previous year for the first time in our history — despite inflation, added product content and increased regulatory costs.

We're also dropping low-margin vehicle lines such as Ford Aspire and concentrating our resources on the products with the highest returns and the greatest potential for growth. Our plan to sell our heavy truck operations to Freightliner Corporation is a result of that strategy. It will give us more people, capital and facilities to use for our

continued on page 4

Ford Line-up Reflects Improved Product Freshness

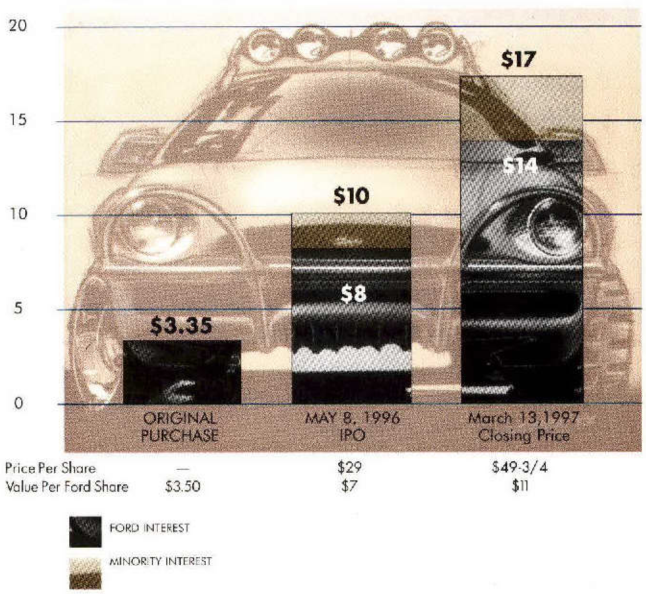
average age of models, years



Since 1990 the company has reduced the average age of its products from 4.2 to 2.9 years.

Market Capitalization of The Associates

market capitalization, billions of dollars



Since its purchase by Ford in 1989, the market value of The Associates has increased five-fold.

rapidly growing light truck business.

In product development, we now have an integrated global product plan. To improve quality and reduce costs, the number of basic vehicle platforms is being reduced by 50 percent, while the number of parts common to different vehicles is increased to 50 percent. But customers will have even more distinct and unique vehicles — model variations per platform are being increased by 45 percent.

Recent examples of this strategy include the Ford Expedition and Lincoln Navigator in North America, which are derived from the F-Series platform, and the Ka and Puma in Europe, which are derived from the Fiesta platform.

With the aid of computer-simulated design and testing, the time it takes to develop new products is being reduced 27 percent, from 33 to 24 months. Switching to computers to produce engineering and design drawings also will improve quality and is projected to save $50 million or more annually in time and material costs.

Overall, the new five-year product development plan adds more new vehicles with higher quality at a faster rate, and will reduce capital spending by more than $11 billion in total.

In manufacturing, we're implementing a lean and consistent production system worldwide. This system focuses on building quality into vehicles by targeting zero defects, reducing complexity, and eliminating waste in materials, space, equipment and time. Our suppliers are our partners in this initiative.

Record levels of cost-cutting by Ford and its suppliers in 1996 enabled us to hold material costs virtually

We are projecting that our total costs in 1997 at constant sales volume will be down from the previous year for the first time in our history — despite inflation, added product content and increased regulatory costs.

even to the prior year for the first time in our history. Our commitment for 1997 is to reduce material costs from the previous year's level.

We're working with our 15,000 dealers worldwide to create a standard service process that provides high quality, high value repairs and convenient, courteous customer handling. Our goal is to standardize the best practices around the world, so that all our customers have the same best-in-class service experience.

We're also studying new ways to sell and service vehicles, including the internet, satellite service facilities and large publicly owned dealer chains. We expect to make substantial progress on these initiatives this year. Stay tuned.

The Financial Services Business

In the 10 years since our Financial Services Group was formed, it has contributed nearly $13 billion in earnings to the company. Its profits have more than tripled since 1990.

Ford Credit, the world's largest and most profitable provider of automotive finance, now has operations in 33 countries, and also finances vehicles in more than 40 Ford export markets. It's the world leader in the number of new vehicles financed, and the leader in customer satisfaction with automotive loans in the U.S.

In last year's annual report I told you we were evaluating alternatives for our non-automotive financing operations as part of our effort to further strengthen our balance sheet and maximize shareholder value.

One result of that study was the initial public offering of The Associates common stock, which helped strengthen our financial services balance sheet and establish a market value for this tremendous asset. Our remaining 80 percent interest is now worth about $14 billion, more than $11 a share of Ford stock.

Another result, the sale of USL Capital, generated more than $1 billion in cash, and nearly $100 million in profits. We also arranged the sale of Budget Rent a Car Corporation and announced our intention to sell up to 20 percent of The Hertz Corporation in an initial public offering.

In 1997 we'll continue to explore ways to unlock the value of our non-automotive assets. Again, stay tuned.

Down the Road

The Ford team had a very busy year in 1996.

We organized ourselves to become leaner, faster and more efficient. We successfully completed a series of worldwide product launches of a magnitude that we'll likely never see again over such a short period. We further streamlined our global product development organization from five vehicle centers to three. We negotiated innovative contracts with the UAW in the U.S. and the CAW in Canada that kept us competitive. We accelerated our major expansion around the world into new growth markets.

At the same time we did all this, we maintained the business momentum of the company.

We built our 250-millionth vehicle in 1996, and financed our 50-millionth vehicle. We took in $147 billion in sales revenue, and paid $1.8 billion in dividends. And we added about $6 billion to the value of Ford stock.

In North America — the market that accounts for nearly 70 percent of our worldwide automotive revenue — our return on sales improved from a low of less than one percent in 1995 to more than three percent in the second half of 1996. Our goal worldwide is five percent return on sales on average.

In Europe, a strengthened product line and aggressive cost cutting have put us into a position to improve our results for 1997.

In South America, we continued to reduce costs and grow revenue as we built a new Ford presence there. In Brazil alone, we had eight major product launches in 1996, and nearly doubled our monthly sales volume by the end of the year. We'll continue to reduce costs and grow revenue in South America this year, but it's unlikely that we'll break even there before 1998.

Our employees around the world are rising to the challenges they face, and demonstrating their strong capabilities and commitment. The fact that the Ford team could make the progress I've described while laying the foundation for even greater future success makes me very confident as I look ahead.

We've already begun to reap some of the benefits from the changes we've made. But the payoffs will grow down the road. I'm looking forward to the drive.

Thank you for your support of our efforts.

For the Board of Directors

Alex Trotman
Chairman of the Board
March 13, 1997

The Jaguar XK8 set records for showroom traffic and sports car sales in its first month on the market in the U.S.

Accelerating Change

The transformation of Ford kicks into high gear

Edsel Ford II and his son Henry "Sonny" Ford III (above) help celebrate the 100th anniversary of the quadricycle, Ford's first "car." (Below, right) The best-selling vehicle in America, Ford's 1997 F-150, is *Motor Trend* magazine's "Truck of the Year."

Our vision is to be known as the world's leading automotive company in the 21st century. We recognize incremental improvement won't get us there, so we're making comprehensive changes to transform the company.

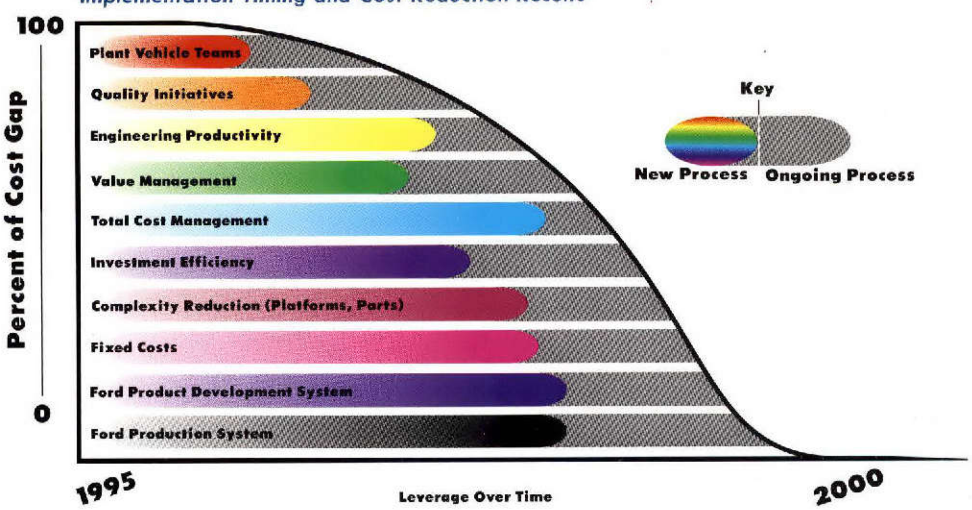
Henry Ford once said, "The only stability we know is change." Since the early years of our company, Ford has been a change leader. From launching the mass assembly of automobiles, to establishing international operations, to creating the first modern aerodynamic designs, and leading the trend to trucks with the best-selling truck in the world, change has been a constant throughout this company's history.

And now it's more important than ever. We're in a business where the competition is fierce and getting tougher every day. We recognize that to be the leader in this environment requires determination and flexibility to continuously change and constantly improve.

That's what we're doing at Ford. We're transforming our company to improve the quality, cost and speed of all our processes so we can provide industry-leading cars and trucks that deliver outstanding value to our customers and shareholders. Our highly profitable Financial Services Group provides financing to our customers and profits to build shareholder value.

Strengthening Core Processes:

Implementation Timing and Cost Reduction Results

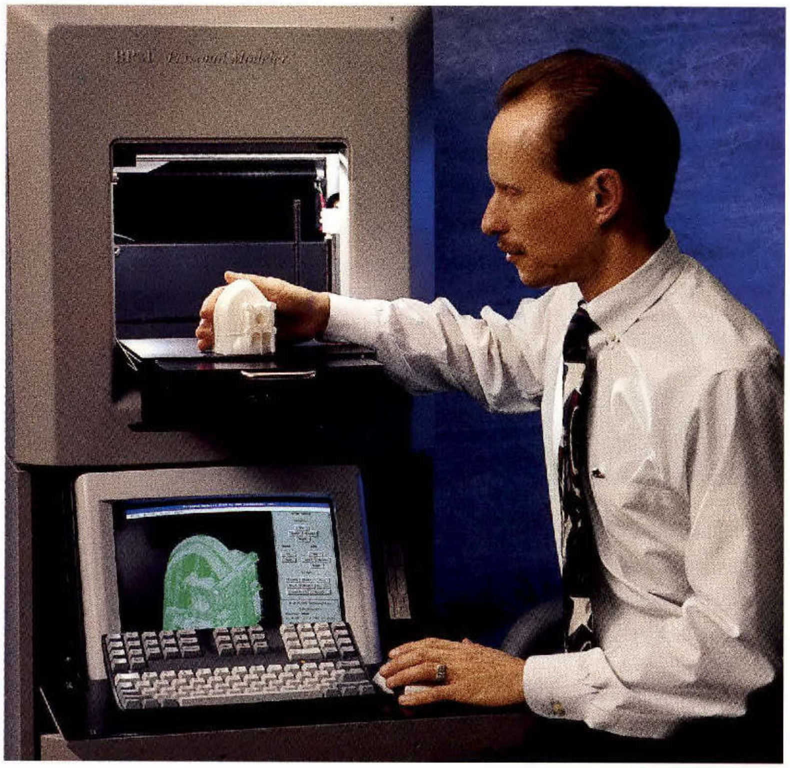


Our goal is to be the most efficient auto maker in the world and to earn a five percent average annual return on automotive sales. In the chart above, the percentage on the left represents the difference between our year-end 1995 cost structure and our goal. Essentially all of the key cost reduction initiatives shown above will be completely in place by the year 2000.

QUALITY•COST•SPEED

How is Ford changing? We're reengineering the way we develop our products, the way we build them, and the way we sell and service them. We're strengthening our brands around the world. We're capitalizing on profitable growth opportunities outside traditional markets. And we're asking our employees, suppliers and dealers to help us find better ways to do everything.

We are confident that our new way of doing business will give Ford a new edge over the competition. The rest of this annual report outlines our efforts to accelerate the transformation at Ford so that, for the 21st century, we are known as the world's leading utomotive company.



This advanced 3-D object printer reduces the time it takes to create a prototype part from weeks to just hours, and slashes prototype cost from $20,000 to less than $20 each.

A Passion for Quality
Delivering world-class quality to all customers

Employees, like those on this assembly line at the Lima, Ohio, engine plant, participate in training that emphasizes product quality excellence. Team manager Curtis Butler, Sr., (right) is pictured with assemblers Douglas Schroeder (left) and Robert Verhoff.

While improving quality, cost and speed-to-market are each critical to achieving total customer satisfaction, at Ford quality comes first. Every member of the Ford team is committed to quality excellence and recognizes it's essential to our future success.

International recognition of this commitment came in 1996 when Ford became the first of the world's major auto makers to achieve corporate certification on a global basis under the IS0 9001 international quality standards.

We aim to be the quality leader and we've embraced several key initiatives to get us there. Driving these initiatives is "3Q," our pledge to a substantial improvement in customer satisfaction by the year 2000.

We want to ensure that all our vehicles have world-class quality. Our people are focused on developing cars and trucks that are defect-free. Our joint programs with the UAW and relationships with other unions help get everyone involved in the process.

Sophisticated computer-aided-design and engineering technology along with advanced diagnostic tools are helping build quality into every step of vehicle development and production. For example,

Suppliers play a key role in our efforts to improve quality. The Valencia, Spain, plant is linked by computer to more than 20 suppliers located in an adjacent industrial park that feed parts — like these bumpers [inset] — just-in-time and in the right order directly to our assembly lines.

by simultaneously testing assembled instrument panels, rather than testing each component individually, test time has been reduced from three months to 13 days. This allows quality problems to be addressed more quickly and efficiently.

We evaluate each product program at significant engineering milestones to verify that we're creating what the customer wants. And we randomly select vehicles from the plant floor to measure compliance with design specifications.

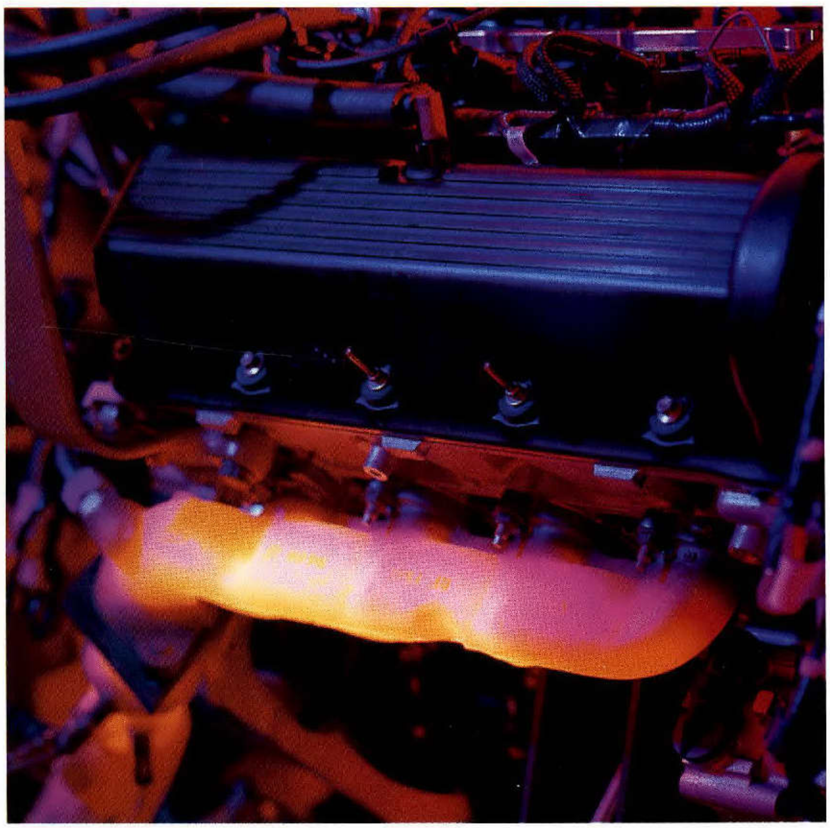
New Quality Centers in North America and Europe house teams of engineers whose sole task is to tackle high-priority difficult quality issues. The Centers provide a focused problem-solving environment with all necessary diagnostic tools under one roof so quality issues can be addressed swiftly and comprehensively. A toll-free telephone number links the Quality Centers with dealers to provide our engineering teams with direct access to the customer.

We recognize that continuous improvement is essential to a successful quality process. Employees who work on the design and development of our vehicles participate in the Ford Design Institute's ongoing training focusing on quality, reliability, and systems engineering aimed at pleasing the most demanding customers. We're also insisting our suppliers maintain Ford's stringent quality standards.

We are relentless in our drive to build the highest quality cars and trucks in the world.

FAST FORD FACTS:

- *J.D. Power and Associates awarded Ford with domestic Initial Quality Leadership in 1996.*
- *Ford's Charleville plant in France, which produces climate control products, is becoming a benchmark for worldwide manufacturing excellence. In 1996, it received the Best Plant award from industry publication, L'Usine Nouvelle, and INSEAD, the prestigious European business institute.*
- *Workers building Ford Escorts in Saarlouis, Germany, found that an automated system to align the cars' front wheels caused fewer errors than the manual system. Plants in the U. S., Germany and Canada also have adopted the new idea for a total savings of $2.2 million. Actions like these mean higher quality and greater value for customers.*



Deep Thermal Shock is an engine durability test performed by Ford 24 hours a day. Engines are run until their exhaust manifolds glow cherry red, then shut off and immediately cooled to minus 40° F. This cycle is run for up to 200 hours — more stress than an engine is likely to be subjected to by any customer.

Product Excellence

Innovative products that exceed customer expectations

New on the 1998 Windstar is an industry-first convex or "conversation" mirror that gives front-seat occupants a wide-angle view of second- and third-row passengers.

Ford's new edge in product development is a highly disciplined approach we call the Ford Product Development System. It's helping us prepare to launch a record number of vehicles that will delight our customers, and at the same time help the company save billions of dollars.

For the first time in our history, we have an integrated global product cycle plan. The Ford F-Series, Expedition, Escort, Mondeo and Ka, Mercury Mountaineer and Jaguar XK8 are among the new vehicles we introduced during 1996. And we'll add to our line-up in 1997 with more exciting products like the Lincoln Navigator, Ford ZX2, SVT Contour and Puma.

Ford is reengineering the entire process of planning, designing and engineering our cars and trucks. The goal is to improve product quality, reduce costs and speed our time-to-market. To do this we're making more than 800 changes to our processes. We're engineering our products with strict adherence to affordable cost targets.

Product simplification also will lower our new product investment and quicken our order-to-delivery time. For example, designs for

For North America, the all-new Ford ZX2 is fun to drive and practical. The ZX2 was named for its Generation X appeal and its 130-horsepower 2.0-liter Zetec engine.

underbody components such as suspensions will be reused more frequently with minor modifications. This will give us more opportunity to focus on the features that differentiate and add value to our products.

We're using computer technology to develop and access designs faster, reduce the number of prototypes, test and "virtually crash" vehicles, and speed up the entire development process to achieve a seamless information flow.

Using new tools and new approaches, we intend to streamline product development from today's average of 33 months to 24 months. We'll also reduce the number of vehicle platforms and powertrains by 50 percent, at the same time we increase the number of products built from them. This will give our customers more choices and better value and at the same time, improve Ford's profitability.

With roominess and luxury, the Navigator sets a new course for Lincoln in North America as it steers into the hugely popular and growing sport utility vehicle market.

FAST FORD FACTS:

- *The cost of an actual frontal crash simulation in 1985 was $60,000. Today a computer simulation of that same crash costs about $200. By 2001 it will cost $10 or less for our computers to simulate a frontal crash. Using Ford's new supercomputers, the simulation takes just 15 minutes. On a personal computer it would take 15 weeks. Using a hand-held calculator, it would take 670 centuries. It would take 68 million years for a person to calculate a frontal crash simulation using paper and pencil.*

- *Starting with a clean sheet of paper to create a clay model used to take 12 people 12 weeks. Today, using Ford's new C3P computer system, one designer can go from an idea on a computer screen to a fully animated video of a vehicle design in three weeks.*

- *Under the new product development system, the team working on the next-generation Transit van — sold throughout Europe, Australia, New Zealand and also recently introduced in Asia — was able to reduce costs by 20 percent for many subsystems, increase the range of products by 35 percent, and increase global market coverage by 40 percent.*

- *The Composite SMC Polymer Heat Shield Team set out to design a new frame-mounted heat shield for the Explorer muffler and tailpipe. Their new design — which also will be used on other vehicles — reduces vehicle weight by 5.5 pounds and generates cost savings of $12.90 per Explorer.*

- *Ford's newly expanded Dynamometer Laboratory will help get new vehicles off the sketch pad and into production faster and at lower cost. Instead of testing emissions, endurance and performance on a track and on the road, engineers can use the lab's sophisticated computers and other equipment. With 103 test chambers in the expanded lab, we can cut travel costs, reduce the time spent on test tracks by 80 percent and reduce the number of prototypes needed.*

Customers for Life

Strong brands, outstanding service, total customer satisfaction

Europe's best-selling multi-purpose vehicle, Ford Galaxy, provides customers flexible seating arrangements for up to seven people.

Satisfying customers isn't enough. We want to earn their business for life.

We want to provide our customers with an ownership experience that's so good they naturally turn to Ford for vehicle purchases, financing and service. That means providing a consistent level of industry-leading service in every market where we operate. Whether our customers walk into a dealership in Beijing or Brussels, we want the Ford oval to represent the ideals of quality, value and outstanding service.

Our 15,000 dealers worldwide represent Ford to our customers. They have a major impact on owner loyalty and brand image. Recognizing this, we're changing our entire customer service operation, from how we train dealer service technicians to how we deliver and repair parts. Our goal is breakthrough improvements in customer satisfaction.

A Spider Web exercise reinforces trust, teamwork and relationship building for our dealers, their managers and employees participating in XL2000 customer satisfaction training.

As part of our massive reengineering effort, Ford is identifying and sharing its quality, cost and timing best practices throughout our global dealership network. We're also implementing these best practices in new markets — such as India and Korea — as we enter them.

We're committed to providing our dealers with best-in-class levels of technical support. All of our dealerships in the United States, Canada and Mexico are connected to FORDSTAR, our advanced satellite-based system that provides real-time training and communications.

For the first time, we're able to focus on delivering a single, accurate, and timely common technical information process worldwide while working hard to improve the skills and capabilities of our dealers' 200,000-plus technicians around the world.

We're focused on consistently delivering the right part and the right product to our dealerships on time, and at a price that has value to our customers. We've developed a common order processing system and a streamlined delivery process to dealers. This ensures our customers get their new vehicles promptly and benefit from faster service when they return to their dealers for maintenance or repairs. Our goal is to deliver vehicles to customers within 15 days of an order being placed.

Early in 1996 we launched a new team-based training program created by and for dealership personnel and the Ford representatives who work with them. Called XL2000, it's designed to increase customer satisfaction and improve owner loyalty by changing the attitudes and perceptions of those people involved in the sales and service process. During a two-year period, it's estimated that 7,000 people will participate in XL2000.

Pleasing customers throughout their ownership experience is the best way we can build brand loyalty.

FAST FORD FACTS:

- *By consolidating our rail traffic at four regional mixing centers in North America, Ford can ship vehicles daily with no delay. When fully operating in 1998, these centers will trim four days off the new vehicle delivery process, which currently stands at about 12 days.*
- *Ford placed first in seven of eight segments in R.L. Polk Company's Automotive Household Loyalty Awards in the U.S. Our products won in six categories and tied in a seventh. The awards are based on overall household loyalty to a make or model.*
- *FOCALpt is Ford's exciting new global program to achieve industry leadership in customer relationship management. Advanced technology and a common global customer database will enable the company and its dealers to provide customers with personalized treatment and a more efficient, information-rich sales and service experience.*
- *Ford Credit financed 3.9 million vehicles in 1996, including loans and leases for new and used vehicles. Research shows that customers who use Ford Credit for financing are more loyal to our products and dealers.*

Ford Windstar, the only minvan with a five-star U.S. government safety rating on both driver and passenger sides, introduces the Family Entry System for the 1998 model. A tip-slide driver's seat and an extended driver's door allow easy access to the rear of the cabin. Windstar also is the only minivan rated a Low Emission Vehicle.

A Healthier Environment

Caring for the Earth and its people

At a 1996 alternative fuels and electric vehicle exhibition in Beijing, China, Ford China Vice President David Replogle shows a Flexible Fuel Taurus to Mr. Li Peng, Premier of the People's Republic of China and others.

Being a good citizen and neighbor is a responsibility Ford takes very seriously.

Ford is a leader when it comes to environmental issues. We've made significant progress in reducing vehicle emissions, improving fuel economy, minimizing waste, using recycled materials, making vehicles more recyclable, ending use of CFCs, reducing energy use in our plants, and developing alternative fuel vehicles (AFVs). In 1996, Ford sold 90 percent of the AFVs sold in the United States and offered the broadest range of AFVs to meet customer needs.

Since 1965, we've cut the average fuel consumption of our U.S. cars in half. Tailpipe emissions have dropped dramatically, too. Through more efficient engines and the use of catalytic converters, we've reduced tailpipe hydrocarbon emissions about 98 percent. It would take 49 new vehicles to produce the same hydrocarbon

Thousands of children and adults visited the Lincoln-Mercury Amazing Maize Maze in Dearborn, Michigan, in 1996. This three-mile walk through a maze of corn raised more than $500,000 for cancer research and patient care.

emissions as one 1965 model.

We're a leader in automotive safety and will continue in this role as we introduce new vehicles and enter new markets. Ford has the highest marks of any full-line auto maker in crash test ratings released by the U.S. National Highway Traffic Safety Administration (NHTSA). Most Ford, Lincoln and Mercury vehicles rated by NHTSA for 1996 received four- or five-star ratings.

Ford vehicles are ranked at the top of their segments for safety by European consumer group rating systems. Ford also has developed safety criteria for emerging markets, establishing safety equipment standards even though they may not be required by regulatory or local market conditions.

We're committed to improving the communities where we operate — whether it's helping to build a health center in India, elementary schools in Mexico, a new opera house in Detroit, funding the Henry Ford Conservation Awards, or establishing "Wildlife at Work" sites at manufacturing facilities around the world. Ford also supports a wide variety of civic, health, education and arts programs worldwide.

We have a rich history of giving established by our founder, Henry Ford, and we will continue to build on this tradition. Service to our customers and to the countries where we operate is a vital part of our character.

A new alliance between Ford and the Children's Television Workshop will use popular Sesame Street characters like Big Bird to educate families about auto safety.

FAST FORD FACTS:

• *Ford has more vehicles with five-star crash test safety ratings from the U.S. National Highway Traffic Safety Administration (NHTSA) than any other auto maker. Five stars is NHTSA's highest rating. Those with five stars for both driver and passenger sides are the Mercury Cougar and Ford Crown Victoria, Mustang convertible, Thunderbird and Windstar.*

• *Earlier this year, Ford became the first company to use recycled commercial and residential carpeting for its components. Fan modules for the Ford Windstar are made from this recycled material. This now has been expanded to air cleaner housings for 3 million vehicles annually. Windstar is the only minivan rated a Low Emission Vehicle.*

• *Ford received the Keep America Beautiful 1996 Award of Excellence for leadership in environmental issues facing American communities. The award recognizes Ford for its leadership role in using recycled materials in the manufacture of new vehicles.*

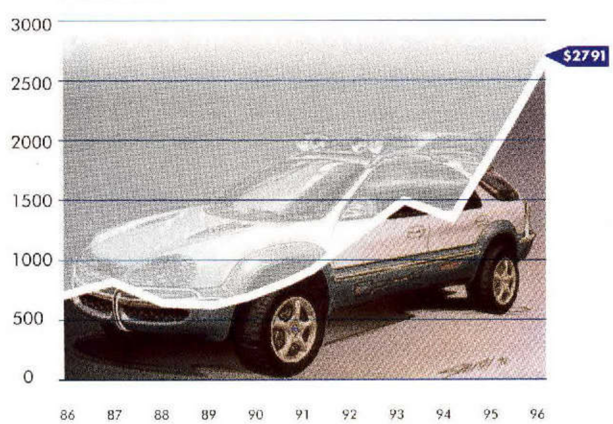
• *1996 marked the 13th year of the Henry Ford Conservation Awards in Europe. The award program spans more than 30 countries with a total of $500,000 in prize money. It rewards individuals, groups and young people involved in natural environment, heritage or conservation engineering projects. 1997 is the first year for a similar program in Brazil.*

Bill Ford (left) presents the first Henry Ford Brazilian Conservation Award to Professor Adelmar Faria Coimbra Filho, a noted biologist, scientist and conservationist.

This Ford dealership in Madrid, Spain, is one of 11,400 in 33 countries and more than 40 export markets that offers customers new and used vehicle financing and leasing through Ford Credit, the world's leading automotive finance company.

Trend of Financial Services Net Income 1986-1996

millions of dollars



Ford's Financial Services business continues to turn in solid growth with earnings more than tripling since 1990.

Premier Financial Services

Providing financial strength and stability to Ford

Ford can't become known as the world's leading automotive company without the world's best automotive finance operation. We have that with Ford Credit. We also own more than 80 percent of the world's premier independent finance company, Associates First Capital Corporation.

With combined assets of $183 billion, these businesses make Ford one of the largest and most profitable providers of financial services in the world. They also are a growing contributor to our success. The Financial Services Group's assets have nearly tripled since 1986 and profits have more than tripled since 1990. Over the past 10 years, earnings growth has averaged 15 percent annually.

Financial Services gives Ford and our customers a competitive advantage. It supports our automotive business with vehicle financing and by generating cash to keep exciting new products coming. And it produces outstanding profits to support double-digit growth of our finance operations around the world. We intend to continue this strong growth through acquisitions, expanding into new markets, and broadening our offering of financial services.

In 1996 the Financial Services Group took two bold steps to sharpen its focus on growth and to further strengthen its balance sheet. The Associates sold nearly 20 percent of its common stock in an initial public offering (IPO). In addition, substantially all of the assets of USL Capital — a commercial financing and leasing company — were sold.

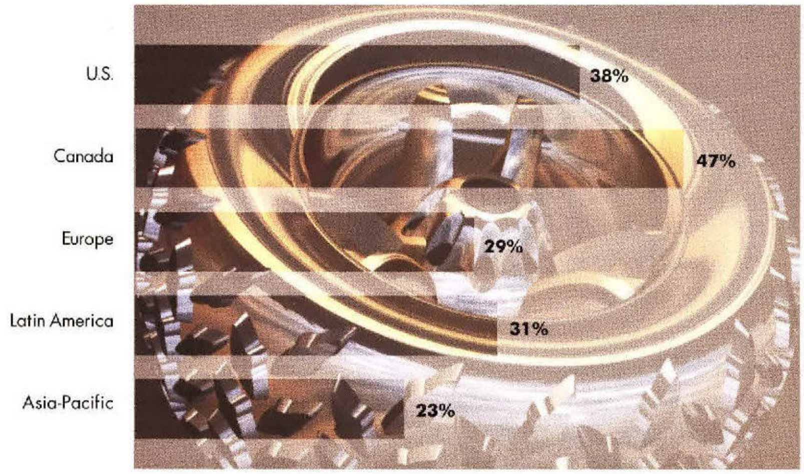
The offering of 67 million shares of The Associates common stock was the third-largest United States IPO in history. It generated more than $1.8 billion in cash and a one-time gain for Ford of $650 million in the second quarter.

Since the IPO, the value of The Associates stock increased over 70 percent by March 13, 1997, with a market value of $17 billion. The Associates has logged 22 consecutive years of improved profits. Since 1990, it's had a compound annual growth rate of 19 percent in net earnings. And it continues to expand its products, services and locations.

continued on page 18

Ford Credit Retail Share of Ford Vehicle Sales in 1996

percent



Ford Credit continues to support the company's automotive operation by financing retail sales worldwide.

In studies by J.D. Power and Associates, U.S. customers ranked Ford Credit best in initial satisfaction with auto loans, and dealers awarded Ford Credit the top spot for leasing and wholesale financing. (From left) Ford Credit's Jim Siegel, Kim Carlson and Mike Jurecki.

Premier Financial Services continued from page 17

The Associates has operations throughout North America and the United Kingdom. It's also the largest U.S.-owned consumer finance company in Japan, where it opened more than 50 new offices last year, bringing the total to 348.

Another step in the restructuring of Ford's Financial Services businesses was the sale of USL Capital. Each of its six businesses were sold separately in 1996. Together these sales generated more than $1 billion in cash and a gain of nearly $100 million.

At the same time, Ford Credit continued its growth. Since 1990, Ford Credit has had a compound annual growth rate of 16 percent in net earnings, with return on equity averaging 18 percent.

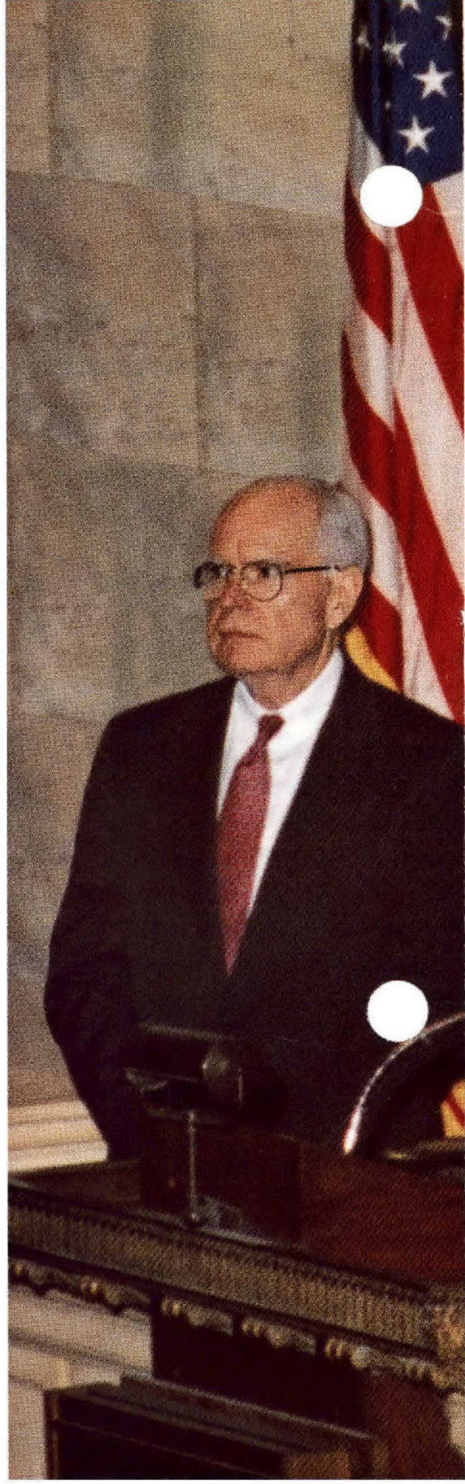
Ford Credit expanded its non-Ford automotive financing business, called PRIMUS Automotive Financial Services, Inc. Last year PRIMUS extended its reach into Europe and Australia offering financing to non-Ford dealers and retail customers.

Ford Credit also established a new non-prime auto financing subsidiary, Fairlane Credit LLC, that will begin operations by the summer of 1997. It will extend credit to U.S. customers who do not qualify for conventional automotive financing.

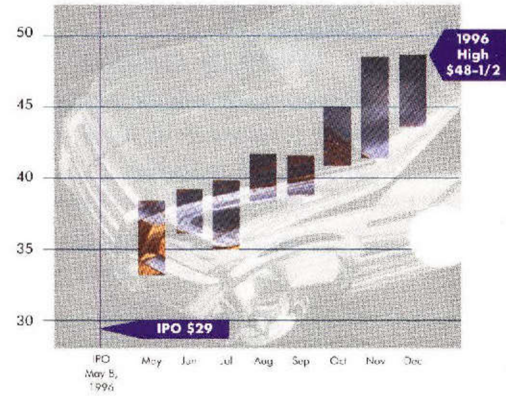
Today Ford Credit has operations in 33 countries. And in 1996 it began serving customers in India, Thailand, Indonesia and South Korea, and re-established its presence in Brazil. Ford Credit today finances and leases more vehicles than any other automotive finance company. And according to independent research in the U.S., it leads in both retail and dealer satisfaction.

Like Ford's automotive operations, the Financial Services Group remains focused on providing its customers around the world with industry-leading products and services. At the same time, it continues to support Ford with consistently high returns and strong earnings growth.

The Associates customers in Japan have convenient access to a growing number of automated teller machines at nearly 350 consumer finance offices. The Associates is the largest and fastest-growing U.S.-owned consumer finance company in Japan.



The Associates Common Stock 1996 Price Range

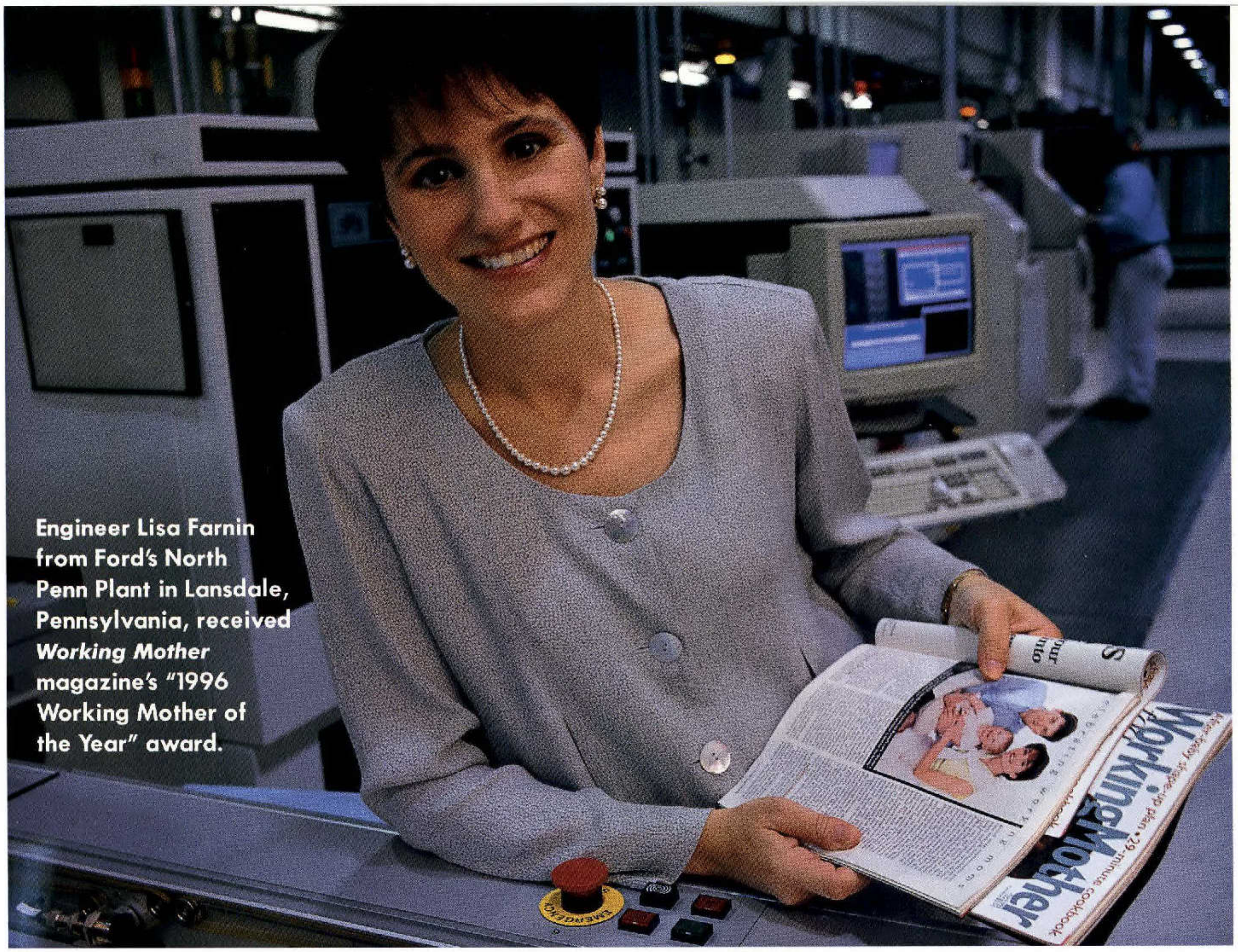


On hand for the initial public offering of Associates First Capital Corporation common stock are (from left) Joe McQuillan, Associates vice chairman; Ken Whipple, president of Ford's Financial Services Group; Keith Hughes, Associates chairman and CEO; NYSE President William Johnston; and Harold Marshall, Associates president and COO.

FAST FORD FACTS:

- *Ford Credit is the first U.S. automotive finance provider to introduce simplified, shortened contracts for auto loans and leases, written in plain English and highlighting all the key factors used to calculate payments.*
- *Associates First Capital Corporation, listed on the New York Stock Exchange as AFS, is the largest publicly traded finance company in the U.S.*
- *With more than 1,600 U.S. branches, The Associates has a consumer finance office within 25 miles of 80 percent of the American public.*
- *Ford Credit is #1 among U.S. finance providers in leasing and wholesale financing, according to the J.D. Power and Associates 1996 Dealer Financing Satisfaction Study.*
- *Customers who finance with Ford Credit are the most loyal to our dealers. Fifty-seven percent of U.S. customers financed by Ford Credit buy another Ford product and about 80 percent who lease for two years remain loyal to the company.*
- *In 1996, Ford Credit financed its 50-millionth vehicle since it was established in 1959.*

By the year-end close, The Associates stock price had increased dramatically since its initial public offering in May. By March 1997, it had increased by over 70 percent.



Engineer Lisa Farnin from Ford's North Penn Plant in Lansdale, Pennsylvania, received *Working Mother* magazine's "1996 Working Mother of the Year" award.

Ford's Winning Team
The success of our business is fueled by Ford people

Worldwide Employment

Automotive and Financial Services average employment by geographic area:

	1996	1995
United States	**189,718**	186,387
Europe	**106,156**	105,018
Other	**56,699**	55,584
Total excluding Ford Argentina and Brazil	**352,573**	346,989
Ford Argentina and Brazil	**19,129**	N/A
Total	**371,702**	346,989

In 1996, average Ford employment, excluding operations in Argentina and Brazil, increased 1.6 percent reflecting primarily growth in the company's financial services businesses.

In 1996, following the dissolution of Autolatina, an unconsolidated joint venture, Ford re-established wholly owned operations in Argentina and Brazil. In prior years, Autolatina employees were not included in Ford worldwide employment statistics.

People are the source of our strength. Their experience, skills and diversity give us a competitive edge. Their commitment to excellence fuels Ford's success.

We're depending on their ideas, ingenuity and participation in our business to make the radical changes needed for breakthrough results.

We want to have the best and the brightest people, so Ford is working hard to become the employer of choice. We're focused on team-building, life-long learning, valuing differences in employees, and family-friendly policies that support a balance between personal and professional time.

We're working hard to develop and maintain strong relationships with our unions around the world.

We value the people at Ford and do everything we can to support their contributions to the company's success. We also support their volunteer efforts to improve our world. These efforts, combined, can achieve great results for business, the workforce and our communities.

Ford Motor Company is a reflection of the team of people who work for it. We're very proud of that image.

FAST FORD FACTS:

• Ford employees are the most generous when it comes to giving to the United Way. For the past 16 years, Ford employees have made the largest single pledge to any local United Way campaign in the U.S. The company's financial services subsidiary, The Associates, was honored last year by the United Way of America for the best employee campaign in the U.S.

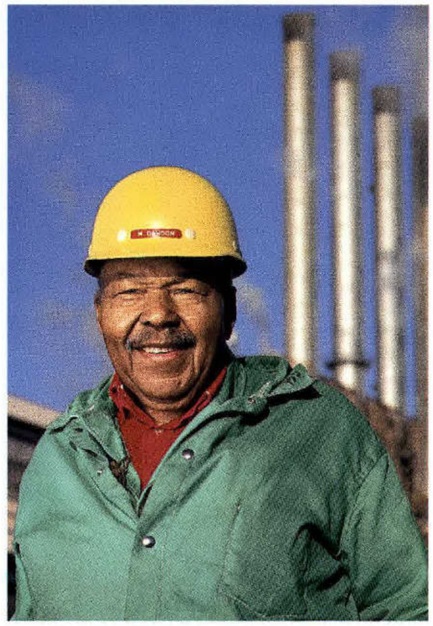
• Ford received the nation's first Summit 2000 Ronald H. Brown Vision Award for helping to foster economic self-sufficiency in the African-American business community. The award honors Ford for "setting a corporate standard" with its efforts to support development of strong African-American minority businesses.

• Ford was issued 779 patents worldwide in 1996 as the result of technological breakthroughs by our employees.

• Ford's 371,702 employees speak more than 50 different languages and dialects, work in manufacturing facilities in 30 countries on six continents, and are represented by more than 40 labor organizations

• Ford was honored with the Alliance Global Corporate Leadership Award from the National Women's Economic Alliance Foundation. Ford was recognized for being a leader when it comes to "providing opportunity for women and minorities at higher and higher levels of responsibility, from the workplace to the corporate board."

• Ford sourced over $1.96 billion from U.S.-based minority suppliers in 1996 – the highest amount of any automotive corporation. We've established a target of sourcing five percent of our U.S. purchases by the year 2000 from minority suppliers. We're also partnering with our majority suppliers to ensure they establish minority sourcing goals.



Matel "Mat" Dawson, Jr., a 56-year veteran of the Rouge Complex in Dearborn, Michigan, has generously donated more than $800,000 to educational and cultural organizations in his lifetime.

U.S. Employment of Minority-Group Personnel and Women at Year-End *

	In United States		Minorities		Women	
	1996	1995**	**1996**	1995**	**1996**	1995**
Hourly employees	**105,472**	105,261	**25.0%**	25.0%	**14.5%**	13.8%
Salaried employees	**54,999**	54,660	**15.1**	14.5	**25.1**	24.6
TOTAL	**160,471**	159,921	**21.6%**	21.4%	**18.1%**	17.5%

* Includes Ford Motor Company and Ford Motor Credit Company
** All 1995 data as previously reported have been adjusted to exclude Ford Electronics and Refrigeration Corporation

U.S. Representation of Minority-Group Members and Women in EEO-1 Job Categories at Year-End a/

Job Categories b/	African-Americans		Hispanic-Americans		Other Minorities c/		Women	
	1996	1995 d/	**1996**	1995 d/	**1996**	1995 d/	**1996**	1995 d/
Officials & Managers	**8.7%**	8.9%	**1.7%**	1.6%	**2.2%**	2.1%	**9.4%**	9.0%
Professionals	**7.7**	7.5	**2.3**	2.0	**5.5**	5.2	**23.7**	22.9
Technicians	**6.9**	6.9	**2.3**	2.1	**2.3**	2.2	**14.6**	15.0
Office and Clerical	**17.4**	17.1	**4.6**	4.3	**1.1**	1.0	**47.1**	47.7
Craft Workers (Skilled)	**9.0**	9.1	**1.2**	1.2	**0.6**	0.6	**2.3**	2.2
Operatives (Semiskilled)	**25.8**	26.0	**2.7**	2.7	**0.7**	0.7	**18.7**	17.8
Laborers (Nonskilled)	**29.3**	30.3	**2.2**	2.0	**0.8**	0.9	**10.9**	11.4
Service Workers	**28.6**	27.9	**1.9**	1.8	**0.5**	0.5	**14.8**	14.5
Percentage of work force	**17.3%**	17.3%	**2.4%**	2.3%	**1.9%**	1.8%	**18.1%**	17.5%

a/ Includes Ford Motor Company and Ford Motor Credit Company.
b/ Excludes sales workers (retail), a category that is not applicable to Ford.
c/ Includes Asian-Americans, Pacific Islanders, American Indians or Alaskan natives only.
d/ All 1995 data as previously reported have been adjusted to exclude Ford Electronics and Refrigeration Corporation.

Board of Directors


Alex Trotman


Marie-Josée Kravis


Carl Reichardt


Roberto Goizueta Irv Hockaday


Clif Wharton


Drew Lewis

Alex Trotman ✶ ❖
Alex Trotman, 63, is chairman of the board, president and chief executive officer of Ford Motor Company. He joined Ford of Britain in 1955 and was named a company vice president and vice president of Truck Operations for Ford of Europe in 1979. He was named president of Ford Asia-Pacific in 1983, Ford of Europe president in 1984, and Ford of Europe chairman in 1988. Mr. Trotman became executive vice president, North American Automotive Operations, in 1989. He was named president and chief operating officer, Ford Automotive Group, and a director in 1993. Eleven months later he was elected to his current post.

Michael D. Dingman ☆ ✶ ❖
Michael D. Dingman, 65, is president and chief executive officer of Shipston Group, Ltd., a diversified international holding company. In addition, he is chairman of the board of Fisher Scientific International, a leader in serving science, providing products and services to research, health care, industry, education and governments worldwide. Mr. Dingman joined Ford's board in 1981.

Edsel B. Ford II ✶
Edsel B. Ford II, 48, is vice president of Ford Motor Company, and president and chief operating officer of Ford Credit. He joined Ford in 1974 and was elected to its board of directors in 1988. Mr. Ford held numerous positions in the company's Ford and Lincoln-Mercury divisions, and served in an international assignment before being named to his Ford Credit post in 1991. He was elected a Ford vice president in 1993.

William Clay Ford ✶ ❖
William Clay Ford, 72, is retired chairman of Ford's Finance Committee, and owner and president of The Detroit Lions, Inc. He was elected a Ford director in 1948 and began his employment with the company in 1949. Throughout his career he held numerous executive positions and in 1978 became chairman of the board's Executive Committee and a member of the Office of the Chief Executive. In 1980 Mr. Ford was elected vice chairman of the Board and in 1987 he was elected chairman of the Finance Committee. Mr. Ford retired from his post as vice chairman in 1989 and as chairman of the Finance Committee in 1995.

William Clay Ford, Jr. ✶ ❖
William Clay Ford, Jr., 39, is chairman of Ford's Finance Committee and vice chairman of The Detroit Lions, Inc. He began his employment with the company in 1979 and was elected a Ford director in 1988. He held a number of management positions, including international assignments, before being elected vice president, Commercial Truck Vehicle Center in 1994. Mr. Ford held that position until 1995 when he became chairman of the board's Finance Committee.

Roberto C. Goizueta ☆ ❖
Roberto C. Goizueta, 65, is chairman and chief executive officer of The Coca-Cola Company. He joined that company in 1954 and served in a number of executive posts before being named to his current position in 1981. He was elected a Ford director in 1983.

Irvine O. Hockaday, Jr. ▲ ❖
Irvine O. Hockaday, Jr., 60, is president an. chief executive officer of Hallmark Cards, Inc. He joined the company in 1983 as its executive vice president and was named to his current post in 1986. He was elected a Hallmark director in 1978. He was elected a Ford director in 1987.

Marie-Josée Kravis ✶ ❖
Marie-Josée Kravis, 47, is a senior fellow of the Hudson Institute Inc., a position she has held since 1994. Prior to that and since 1978, she served as the executive director of the Hudson Institute of Canada. From 1973 to 1976 she was an economist with the Hudson Institute (USA). Mrs. Kravis joined the Ford board of directors in 1995.

Drew Lewis ☆ ❖
Drew Lewis, 65, was chairman and chief executive officer of Union Pacific Corporation from 1987 until his retirement in 1996. He joined the company in 1986 as chairman and chief executive officer of Union Pacific Railroad and that same year was elected a director, president and chief operating officer of Union Pacific Corporation. Prior to joining Union Pacific, Mr. Lewis served as chairman and chief executive of Warner Amex Cable Communications Inc. and as the U.S. Secretary of Transportation. He was elected a Ford director in 1986 and will retire from the board at the company's annual meeting in May 1997.

Bill Ford

Edsel Ford

Mike Dingman

John Thornton

Bill Ford, Jr.

Ellen Marram

n R. Marram ▲ ❖
en R. Marram, 50, is president of The Seagram Beverage Group, a position she has held since 1993. Prior to that she served as senior vice president of the Nabisco Foods Group and president of Nabisco Biscuit Company for five years. She was president, Nabisco Grocery Division from 1987 to 1988. Ms. Marram was elected a Ford director in 1988.

Carl E. Reichardt ✶ ❖
Carl E. Reichardt, 65, is retired chairman and chief executive officer of Wells Fargo & Company. He joined the company in 1970 and was elected president in 1978 and chief operating officer in 1981. He served as chairman and chief executive from 1983 until his retirement in 1994. Mr. Reichardt was elected a Ford director in 1986.

John L. Thornton ▲ ❖
John L. Thornton, 43, is a member of the executive committee of Goldman, Sachs & Co. and chairman of Goldman Sachs Asia. He was previously co-chief executive of Goldman Sachs in Europe, the Middle East and Africa. Mr. Thornton joined Goldman Sachs in 1980 and was named a partner in 1988. He was elected to the Ford board of directors in 1996.

Clifton R. Wharton, Jr. ▲ ❖
Clifton R. Wharton, Jr., 70, is retired chairman and chief executive officer of Teachers Insurance and Annuity Association - College Retirement Equities Fund, a position he held from 1987 to 1993. He served as chancellor of the State University of New York System from 1978 to 1987, and prior to that was president of Michigan State University since 1970. Dr. Wharton was elected a Ford director in 1973 and will retire from the board at the company's annual meeting in May 1997. He is stepping down after reaching the mandatory retirement age of 70.

Committee Memberships:

▲ Audit
☆ Compensation and Option
✶ Finance
❖ Organization Review and Nominating

Newly appointed to the Ford Board of Directors
Homer Neal joined the Board of Directors and became its newest member on January 1, 1997. He is serving on the board's Audit, and Organization Review and Nominating committees.

Dr. Neal, 54, is vice president for research at the University of Michigan and recently served as the University's interim president. He joined the University as chairman of its physics department in 1987 and in 1993 was named vice president for research. Dr. Neal is a former member, U.S. National Science Board; a member, Oak Ridge National Laboratory Advisory Board; and a trustee, Center for Strategic and International Studies.

Company Officers
(as of March 13, 1997)

CHAIRMAN

Alex Trotman
Chairman of the Board, President and Chief Executive Officer

VICE CHAIRMEN

W. Wayne Booker

Edward E. Hagenlocker

EXECUTIVE VICE PRESIDENTS

John M. Devine
Chief Financial Officer

Jacques A. Nasser
President,
Ford Automotive Operations (FAO)

Peter J. Pestillo
Corporate Relations

Kenneth Whipple
President, Ford Financial Services Group, and Chairman and Chief Executive Officer, Ford Credit

GROUP VICE PRESIDENTS

James E. Englehart
Product Development (FAO)

Robert L. Rewey
Marketing and Sales (FAO)

Charles W. Szuluk
Automotive Products Operations

Robert H. Transou
Manufacturing (FAO)

VICE PRESIDENTS

Kenneth R. Dabrowski
Quality and Process Leadership (FAO)

James D. Donaldson
Truck Vehicle Center (FAO)

Edsel B. Ford II
President and Chief Operating Officer, Ford Credit

Ronald E. Goldsberry
General Manager,
Ford Customer Service Division (FAO)

Elliott S. Hall
Washington Affairs

John T. Huston
Powertrain Operations (FAO)

I. Martin Inglis
Product and Business Strategy (FAO)

Kenneth K. Kohrs
Large and Luxury Car Vehicle Center (FAO)

Vaughn A. Koshkarian
President, Ford Motor (China) Ltd.

Robert O. Kramer
Human Resources

Keith C. Magee
European Marketing and Sales (FAO)

John W. Martin, Jr.
General Counsel

Carlos E. Mazzorin
Purchasing (FAO)

W. Dale McKeehan
Vehicle Operations (FAO)

John P. McTague
Technical Affairs

James G. O'Connor
General Manager, Lincoln-Mercury Division (FAO)

James J. Padilla
President, Ford Brazil and Argentina (FAO)

Richard Parry-Jones
Small and Medium Car Vehicle Center (FAO)

Helen O. Petrauskas
Environmental and Safety Engineering

William F. Powers
Research

Neil W. Ressler
Advanced Vehicle Technology (FAO)

Ross H. Roberts
General Manager, Ford Division (FAO)

David W. Scott
Public Affairs

John J. Telnack
Design (FAO)

Thomas J. Wagner
Customer Communication and Satisfaction (FAO)

Henry D. G. Wallace

Robert J. Womac
General Manager, Automotive Components Division

OTHER OFFICERS

Elizabeth S. Acton
Assistant Treasurer

Thomas J. DeZure
Assistant Secretary

Peter Look
Assistant Tax Officer

Malcolm S. Macdonald
Treasurer

John M. Rintamaki
Secretary

Dennis E. Ross
Chief Tax Officer

Sally W. Schwartz
Assistant Secretary

Peter J. Sherry, Jr.
Assistant Secretary

Ford's new 1998 electric Ranger has a driving range of approximately 60 miles between charges. Ford has the world's largest electric vehicle test program. Our electric Ecostar test fleet has logged nearly one million miles worldwide.

QUALITY·COST·SPEED

Financial Contents

A Solid Year Overall

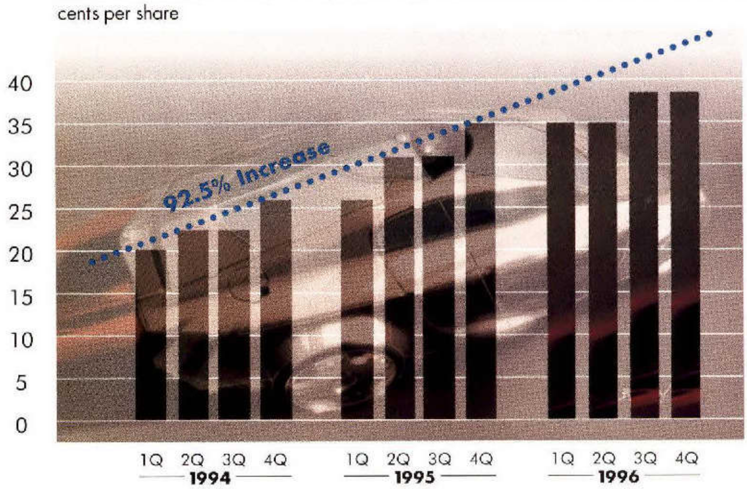
- Full-year earnings were $4.4 billion or $3.64 per share, up seven percent from 1995. Fourth quarter earnings were up 82 percent from the same quarter in 1995.
- Worldwide sales and revenues in 1996 increased to $147 billion from $137.1 billion the prior year.
- Stockholders' equity at year-end was $26.8 billion, up nine percent.
- Capital spending, as a percentage of revenue, was down. And we ended the year with record automotive net cash of $7.2 billion.
- Our Financial Services Group had another record year. The Associates reported its 22nd year of increased earnings. Ford Credit remains the most profitable captive finance company in the world with earnings of $1.4 billion in 1996.
- Hertz also reported record earnings, up 51 percent over 1995.
- We launched important new products like the Ford Expedition in North America, Ka in Europe, and Jaguar XK8 on both sides of the Atlantic. 1997 will bring more exciting new products like the Ford ZX2 and Ranger, Lincoln Navigator and Town Car in North America; the Puma in Europe; and the Ka, Fiesta pickup and Ranger in South America.

Steps Taken to Create Shareholder Value

- An initial public offering of 67 million shares of The Associates common stock generated more than $1.8 billion in cash and a one-time gain for Ford of $650 million.
- Substantially all of the assets of USL Capital were sold in 1996, generating more than $1 billion in cash and a gain of nearly $100 million.
- We increased our dividends for the fifth time in the last three years.
- In our automotive operations, we continued to build momentum in the U.S. and put together a comprehensive plan to address our challenges in Europe and South America.

Dividend Per Share Increases 1994-1996

cents per share



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

OVERVIEW

The company's worldwide net income was $4,446 million in 1996, or $3.64 per share of Common and Class B Stock (fully diluted), compared with $4,139 million, or $3.33 per share (fully diluted) in 1995. Results in 1996 and 1995 included several one-time actions (see below). Income per share in 1995 also included a one-time reduction of $0.06 per share related to the exchange of Series B Preferred Stock for company-obligated mandatorily redeemable preferred securities of a subsidiary trust.

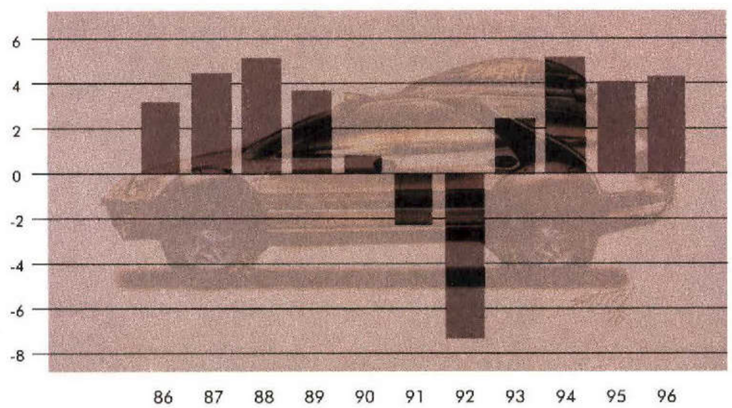
The company's earnings in 1996 were up $307 million from 1995, reflecting primarily improved Automotive results in North America and one-time actions and record operating earnings in Financial Services; higher operating losses in South America and Europe and a one-time charge for employee separation programs were partial offsets. The company's worldwide sales and revenues were $147 billion in 1996, up $9.9 billion or 7% from 1995. Vehicle unit sales of cars and trucks were 6,653,000, up 47,000 units. Stockholders' equity was $26.8 billion at December 31, 1996, compared with $24.5 billion at December 31, 1995.

In 1996, Automotive capital expenditures for new products and facilities totaled $8.2 billion, down $467 million from 1995. Automotive cash and marketable securities were $15.4 billion at December 31, 1996, up $3 billion from December 31, 1995. Automotive debt at December 31, 1996 totaled $8.2 billion, up $849 million from a year ago. Automotive net cash was $7.2 billion at December 31, 1996.

The company has completed launches of its highest-volume products in North America (F-Series, Taurus, Sable and Escort) and Europe (Mondeo and Fiesta). Important new products were launched during 1996 and have received strong customer reception, including the Expedition, Ka and Jaguar XK8.

The company's Financial Statements and Notes to Financial Statements on pages 33 through 62, including the Report of Independent Accountants, should be read as an integral part of this review.

Total Company Net Income/(Loss) 1986-1996
billions of dollars



Fourth Quarter 1996

In fourth quarter 1996, Ford earned $1,204 million, or $0.99 per share of Common and Class B Stock (fully diluted), compared with $660 million, or $0.48 per share (fully diluted) in fourth quarter 1995. Results in fourth quarter 1996 and 1995 included several one-time actions (see below). Income per share in fourth quarter 1995 also included a one-time reduction of $0.06 per share related to the exchange of Series B Preferred Stock.

The company's net income for fourth quarter 1996 and 1995 was as shown in **Table A.**

Earnings for Automotive operations in the U.S. improved in fourth quarter 1996, compared with fourth quarter 1995, as a result of higher margins (reflecting improved sales mix and cost reductions) and higher volume (up 51,000 units), offset partially by higher product costs and costs for employee separation programs.

Table A: _Fourth Quarter Net Income/(Loss)_
(in millions)

	1996	1995
U.S. Automotive	**$ 628**	$ 168
Automotive Outside U.S.		
- Europe	**(88)**	(48)
- South America	**(287)**	(112)
- Other	**137**	8
Total Automotive Outside U.S.	**(238)**	(152)
Total Automotive	**390**	16
Financial Services	**814**	644
Total Company	**$1,204**	$ 660

Higher losses incurred by Automotive operations in Europe were more than explained by higher costs for employee separation programs. Higher losses incurred in South America resulted primarily from the nonrecurrence of a gain in fourth quarter 1995 from the dissolution of the Autolatina joint venture, as well as costs for employee separation programs; higher margins and volume were partial offsets.

Higher earnings for Financial Services operations reflected a partial reversal of a second quarter 1996 provision for losses on notes receivable from Budget Rent A Car Corporation and record earnings at The Associates and Hertz, offset partially by lower earnings at Ford Credit and the effect of the sale of USL Capital's assets.

ONE-TIME ACTIONS

Net income in 1996 and 1995 included several one-time actions as shown in **Table B**. See Note 15 (pages 57 and 58) of the Notes to Financial Statements for further information on these one-time actions.

RESULTS OF OPERATIONS

The company's net income for worldwide Automotive operations in 1996, 1995 and 1994, was as shown in **Table C**.

The company's net income for worldwide Financial Services operations in 1996, 1995 and 1994, was as shown in **Table D.**

Table B: *One-Time Actions Included in Net Income*

(in millions)	Fourth Quarter 1996	Fourth Quarter 1995	Full Year 1996	Full Year 1995
Automotive				
- Employee separation programs	**$ (336)**	$(129)	**$(436)**	$(146)
- Autolatina dissolution	**-**	230	**-**	230
Financial Services				
- Sale of The Associates' common stock	**-**	-	**650**	-
- Sale of USL Capital's assets	**-**	-	**95**	-
- Net write-down for Budget Rent a Car Corporation	**204**	-	**(233)**	-
Total Company	**$ (132)**	$ 101	**$ 76**	$ 84
Per share	**$(0.11)**	$0.03*	**$0.06**	$0.02*

*Includes $0.06 per share reduction for exchange of Series B Preferred Stock

Table C: *Automotive Net Income/(Loss)*

(in millions)	1996	1995	1994
U.S. Automotive	**$2,007**	$1,843	$3,002
Automotive Outside U.S.			
- Europe	**(291)**	116	128
- South America	**(642)**	(94)	496
- Other	**581**	191	287
Total Automotive Outside U.S.	**(352)**	213	911
Total Automotive	**$1,655**	$2,056	$3,913

Table D: *Financial Services Net Income/(Loss)*
(in millions)

	1996	1995	1994
Ford Credit	**$1,441**	$1,579	$1,487
The Associates	**857***	723	603
USL Capital	**191**	135	109
Hertz	**159**	105	92
One-Time Actions	**512**	0	(440)
Minority Interests, Eliminations and Other	**(369)**	(459)	(456)
Total Financial Services	**$2,791**	$2,083	$1,395

* Ford's share was $745 million

1996 COMPARED WITH 1995

Automotive Operations

Earnings for Automotive operations in the U.S. were up $164 million in 1996 compared with a year ago. The increase resulted from higher margins (reflecting improved sales mix and cost reductions), offset partially by higher product costs and costs for employee separation programs. The after-tax return on sales was 2.7% in 1996, up 2/10 of a point from a year ago.

The U.S. economy continued to grow at a moderate rate in 1996, with interest rates and inflation at comparatively low levels. Car and truck industry volumes totaled 15.5 million units in 1996, compared with 15.1 million units in 1995. The increase in industry sales was more than explained by higher truck industry sales. Ford's U.S. car market share was 20.6%, down 3/10 of a point from 1995. Ford's U.S. truck share was 31.1%,down 8/10 of a point from 1995. Ford's combined U.S. car and truck share was 25.2%, down 4/10 of a point from 1995. Reduced sales of lower margin fleet vehicles account for the decline. The company expects car and truck industry sales in 1997 to be about equal to 1996.

Unfavorable results for Automotive operations in Europe, compared with a year ago, reflected costs associated with launching new products, adverse vehicle mix, higher marketing costs, and costs for employee separation programs, offset partially by higher volume. In 1996, the European automotive industry experienced increased competition as a result of industry overcapacity, as well as a market shift to lower profit smaller cars. This trend is expected to continue in 1997 and beyond. Ford is continuing to focus on cost reductions, including vehicle cost reductions, and the rationalization of manufacturing capacity. Its recently launched new products (the Fiesta, Ka and an updated Mondeo) will strengthen Ford's European product offerings.

European car and truck industry volumes totaled 14.3 million units in 1996, compared with 13.4 million units in 1995. Ford's European car market share was 11.6%, down 2/10 of a point from 1995. Ford's European truck share was 13.1%, down 1.4 points from 1995. Ford's combined European car and truck share was 11.8%, down 4/10 of a point from 1995, reflecting primarily reduced sales of lower margin fleet vehicles. Car and truck industry sales in 1997 are expected to be about equal to 1996.

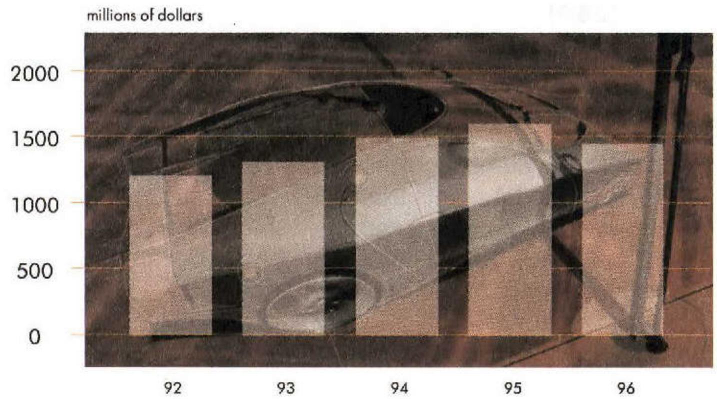
Higher losses in 1996 incurred by Automotive operations in South America reflected primarily higher losses for operations in Brazil as a result of a long and costly launch process following the dissolution of the Autolatina joint venture with Volkswagen AG. Costs for employee separation programs, in addition to increased competition and a market shift to smaller (Fiesta-sized) cars that resulted in lower market share, also affected results unfavorably. The company is in the process of reestablishing operations in Brazil and Argentina. Losses in Brazil are expected to continue in 1997. To improve the competitiveness of its product offerings in Brazil, Ford will have several new products (the Ka, Fiesta, Escort and Ranger) available for sale throughout most of 1997. In addition, Ford is focusing on further facility rationalization in the region.

Comparison of Automotive Sales and Total Costs and Expenses

Automotive sales totaled $118 billion in 1996, up 6.8% from 1995. Sales in the U.S. were $76 billion in 1996 compared with $73.9 billion in 1995, and sales outside the U.S. were $42 billion in 1996 compared with $36.6 billion in 1995. Total costs and expenses were $115.5 billion in 1996, up 7.7% from 1995. Approximately half of the increase in sales and total costs and expenses was attributable to the inclusion in the company's consolidated results of operations, beginning in 1996, of the sales and total costs and expenses for new entities in Brazil and Argentina resulting from the dissolution of the Autolatina joint venture. Amounts for 1995 exclude these new entities. The balance of the increase in sales and total costs and expenses was attributable primarily to the effects of higher unit volume and a richer sales mix, as well as costs for employee separation programs.

Research and development expense totaled $6,821 million in 1996, up 3% from 1995. The increase was more than explained by the inclusion of research and development expense for new entities in Brazil and Argentina and support for new markets.

Ford Credit Trend of Net Income 1992-1996



Financial Services Operations

Earnings for Financial Services operations were up $708 million in 1996, compared with a year ago, including $512 million from the one-time actions described above. Improvements from operations totaled $196 million.

Ford Credit's earnings in 1996 include a majority ownership (78%) of Ford Credit Europe, and results for 1995 and 1994 have been restated to reflect this ownership change. Lower consolidated net income at Ford Credit in 1996, compared with 1995, resulted primarily from the absence of equity in the net income of Ford Holdings (reflecting the repurchase in first quarter 1996 by Ford Holdings of substantially all of the shares of Ford Holdings' stock owned by Ford Credit), higher credit losses and higher loss reserve requirements; higher levels of earning assets and improved net interest margins were partial offsets. Ford Holdings is a holding company which owns primarily USL Capital and, until December 1995, also owned The Associates. Depreciation costs increased as a result of continued growth in operating leases; the related lease revenues more than offset the increased depreciation. Credit losses as a percent of average net finance receivables (including net investment in operating leases) were 0.78% in 1996, compared with 0.51% in 1995. Ford Credit believes the higher levels of credit losses may continue in 1997.

Record earnings at The Associates reflected primarily higher levels of earning assets, lower operating costs and improved net interest margins, offset partially by higher credit losses. Credit losses as a percent of average net finance receivables were 2.03% in 1996, compared with 1.70% in 1995. The Associates also believes the higher levels of credit losses may continue.

Record earnings at Hertz reflected primarily higher volume in U.S. car rental and equipment rental operations.

HISTORICAL REFERENCE: 1995 COMPARED WITH 1994

The company's worldwide net income was $4,139 million in 1995, or $3.33 per share of Common and Class B Stock (fully diluted), compared with $5,308 million, or $4.44 per share (fully diluted) in 1994. The company's worldwide sales and revenues were $137.1 billion in 1995, up $8.7 billion, or 7% from 1994. Vehicle unit sales of cars and trucks were 6,606,000, down 247,000 units, or 3.6%. Stockholders' equity was $24.5 billion at December 31, 1995, up $2.9 billion from December 31, 1994.

The company's earnings in 1995 were down from 1994, a record year, and reflected the effects of lower volumes in the U.S., costs associated with introducing new products and lower earnings at operations outside the U.S., primarily in South America. Results in 1995 included costs for employee separation programs ($146 million). Earnings from Financial Services operations were up $688 million compared with 1994. The improvement reflected record earnings at Ford Credit, The Associates, USL Capital and Hertz and the nonrecurrence of a $440 million charge to net income in 1994 for the disposition of First Nationwide Bank.

Automotive Operations

Earnings for Automotive operations in the U.S. declined in 1995, compared with 1994, primarily as a result of lower unit volume (reflecting nonrecurrence of a dealer inventory increase in 1994 and lower industry sales) and costs associated with introducing new products (mainly the all-new Taurus, Sable and F-150 pickup truck). U.S. Automotive after-tax return on sales was 2.5% in 1995, down 1.6 points from a year ago.

The U.S. economy grew at a moderate rate in 1995 with interest rates and inflation at comparatively low levels. Car and truck industry volumes, however, decreased from 15.4 million units in 1994 to 15.1 million units in 1995. Most of the decrease in industry sales was attributable to cars. Ford's share of the U.S. car market was 20.9%, down 9/10 of a point from 1994. Ford's U.S. truck share was 31.9%, up 1.8 points from

1994. Ford's combined U.S. car and truck share was 25.6%, up 4/10 of a point from 1994. The increase in share reflected primarily higher sales of the Explorer and F-Series trucks, offset partially by lower sales of specialty vehicles and lower availability of the Taurus and Sable due to model changeover.

Lower results for Automotive operations in Europe reflected primarily costs associated with introducing new products (the all-new Galaxy minivan and Fiesta) and the unfavorable effect of changes in foreign currency exchange rates.

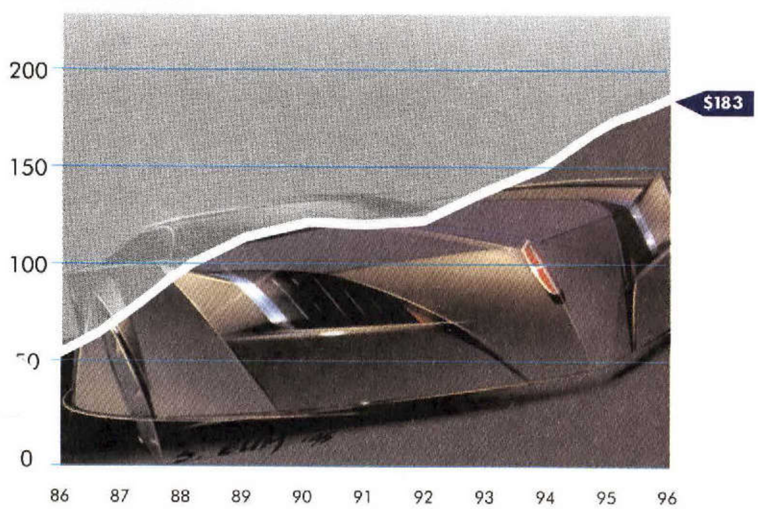
Car and truck industry sales in Europe were 13.4 million units in 1995, compared with 13.3 million units in 1994. Ford's share of the European car market was 11.8%, equal to a year ago. Ford's European truck share was 14.5%, up 1/10 of a point from 1994. Ford's combined European car and truck share was 12.2%, up 1/10 of a point from 1994.

Outside the U.S. and Europe, Ford earned $97 million in 1995, compared with $783 million in 1994. About half of the decrease reflected primarily unfavorable results for operations in Brazil, where higher import duties and a market shift to small cars resulted in excess dealer inventories and higher marketing costs. These factors were offset partially in 1995 by a one-time gain from the dissolution of Ford's Autolatina joint venture. The decline in earnings outside the U.S. and Europe also reflected the nonrecurrence of a one-time favorable effect for devaluation of the Mexican Peso in 1994 and lower results in Argentina.

During fourth quarter 1995, the company's Autolatina joint venture in Brazil and Argentina with Volkswagen AG was dissolved. The dissolution resulted in a gain of $230 million, primarily from a one-time cash compensation payment to Ford.

Trend of Financial Services Total Assets 1986-1996

billions of dollars



Financial Services Operations

The increase in Ford Credit's consolidated net income in 1995, compared with 1994, resulted primarily from higher levels of earning assets, favorable cost performance and lower taxes, offset partially by lower net interest margins and higher credit losses. Depreciation costs increased as a result of continued growth in operating leases; the related lease revenues more than offset the increased depreciation. Ford Credit's results for 1995 included $255 million from equity in the net income of affiliated companies, primarily Ford Holdings, compared with $233 million a year ago.

Record earnings at The Associates reflected primarily higher levels of earning assets and improved net interest margins.

Record earnings at Hertz reflected primarily higher volume in equipment rentals, offset partially by increased depreciation and borrowing costs.

LIQUIDITY AND CAPITAL RESOURCES

Automotive Operations

Automotive cash and marketable securities were $15.4 billion at December 31, 1996, up $3 billion from December 31, 1995. The company paid $1.8 billion in cash dividends on its Common Stock, Class B Stock and Preferred Stock during 1996.

Automotive capital expenditures were $8.2 billion in 1996, down $467 million from 1995. Automotive capital expenditures as a percentage of sales was 7% in 1996, down 9/10 of a point from 1995. During the next several years, Ford's spending for product change is expected to be at similar or higher levels; however, as a percentage of sales, spending is expected to be at similar or lower levels.

Automotive debt at December 31, 1996 totaled $8.2 billion, which was 23% of total capitalization (stockholders' equity and Automotive debt), compared with $7.3 billion, or 22% of total capitalization, at December 31, 1995.

For a discussion of Ford's support facilities at December 31, 1996, see Note 9 (page 52) of the Notes to Financial Statements.

Financial Services Operations

The Financial Services operations rely heavily on their ability to raise substantial amounts of funds in the capital markets in addition to collections on loans and retained earnings. The levels of funds for certain Financial Services operations are affected by transactions with Ford, such as capital contributions, dividend payments and the timing of payments for income taxes. The ability to obtain funds also is affected by debt ratings which, for certain operations, are closely related to the financial condition and outlook for Ford and the nature and availability of support facilities, such as revolving credit and receivables sales agreements.

Ford Credit's outstanding commercial paper totaled $38 billion at December 31, 1996 with an average remaining maturity of 34 days. Support facilities represent additional sources of funds, if required.

For a discussion of support facilities of Ford Credit and other Financial Services subsidiaries at December 31, 1996, see Note 9 (page 52) of the Notes to Financial Statements.

Derivative Financial Instruments

Ford is exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates, interest rates and commodity prices. For Automotive operations, purchases and sales of finished vehicles and production parts, debt and other payables, subsidiary dividends, and investments in subsidiaries are frequently denominated in foreign currencies, thereby creating exposures to changes in exchange rates. In addition, Ford also is exposed to changes in prices of commodities used in its Automotive operations. Financial Services operations issue debt and other payables with various maturity and interest rate structures to ensure funding over business and economic cycles and to minimize overall borrowing costs. The maturity and interest rate structures frequently differ from the invested assets. Exposures to fluctuations in interest rates are created by the difference in maturities of liabilities versus the maturities of assets.

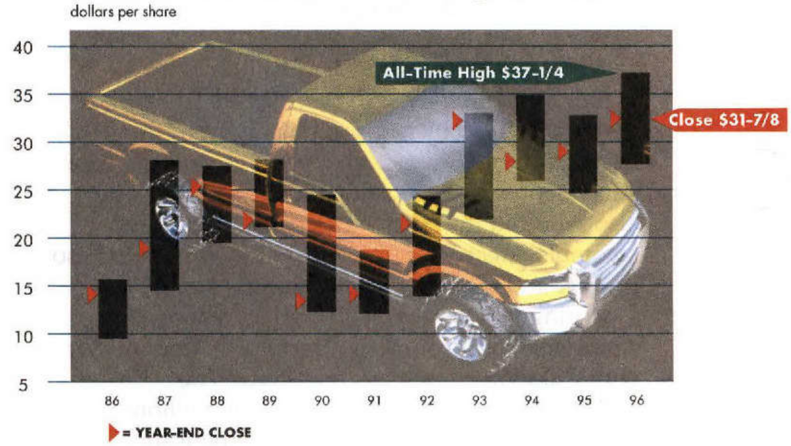
These financial exposures are monitored and managed by the company as an integral part of the company's overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on the company's results. The effect of changes in exchange rates, interest rates and commodity prices on Ford's earnings generally has been small relative to other factors that also affect earnings, such as unit sales and operating margins. For more information on these financial exposures, see Note 1 (page 39) and Note 14 (page 56) of the Notes to Financial Statements.

YEAR 2000 DATE CONVERSION

The company has established a central office to coordinate the identification, evaluation, and implementation of changes to computer systems and applications necessary to achieve a year 2000 date conversion with no effect on customers or disruption to business operations. These actions are necessary to ensure that the systems and applications will recognize and process the year 2000 and beyond. Major areas of potential business impact have been identified and are being dimensioned, and initial conversion efforts are underway. The company also is communicating with suppliers, dealers, financial institutions and others with which it does business to coordinate year 2000 conversion. The total cost of compliance and its effect on the company's future results of operations is being determined as part of the detailed conversion planning.

Ford Common Stock Price Range (NYSE)

dollars per share



Management's Financial Responsibility

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

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

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

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

Alex Trotman
Chairman of the Board,
President and Chief Executive Officer

John M. Devine
Executive Vice President and
Chief Financial Officer

Report of Independent Accountants

Coopers & Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

To the Board of Directors and Stockholders
Ford Motor Company

We have audited the consolidated balance sheet of Ford Motor Company and Subsidiaries at December 31, 1996 and 1995, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996. 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ford Motor Company and Subsidiaries at December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Coopers & Lybrand LLP

400 Renaissance Center
Detroit, Michigan 48243
January 27, 1997

CONSOLIDATED STATEMENT OF INCOME

For the Years Ended December 31, 1996, 1995 and 1994
(in millions, except amounts per share)

	1996	1995	1994
AUTOMOTIVE			
Sales (Note 1)	**$118,023**	$110,496	$107,137
Costs and expenses (Notes 1 and 15):			
Costs of sales	**108,882**	101,171	95,887
Selling, administrative and other expenses	**6,625**	6,044	5,424
Total costs and expenses	**115,507**	107,215	101,311
Operating income	**2,516**	3,281	5,826
Interest income	**841**	800	665
Interest expense	**695**	622	721
Net interest income/(expense)	**146**	178	(56)
Equity in net (loss)/income of affiliated companies (Note 1)	**(6)**	(154)	271
Net expense from transactions with Financial Services (Note 1)	**(85)**	(139)	(44)
Income before income taxes - Automotive	**2,571**	3,166	5,997
FINANCIAL SERVICES			
Revenues (Note 1)	**28,968**	26,641	21,302
Costs and expenses (Note 1):			
Interest expense	**9,704**	9,424	7,023
Depreciation	**6,875**	6,500	4,910
Operating and other expenses	**6,217**	5,499	4,607
Provision for credit and insurance losses	**2,564**	1,818	1,539
Asset write-downs and dispositions (Note 15)	**121**	-	475
Total costs and expenses	**25,481**	23,241	18,554
Net revenue from transactions with Automotive (Note 1)	**85**	139	44
Gain on sale of The Associates' common stock (Note 15)	**650**	-	-
Income before income taxes - Financial Services	**4,222**	3,539	2,792
TOTAL COMPANY			
Income before income taxes	**6,793**	6,705	8,789
Provision for income taxes (Note 6)	**2,166**	2,379	3,329
Income before minority interests	**4,627**	4,326	5,460
Minority interests in net income of subsidiaries	**181**	187	152
Net income	**$ 4,446**	$ 4,139	$ 5,308
Income attributable to Common and Class B Stock after preferred stock dividends (Note 1)	**$ 4,381**	$ 3,839	$ 5,021
Average number of shares of Common and Class B Stock outstanding	**1,179**	1,071	1,010
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK (Note 1)			
Income	**$ 3.72**	$ 3.58	$ 4.97
Income assuming full dilution	**$ 3.64**	$ 3.33	$ 4.44
Cash dividends	**$ 1.47**	$ 1.23	$ 0.91

The accompanying notes are part of the financial statements.

CONSOLIDATED BALANCE SHEET

As of December 31, 1996 and 1995 (in millions)

	1996	1995
ASSETS		
Automotive:		
Cash and cash equivalents	**$ 3,578**	$ 5,750
Marketable securities (Note 2)	**11,836**	6,656
Total cash and marketable securities	**15,414**	12,406
Receivables	**3,635**	3,321
Inventories (Note 4)	**6,656**	7,162
Deferred income taxes	**3,296**	2,709
Other current assets (Note 1)	**3,193**	1,483
Net current receivable from Financial Services (Note 1)	**0**	200
Total current assets	**32,194**	27,281
Equity in net assets of affiliated companies (Note 1)	**2,483**	2,248
Net property (Note 5)	**33,527**	31,273
Deferred income taxes	**4,429**	4,802
Other assets (Notes 1 and 8)	**7,025**	7,168
Total Automotive assets	**79,658**	72,772
Financial Services:		
Cash and cash equivalents	**3,689**	2,690
Investments in securities (Note 2)	**2,307**	4,553
Net receivables and lease investments (Note 3)	**161,906**	149,694
Other assets (Note 1)	**14,834**	13,574
Net receivable from Automotive (Note 1)	**473**	0
Total Financial Services assets	**183,209**	170,511
Total assets	**$262,867**	$243,283
LIABILITIES AND STOCKHOLDERS' EQUITY		
Automotive:		
Trade payables	**$ 11,735**	$ 11,260
Other payables	**2,206**	1,976
Accrued liabilities (Note 7)	**16,587**	13,392
Income taxes payable	**508**	316
Debt payable within one year (Note 9)	**1,661**	1,832
Net current payable to Financial Services (Note 1)	**473**	0
Total current liabilities	**33,170**	28,776
Long-term debt (Note 9)	**6,495**	5,475
Other liabilities (Note 7)	**26,793**	25,677
Deferred income taxes	**1,225**	1,186
Total Automotive liabilities	**67,683**	61,114
Financial Services:		
Payables	**4,695**	5,476
Debt (Note 9)	**150,205**	141,317
Deferred income taxes	**4,338**	3,831
Other liabilities and deferred income	**8,504**	6,116
Net payable to Automotive (Note 1)	**0**	200
Total Financial Services liabilities	**167,742**	156,940
Company-obligated mandatorily redeemable preferred securities of a subsidiary trust holding solely junior subordinated debentures of the Company (Note 1)	**680**	682
Stockholders' equity:		
Capital stock (Notes 10 and 11)		
Preferred Stock, par value $1.00 per share (aggregate liquidation preference of $694 million and $1,042 million)	*****	*
Common Stock, par value $1.00 per share (1,118 million and 1,089 million shares issued)	**1,118**	1,089
Class B Stock, par value $1.00 per share (71 million shares issued)	**71**	71
Capital in excess of par value of stock	**5,268**	5,105
Foreign currency translation adjustments and other (Note 1)	**(29)**	594
Earnings retained for use in business	**20,334**	17,688
Total stockholders' equity	**26,762**	24,547
Total liabilities and stockholders' equity	**$262,867**	$243,283

*Less than $500,000

The accompanying notes are part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years Ended December 31, 1996, 1995 and 1994 (in millions)

	1996 Automotive	1996 Financial Services	1995 Automotive	1995 Financial Services	1994 Automotive	1994 Financial Services
Cash and cash equivalents at January 1	**$ 5,750**	**$ 2,690**	$ 4,481	$ 1,739	$ 5,667	$ 2,555
Cash flows from operating activities (Note 16)	**6,576**	**12,681**	8,849	12,322	7,542	9,087
Cash flows from investing activities						
Capital expenditures	**(8,209)**	**(442)**	(8,676)	(321)	(8,310)	(236)
Purchase of leased assets	**(195)**	**-**	0	-	0	-
Acquisitions of other companies	**0**	**(166)**	0	0	0	(485)
Acquisitions of receivables and lease investments	**-**	**(109,087)**	-	(99,967)	-	(90,824)
Collections of receivables and lease investments	**-**	**82,398**	-	71,149	-	61,111
Net acquisitions of daily rental vehicles	**-**	**(1,759)**	-	(1,459)	-	(924)
Net proceeds from USL Capital asset sales (Note 15)	**-**	**1,157**	-	-	-	-
Purchases of securities (Note 16)	**(6)**	**(8,020)**	(51)	(6,274)	(412)	(10,688)
Sales and maturities of securities (Note 16)	**7**	**9,863**	325	5,052	511	9,649
Proceeds from sales of receivables and lease investments	**-**	**2,867**	-	4,360	-	3,622
Net investing activity with Financial Services	**416**	**-**	(19)	-	355	-
Other	**(586)**	**(45)**	558	(184)	(331)	196
Net cash used in investing activities	**(8,573)**	**(23,234)**	(7,863)	(27,644)	(8,187)	(28,579)
Cash flows from financing activities						
Cash dividends	**(1,800)**	**-**	(1,559)	-	(1,205)	-
Issuance of Common Stock	**192**	**-**	601	-	715	-
Issuance of Common Stock of a subsidiary (Note 15)	**-**	**1,897**	-	-	-	-
Changes in short-term debt	**151**	**3,474**	413	5,884	(795)	10,314
Proceeds from other debt	**1,688**	**22,342**	300	23,854	158	21,885
Principal payments on other debt	**(1,031)**	**(14,428)**	(177)	(11,489)	(75)	(14,088)
Net financing activity with Automotive	**-**	**(416)**	-	19	-	(355)
Receipts from annuity contracts	**-**	**-**	-	283	-	1,124
Net (redemption)/issuance of subsidiary company preferred stock (Note 1)	**-**	**-**	-	(1,875)	-	417
Other	**37**	**(528)**	121	102	31	(554)
Net cash (used in)/provided by financing activities	**(763)**	**12,341**	(301)	16,778	(1,171)	18,743
Effect of exchange rate changes on cash	**(85)**	**(116)**	107	(28)	397	166
Net transactions with Automotive/ Financial Services	**673**	**(673)**	477	(477)	233	(233)
Net (decrease)/increase in cash and cash equivalents	**(2,172)**	**999**	1,269	951	(1,186)	(816)
Cash and cash equivalents at December 31	**$ 3,578**	**$ 3,689**	$ 5,750	$ 2,690	$ 4,481	$ 1,739

The accompanying notes are part of the financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1996, 1995 and 1994 (in millions)

	1996	1995	1994
CAPITAL STOCK (Note 10)			
Common Stock:			
Balance at beginning of year	**$ 1,089**	$ 952	$ 464
Issued for Series A Preferred Stock conversion, employee benefit plans and other	**29**	137	19
Stock split in form of a 100% stock dividend	**-**	-	469
Balance at end of year	**1,118**	1,089	952
Class B Stock:			
Balance at beginning of year	**71**	71	35
Stock split in form of a 100% stock dividend	**-**	-	36
Balance at end of year	**71**	71	71
Series A Preferred Stock	*	*	*
Series B Preferred Stock (Note 1)	*	*	*
CAPITAL IN EXCESS OF PAR VALUE OF STOCK			
Balance at beginning of year	**5,105**	5,273	5,082
Exchange of Series B Preferred Stock (Notes 1 and 10)	**-**	(632)	-
Issued for Series A Preferred Stock conversion, employee benefit plans and other	**163**	464	696
Stock split in form of a 100% stock dividend	**-**	-	(505)
Balance at end of year	**5,268**	5,105	5,273
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS AND OTHER (Note 1)			
Balance at beginning of year	**594**	189	(1,078)
Translation adjustments during year	**(408)**	250	800
Minimum pension liability adjustment	**(159)**	(108)	400
Other	**(56)**	263	67
Balance at end of year	**(29)**	594	189
EARNINGS RETAINED FOR USE IN THE BUSINESS			
Balance at beginning of year	**17,688**	15,174	11,071
Net income	**4,446**	4,139	5,308
Cash dividends	**(1,800)**	(1,559)	(1,205)
Fair value adjustment from exchange of Series B Preferred Stock (Note 1)	**-**	(66)	-
Balance at end of year	**20,334**	17,688	15,174
Total stockholders' equity	**$26,762**	$24,547	$21,659

SHARES OF CAPITAL STOCK	Common Stock	Class B Stock	Series A Preferred Stock	Series B Preferred Stock
Issued at December 31, 1993	464	35	0.046	0.023
Additions				
1994 - Stock split in form of a 100% stock dividend	469	36	-	-
- Employee benefit plans and other	19	-	-	-
1995 - Conversion of Series A Preferred Stock	115	-	(0.035)	-
- Employee benefit plans and other	22	-	-	-
- Exchange of Series B Preferred Stock (Note 10)	-	-	-	(0.013)
1996 - Conversion of Series A Preferred Stock	23	-	(0.007)	-
- Employee benefit plans and other	6	-	-	-
Net additions	654	36	(0.042)	(0.013)
Issued at December 31, 1996	1,118	71	0.004	0.010
Authorized at December 31, 1996	3,000	265	— In total: 30 —	

*The balances at the beginning and end of each period were less than $500,000

The accompanying notes are part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Accounting Policies

Principles of Consolidation

The consolidated financial statements include all significant majority-owned subsidiaries and reflect the operating results, assets, liabilities and cash flows for two business segments: Automotive and Financial Services. The assets and liabilities of the Automotive segment are classified as current or noncurrent, and those of the Financial Services segment are unclassified. Affiliates that are 20% to 50% owned, principally Mazda Motor Corporation and AutoAlliance International Inc., and subsidiaries where control is expected to be temporary, principally investments in certain dealerships, are accounted for on an equity basis. For purposes of Notes to Financial Statements,"Ford" or"the company" means Ford Motor Company and its majority-owned consolidated subsidiaries unless the context requires otherwise. Certain amounts for prior periods have been reclassified to conform with 1996 presentations. Automotive revenues and costs for 1996 include new entities in Brazil and Argentina resulting from the dissolution of Autolatina; amounts for 1995 and 1994 exclude these entities (Note 15).

Use of estimates and assumptions as determined by management is required in the preparation of consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates and assumptions.

Nature of Operations

The company operates in two principal business segments. The Automotive segment consists of the design, manufacture, assembly and sale of cars, trucks and related parts and accessories. The Financial Services segment consists primarily of financing operations, vehicle and equipment leasing and rental operations, and insurance operations.

Intersegment transactions represent principally transactions occurring in the ordinary course of business, borrowings and related transactions between entities in the Financial Services and Automotive segments, and interest and other support under special vehicle financing programs. These arrangements are reflected in the respective business segments.

Revenue Recognition - Automotive

Sales are recorded by the company when products are shipped to dealers, except as described below. Estimated costs for approved sales incentive programs normally are recognized as sales reductions at the time of revenue recognition. Estimated costs for sales incentive programs approved subsequent to the time that related sales were recorded are recognized when the programs are approved.

Beginning December 1, 1995, sales through dealers to certain daily rental companies where the daily rental company has an option to require Ford to repurchase vehicles, subject to certain conditions, are recognized over the period of daily rental service in a manner similar to lease accounting. This change in accounting principle was made in accordance with the Emerging Issues Task Force consensus on Issue 95-1,"Revenue Recognition on Sales with a Guaranteed Minimum Residual Value." Ford elected to recognize this change in accounting principle on a prospective basis; the effect on the company's consolidated results of operations was not material. Previously, the company recognized revenue for these vehicles when shipped. The carrying value of these vehicles, included in other current assets, was $1,803 million at December 31, 1996.

Revenue Recognition - Financial Services

Revenue from finance receivables is recognized over the term of the receivable using the interest method. Certain loan origination costs are deferred and amortized over the term of the related receivable as a reduction in financing revenue. Revenue from operating leases is recognized as scheduled payments become due. Agreements between Automotive operations and certain Financial Services operations provide for interest supplements and other support costs to be paid by Automotive operations on certain financing and leasing transactions. Financial Services operations recognize this revenue in income over the period that the related receivables and leases are outstanding; the estimated costs of interest supplements and other support costs are recorded as sales incentives by Automotive operations.

Other Costs

Advertising and sales promotion costs are expensed as incurred. Advertising costs were $2,155 million in 1996, $2,024 million in 1995 and $1,823 million in 1994.

Estimated costs related to product warranty are accrued at the time of sale.

Research and development costs are expensed as incurred and were $6,821 million in 1996, $6,624 million in 1995 and $5,811 million in 1994. The increase from 1995 to 1996 was more than explained by the inclusion of research and development expense for new entities in Brazil and Argentina and support for new markets.

NOTE 1. Accounting Policies *(cont'd.)*

Income Per Share of Common and Class B Stock

Income per share of Common and Class B Stock is calculated by dividing the income attributable to Common and Class B Stock by the average number of shares of Common and Class B Stock outstanding during the applicable period.

The company has outstanding securities, primarily Series A Preferred Stock, that could be converted to Common Stock. Other obligations, such as stock options, are considered to be common stock equivalents. The calculation of income per share of Common and Class B Stock assuming full dilution takes into account the effect of these convertible securities and common stock equivalents when the effect is material and dilutive.

Income attributable to Common and Class B Stock was as follows (in millions):

	1996	1995	1994
Net income	**$4,446**	$4,139	$5,308
Less:			
Preferred stock dividend requirements	**65**	234	287
Fair value adjustment from exchange of Series B Preferred Stock*	**-**	66	-
Income attributable to Common and Class B Stock	**$4,381**	$3,839	$5,021

* Represents a one-time reduction of $0.06 per share of Common and Class B Stock to reflect the excess of the fair value of company-obligated mandatorily redeemable preferred securities of a subsidiary trust at date of issuance over the carrying amount of exchanged Series B Preferred Stock

Derivative Financial Instruments

Ford has operations in over 30 countries and sells vehicles in over 200 markets, and is exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates, interest rates and commodity prices. These financial exposures are monitored and managed by the company as an integral part of the company's overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on the company's results. The company uses derivative financial instruments to manage the exposures to fluctuations in exchange rates, interest rates and commodity prices. All derivative financial instruments are classified as "held for purposes other than trading"; company policy specifically prohibits the use of leveraged derivatives or use of any derivatives for speculative purposes.

Ford's primary foreign currency exposures, in terms of net corporate exposure, are in the German Mark, Japanese Yen, British Pound Sterling, Brazilian Real and Spanish Peseta. Agreements to manage foreign currency exposures include forward contracts, swaps and options. The company uses these derivative instruments to hedge assets and liabilities denominated in foreign currencies, firm commitments and certain investments in foreign subsidiaries. Gains and losses on hedges of firm commitments are deferred and recognized with the related transactions. In the case of hedges of net investments in foreign subsidiaries, gains and losses are recognized as an adjustment to the foreign currency translation component of stockholders' equity. All other gains and losses are recognized in cost of sales for Automotive and interest expense for Financial Services. These instruments usually mature in two years or less for Automotive exposures and longer for Financial Services exposures, consistent with the underlying transactions. The effect of changes in exchange rates may not be fully offset by gains or losses on currency derivatives, depending on the extent to which the exposures are hedged.

Interest rate swap agreements are used to manage the effects of interest rate fluctuations by changing the interest rate characteristics of debt to match the interest rate characteristics of corresponding assets. These instruments mature primarily through 2001, consistent with the underlying debt. The differential paid or received on interest rate swaps is recognized on an accrual basis as an adjustment to interest expense. Gains and losses on terminated interest rate swaps are amortized and reflected in interest expense over the remaining term of the underlying debt.

Ford has a commodity hedging program that uses primarily forward contracts and options to manage the effects of changes in commodity prices on Automotive results. The financial instruments used in this program mature in two years or less, consistent with the related purchase commitments. Gains and losses are recognized in cost of sales during the settlement period of the related transactions.

NOTE 1. Accounting Policies *(cont'd.)*

Foreign Currency Translation

Revenues, costs and expenses of foreign subsidiaries are translated to U.S. dollars at average-period exchange rates. The effect of changes in exchange rates on revenues and costs was generally unfavorable in 1996, 1995 and 1994.

Assets and liabilities of foreign subsidiaries are translated to U.S. dollars at end-of-period exchange rates. The effects of this translation for most foreign subsidiaries and certain other foreign currency transactions are reported in a separate component of stockholders' equity. Translation gains and losses for foreign subsidiaries that are located in highly inflationary countries or conduct a major portion of their business with the company's U.S. operations are included in income. Also included in income are gains and losses arising from transactions denominated in a currency other than the functional currency of the subsidiary involved.

The effect of changes in exchange rates on assets and liabilities, as described above, decreased net income by $156 million in 1996, and increased net income by $13 million in 1995 and $376 million in 1994. These amounts included a pre-tax net transaction and translation loss of $300 million in 1996, and gains of $37 million in 1995 and $574 million in 1994.

Impairment of Long-Lived Assets and Certain Identifiable Intangibles

The company adopted Statement of Financial Accounting Standards No. 121,"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," as of January 1, 1996. The effect of adopting this standard was not material.

The company evaluates the carrying value of goodwill for potential impairment on an ongoing basis. Such evaluations compare operating income before amortization of goodwill to the amortization recorded for the operations to which the goodwill relates. The company also evaluates the carrying value of long-lived assets and long-lived assets to be disposed of for potential impairment on an ongoing basis. The company considers projected future operating results, trends and other circumstances in making such estimates and evaluations.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized using the straight-line method principally over 40 years. Total goodwill included in Automotive and Financial Services other assets at December 31, 1996 was $2.3 billion and $2.9 billion, respectively.

Company-Obligated Mandatorily Redeemable Preferred Securities of a Subsidiary Trust

During 1995, Ford Motor Company Capital Trust I (the"Trust") issued $632 million of its 9% Trust Originated Preferred Securities (the"Preferred Securities") in a one-for-one exchange for 25,273,537 shares of the company's outstanding Series B Depositary Shares ("Depositary Shares"). Concurrent with the exchange and the related purchase by Ford of the Trust's common securities (the"Common Securities"), the company issued to the Trust $651 million aggregate principal amount of its 9% Junior Subordinated Debentures due December 2025 (the"Debentures"). The sole assets of the Trust are and will be the Debentures. The Debentures are redeemable, in whole or in part, at the company's option on or after December 1, 2002, at a redemption price of $25 per Debenture plus accrued and unpaid interest. If the company redeems the Debentures, or upon maturity of the Debentures, the Trust is required to redeem the Preferred Securities and Common Securities at $25 per share plus accrued and unpaid distributions.

Ford guarantees to pay in full to the holders of the Preferred Securities all distributions and other payments on the Preferred Securities to the extent not paid by the Trust only if and to the extent that Ford has made a payment of interest or principal on the Debentures. This guarantee, when taken together with Ford's obligations under the Debentures and the Indenture relating thereto and its obligations under the Declaration of Trust of the Trust, including its obligation to pay certain costs and expenses of the Trust, constitutes a full and unconditional guarantee by Ford of the Trust's obligations under the Preferred Securities.

Preferred Stockholders' Equity in a Subsidiary Company

During fourth quarter 1995, Ford Holdings, Inc. ("Ford Holdings"), a subsidiary of Ford, merged with Ford Holdings Capital Corporation, a subsidiary of Ford Holdings, which resulted in the cancellation of the voting preferred stock of Ford Holdings in exchange for payment by Ford Holdings of the liquidation preference of the stock plus accrued and unpaid dividends.

NOTE 2. Marketable and Other Securities

Trading securities are recorded at fair value with unrealized gains and losses included in income. Available-for-sale securities are recorded at fair value with unrealized gains and losses excluded from income and reported, net of tax, in a separate component of stockholders' equity. Held-to-maturity securities are recorded at amortized cost. Equity securities which do not have readily determinable fair values are recorded at cost. The bases of cost used in determining realized gains and losses are specific identification for Automotive operations and first-in, first-out for Financial Services operations.

The fair value of most securities is determined by quoted market prices. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market.

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

Automotive

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Memo: Book Value
1996					
Trading Securities	**$11,812**	**$25**	**$1**	**$11,836**	**$11,836**
1995					
Trading Securities	$ 6,646	$ 12	$2	$ 6,656	$ 6,656

Included in stockholders' equity at December 31, 1996 and 1995 was $96 million and $146 million, respectively, which represented the company's equity interest in the unrealized gains on securities owned by certain unconsolidated affiliates.

Financial Services

Investments in securities at December 31, 1996 were as follows (in millions):

1996	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Memo: Book Value
Trading securities	**$ 410**	**$ 3**	**$ 1**	**$ 412**	**$ 412**
Available-for-sale securities					
Debt securities issued by the U.S. government and agencies	**429**	**6**	**2**	**433**	**433**
Municipal securities	**14**	**-**	**-**	**14**	**14**
Debt securities issued by foreign governments	**42**	**1**	**-**	**43**	**43**
Corporate securities	**505**	**3**	**5**	**503**	**503**
Mortgage-backed securities	**682**	**3**	**5**	**680**	**680**
Other debt securities	**2**	**-**	**-**	**2**	**2**
Equity securities	**107**	**89**	**3**	**193**	**193**
Total available-for-sale securities	**1,781**	**102**	**15**	**1,868**	**1,868**
Held-to-maturity securities					
Debt securities issued by the U.S. government and agencies	**9**	**-**	**-**	**9**	**9**
Corporate securities	**13**	**-**	**-**	**13**	**13**
Total held-to-maturity securities	**22**	**-**	**-**	**22**	**22**
Total investments in securities with readily determinable fair value	**2,213**	**$105**	**$16**	**$2,302**	**2,302**
Equity securities not practicable to fair value	**5**				**5**
Total investments in securities	**$2,218**				**$2,307**

NOTE 2. Marketable and Other Securities (cont'd.)

Financial Services (continued)

Investments in securities at December 31, 1995 were as follows (in millions):

1995

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Memo: Book Value
Trading securities	$ 477	$ 1	$ 2	$ 476	$ 476
Available-for-sale securities					
Debt securities issued by the U.S. government and agencies	574	20	0	594	594
Municipal securities	102	3	2	103	103
Debt securities issued by foreign governments	38	1	0	39	39
Corporate securities	579	12	9	582	582
Mortgage-backed securities	336	4	1	339	339
Other debt securities	13	0	0	13	13
Equity securities	300	58	0	358	358
Total available-for-sale securities	1,942	98	12	2,028	2,028
Held-to-maturity securities					
Debt securities issued by the U.S. government and agencies	8	1	0	9	8
Municipal securities	1,132	60	7	1,185	1,132
Corporate securities	585	15	2	598	585
Total held-to-maturity securities	1,725	76	9	1,792	1,725
Total investments in securities with readily determinable fair value	4,144	$175	$23	$4,296	4,229
Equity securities not practicable to fair value	324				324
Total investments in securities	$4,468				$4,553

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 (in millions):

1996

	Available-for-sale Amortized Cost	Available-for-sale Fair Value	Held-to-maturity Amortized Cost	Held-to-maturity Fair Value
Due in one year or less	**$ 70**	**$ 70**	**$ 5**	**$ 5**
Due after one year through five years	**503**	**508**	**14**	**14**
Due after five years through ten years	**355**	**353**	**1**	**1**
Due after ten years	**64**	**64**	**2**	**2**
Mortgage-backed securities	**682**	**680**	**-**	**-**
Equity securities	**107**	**193**	**-**	**-**
Total	**$1,781**	**$1,868**	**$ 22**	**$ 22**

1995

	Available-for-sale Amortized Cost	Available-for-sale Fair Value	Held-to-maturity Amortized Cost	Held-to-maturity Fair Value
Due in one year or less	$ 173	$ 173	$ 50	$ 47
Due after one year through five years	522	534	281	285
Due after five years through ten years	433	438	1,317	1,381
Due after ten years	178	186	77	79
Mortgage-backed securities	336	339	-	-
Equity securities	300	358	-	-
Total	$1,942	$2,028	$1,725	$1,792

Proceeds from sales of available-for-sale securities were $8.4 billion in 1996, $2.4 billion in 1995 and $9.1 billion in 1994. In 1996, gross gains of $43 million and gross losses of $21 million were realized on those sales; gross gains of $39 million and gross losses of $18 million were realized in 1995, and gross gains of $24 million and gross losses of $56 million were realized in 1994. Stockholders' equity included, net of tax, net unrealized gains of $54 million and $56 million at December 31, 1996 and 1995, respectively.

NOTE 3. Receivables - Financial Services

Included in net receivables and lease investments at December 31 were net finance receivables, investments in direct financing leases and investments in operating leases. The investments in direct financing and operating leases relate to the leasing of vehicles, various types of transportation and other equipment, and facilities.

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

	1996	1995
Retail	**$ 61,197**	$ 55,742
Wholesale	**25,066**	23,911
Diversified	**473**	2,617
Real estate, mainly residential	**18,940**	16,900
Other finance receivables	**16,624**	13,470
Total finance receivables	**122,300**	112,640
Allowance for credit losses	**(2,364)**	(1,947)
Other	**76**	52
Net finance and other receivables	**$120,012**	$110,745
Net finance receivables subject to fair value*	**$119,708**	$108,595
Fair value	**$120,980**	$110,648

*Excludes certain diversified and other receivables of $304 million and $2,150 million at December 31, 1996 and 1995, respectively

Included in finance receivables at December 31, 1996 and 1995 were a total of $1.2 billion and $1.3 billion, respectively, owed by three customers with the largest receivable balances. Other finance receivables consisted primarily of commercial and consumer loans, collateralized loans, credit card receivables, general corporate obligations and accrued interest. Also included in other finance receivables at December 31, 1996 and 1995 were $4 billion and $3.5 billion, respectively, of accounts receivable purchased by certain Financial Services operations from Automotive operations.

Contractual maturities of total finance receivables are as follows (in millions): 1997 - $55,123; 1998 - $20,648; 1999 - $14,294; thereafter - $32,235. Experience indicates that a substantial portion of the portfolio generally is repaid before the contractual maturity dates.

The fair value of most receivables was estimated by discounting future cash flows using an estimated discount rate that reflected the credit, interest rate and prepayment risks associated with similar types of instruments. For receivables with short maturities, the book value approximated fair value.

Sales of finance receivables increased net income by $56 million in 1996, $69 million in 1995 and $15 million in 1994.

Investments in direct financing leases at December 31 were as follows (in millions):

	1996	1995
Minimum lease rentals, net of unearned income	**$6,816**	$ 7,287
Estimated residual values	**2,938**	3,700
Allowance for credit losses	**(114)**	(155)
Net investments in direct financing leases	**$9,640**	$ 10,832

Minimum direct financing lease rentals (including executory costs of $26 million) are contractually due as follows (in millions): 1997 - $4,145; 1998 - $2,761; 1999 - $1,671; 2000 - $806; 2001 - $287; thereafter - $110.

NOTE 3. Receivables - Financial Services *(cont'd.)*

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

	1996	1995
Vehicles and other equipment, at cost	**$38,722**	$34,855
Lease origination costs	**57**	50
Accumulated depreciation	**(6,204)**	(6,499)
Allowance for credit losses	**(321)**	(289)
Net investments in operating leases	**$32,254**	$28,117

Minimum rentals on operating leases are contractually due as follows (in millions): 1997 - $11,365; 1998 - $10,535; 1999 - $1,185; 2000 - $247; 2001 - $50; thereafter - $300.

Depreciation expense for assets subject to operating leases is provided primarily on the straight-line method over the term of the lease in amounts necessary to reduce the carrying amount of the asset to its estimated residual value. Gains and losses upon disposal of the asset also are included in depreciation expense. Depreciation expense was as follows (in millions): 1996 - $5,867; 1995 - $5,508; 1994 - $4,231.

Allowances for credit losses are estimated and established as required based on historical experience. Other factors that affect collectibility also are evaluated, and additional amounts may be provided. Finance receivables and lease investments are charged to the allowances for credit losses when an account is deemed to be uncollectible, taking into consideration the financial condition of the borrower, 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 allowances for credit losses.

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

	1996	1995	1994
Beginning balance	**$ 2,391**	$ 2,217	$2,352
Additions	**2,092**	1,327	988
Net losses	**(1,720)**	(1,120)	(826)
Other changes	**36**	(33)	(297)
Ending balance	**$ 2,799**	$ 2,391	$2,217

Statement of Financial Accounting Standards No. 125 ("SFAS 125"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," was issued in June 1996, effective for transfers and servicing of financial assets and extinguishments of liabilities after December 31, 1996. The company will adopt this standard on January 1, 1997. The effect of adopting SFAS 125 is not expected to be material.

The company adopted Statement of Financial Accounting Standards No. 114 ("SFAS 114"), "Accounting by Creditors for Impairment of a Loan," and Statement of Financial Accounting Standards No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures," as of January 1, 1995. The effect of adopting these standards, which require that impaired loans be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, was not material.

NOTE 4. Inventories - Automotive

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

	1996	1995
Raw materials, work in process and supplies	**$3,374**	$3,717
Finished products	**3,282**	3,445
Total inventories	**$6,656**	$7,162
U.S. inventories	**$2,280**	$2,662

Inventories are stated at the lower of cost or market. The cost of most U.S. inventories is determined by the last-in, first-out ("LIFO") method. The cost of the remaining inventories is determined primarily by the first-in, first-out ("FIFO") method.

If the FIFO method had been used instead of the LIFO method, inventories would have been higher by $1,445 million and $1,406 million at December 31, 1996 and 1995, respectively.

NOTE 5. Net Property, Depreciation and Amortization - Automotive

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

	1996	1995
Land	**$ 415**	$ 381
Buildings and land improvements	**8,679**	7,539
Machinery, equipment and other	**40,702**	38,954
Construction in progress	**1,902**	1,609
Total land, plant and equipment	**51,698**	48,483
Accumulated depreciation	**(26,176)**	(25,313)
Net land, plant and equipment	**25,522**	23,170
Unamortized special tools	**8,005**	8,103
Net property	**$ 33,527**	$ 31,273

Property, equipment and special tools are stated at cost, less accumulated depreciation and amortization. Property and equipment placed in service before January 1, 1993 are depreciated using an accelerated method that results in accumulated depreciation of approximately two-thirds of asset cost during the first half of the estimated useful life of the asset. Property and equipment placed in service after December 31, 1992 are depreciated using the straight-line method of depreciation over the estimated useful life of the asset. On average, buildings and land improvements are depreciated based on a 30-year life; machinery and equipment are depreciated based on a 14-year life. Special tools are amortized using an accelerated method over periods of time representing the estimated productive life of those tools.

Depreciation and amortization expenses were as follows (in millions):

	1996	1995	1994
Depreciation	**$2,644**	$2,454	$2,297
Amortization	**3,272**	2,765	2,129
Total	**$5,916**	$5,219	$4,426

When property and equipment are retired, the general policy is to charge the cost of those assets, reduced by net salvage proceeds, to accumulated depreciation. Maintenance, repairs and rearrangement costs are expensed as incurred and were $2,325 million in 1996, $2,206 million in 1995 and $2,065 million in 1994. Expenditures that increase the value or productive capacity of assets are capitalized. Preproduction costs related to new facilities are expensed as incurred.

NOTE 6. Income Taxes

Income before income taxes for U.S. and foreign operations, excluding equity in net (loss)/income of affiliated companies, was as follows (in millions):

	1996	1995	1994
U.S.	**$6,283**	$5,521	$6,944
Foreign	**516**	1,338	1,574
Total income before income taxes	**$6,799**	$6,859	$8,518

The provision for income taxes was estimated as follows (in millions):

	1996	1995	1994
Currently payable			
U.S. federal	**$ 655**	$ 971	$1,640
Foreign	**756**	578	690
State and local	**151**	17	165
Total currently payable	**1,562**	1,566	2,495
Deferred tax liability/(benefit)			
U.S. federal	**642**	731	827
Foreign	**(117)**	(10)	(71)
State and local	**79**	92	78
Total deferred	**604**	813	834
Total provision	**$2,166**	$2,379	$3,329

The provision includes estimated taxes payable on that portion of retained earnings of subsidiaries expected to be received by the company. No provision was made with respect to $1.9 billion of retained earnings at December 31, 1996 that have been invested by foreign subsidiaries. It is not practicable to estimate the amount of unrecognized deferred tax liability for the undistributed foreign earnings.

A reconciliation of the provision for income taxes compared with the amounts at the U.S. statutory tax rate is shown below (in millions):

	1996	1995	1994
Tax provision at U.S. statutory rate of 35%	**$2,380**	$2,400	$2,981
Effect of:			
Tax on foreign income	**162**	187	126
State and local income taxes	**150**	71	158
The Associates IPO	**(228)**	-	-
Other income not subject to tax or subject to tax at reduced rates	**(33)**	(47)	(62)
Other	**(265)**	(232)	126
Provision for income taxes	**$2,166**	$2,379	$3,329
Effective tax rate	**31.9%**	34.7%	39.1%

NOTE 6. Income Taxes *(cont'd.)*

Deferred income taxes reflect the estimated tax effect of temporary differences between assets and liabilities for financial reporting purposes and those amounts as measured by tax laws and regulations and net operating losses of subsidiaries. The components of deferred income tax assets and liabilities at December 31 were as follows (in millions):

	1996	1995
Deferred tax assets		
Employee benefit plans	**$ 6,989**	$ 6,672
Dealer and customer allowances and claims	**4,073**	3,750
Net operating loss carryforwards	**1,493**	844
Allowance for credit losses	**1,162**	921
Alternative minimum tax	**153**	440
All other	**1,155**	1,711
Valuation allowances	**(396)**	(158)
Total deferred tax assets	**14,629**	14,180
Deferred tax liabilities		
Leasing transactions	**5,488**	4,933
Depreciation and amortization (excluding leasing transactions)	**3,865**	3,626
Employee benefit plans	**1,275**	1,486
All other	**2,118**	1,920
Total deferred tax liabilities	**12,746**	11,965
Net deferred tax assets	**$ 1,883**	$ 2,215

Foreign net operating loss carryforwards for tax purposes were $4.3 billion at December 31, 1996. A substantial portion of these losses has an indefinite carryforward period; the remaining losses have expiration dates beginning in 1997. For financial statement purposes, the tax benefit of operating losses is recognized as a deferred tax asset, subject to appropriate valuation allowances. The company evaluates the tax benefits of operating loss carryforwards on an ongoing basis. Such evaluations include a review of historical and consideration of projected future operating results, the eligible carryforward period and other circumstances.

NOTE 7. Liabilities - Automotive

Current Liabilities

Included in accrued liabilities at December 31 were the following (in millions):

	1996	1995
Dealer and customer allowances and claims	**$ 8,738**	$ 7,824
Employee benefit plans	**2,185**	2,225
Deferred revenue	**2,078**	228
Salaries, wages and employer taxes	**983**	843
Postretirement benefits other than pensions	**761**	782
Other	**1,842**	1,490
Total accrued liabilities	**$16,587**	$13,392

NOTE 7. Liabilities - Automotive *(cont'd.)*

Noncurrent Liabilities

Included in other liabilities at December 31 were the following (in millions):

	1996	1995
Postretirement benefits other than pensions	**$15,189**	$14,533
Dealer and customer allowances and claims	**5,919**	5,514
Employee benefit plans	**2,982**	2,657
Unfunded pension obligation	**1,126**	631
Minority interests in net assets of subsidiaries	**93**	121
Other	**1,484**	2,221
Total other liabilities	**$26,793**	$25,677

NOTE 8. Employee Retirement Benefits

Employee Retirement Plans

The company has two principal retirement plans in the U.S. The Ford-UAW Retirement Plan covers hourly employees represented by the UAW, and the General Retirement Plan covers substantially all other employees of the company and several finance subsidiaries in the U.S. The hourly plan provides noncontributory benefits related to employee service. The salaried plan provides similar noncontributory benefits and contributory benefits related to pay and service. Other U.S. and non-U.S. subsidiaries have separate plans that generally provide similar types of benefits covering their employees. The company and its subsidiaries also have defined benefit plans applicable to certain executives which are not funded.

The company's policy for funded plans is to contribute annually, at a minimum, amounts required by applicable law, regulations and union agreements. Plan assets consist principally of investments in stocks, government and other fixed income securities and real estate. The various plans generally are funded, except in Germany, where this has not been the custom, and as noted above; in those cases, an unfunded liability is recorded.

The company's pension expense, including Financial Services, was as follows (in millions):

	1996		1995		1994	
	U.S. Plans	**Non-U.S. Plans**	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Benefits attributed to employee service	**$ 532**	**$ 261**	$ 435	$ 208	$ 526	$ 236
Interest on projected benefit obligation	**1,838**	**819**	1,776	785	1,639	677
Return on assets:						
Actual (gain)/loss	**(4,112)**	**(958)**	(5,696)	(1,201)	(74)	137
Deferred gain/(loss)	**1,802**	**168**	3,565	435	(1,928)	(759)
Recognized (gain)	**(2,310)**	**(790)**	(2,131)	(766)	(2,002)	(622)
Net amortization and other	**608**	**237**	408	234	452	151
Net pension expense	**$ 668**	**$ 527**	$ 488	$ 461	$ 615	$ 442
Discount rate for expense	**7.0%**	**7.6%**	8.25%	8.3%	7.0%	7.2%
Assumed long-term rate of return on assets	**9.0%**	**9.2%**	9.0%	9.0%	9.0%	9.0%

Pension expense in 1996 increased for U.S. and non-U.S. plans as a result of employee separation programs and lower discount rates. Pension expense in 1995 decreased for U.S. plans primarily as a result of higher discount rates, and increased for non-U.S. plans primarily as a result of benefit improvements and unfavorable exchange rate changes. In addition, amendments made in September 1996 to the Ford-UAW Retirement Plan and the General Retirement Plan provide pension benefit improvements for present and future retirees that will increase the company's pension expense in future years compared with 1996.

NOTE 8. Employee Retirement Benefits *(cont'd.)*

The status of these plans at December 31 was as follows (in millions):

	1996			1995		
	Assets in Excess of Accum. Benefits	Accum. Benefits in Excess of Assets	Total Plans	Assets in Excess of Accum. Benefits	Accum. Benefits in Excess of Assets	Total Plans
U.S. Plans						
Plan assets at fair value	**$30,931**	**$ 2**	**$30,933**	$ 27,921	$ 154	$ 28,075
Actuarial present value of:						
Vested benefits	**$22,363**	**$ 568**	**$22,931**	$ 20,641	$ 516	$ 21,157
Accumulated benefits	**25,908**	**569**	**26,477**	23,980	568	24,548
Projected benefits	**27,557**	**688**	**28,245**	25,607	670	26,277
Plan assets in excess of/(less than) projected benefits	**$ 3,374**	**$ (686)**	**$ 2,688**	$ 2,314	$ (516)	$ 1,798
Unamortized (net asset)/net transition obligation a/	**(122)**	**12**	**(110)**	(142)	10	(132)
Unamortized prior service cost b/	**2,789**	**82**	**2,871**	1,808	60	1,868
Unamortized net (gains)/losses c/	**(3,082)**	**160**	**(2,922)**	(758)	144	(614)
Prepaid pension asset/(liability)	**2,959**	**(432)**	**2,527**	3,222	(302)	2,920
Adjustment required to recognize minimum liability d/	**-**	**(136)**	**(136)**	-	(114)	(114)
Prepaid pension asset/(liability) recognized in the balance sheet	**$ 2,959**	**$ (568)**	**$ 2,391**	$ 3,222	$ (416)	$ 2,806
Plan assets in excess of/(less than) accumulated benefits	**$ 5,023**	**$ (567)**	**$ 4,456**	$ 3,941	$ (414)	$ 3,527
Assumptions:						
Discount rate at year-end			**7.25%**			7.0%
Average rate of increase in compensation			**5.5%**			5.5%
Non-U.S. Plans						
Plan assets at fair value	**$ 8,052**	**$ 2,846**	**$10,898**	$ 8,447	$ 938	$ 9,385
Actuarial present value of:						
Vested benefits	**$ 5,682**	**$ 5,263**	**$10,945**	$ 6,468	$ 3,478	$ 9,946
Accumulated benefits	**5,966**	**5,556**	**11,522**	6,556	3,506	10,062
Projected benefits	**6,951**	**5,914**	**12,865**	7,751	3,654	11,405
Plan assets in excess of/(less than) projected benefits	**$ 1,101**	**$(3,068)**	**$(1,967)**	$ 696	$ (2,716)	$ (2,020)
Unamortized (net asset)/net transition obligation a/	**(149)**	**421**	**272**	63	230	293
Unamortized prior service cost b/	**391**	**151**	**542**	330	170	500
Unamortized net (gains)/losses c/	**(670)**	**774**	**104**	(184)	255	71
Prepaid pension asset/(liability)	**673**	**(1,722)**	**(1,049)**	905	(2,061)	(1,156)
Adjustment required to recognize minimum liability d/	**-**	**(990)**	**(990)**	-	(517)	(517)
Prepaid pension asset/(liability) recognized in the balance sheet	**$ 673**	**$(2,712)**	**$ (2,039)**	$ 905	$ (2,578)	$ (1,673)
Plan assets in excess of/(less than) accumulated benefits	**$ 2,086**	**$(2,710)**	**$ (624)**	$ 1,891	$ (2,568)	$ (677)
Assumptions:						
Discount rate at year-end			**7.1%**			7.6%
Average rate of increase in compensation			**5.2%**			5.1%

a/ The balance of the initial difference between assets and obligation deferred for recognition over a 15-year period.
b/ The prior service effect of plan amendments deferred for recognition over remaining service.
c/ The deferred gain or loss resulting from investments, other experience and changes in assumptions.
d/ An adjustment to reflect the unfunded accumulated benefit obligation in the balance sheet for plans whose benefits exceed the assets. At December 31, 1996, the unfunded liability in excess of $651 million resulted in an increase in the charge to stockholders' equity of $159 million net of deferred taxes; at December 31, 1995, the charge to stockholders' equity was $108 million.

NOTE 8. Employee Retirement Benefits *(cont'd.)*

Postretirement Health Care and Life Insurance Benefits

The company and certain of its subsidiaries sponsor unfunded plans to provide selected health care and life insurance benefits for retired employees. The company's U.S. and Canadian employees may become eligible for these benefits if they retire while working for the company; however, benefits and eligibility rules may be modified from time to time. The estimated cost for these benefits is accrued over periods of employee service on an actuarially determined basis.

Net postretirement benefit expense, including Financial Services, was as follows (in millions):

	1996	1995	1994
Benefits attributed to employee service	**$ 268**	$ 223	$ 263
Interest on accumulated benefit obligation	**1,195**	1,160	1,088
Net amortization and other	**(69)**	(68)	(32)
Net postretirement benefit expense	**$1,394**	$1,315	$1,319
Retiree benefit payments	**$ 730**	$ 698	$ 639

The status of these plans at December 31 was as follows (in millions):

	1996	1995
Accumulated postretirement benefit obligation:		
Retirees	**$ 8,614**	$ 8,413
Active employees eligible to retire	**3,047**	3,014
Other active employees	**4,842**	5,717
Total accumulated obligation	**16,503**	17,144
Unamortized prior service cost*	**256**	270
Unamortized net losses**	**(438)**	(1,756)
Accrued liability	**$16,321**	$15,658
Assumptions:		
Discount rate	**7.5%**	7.25%
Present health care cost trend rate	**6.6%**	9.5 %
Ultimate trend rate in ten years	**5.0%**	5.5 %
Weighted-average trend rate	**5.7%**	6.6 %

* The prior service effect of plan amendments deferred for recognition over remaining service to retirement eligibility

** The deferred gain or loss resulting from experience and changes in assumptions deferred for recognition over remaining service to retirement

Changing the assumed health care cost trend rates by one percentage point is estimated to change the aggregate service and interest cost components of net postretirement benefit expense for 1996 by about $200 million and the accumulated postretirement benefit obligation at December 31, 1996 by about $2 billion.

NOTE 9. Debt

The fair value of debt was estimated based on quoted market prices or current rates for similar debt with the same remaining maturities.

Automotive

Debt at December 31 was as follows (in millions):

		Weighted Average Interest Rate*		Book Value	
	Maturity	**1996**	1995	**1996**	1995
Debt payable within one year					
Short-term debt		**6.2%**	6.6%	**$1,021**	$ 872
Long-term debt payable within one year				**640**	960
Total debt payable within one year				**1,661**	1,832
Long-term debt	1998-2046	**8.6%**	9.2%	**6,495**	5,475
Total debt				**$8,156**	$7,307
Fair value				**$8,680**	$8,160

*Excludes the effect of interest rate swap agreements

Long-term debt at December 31, 1996 included maturities as follows (in millions): 1997 - $640 (included in current liabilities); 1998 - $401; 1999 - $148; 2000 - $1,006; 2001 - $893; thereafter - $4,047.

Included in long-term debt at December 31, 1996 and 1995 were obligations of $5,961 million and $5,031 million, respectively, with fixed interest rates and $534 million and $444 million, respectively, with variable interest rates (generally based on LIBOR or other short-term rates). Obligations payable in foreign currencies at December 31, 1996 and 1995 were $756 million and $968 million, respectively.

Agreements to manage exposures to fluctuations in interest rates, which include primarily interest rate swap agreements and futures contracts, did not materially change the overall weighted-average interest rate on long-term debt and effectively decreased the obligations subject to variable interest rates to $363 million at December 31, 1996 and $287 million at December 31, 1995.

Financial Services

Debt at December 31 was as follows (in millions):

		Weighted Average Interest Rate*		Book Value	
	Maturity	**1996**	1995	**1996**	1995
Debt payable within one year					
Unsecured short-term debt				**$ 2,489**	$ 3,032
Commercial paper				**57,726**	56,002
Other short-term debt				**4,757**	1,927
Total short-term debt		**5.6%**	5.7%	**64,972**	60,961
Long-term debt payable within one year				**14,592**	12,097
Total debt payable within one year				**79,564**	73,058
Long-term debt					
Secured indebtedness	1998-2021	**8.5%**	7.7%	**70**	89
Unsecured senior indebtedness					
Notes and bank debt	1998-2048	**6.7%**	6.9%	**66,893**	64,810
Debentures	1998-2010	**5.6%**	7.4%	**1,787**	591
Unamortized (discount)				**(19)**	(5)
Total unsecured senior indebtedness				**68,661**	65,396
Unsecured subordinated indebtedness					
Notes	1998-2021	**8.8%**	8.8%	**1,500**	2,665
Debentures	1998-2009	**7.3%**	8.1%	**425**	141
Unamortized (discount)				**(15)**	(32)
Total unsecured subordinated indebtedness				**1,910**	2,774
Total long-term debt				**70,641**	68,259
Total debt				**$150,205**	$141,317
Fair value				**$150,939**	$144,730

*Excludes the effect of interest rate swap agreements

NOTE 9. Debt *(cont'd.)*

Financial Services (continued)

Information concerning short-term borrowings (excluding long-term debt payable within one year) is as follows (in millions):

	1996	1995	1994
Average amount of short-term borrowings	**$62,529**	$60,203	$50,106
Weighted-average short-term interest rates per annum (average year)	**5.7%**	6.0%	4.6%
Average remaining term of commercial paper at December 31	**33 days**	34 days	27 days

Long-term debt at December 31, 1996 included maturities as follows (in millions): 1997 - $14,592; 1998 - $14,742; 1999 - $14,473; 2000 - $12,442; 2001 - $11,211; thereafter - $17,773.

Included in long-term debt at December 31, 1996 and 1995 were obligations of $55.8 billion and $53.2 billion, respectively, with fixed interest rates and $14.8 billion and $15.1 billion, respectively, with variable interest rates (generally based on LIBOR or other short-term rates). Obligations payable in foreign currencies at December 31, 1996 and 1995 were $28 billion and $21 billion, respectively. These obligations were issued primarily to fund foreign business operations.

Agreements to manage exposures to fluctuations in interest rates include primarily interest rate swap agreements. At December 31, 1996, these agreements decreased the weighted-average interest rate on long-term debt to 6.4%, compared with 6.7% excluding these agreements, and effectively decreased the obligations subject to variable interest rates to $13.6 billion; the weighted-average interest rate on short-term debt increased to 5.7%, compared with 5.6% excluding these agreements. At December 31, 1995, these agreements did not materially change the overall weighted-average interest rate on long-term debt of 7% and effectively decreased the obligations subject to variable rates to $11.9 billion; the weighted-average interest rate on short-term debt increased to 5.8%, compared with 5.7% excluding these agreements.

Support Facilities

At December 31, 1996, Ford had long-term contractually committed global credit agreements under which $8.4 billion is available from various banks through June 30, 2001. The entire $8.4 billion may be used, at Ford's option, by any affiliate of Ford; however, any borrowing by an affiliate will be guaranteed by Ford. In addition, Ford has the ability to transfer on a nonguaranteed basis the entire $8.4 billion in varying portions to Ford Motor Credit Company ("Ford Credit"), a subsidiary of Ford, and to Ford Credit Europe plc ("Ford Credit Europe"), a subsidiary of Ford Credit. These facilities were unused at December 31, 1996.

At December 31, 1996, Financial Services had a total of $49.8 billion of contractually committed support facilities. Of these facilities, $24.5 billion (excluding the $8.4 billion of Ford's credit facilities) are contractually committed global credit agreements under which $19.6 billion and $4.9 billion are available to Ford Credit and Ford Credit Europe, respectively, from various banks; 62% and 76%, respectively, of such facilities are available through June 30, 2001. The entire $19.6 billion may be used, at Ford Credit's option, by any subsidiary of Ford Credit, and the entire $4.9 billion may be used, at Ford Credit Europe's option, by any subsidiary of Ford Credit Europe. Any borrowings by such subsidiaries will be guaranteed by Ford Credit or Ford Credit Europe, as the case may be. At December 31, 1996, $165 million of the Ford Credit global facilities were in use; $709 million of the Ford Credit Europe global facilities were in use. Other than the global credit agreements, the remaining portion of the Financial Services support facilities at December 31, 1996 consisted of $22.6 billion of contractually committed support facilities available to various affiliates in the U.S. and $2.7 billion of contractually committed support facilities available to various affiliates outside the U.S.; at December 31, 1996, approximately $1.4 billion of these facilities were in use.

NOTE 10. Capital Stock

At December 31, 1996, all general voting power was vested in the holders of Common Stock and the holders of Class B Stock, voting together without regard to class. At that date, the holders of Common Stock were entitled to one vote per share and, in the aggregate, had 60% of the general voting power; the holders of Class B Stock were entitled to such number of votes per share as would give them, in the aggregate, the remaining 40% of the general voting power, as provided in the company's Certificate of Incorporation.

The Certificate of Incorporation provides that all shares of Common Stock and Class B Stock share equally in dividends (other than dividends declared with respect to any outstanding Preferred Stock), except that any stock dividends are payable in shares of Common Stock to holders of that class and in Class B Stock to holders of that class. Upon liquidation, all shares of Common Stock and Class B Stock are entitled to share equally in the assets of the company available for distribution to the holders of such shares.

On April 14, 1994, the company's Board of Directors declared a 2-for-1 stock split in the form of a 100% stock dividend on the company's Common Stock and Class B Stock effective June 6, 1994. Share data were restated to reflect the split, where appropriate.

Information concerning the Preferred Stock of the company is as follows:

	Series A Cumulative Convertible Preferred Stock	Series B Cumulative Preferred Stock
Liquidation preference and shares outstanding at December 31, 1996	$50 per Depositary Share $186 million and 3,721 shares outstanding (3,720,647 Depositary Shares)	$25 per Depositary Share $508 million and 10,163 shares outstanding (20,326,463 Depositary Shares)
Dividends	$4.20 per year per Depositary Share	$2.0625 per year per Depositary Share
Conversion	Shares can be converted at any time into shares of Common Stock of the company at a rate equivalent to 3.2654 shares of Common Stock for each Depositary Share (equivalent to a conversion price of $15.3121 per share of Common Stock)	None
Redemption	Not redeemable prior to December 7, 1997 On and after December 7, 1997, the stock is redeemable for cash at the company's option, in whole or in part, initially at an amount equivalent to $51.68 per Depositary Share and thereafter at prices declining to $50 per Depositary Share on and after December 1, 2001, plus, in each case, an amount equal to the sum of all accrued and unpaid dividends	Not redeemable prior to December 1, 2002 On and after December 1, 2002, and upon satisfaction of certain conditions, the stock is redeemable for cash at the option of Ford, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, plus an amount equal to the sum of all accrued and unpaid dividends 25,273,537 Depositary Shares were exchanged during 1995 (see Note 1, "Company-Obligated Mandatorily Redeemable Preferred Securities of a Subsidiary Trust")

The Series A and Series B Preferred Stock rank (and any other outstanding Preferred Stock of the company would rank) senior to the Common Stock and Class B Stock in respect of dividends and liquidation rights.

NOTE 11. Stock Options

The company has stock options outstanding under the 1985 Stock Option Plan and the 1990 Long-Term Incentive Plan. These Plans were approved by the stockholders. No further grants may be made under the 1985 Plan. Grants may be made under the 1990 Plan through April 2000. In general, options granted under the 1985 Plan and options granted to date under the 1990 Plan become exercisable 25% after one year from the date of grant, 50% after two years, 75% after three years and in full after four years. Options under both Plans expire after 10 years. Certain options outstanding under the Plans were granted with an equal number of accompanying stock appreciation rights which may be exercised in lieu of the options. Under the Plans, a stock appreciation right entitles the holder to receive, without payment, the excess of the fair market value of the Common Stock on the date of exercise over the option price, either in Common Stock or cash or a combination. In addition, grants of Contingent Stock Rights were made with respect to 865,100 shares in 1996, 884,500 shares in 1995 and 709,800 shares in 1994 under the 1990 Long-Term Incentive Plan (not included in the tables below). The number of shares ultimately awarded will depend on the extent to which the Performance Target specified in each Right is achieved, individual performance of the recipients and other factors, as determined by the Compensation and Option Committee of the Board of Directors.

There were no shares authorized for future grants at December 31, 1996, 1995 and 1994. Up to 1% of Common Stock issued as of December 31 of any year may be made available for stock options and other plan awards in the next succeeding calendar year. That limit may be increased up to 2% in any year, with a corresponding reduction in shares available for grants in future years. At December 31, 1996, this reduction aggregated to 279,420 shares.

Information concerning stock options is as follows (shares in millions):

	1996		1995		1994	
Shares subject to option	**Shares**	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	**48.5**	**$25.22**	43.3	$23.24	37.4	$21.42
New grants (based on fair value of Common Stock at dates of grant)	**8.0**	**32.69**	9.7	32.00	9.5	29.06
Exercised*	**(5.2)**	**20.32**	(3.4)	19.62	(2.6)	19.71
Surrendered upon exercise of stock appreciation rights	**(0.7)**	**23.03**	(0.9)	23.19	(0.9)	21.59
Terminated and expired	**(0.3)**	**31.14**	(0.2)	28.05	(0.1)	22.71
Outstanding at end of period	**50.3** **	**26.93**	48.5	25.22	43.3	23.24
Outstanding but not exercisable	**(21.5)**		(22.6)		(21.3)	
Exercisable at end of period	**28.8**	**23.61**	25.9	21.77	22.0	21.04

* Exercised at option prices ranging from $13.42 to $29.06 during 1996, $9.09 to $29.06 during 1995, and $9.09 to $28.84 during 1994

** Included 4.8 and 45.5 million shares under the 1985 and 1990 Plans, respectively, at option prices ranging from $13.42 to $32.75 per share. At December 31, 1996, the weighted-average remaining exercise period relating to the outstanding options was 6.9 years

The estimated fair value as of date of grant of options granted in 1996 and 1995, using the Black-Scholes option-pricing model, was as follows:

	1996	1995
Estimated fair value per share of options granted during the year	**$6.93**	$7.16
Assumptions:		
Annualized dividend yield	**4.3%**	3.9%
Common Stock price volatility	**25.2%**	26.2%
Risk-free rate of return	**6.2%**	5.8%
Expected option term (in years)	**5**	5

NOTE 11. Stock Options *(cont'd.)*

The company adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation," effective with the 1996 financial statements, but elected to continue to measure compensation cost using the intrinsic value method, in accordance with APB Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees." Accordingly, no compensation cost for stock options has been recognized. If compensation cost had been determined based on the estimated fair value of options granted in 1996 and 1995, consistent with the methodology in SFAS 123, the pro forma effects on the company's net income and income per share would not have been material.

NOTE 12. Litigation and Claims

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

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Reserves have been established by the company for certain of the matters discussed in the foregoing paragraph where losses are deemed probable. It is reasonably possible, however, that some of the matters discussed in the foregoing paragraph for which reserves have not been established could be decided unfavorably to the company or the subsidiary involved and could require the company or such subsidiary to pay damages or make other expenditures in amounts or a range of amounts that cannot be estimated at December 31, 1996. The company does not reasonably expect, based on its analysis, that any adverse outcome from such matters would have a material effect on future consolidated financial statements for a particular year, although such an outcome is possible.

NOTE 13. Commitments and Contingencies

At December 31, 1996, the company had the following minimum rental commitments under non-cancelable operating leases (in millions): 1997 - $776; 1998 - $416; 1999 - $395; 2000 - $269; 2001 - $206; thereafter - $915. These amounts include rental commitments related to the sale and leaseback of certain Automotive machinery and equipment.

The company and certain of its subsidiaries have entered into agreements with various banks to provide credit card programs that offer rebates that can be applied against the purchase or lease of Ford vehicles. The maximum amount of rebates available to qualified cardholders at December 31, 1996 and 1995 was $4.1 billion and $3.1 billion, respectively. The company has provided for the estimated net cost of these programs as a sales incentive based on the estimated number of participants who ultimately will purchase vehicles.

Certain Financial Services subsidiaries make credit lines available to holders of their credit cards. At December 31, 1996 and 1995, the unused portion of available credit was approximately $18.8 billion and $17.3 billion, respectively, and is revocable under specified conditions. The fair value of unused credit lines and the potential risk of loss were not considered to be material.

NOTE 14. Financial Instruments

Estimated fair value amounts have been determined using available market information and various valuation methods depending on the type of instrument. In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

Balance Sheet Financial Instruments

Information about specific valuation techniques and estimated fair values is provided throughout the Notes to Financial Statements. Book value and estimated fair value amounts at December 31 were as follows (in millions):

	1996		1995		
	Book Value	**Fair Value**	Book Value	Fair Value	Fair Value Reference
Automotive					
Marketable securities	**$ 11,836**	**$ 11,836**	$ 6,656	$ 6,656	Note 2
Debt	**8,156**	**8,680**	7,307	8,160	Note 9
Financial Services					
Marketable securities	**$ 2,302**	**$ 2,302**	$ 4,229	$ 4,296	Note 2
Receivables	**119,708**	**120,980**	108,595	110,648	Note 3
Debt	**150,205**	**150,939**	141,317	144,730	Note 9

Foreign Currency and Interest Rate Instruments

The fair value of foreign currency and interest rate instruments was estimated using current market prices provided by outside quotation services. The estimated fair value, notional amount and deferred loss at December 31 were as follows (in millions):

	1996			1995		
	Fair Value	**Notional Amount***	**Deferred (Loss)****	Fair Value	Notional Amount*	Deferred (Loss)**
Foreign currency instruments		**$29,700**	**$(132)**		$24,500	$(118)
- Assets	**$ 259**			$373		
- Liabilities	**1,168**			316		
Interest rate instruments		**76,200**	**-**		64,600	-
- Assets	**436**			739		
- Liabilities	**319**			430		

* The notional amount represents the contract amount, not the amount at risk

** Deferred losses are offset by unrecognized gains on the underlying transactions or commitments

Counterparty Credit Risk

Ford manages its foreign currency and interest rate counterparty credit risks by limiting exposure to and by monitoring the financial condition of each counterparty. The amount of exposure Ford 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, the company's risk is limited to the fair value of the instrument.

Other Financial Agreements

At December 31, 1996, the notional amount of commodity hedging contracts outstanding totaled $300 million; the notional amount at December 31, 1995, was not material. The company also had guaranteed $1.1 billion of debt of unconsolidated subsidiaries, affiliates and others. The risk of loss under these financial agreements is not material.

NOTE 15. Acquisitions, Dispositions and Restructuring

Asset Write-Downs and Dispositions - Financial Services

During third quarter 1996, USL Capital Corporation ("USL Capital"), a subsidiary of Ford Holdings, concluded a series of transactions for the sale of substantially all of its assets, as well as certain assets owned by Ford Credit and managed by USL Capital. Proceeds from the sale were used to pay down related liabilities and debt.

The company recorded a pre-tax charge in 1996 totaling $384 million ($233 million after taxes) to recognize the estimated value of its outstanding notes receivable from, and preferred stock investment in, Budget Rent a Car Corporation ("BRAC"). The initial provision taken in second quarter 1996 totaling $700 million ($437 million after taxes) resulted from conclusions reached in a study of Ford's rental car business strategy. In accordance with SFAS 114, the notes receivable provision reflected primarily the unsecured portion of financing provided to BRAC by Ford. The preferred stock write-down reflected recognition of the fair value of Ford's investment at the time. In fourth quarter 1996, the notes receivable provision was reduced by $316 million ($204 million after taxes), reflecting a strengthening of the rental car business, recent sales of rental car franchises, and increased investor interest that led to a reassessment of the value of notes receivable from BRAC to Ford. In connection with a January 1997 agreement by Team Rental Group, Inc. ("Team Rental") to acquire all of the outstanding common stock of BRAC, a portion of Ford's loans to BRAC will be forgiven and the remainder will be repaid or purchased in cash and Team Rental common stock. In addition, the BRAC preferred stock held by Ford will be redeemed. Ford will own approximately 22% of Team Rental when the transaction is completed.

During September 1994, substantially all of the assets of First Nationwide Bank, since known as Granite Savings Bank (the "Bank"), were sold to, and substantially all of the Bank's liabilities were assumed by, First Madison Bank. The Bank is a wholly-owned subsidiary of Granite Management Corporation (formerly First Nationwide Financial Corporation) ("Granite"), which in turn is a wholly-owned subsidiary of Ford. The company recognized in first quarter 1994 earnings a charge related to the disposition of the Bank, reflecting the nonrecovery of goodwill and reserves for estimated losses on assets not included in the sale. The company's income statement included the results of operations of Granite through March 31, 1994. The remaining net assets of Granite at December 31, 1996 and 1995 were included in the balance sheet under Financial Services - Other Assets.

The effect of the USL Capital disposition, BRAC write-down and Bank disposition on the company's results from operations are summarized below (in millions):

	1996		1994	
	Income/(loss) Before Taxes	**Net Income/(loss)**	Loss Before Taxes	Net Loss
Sale of USL Capital's assets	**$ 263**	**$ 95**	$ -	$ -
Write-down for Budget Rent a Car Corporation	**(384)**	**(233)**	-	-
First Nationwide Bank disposition	**-**	**-**	(475)	(440)
Total	**$(121)**	**$(138)**	$(475)	$(440)

Sale of The Associates' Common Stock

During May 1996, Associates First Capital Corporation ("The Associates"), a subsidiary of Ford, completed an initial public offering of its common stock representing a 19.3% economic interest in The Associates (the "IPO"). Ford recorded in second quarter 1996 a non-operating gain of $650 million resulting from the IPO, to recognize the excess of the net proceeds from the IPO over the proportionate share of Ford's investment in The Associates. The gain was not subject to income taxes.

NOTE 15. Acquisitions, Dispositions and Restructuring *(cont'd.)*

Investment in Mazda Motor Corporation

During May 1996, Ford increased its investment in Mazda Motor Corporation ("Mazda") from its existing 24.5% ownership interest to a 33.4% ownership interest by purchasing from Mazda newly-issued shares of common stock for an aggregate purchase price of $484 million. In connection with the purchase of shares, Mazda agreed to coordinate more closely with Ford its strategies and plans, particularly in the areas of product development, manufacturing and distribution of vehicles, so as to improve the competitiveness and economies of scale of both companies. Ford and Mazda remain separate public companies with separate identities. Ford is not responsible for any of Mazda's liabilities, debts or other obligations, and Mazda's operating results and financial position are not consolidated with those of Ford; Mazda continues to be reflected in Ford's consolidated financial statements on an equity basis.

Dissolution of Autolatina Joint Venture

During fourth quarter 1995, the company's joint venture with Volkswagen AG in Brazil and Argentina was dissolved. The dissolution resulted in a gain of $230 million, primarily from a one-time cash compensation payment to Ford. Prior to dissolution, the company held a 49% interest in Autolatina and accounted for it on an equity basis. Effective December 31, 1995, the assets and liabilities of the new entities in Brazil and Argentina were consolidated in the company's balance sheet; revenues and costs for 1996 were consolidated in the company's income statement. Automotive revenues and costs for 1995 and 1994 exclude these entities; the company's income statement for 1995 and 1994 included Ford's equity share in the results of the Autolatina joint venture.

Sale of Annuity Business

During 1995, the company agreed to sell its annuity business to SunAmerica, Inc. for $173 million. The sale was completed in early 1996. The company recognized a one-time charge related to the sale that was not material. The company's income statement included the results of operations of the annuity business through December 31, 1995. Net assets of the annuity business were included in the balance sheet under Financial Services - Other Assets at December 31, 1995.

Acquisition of The Hertz Corporation

During April 1994, The Hertz Corporation ("Hertz") became a wholly-owned subsidiary of Ford. The operating results, assets, liabilities and cash flows of Hertz are consolidated as part of the Financial Services segment.

Employee Separation Programs

Costs for special voluntary employee separation programs reduced the company's Automotive net income for 1996 and 1995 by $436 million and $146 million, respectively. These programs affected about 3,500 salaried employees in 1996, primarily in the U.S.; there also were reductions in hourly employment outside the U.S. Costs for voluntary separation programs are recognized in expense when employees accept offers of early retirement or termination and the costs can be reasonably estimated.

NOTE 16. Cash Flows

The reconciliation of net income to cash flows from operating activities is as follows (in millions):

	1996 Automotive	1996 Financial Services	1995 Automotive	1995 Financial Services	1994 Automotive	1994 Financial Services
Net income	**$ 1,655**	**$ 2,791**	$2,056	$ 2,083	$ 3,913	$1,395
Adjustments to reconcile net income to cash flows from operating activities:						
Depreciation and amortization	**5,916**	**6,875**	5,219	6,500	4,426	4,910
Losses/(earnings) of affiliated companies in excess of dividends remitted	**44**	**(16)**	191	7	(171)	(2)
Provision for credit and insurance losses	**-**	**2,564**	-	1,818	-	1,539
Foreign currency adjustments	**156**	**-**	(64)	-	(384)	-
Net (purchases)/sales of trading securities	**(5,180)**	**62**	672	239	(3,616)	(41)
Provision for deferred income taxes	**74**	**530**	88	725	424	410
Gain on sale of The Associates' common stock (Note 15)	**-**	**(650)**	-	-	-	-
Changes in assets and liabilities:						
(Increase)/decrease in accounts receivable and other current assets	**(2,183)**	**-**	129	-	(1,096)	-
Decrease/(increase) in inventory	**553**	**-**	(46)	-	(894)	-
Increase in accounts payable and accrued and other liabilities	**5,447**	**1,303**	730	1,461	4,949	1,077
Other	**94**	**(778)**	(126)	(511)	(9)	(201)
Cash flows from operating activities	**$ 6,576**	**$12,681**	$8,849	$12,322	$ 7,542	$9,087

The company considers all highly liquid investments purchased with a maturity of three months or less, including short-term time deposits and government, agency and corporate obligations, to be cash equivalents. Automotive cash equivalents at December 31, 1996 and 1995 were $2.8 billion and $4.7 billion, respectively; Financial Services cash equivalents at December 31, 1996 and 1995 were $2.8 billion and $1.8 billion, respectively. Cash flows resulting from futures contracts, forward contracts and options that are accounted for as hedges of identifiable transactions are classified in the same category as the item being hedged. Purchases, sales and maturities of trading securities are included in cash flows from operating activities. Purchases, sales and maturities of available-for-sale and held-to-maturity securities are included in cash flows from investing activities.

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

	1996	1995	1994
Interest	**$10,250**	$9,586	$7,718
Income taxes	**1,285**	1,425	2,042

NOTE 17. Segment Information

The company's major geographic areas are the United States and Europe. Other geographic areas (primarily Canada, Mexico, South America and Asia-Pacific) individually are not material. Financial information segregated by major geographic area is as follows (in millions):

	1996	1995	1994
Automotive			
Sales to unaffiliated customers			
United States	**$ 76,048**	$ 73,870	$ 73,759
Europe	**27,006**	26,132	22,623
All other	**14,969**	10,494	10,755
Total	**$118,023**	$110,496	$107,137
Intercompany sales among geographic areas*			
United States	**$ 11,232**	$ 10,438	$ 11,206
Europe	**2,900**	2,765	2,303
All other	**14,812**	12,060	11,217
Total	**$ 28,944**	$ 25,263	$ 24,726
Total sales			
United States	**$ 87,280**	$ 84,308	$ 84,965
Europe	**29,906**	28,897	24,926
All other	**29,781**	22,554	21,972
Elimination of intercompany sales	**(28,944)**	(25,263)	(24,726)
Total	**$118,023**	$110,496	$107,137
Operating income/(loss)			
United States	**$ 2,800**	$ 2,409	$ 4,131
Europe	**(497)**	20	611
All other	**213**	852	1,084
Total	**$ 2,516**	$ 3,281	$ 5,826
Net income/(loss)			
United States	**$ 2,007**	$ 1,843	$ 3,002
Europe	**(291)**	116	128
All other	**(61)**	97	783
Total	**$ 1,655**	$ 2,056	$ 3,913
Assets at December 31			
United States	**$ 51,681**	$ 45,841	$ 45,889
Europe	**18,440**	17,010	16,880
All other	**21,951**	18,842	16,798
Net receivables from Financial Services	**0**	200	677
Elimination of intercompany receivables	**(12,414)**	(9,121)	(11,605)
Total	**$ 79,658**	$ 72,772	$ 68,639
Capital expenditures (facilities, machinery and equipment and tooling)			
United States	**$ 4,493**	$ 5,296	$ 5,429
Europe	**1,905**	1,892	1,393
All other	**1,811**	1,488	1,488
Total	**$ 8,209**	$ 8,676	$ 8,310

* Intercompany sales among geographic areas consist primarily of vehicles, parts and components manufactured by the company and various subsidiaries and sold to different entities within the consolidated group; transfer prices for these transactions are established by agreement between the affected entities

NOTE 17. Segment Information *(cont'd.)*

	1996	1995	1994
Financial Services			
Revenues			
United States	**$ 22,839**	$ 21,383	$ 17,356
Europe	**3,472**	3,144	2,336
All other	**2,657**	2,114	1,610
Total	**$ 28,968**	$ 26,641	$ 21,302
Income before income taxes**			
United States	**$ 3,363**	$ 2,822	$ 2,185
Europe	**454**	493	419
All other	**405**	224	188
Total	**$ 4,222**	$ 3,539	$ 2,792
Net income			
United States	**$ 2,216**	$ 1,718	$ 1,119
Europe	**268**	321	218
All other	**307**	44	58
Total	**$ 2,791**	$ 2,083	$ 1,395
Assets at December 31			
United States	**$144,494**	$137,154	$124,120
Europe	**22,788**	20,237	16,507
All other	**15,927**	13,120	10,356
Total	**$183,209**	$170,511	$150,983

** Financial Services activities do not report operating income; income before income taxes is representative of operating income

NOTE 18. Summary Quarterly Financial Data (Unaudited)

(in millions, except amounts per share)

	1996 First Quarter	1996 Second Quarter	1996 Third Quarter	1996 Fourth Quarter	1995 First Quarter	1995 Second Quarter	1995 Third Quarter	1995 Fourth Quarter
Automotive								
Sales	$29,333	$30,726	$26,459	$31,505	$28,601	$29,861	$24,437	$27,597
Operating income/(loss)	315	1,624	19	558	1,782	1,774	(204)	(71)
Financial Services								
Revenues	6,928	7,211	7,501	7,328	6,182	6,528	6,981	6,950
Income before income taxes	832	947	1,268	1,175	759	885	978	917
Total Company								
Net income*	$ 653	$ 1,903	$ 686	$ 1,204	$ 1,550	$ 1,572	$ 357	$ 660
Less:								
Preferred stock dividend requirements	19	16	16	14	72	69	55	38
Fair value adjustment from exchange of Series B Preferred Stock	-	-	-	-	-	-	-	66
Income attributable to Common and Class B Stock	$ 634	$ 1,887	$ 670	$ 1,190	$ 1,478	$ 1,503	$ 302	$ 556
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK AFTER PREFERRED STOCK DIVIDENDS**								
Income	$ 0.54	$ 1.60	$ 0.57	$ 1.00	$ 1.44	$ 1.45	$ 0.28	$ 0.49
Income assuming full dilution	0.53	1.56	0.56	0.99	1.28	1.30	0.27	0.48
Cash dividends	0.35	0.35	0.385	0.385	0.26	0.31	0.31	0.35
- - - - -								
*One-time factors included in net income:								
- Employee separation programs	(28)	(21)	(51)	(336)	-	(9)	(8)	(129)
- Autolatina dissolution	-	-	-	-	-	-	-	230
- Sale of The Associates' common stock	-	650	-	-	-	-	-	-
- Sale of USL Capital's assets	-	19	76	-	-	-	-	-
- Write-down for Budget Rent a Car Corporation	-	(437)	-	204	-	-	-	-

** The sum of the income per share amounts in 1996 and 1995 is different from the amount reported for the full year because of the effect that issuances of the company's stock had on average shares outstanding for those periods

Supplementary Disclosures

	1996 First Quarter	1996 Second Quarter	1996 Third Quarter	1996 Fourth Quarter	1995 First Quarter	1995 Second Quarter	1995 Third Quarter	1995 Fourth Quarter
Common Stock Price (Split Adjusted)								
High	34-5/8	37-1/4	34-1/4	33-7/8	29-1/8	31-1/8	32-7/8	32-3/8
Low	27-1/4	31-1/2	30	30-3/8	24-3/4	25-3/4	28	27-3/4
Series A Convertible Preferred Stock Price								
High	112-5/8	121	111-1/2	110	95-3/8	101-1/4	107-1/2	105-1/4
Low	89-1/4	102-7/8	97-3/4	100	80-3/4	84	91-1/2	90-7/8

As of February 28,1997, stockholders of record of Ford included 252,137 holders of Common Stock and 108 holders of Class B Stock.

Eleven-Year Summary of Vehicle Unit Sales *

(units in thousands)

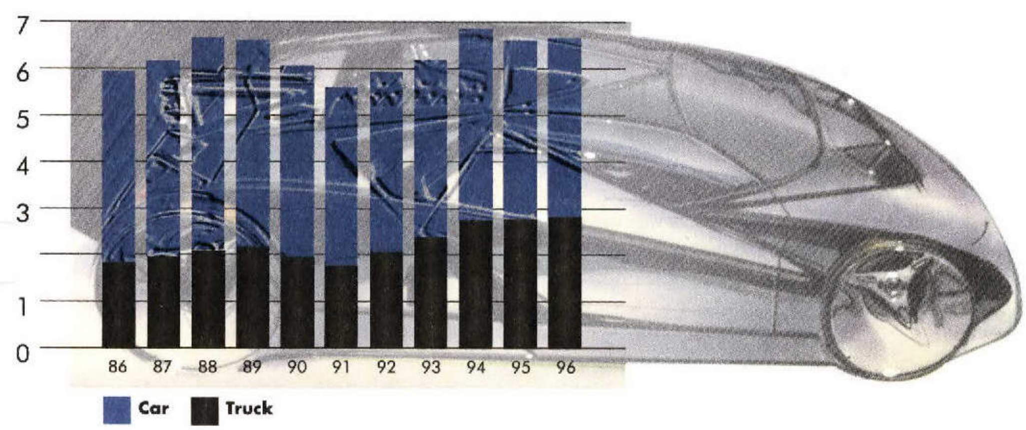
	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
North America											
United States											
Cars	**1,656**	1,767	2,036	1,925	1,820	1,588	1,870	2,201	2,364	2,176	2,105
Trucks	**2,241**	2,226	2,182	1,859	1,510	1,253	1,416	1,517	1,537	1,480	1,406
Total United States	**3,897**	3,993	4,218	3,784	3,330	2,841	3,286	3,718	3,901	3,656	3,511
Canada	**258**	254	281	256	237	259	257	326	349	349	321
Mexico	**67**	32	92	91	126	112	89	87	63	35	44
Total North America	**4,222**	4,279	4,591	4,131	3,693	3,212	3,632	4,131	4,313	4,040	3,876
Europe											
Britain	**516**	496	520	464	420	471	607	739	753	628	596
Germany	**436**	409	386	340	407	501	361	326	332	328	320
France	**194**	165	180	150	194	190	185	192	168	162	151
Italy	**180**	193	179	172	266	301	219	153	98	93	85
Spain	**155**	160	163	117	165	128	155	173	158	159	112
Other countries	**339**	286	281	250	270	296	289	296	290	285	300
Total Europe	**1,820**	1,709	1,709	1,493	1,722	1,887	1,816	1,879	1,799	1,655	1,564
Other international											
Brazil	**190**	201	164	151	117	137	137	157	154	129	177
Australia	**138**	139	125	120	105	104	134	154	132	128	139
Taiwan	**86**	106	97	122	119	107	115	115	88	55	31
Argentina	**64**	48	54	49	49	26	18	25	30	33	32
Japan	**52**	57	50	53	64	83	99	82	60	49	40
Other countries	**81**	67	63	65	71	67	72	65	86	82	92
Total other international	**611**	618	553	560	525	524	575	598	550	476	511
Total worldwide cars and trucks	**6,653**	6,606	6,853	6,184	5,940	5,623	6,023	6,608	6,662	6,171	5,951
Total worldwide tractors **	**-**	-	-	-	-	13	66	72	77	64	68
Total worldwide vehicle unit sales	**6,653**	6,606	6,853	6,184	5,940	5,636	6,089	6,680	6,739	6,235	6,019

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

** Ford's tractor operation, Ford New Holland, was sold on May 6, 1991

Worldwide Vehicle Unit Sales 1986-1996

millions of units



Worldwide vehicle sales increased to slightly over 6.6 million units in 1996. Once again, Ford was the largest manufacturer of trucks in the world with sales of 2.8 million units.

Eleven-Year Financial Summary

(dollar amounts in millions, except per share amounts)

SUMMARY OF OPERATIONS	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Automotive											
Sales	**$118,023**	$110,496	$107,137	$91,568	$84,407	$72,051	$81,844	$82,879	$82,193	$71,797	$62,868
Operating income/(loss)	**2,516**	3,281	5,826	1,432	(1,775)	(3,769)	316	4,252	6,612	6,256	4,142
Income/(loss) before income taxes and cumulative effects of changes in accounting principles	**2,571**	3,166	5,997	1,291	(1,952)	(4,052)	275	5,156	7,312	6,499	4,299
Income/(loss) before cumulative effects of changes in accounting principles a/, c/	**1,655**	2,056	3,913	1,008	(1,534)	(3,186)	99	3,175	4,609	3,767	2,512
Net income/(loss)	**1,655**	2,056	3,913	1,008	(8,628)	(3,186)	99	3,175	4,609	3,767	2,512
Financial Services											
Revenues	**$ 28,968**	$ 26,641	$ 21,302	$16,953	$15,725	$16,235	$15,806	$13,267	$10,253	$ 8,096	$ 6,826
Income before income taxes and cumulative effects of changes in accounting principles	**4,222**	3,539	2,792	2,712	1,825	1,465	1,220	874	1,031	1,386	1,321
Income before cumulative effects of changes in accounting principles b/, d/	**2,791**	2,083	1,395	1,521	1,032	928	761	660	691	858	773
Net income	**2,791**	2,083	1,395	1,521	1,243	928	761	660	691	858	773
Total Company											
Income/(loss) before income taxes and cumulative effects of changes in accounting principles	**$ 6,793**	$ 6,705	$ 8,789	$ 4,003	$ (127)	$(2,587)	$ 1,495	$ 6,030	$ 8,343	$ 7,885	$ 5,620
Provision/(credit) for income taxes	**2,166**	2,379	3,329	1,350	295	(395)	530	2,113	2,999	3,226	2,323
Minority interests in net income of subsidiaries	**181**	187	152	124	80	66	105	82	44	34	-
Income/(loss) before cumulative effects of changes in accounting principles a/, b/, c/, d/	**4,446**	4,139	5,308	2,529	(502)	(2,258)	860	3,835	5,300	4,625	3,285
Cumulative effects of changes in accounting principles	**-**	-	-	-	(6,883)	-	-	-	-	-	-
Net income/(loss)	**$ 4,446**	$ 4,139	$ 5,308	$ 2,529	$ (7,385)	$(2,258)	$ 860	$ 3,835	$ 5,300	$ 4,625	$ 3,285
Total Company Data Per Share of Common and Class B Stock e/											
Income/(loss) before cumulative effects of changes in accounting principles	**$ 3.72**	$ 3.58	$ 4.97	$ 2.27	$ (0.73)	$ (2.40)	$ 0.93	$ 4.11	$ 5.48	$ 4.53	$ 3.08
Income/(loss)											
Assuming no dilution	**3.72**	3.58	4.97	2.27	(7.81)	(2.40)	0.93	4.11	5.48	4.53	3.08
Assuming full dilution	**3.64**	3.33	4.44	2.10	(7.81)	(2.40)	0.92	4.06	5.40	4.46	3.03
Cash dividends	**1.47**	1.23	0.91	0.80	0.80	0.98	1.50	1.50	1.15	0.79	0.56
Common stock price range (NYSE)											
High	**37-1/4**	32-7/8	35	33-1/16	24-7/16	18-7/8	24-9/16	28-5/16	27-1/2	28-5/32	15-7/8
Low	**27-1/4**	24-3/4	25-5/8	21-1/2	13-7/8	11-11/16	12-1/2	20-11/16	19-1/32	14-7/32	9
Average number of shares of Common and Class B stock outstanding (in millions)	**1,179**	1,071	1,010	986	972	952	926	934	968	1,022	1,066

- - - - -

a/ 1989 includes an after-tax loss of $424 million from the sale of Rouge Steel Company.

b/ 1994 includes an after-tax loss of $440 million from the sale of Granite Savings Bank (formerly First Nationwide Bank).

c/ 1995 includes a gain of $230 million from the dissolution of Autolatina, the company's joint venture with Volkswagen AG in Brazil and Argentina.

d/ 1996 includes gains of $650 million on the sale of The Associates' common stock and $95 million on the sale of USL Capital's assets, offset partially by a net write-down of $233 million for Budget Rent a Car Corporation.

e/ Share data have been adjusted to reflect stock dividends and stock splits.

Eleven-Year Financial Summary *(cont'd.)*

(dollar amounts in millions, except per share amounts)

SUMMARY OF OPERATIONS	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Total Company Balance Sheet Data at Year-End											
Assets											
Automotive	**$ 79,658**	$ 72,772	$ 68,639	$ 61,737	$ 57,170	$ 52,397	$ 50,824	$ 45,819	$ 43,128	$ 39,734	$ 34,021
Financial Services	**183,209**	170,511	150,983	137,201	123,375	122,032	122,839	115,074	100,239	76,260	59,211
Total assets	**$262,867**	$243,283	$219,622	$198,938	$180,545	$174,429	$173,663	$160,893	$143,367	$115,994	$ 93,232
Long-term debt											
Automotive	**$ 6,495**	$ 5,475	$ 7,103	$ 7,084	$ 7,068	$ 6,539	$ 4,553	$ 1,137	$ 1,336	$ 2,058	$ 2,467
Financial Services	**70,641**	68,259	58,104	47,900	42,369	43,680	40,779	37,784	30,777	26,009	19,128
Stockholders' equity f/	**26,762**	24,547	21,659	15,574	14,753	22,690	23,238	22,728	21,529	18,493	14,860
Total Company Facility and Tooling Data											
Capital expenditures for facilities (excluding special tools)	**$ 5,362**	$ 5,455	$ 5,236	$ 4,339	$ 3,613	$ 3,611	$ 4,702	$ 4,412	$ 3,148	$ 2,415	$ 2,179
Depreciation	**9,519**	8,954	7,207	5,456	4,658	3,956	3,185	2,720	2,458	2,107	1,859
Expenditures for special tools	**3,289**	3,542	3,310	2,475	2,177	2,236	2,556	2,354	1,634	1,343	1,285
Amortization of special tools	**3,272**	2,765	2,129	2,012	2,097	1,822	1,695	1,509	1,335	1,353	1,293
Total Company Employee Data - Worldwide											
Payroll	**$ 17,609**	$ 16,567	$ 15,853	$ 13,750	$ 13,754	$ 12,850	$ 14,014	$ 13,327	$ 13,010	$ 11,670	$ 11,290
Total labor costs	**25,687**	23,758	22,985	20,065	19,850	17,998	18,962	18,152	18,108	16,567	15,610
Average number of employees	**371,702**	346,989	337,728	321,925	325,333	331,977	369,547	366,641	358,939	350,320	382,274
Total Company Employee Data - U.S. Operations											
Payroll	**$ 10,961**	$ 10,488	$ 10,381	$ 8,899	$ 8,019	$ 7,393	$ 8,313	$ 8,654	$ 8,477	$ 7,765	$ 7,706
Average number of employees	**189,718**	186,387	180,861	166,995	158,501	156,203	180,228	188,402	185,651	180,944	181,576
Average hourly labor costs g/											
Earnings	**$ 22.30**	$ 21.79	$ 21.81	$ 20.94	$ 19.92	$ 19.10	$ 18.44	$ 17.77	$ 17.39	$ 16.50	$ 16.12
Benefits	**19.47**	18.66	19.13	18.12	19.24	17.97	14.12	13.21	13.07	12.38	11.01
Total hourly labor costs	**$ 41.77**	$ 40.45	$ 40.94	$ 39.06	$ 39.16	$ 37.07	$ 32.56	$ 30.98	$ 30.46	$ 28.88	$ 27.13

f/ The cumulative effects of changes in accounting principles reduced equity by $6,883 million in 1992.

g/ Per hour worked (in dollars). Excludes data for subsidiary companies.

INFORMATION FOR SHAREHOLDERS

Shareholder Services

First Chicago Trust Company of New York is the company's principal transfer agent and registrar and manages shareholder services for Ford. Please contact them directly with questions or requests for transactions, such as transferring stock, making a name or address change, replacing lost stock certificates or dividend checks, consolidating duplicate accounts or obtaining statements of holdings, copies of Form 1099 or Dividend Reinvestment and Stock Purchase Plan information and enrollment materials. You may contact them at:

Mail:

Ford Shareholder Services Group
First Chicago Trust Company of New York
P. O. Box 2566
Jersey City, New Jersey 07303-2566

In Person:

Depositary Trust Company
Attn: Ford Shareholder Services Group
c/o First Chicago Trust Company
55 Water Street
New York, New York 10041-0099

Overnight Courier Services

Ford Shareholder Services Group
First Chicago Trust Company of New York
14 Wall Street, Mail Suite #4680
New York, New York 10005-2102

Telephone:

(operators on duty 8:00 a.m.-8:00 p.m., Eastern Time, Monday-Friday)
Within the U.S.: (800) 279-1237
Outside the U.S.: (201) 324-0272

E-mail:

Ford_Team@em.fcnbd.com

Buying and Selling Stock

Ford Motor Company Common Stock, Depositary Shares representing the company's Preferred Stocks and the Trust Originated Preferred Securities℠ (TOPrS℠) of Ford Motor Company Capital Trust I generally must be bought or sold through a stock broker or a financial institution.

The NYSE trading symbols are as follows:

F	Common Stock
F.PR	Depositary Shares representing Series A 8.4% Convertible Preferred Stock
F.PRB	Depositary Shares representing Series B 8.25% Preferred Stock
F.PRT	9% Trust Originated Preferred Securities℠ (TOPrS℠) of Ford Motor Company Capital Trust I

Stock Exchanges

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

Mailings

All Common Stock shareholders receive an Annual Report, notice of the Annual Meeting, Proxy Statement and voting card each April.

When declared, checks for quarterly dividends for Common Stock and the Depositary Shares representing Ford's Preferred Stocks are mailed in early March, June, September and December. Checks for the cash distributions of the Trust Originated Preferred Securities℠ (TOPrS℠) of Ford Motor Company Capital Trust I are mailed at the end of March, June, September and December.

Annual Meeting

The 1997 Annual Meeting of the Shareholders will be held at 10:00 a.m. (EDT), Thursday, May 8, 1997, at the Cleary International Centre, 201 Riverside Drive West, Windsor, Ontario, Canada. Notice of the Annual Meeting, a Proxy Statement and voting card will be mailed to shareholders in advance of the meeting.

Company Information

Available on request are a number of other company publications of interest to shareholders, such as SEC Form 10-K and 10-Q, quarterly financial results announcements, and the Environmental Annual Report, as well as additional copies of the Annual Report and Proxy Statement.

Individual investors should contact:
Ford Motor Company
Shareholder Relations
The American Road
P. O. Box 1899
Dearborn, Michigan 48121-1899

Telephone:
Within the U.S. and Canada: (800) 555-5259
From Outside the U.S. and Canada:(313) 845-8540
Facsimile: (313) 323-2959
E-Mail: stockinfo@www.ford.com

Securities analysts and institutional investors should contact:
Ford Motor Company
Investor Relations
The American Road
P. O. Box 1899
Dearborn, Michigan 48121-1899

Telephone: (313) 323-8220, or (313) 323-8221
Facsimile: (313) 248-3109

A copy of The Ford Motor Company Fund's Annual Report may be ordered for $3.00 per copy. Orders must be accompanied by a check and mailed to:
The Ford Motor Company Fund
The American Road
P. O. Box 1899
Dearborn, Michigan 48121-1899

Shareholder Relations On-Line

Shareholder Relations is a part of the Ford Motor Company World Wide Web home page, www.ford.com (see inside back cover). In addition to company product and services information, users can obtain the latest company background and financial information. You also can send e-mail messages directly to Shareholder Relations in Dearborn for additional data and materials, and to Ford Shareholder Services at First Chicago Trust Company for information and assistance with your stock accounts. The Shareholder Relations e-mail address is stockinfo@www.ford.com; the First Chicago Trust Company Ford Shareholder Services Group e-mail address is Ford_Team@em.fcnbd.com.

Annual Report Credits

The Ford Motor Company Annual Report is designed, written, and produced each year by a cross-functional team of Ford Motor Company employees. This year's project leader was Mel Stephens, Director of Investor and Financial Media Relations. Digital imaging technology has been used to produce some composite photos in this report. The report was printed by the Avanti Case Hoyt Corporation of Rochester, New York.

Environmentally Aware Printing

The entire report is printed on recycled and recyclable paper with soy ink, rather than petroleum-based ink.

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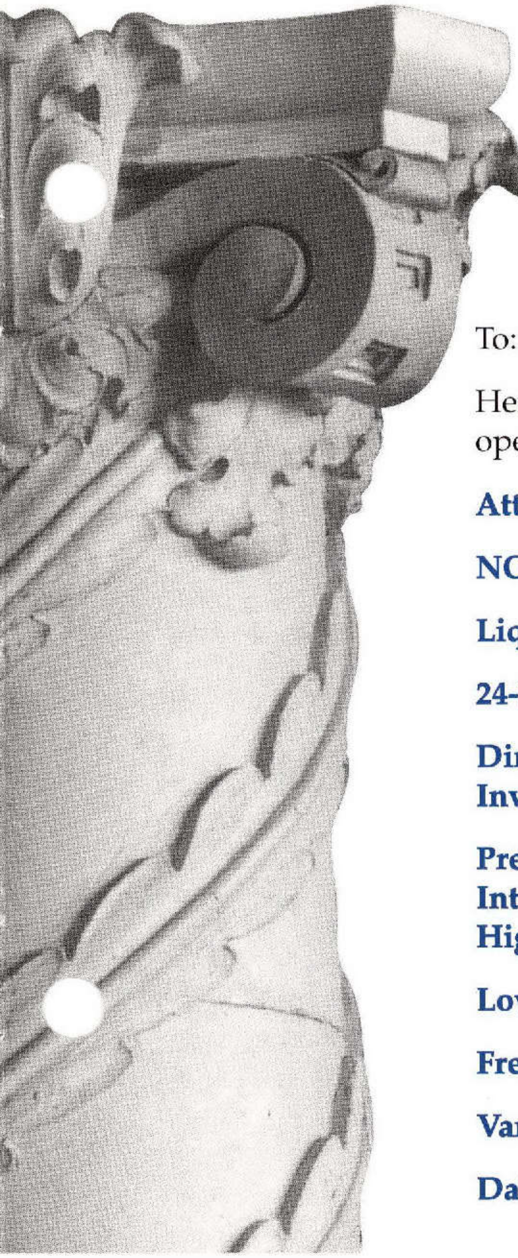

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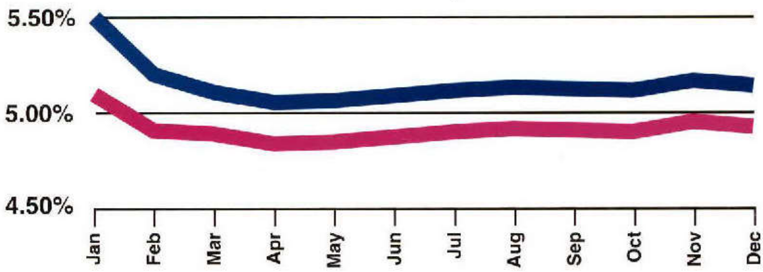
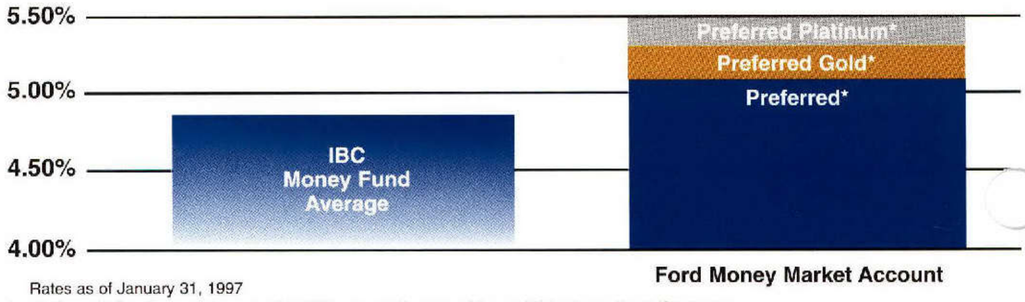
The IBC Index surveys, and tabulates an average for, over 700 taxable Money Funds every week. The Ford Money Market Account *guarantees* that the interest we pay will be at least .25% above this average. That's right, ***your return will always be above this average.*** The Ford Money Market Account also presently pays higher interest rates for higher balances. The Preferred Gold and Preferred Platinum Plans presently pay .45% and .65% above the IBC Index average.

1996 Month-end Ford Money Market Account Rates



The Ford Money Market Account always pays a rate that is at least .25 % higher than the weekly average yield of over 700 taxable money funds as reported in *IBC's Money Fund Report.*®

The More You Invest, The More You Earn



Rates as of January 31, 1997

- **Preferred Plan (accounts up to $14,999) presently pays at least .25% above the IBC average.**
- **Preferred Gold Plan (accounts $15,000 to $49,999) presently pays at least .45% above the IBC average. Future rates may vary.**
- **Preferred Platinum Plan (accounts $50,000 and above) presently pays at least .65% above the IBC average. Future rates may vary.**

Offered by prospectus only. Only non-institutional investors may apply.

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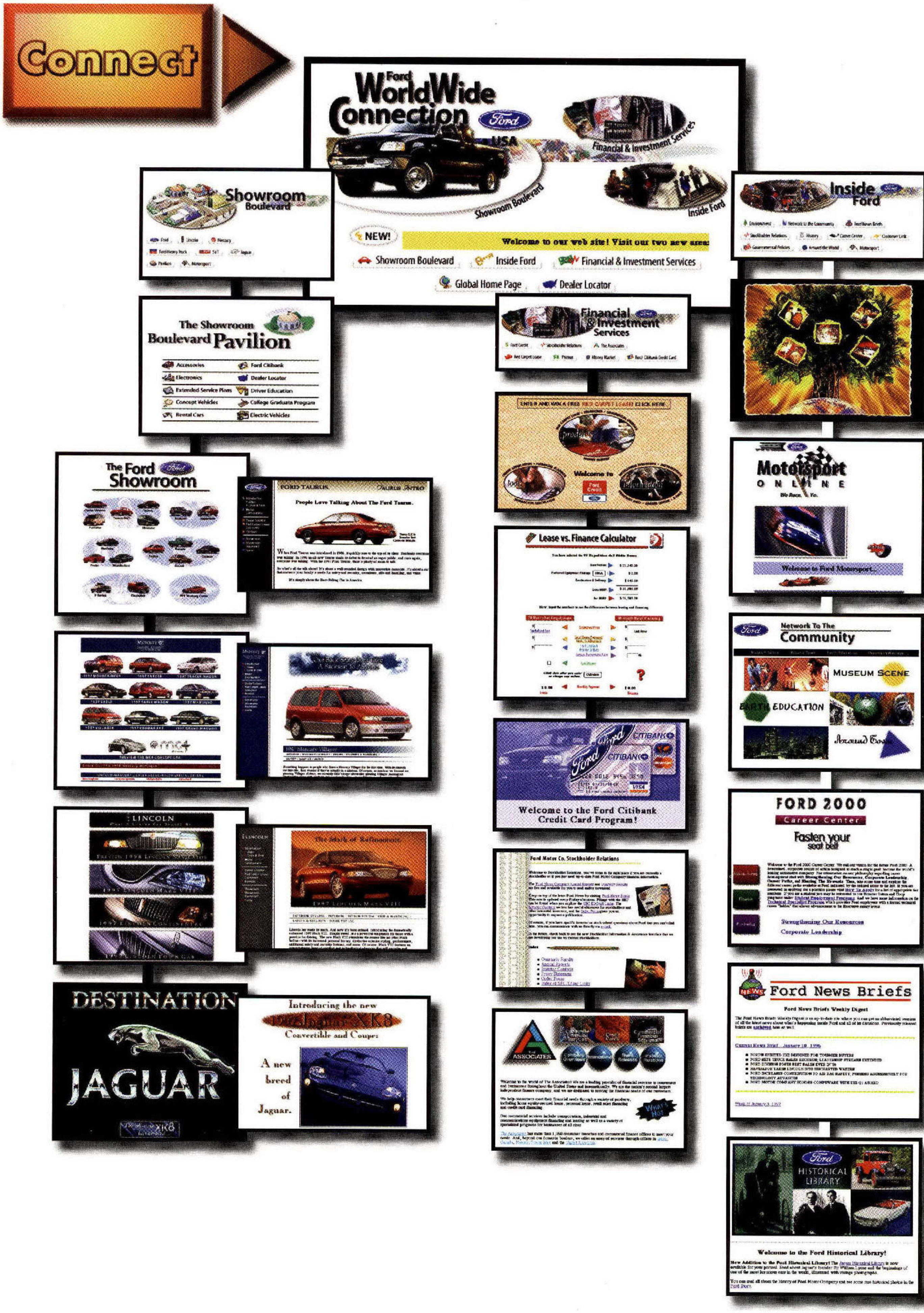

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new edge \ 'n(y)ü 'ej \ *n* (ca. 1996)

1: Competitive advantage for Ford provided by intense worldwide focus on improving quality, cost and speed

2: Awesome new cars and trucks

3: One of Ford's new design styles; where smooth, sculpted surfaces meet clear, crisp intersections

4: Sharp focus on shareholder value

5: All of the above

New Market Initiatives

Present Status

ENTRY STRATEGIES ARE BEING IMPLEMENTED FOR KEY GROWTH MARKETS

REGION	ACHIEVEMENTS	
CHINA	JIANGLING MOTORS CO.	20% EQUITY ACQUIRED (POTENTIAL FOR 40%)
	YUEJIN MOTOR GROUP CO.	FORD SELECTED FOR FEASIBILITY STUDY
	COMPONENT VENTURES	FIVE ESTABLISHED, ALL PROFITABLE
INDIA	ESCORT LAUNCHED	JOB #1 AUGUST 1996
	ASSEMBLY/STAMPING FACILITY	UNDER CONSTRUCTION IN MADRAS
	UNIQUE PRODUCT	FIESTA 4-DOOR PROGRAM ESTABLISHED

China

- Purchased 20 percent share in Jiangling Motors Corporation for $40 million. Placed Ford management team in key positions. Plans are proceeding to launch Transit late in 1997.
- Selected by YMGC to submit feasibility study to Chinese Government to establish engine manufacturing JV.
- Established Air Conditioning Assembly JV (Fuchang) for $4.2 million total F&T, to support launch of Transit program.
- Other component ventures in China are Fuhua Glass, Yanfeng Plastics, Fudian Electronics, and Uaroco Radiator.
- An injector program approved at the September BoD is presently changing in scope, as government approval delay has caused support timings for some applications to be missed.
- Total Ford equity approved for China JV's stands at $261 million ($128 million committed). Total F&T spending approved for programs in which Ford is participating in China is $721 million (including JMC Transit, YMGC engine, and APO ventures).

India

- In August of 1996, Alex Trotman and Keshub Mahindra attended the launch ceremony for the Ford Escort at Mahindra's Nashik facility in India. Job#1 was achieved just six months after the formation of the MFIL Joint Venture.
- Twelve dealers launched in September with BIC showroom and service facilities.
- Bookings for the Escort (requiring a $1,000 customer deposit), exceeded 70,000 units. The first retail delivery was made on October 21st. Production in 1996 was 1337 units with 1094 units wholesaled and 786 units retailed.
- Memorandum of Understanding signed with the State of Tamilnadu for a 100,000 unit capacity stamping and assembly facility on the Madras site.
- Established a program to develop a four door derivative of the Fiesta with increased wheelbase and improved package to meet the unique requirements of the Indian market.

Present Status

REGION	ACHIEVEMENTS	
ASEAN	THAILAND	PLANT UNDER CONSTRUCTION
		SALES COMPANY ESTABLISHED
	VIETNAM	ASSEMBLY FACILITY UNDER CONSTRUCTION
	INDONESIA	PLANS ON HOLD
BELARUS	MINSK SKD FACILITY	CONSTRUCTION IN PROGRESS
RUSSIA	SALES COMPANY	APPROVED
	FEASIBILITY STUDY	IN PROGRESS -- WILL CONCLUDE 2ND QTR. 1997
TURKEY	NEW PARTNERSHIP WITH KOC	AGREED ON INCREASED FORD PARTICIPATION DECEMBER 1996

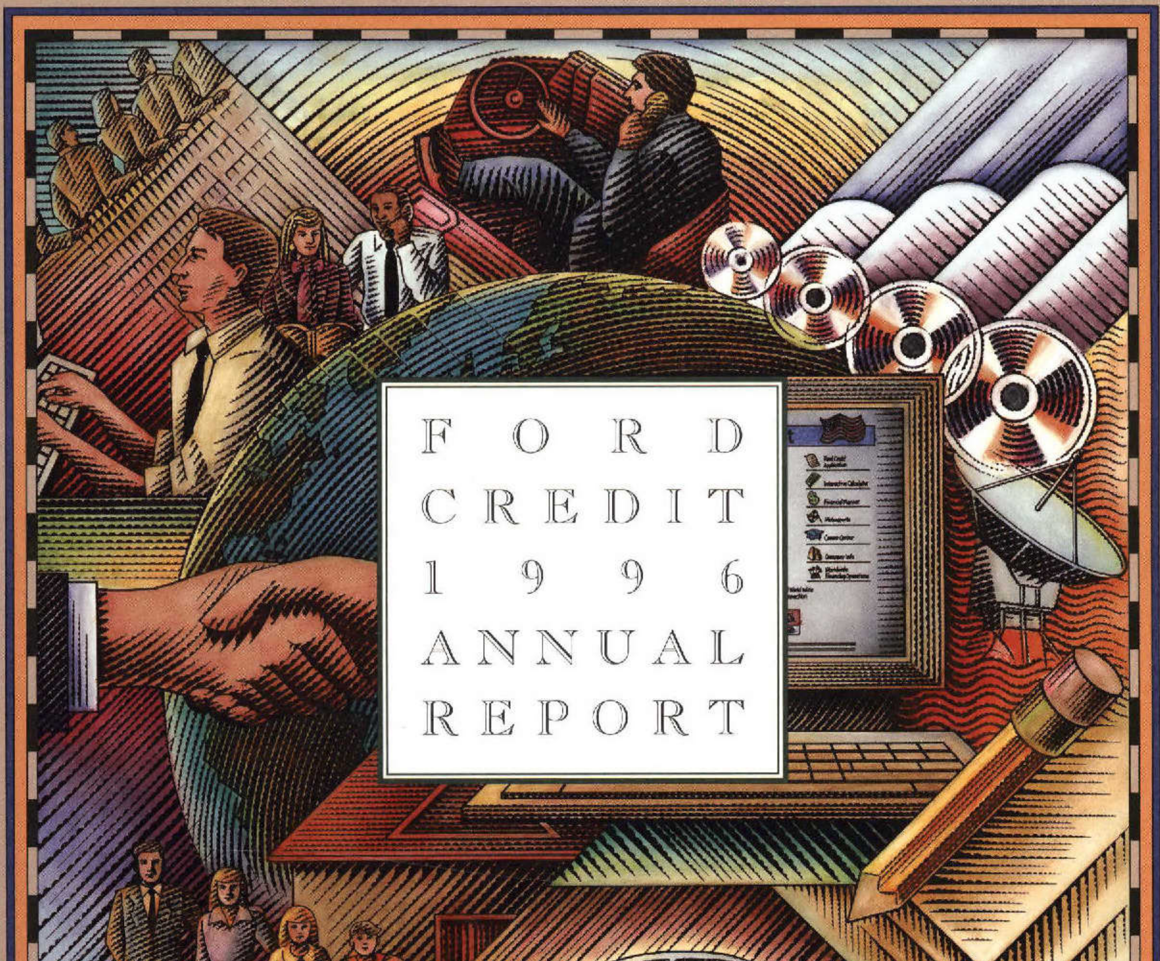
Thailand
- Plant construction is in progress at AAT (Joint Venture with Mazda). On schedule to launch the J97 compact pick-up truck in May 1998.
- Launched Thailand Sales Company. In process of replacing local distributors Yontrakit and Cycle & Carriage.

Vietnam
- Commenced construction of factory at site in Hai Duong. Site development complete and construction of building underway. Trader Job#1 scheduled for October 1997, and Transit in December 1997.
- We will establish a Marketing and Sales distribution system focused on fleet sales, with dealer points and service support in 2-3 major cities in Vietnam. Develop fleet sales capability.

Indonesia
- Government requirements for investment in Indonesia have made this market very difficult. The timing may not be right for Ford investment in Indonesia.

Russia/Belarus
- Reached agreement with local partners to invest (total $19 million) to establish a 6,000 unit capacity (single-shift) SKD assembly JV for Escort and Transit in Minsk, Belarus. Production scheduled to begin in mid 1997. Finished units to be sold in Russia, Belarus, and Kazakstan.
- With Worldwide export operations, we have obtained approval for a Russian "National Importation Company" to be formed early in 1997.
- Feasibility studies of a potential manufacturing presence in Russia (Izhevsk and St. Petersburg are potential sites), are in progress towards a go/no-go decision by mid year 1997.

Turkey
- Reached an understanding with Koc Holdings, to increase Ford's equity position to 41% from 30%; Koc Holdings will reduce their share to 41% with the remaining 18% owned by the public.


FORD
CREDIT
1996
ANNUAL
REPORT

CONTENTS

NET FINANCE RECEIVABLES AND OPERATING LEASES AT YEAR END

OPERATING HIGHLIGHTS

For the years ended December 31	1996	1995	1994
Financing Operations			
Financing and leasing arranged by Ford Credit			
Retail units* (in thousands)			
During the year	3,902	3,523	3,286
At year end	8,059	7,360	6,753
Wholesale units (in thousands)			
During the year	7,259	6,856	7,096
At year end	1,510	1,513	1,433
Total net finance receivables and net investment in operating leases outstanding at year end (in millions)			
Retail*	$87,057	$81,568	$70,283
Wholesale	26,516	25,458	23,214
Other	12,882	6,073	5,607
Total	$126,455	$113,099	$99,104
Income before taxes (in millions)	$2,125	$2,200	$2,175
Net income (in millions)	1,353	1,402	1,300
Number of employees (at year end)	15,330	13,166	11,733
Number of business locations (at year end)	271	245	249

Financial information presented in this annual report reflects the operations managed by Ford Credit which include certain finance subsidiaries of Ford Motor Company. Receivables shown include sold receivables managed by Ford Credit. Financial information for Ford Credit as a reporting company under the Securities Exchange Act of 1934 is contained in its annual and periodic reports to the Securities and Exchange Commission. These reports exclude the results of companies managed, but not owned, by Ford Credit.

*Includes operating leases.

THE FORD CREDIT MISSION

Ford Credit's mission is to maximize its value to Ford Motor Company by providing continuously improving products and services to automotive dealers and their customers, and by achieving consistent earnings.

Ford Credit will seek to enhance its value to Ford through growth in earnings, by expanding its products and customer base, and by adding new automotive-related businesses that leverage or enhance its core competencies.

COMPANY PROFILE

Ford Credit is the world's largest company dedicated to automotive financing, serving a variety of customers around the world. Satisfying those customers remains the focus of everything we do.

Ford Credit has financed more than 50 million vehicles since the company's founding in 1959, providing loans and leases for 3.9 million cars and trucks in 1996 alone. Today we finance a vehicle somewhere in the world an average of every eight seconds, and we serve more than eight million individuals and small businesses.

But our customers and stakeholders include many others, such as the 11,400 dealerships that sell the vehicles we finance.

Through our dealer partners, we offer traditional retail financing and leasing at Ford, Lincoln-Mercury, Ford Truck and other dealerships around the world, as well as financing dealer inventories.

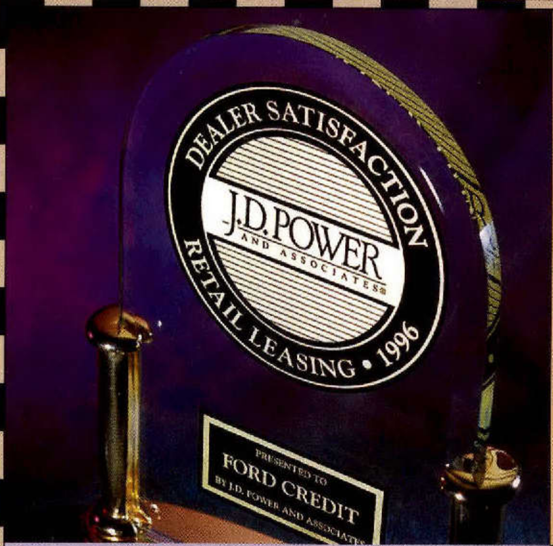
Ford Credit's 15,330 employees provide award-winning service to dealers and customers and are actively involved in many of the communities where the company operates.

We're one of the world's largest issuers of corporate debt, serving a broad investor base that purchases our short- and long-term debt.

Conducting business in 32 currencies and 20 languages, we work alongside Ford Motor Company's automotive and sales operations in 33 countries where Ford Credit has offices.

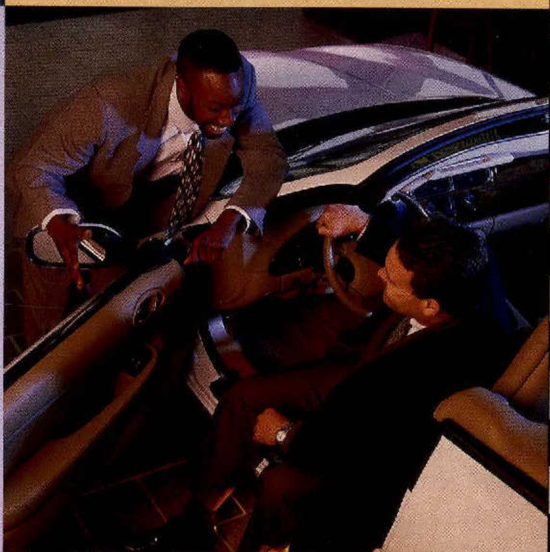
We also finance vehicles in more than 40 "direct" markets where there are no Ford sales operations, and vehicles are exported to local dealers or distributors.

PRIMUS Automotive Financial Services, Inc., is Ford Credit's financing subsidiary for



Ford Motor Company customers who finance with Ford Credit are the most loyal to Ford and its dealers.

Ford Credit has financed more than 50 million vehicles since it began in 1959.



dealers outside the Ford franchise system. In North America, PRIMUS receivables continued to grow, reaching more than $11 billion in 1996. The company also completed its move into new headquarters in Franklin, Tenn.

Established six years ago, PRIMUS now has 24 locations serving dealers and customers in North America. The company also has new operations under way in Europe and Asia Pacific.

The worldwide leader in vehicle leasing, Ford Credit writes more retail leases each year than any other company. In fact, we renew more leases in one year than the combined new and repeat business of most of our competitors. We reached all-time record volumes in 1996 for both new and used vehicle leasing.

We've recently strengthened our leadership position by introducing lease or lease-type products in Belgium, Sweden, Italy, New Zealand and Taiwan. Customers now can find Ford Credit leases or similar financing programs in 19 countries around the world.

Ford Credit's Commercial Lending activity finances car and light truck fleets, as well as medium and heavy trucks. With eight U.S. branches dedicated to commercial customers, the department financed 209,000 cars and light trucks in 1996 for businesses, municipalities and other organizations. Commercial Lending also financed the purchases or leases of more than 17,000 medium and heavy trucks.

Ford Credit offers a variety of insurance products for dealers and customers through The American Road Insurance Company and its affiliates. These companies market the industry's leading extended service plans, with more than 1.1 million contracts sold annually. We also provide inventory insurance to more than 6,200 dealers in North America.

ABOUT THE PHOTOS

Top left: Ford Credit received three awards from J.D. Power and Associates in 1996. U.S. dealers ranked the finance company number one in satisfaction with leasing and inventory financing, and consumers placed it first in initial satisfaction with auto loans.

Bottom right: Our PRIMUS subsidiary finances vehicles in North America under the PRIMUS name, as well as private labels like Jaguar Credit Corporation and Mazda American Credit.

MANAGEMENT REPORT

Winning customers around the world is Ford Credit's focus. During 1996, we saw our efforts to satisfy customers pay off in many ways.

Our profits were solid during the year, despite a tough business environment that influenced the entire consumer credit industry. Higher credit losses and delinquencies were offset by higher levels of earning assets and net margins.

Income before taxes from our worldwide operations was $2.1 billion for 1996 and net income was $1.35 billion, both down slightly from the prior year. Net receivables managed by the company's worldwide operations were $126 billion, up from $113 billion in 1995.

Retail financing and leasing volume grew to 3.9 million new and used vehicles worldwide, an 11% increase over 1995.

We financed 38% of Ford Motor Company's U.S. vehicle sales and 29% of Ford sales in Europe.

We continued to extend our global reach by forming several new operations in the Asia-Pacific region. We also formed a non-prime financing subsidiary in the U.S. to provide loans to customers who normally wouldn't qualify for conventional financing.

A key player in our progress has been Bill Odom, who retired his post as Ford Credit's chairman on March 1.

Throughout his 30-year career with Ford Credit, Bill sought opportunities to provide value to customers and bring a voice to the industry. During Bill's nine years as chairman, Ford Credit's assets and profits doubled. He championed efforts to expand into new geographic regions, to reach new customers and develop new financing products.

Bill also played a pivotal role in bringing financial services companies together to address common issues. He encouraged industry-wide standards for leasing disclosure and improved consumer finance education.

Looking forward, we see many opportunities to continue strengthening our business. One strategy that guides us is achieving sustained growth while maintaining sound credit practices. By combining strong growth with financing expertise, we'll continue providing superior customer loyalty to Ford Motor Company and offering excellent service to our customers.

By "customers," we aren't referring only to the people and businesses that finance vehicles with us. We serve a variety of customer and stakeholder groups: our dealer partners, our parent company, our own employees, the investors who purchase our corporate debt, and the hundreds of communities around the world where we live and work.

Our customers told us we did a fine job of meeting their needs in 1996. In fact, we won three awards from J.D. Power and Associates after customers and dealers gave Ford Credit the top spot in surveys conducted by the independent firm.

Some measures of success are less official, but no less rewarding, such as the thousands of customer letters we receive each year.

Bill Milner of San Antonio, Texas, sent this comment to his local branch: "I've been associated with Ford Credit for more than 20 years and would never think of going with another financing institution."

It sometimes surprises us that the financing experience evokes such loyalty. But it shouldn't. After all, we work in an industry where it's often the quality of service that differentiates us from our competition and prompts customers to return to Ford Credit.

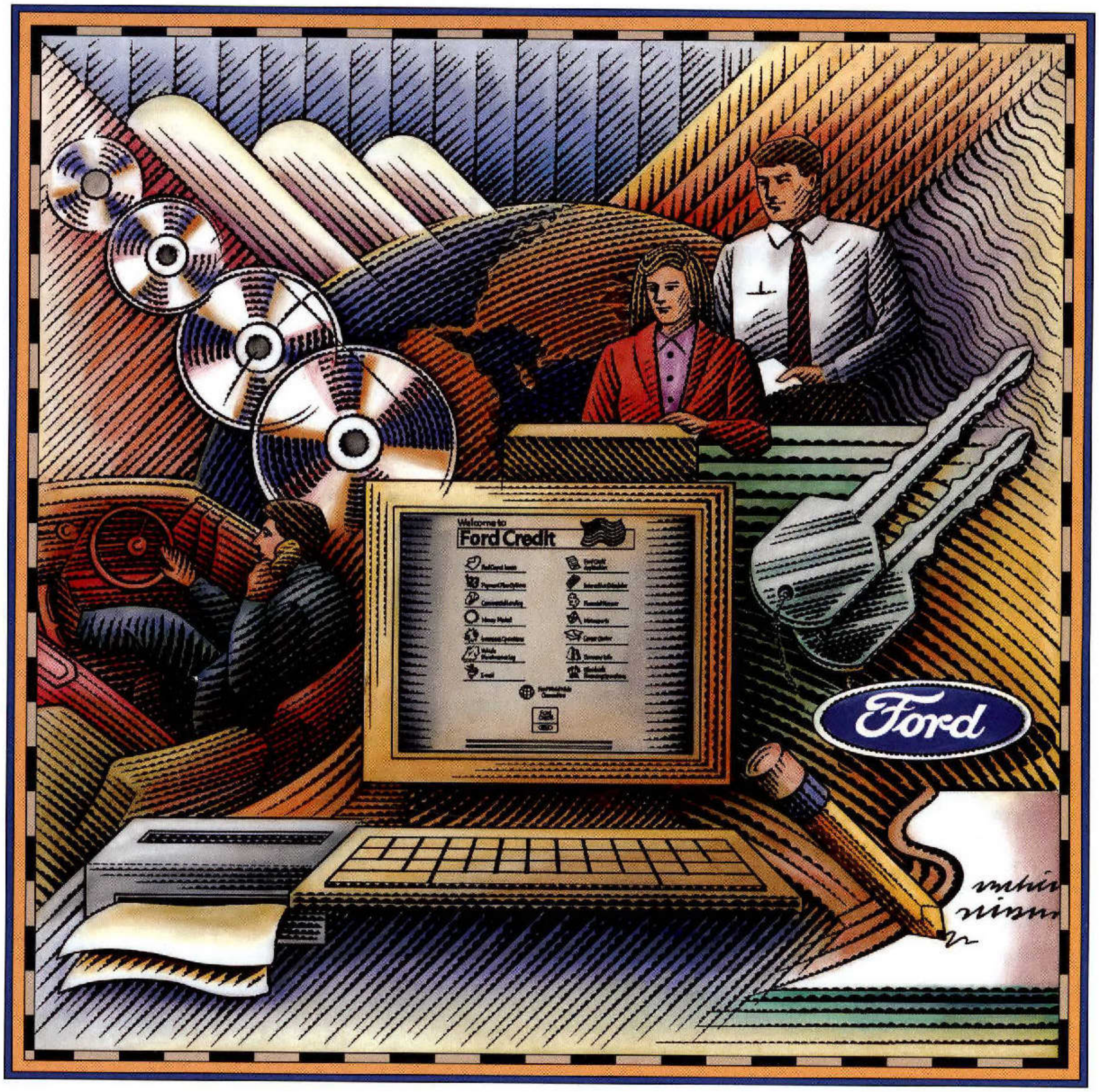
We hold ourselves to the highest standards, but it's ultimately our customers who judge our performance. With this philosophy in mind, we're confident we'll meet the challenges ahead.

Ken Whipple

Kenneth Whipple, Chairman

Edsel B. Ford II, President

March 15, 1997


Welcome to
Ford Credit
Ford

CUSTOMERS

During 1996, Ford Credit directed its efforts toward making financing more convenient, accessible and easier to understand.

The results of the first consumer financing study conducted by J.D. Power and Associates told us our efforts are working. U.S. customers ranked Ford Credit number one among loan providers in initial satisfaction with auto loans.

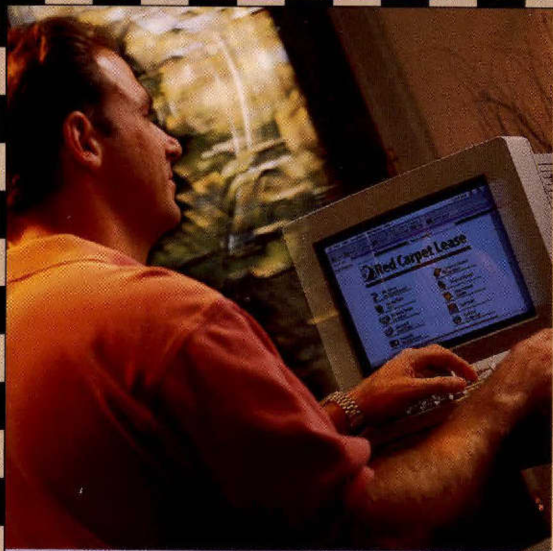
By bringing basic, tangible benefits to our customers, we've earned their satisfaction and gained their repeat business. Customers who finance and lease with Ford Credit are the most loyal to Ford and its dealers. About 57% of customers who finance with Ford Credit buy another Ford vehicle, and almost 80% who lease remain loyal to Ford.

Building on the success of our simplified lease contract, Ford Credit recently introduced a shortened, easy-to-read contract for U.S. retail auto loans that's as much as half the length of the previous version and highlights all the key factors used to calculate monthly payments.

We were the first automotive financial services company to launch multi-national, multi-lingual World Wide Web sites in several countries, with sites in the U.S., Canada, U.K., France, Denmark, Germany and Brazil, and additional sites coming on-line in 1997.

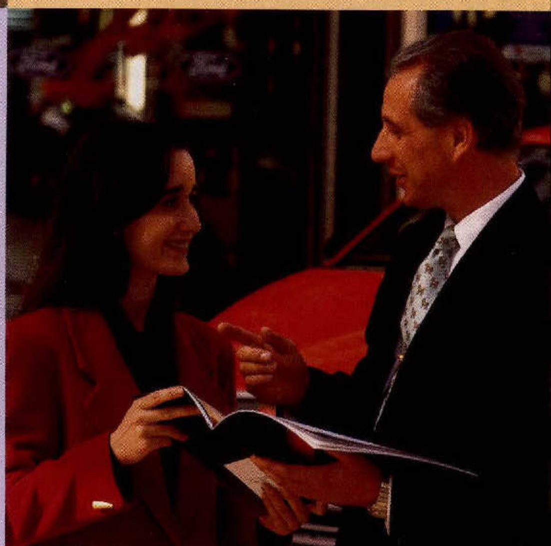
Each web site gives consumers specific information in the local language about the Ford Credit financing programs available in that country. Applications for vehicle loans are available on the U.S. web site.

Ford Credit is extending its reach to customers with joint venture operations in several countries. Through joint ventures, we began offering financing to dealers and retail customers in Indonesia and South Korea. We also began serving dealers and customers



Ford Credit is making financing more convenient, accessible and easier for retail customers to understand.

Extending our reach around the world, we serve more than 8 million customers in 33 countries.



in Thailand. In India, we launched two joint venture finance companies; one will provide financing to Ford dealers and customers, and the other will offer financing for vehicles of other makes.

Our new regional office in Melbourne, Australia, is managing our expansion activities in Asia-Pacific markets. We also plan to expand our overseas growth in other international regions during 1997.

In addition, Ford Credit formed Fairlane Credit LLC, a new company based in Colorado Springs. The launch of Fairlane Credit in 1997 will pave the way for our entry into non-prime financing in the U.S. The company will provide a reliable source of financing for customers who typically would not qualify for conventional financing.

PRIMUS Automotive Financial Services, Inc., a subsidiary of Ford Credit, began operating in two new markets to serve customers who buy vehicles of other makes. PRIMUS Australia launched operations in Melbourne, and PRIMUS Europe began financing Jaguar vehicles in the U.K. from its office near London.

Record growth in international operations was another highlight of the past year. We saw record profits in 10 international markets: Austria, Switzerland, Portugal, Denmark, Finland, Norway, Sweden, Australia, New Zealand and Taiwan. Many Ford Credit international operations also posted significant increases in retail market share.

Ford Credit financed 38% of Ford Motor Company's U.S. vehicle sales in 1996, up slightly from the previous year. We also financed 29% of Ford sales in Europe.

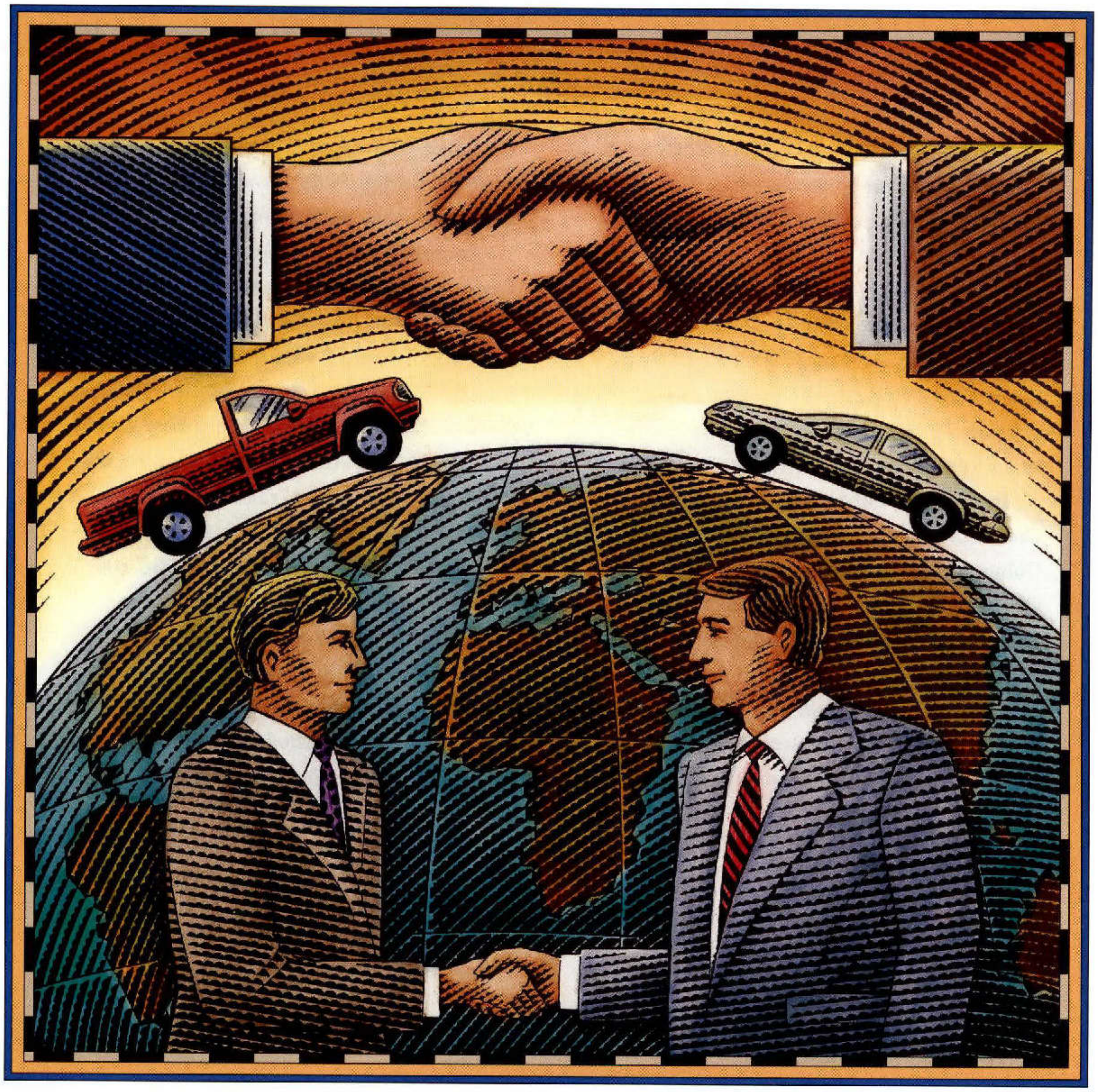
On a global basis, our retail financing and leasing volume reached 3.9 million new and used vehicles in 1996, an 11% increase over the previous year.

In partnership with Ford Motor Company and affiliated dealers, we're continuing our efforts to find new and better ways to meet the changing needs of our customers.

ABOUT THE PHOTOS

Top left: Through Ford Credit's World Wide Web sites, customers have ready access to information they need to make decisions about financing a car or truck.

Bottom right: Ford Credit customers in Spain financed more than 44,000 vehicles in 1996 at dealerships such as Fer Motors in Madrid.



DEALERS

Our partnership with dealers centers on the common goal of providing the customer with a positive experience—beginning with the purchase and financing of a vehicle and continuing throughout the ownership period. When we satisfy customers, we increase their loyalty to the dealer, manufacturer and finance company.

Ford Credit works hard to provide dealers with financing products that meet customer needs. We gauge our success by the feedback we get from dealers and customers alike.

For the third consecutive year, U.S. dealers gave Ford Credit top marks in a study conducted by J.D. Power and Associates. The independent research firm presented Ford Credit with the only two awards from the 1996 dealer financing study. Dealers ranked us first among finance providers for satisfaction with leasing and also for wholesale inventory financing.

Our own internal dealer surveys show that satisfaction with our services remains high. We recently added dealers in Brazil, Argentina and Japan to our survey process.

In response to dealer requests, Ford Credit will serve a new group of customers with the launch of Fairlane Credit in Colorado Springs. Specializing in non-prime financing, Fairlane Credit will provide a reliable, consistent source of financing to many customers who normally would not qualify for conventional financing. Dealers in Colorado will be the first to offer customers this opportunity.

Ford Credit works in partnership with dealers to improve the entire purchase and ownership experience.

We're extending our reach to dealers and their customers with new operations in Indonesia, South Korea, India and Thailand.

DEALERS

In the U.S., Ford Credit's PRIMUS subsidiary signed an offer with Driver's Mart Worldwide, Inc., to provide private-label financing to customers and inventory financing to dealers under the name Driver's Mart Credit.

Both Ford Credit and Ford Motor Company are fostering a closer working relationship with dealers. Ford Credit continued the relocation of its U.S. field operations to Ford, Lincoln-Mercury and Ford Customer Service Division offices.

In addition, our Latin American regional office relocated to Miami to better serve customers and dealers in Mexico, Puerto Rico, Venezuela, Argentina and Brazil.

Combining the strength of Ford Credit products with our experience in the industry, we help dealers improve the vehicle buying and financing experience for customers. Seminars for dealership finance and insurance managers and in-dealership training via satellite technology are among the services we provide, as well as one-on-one training with dealership employees.

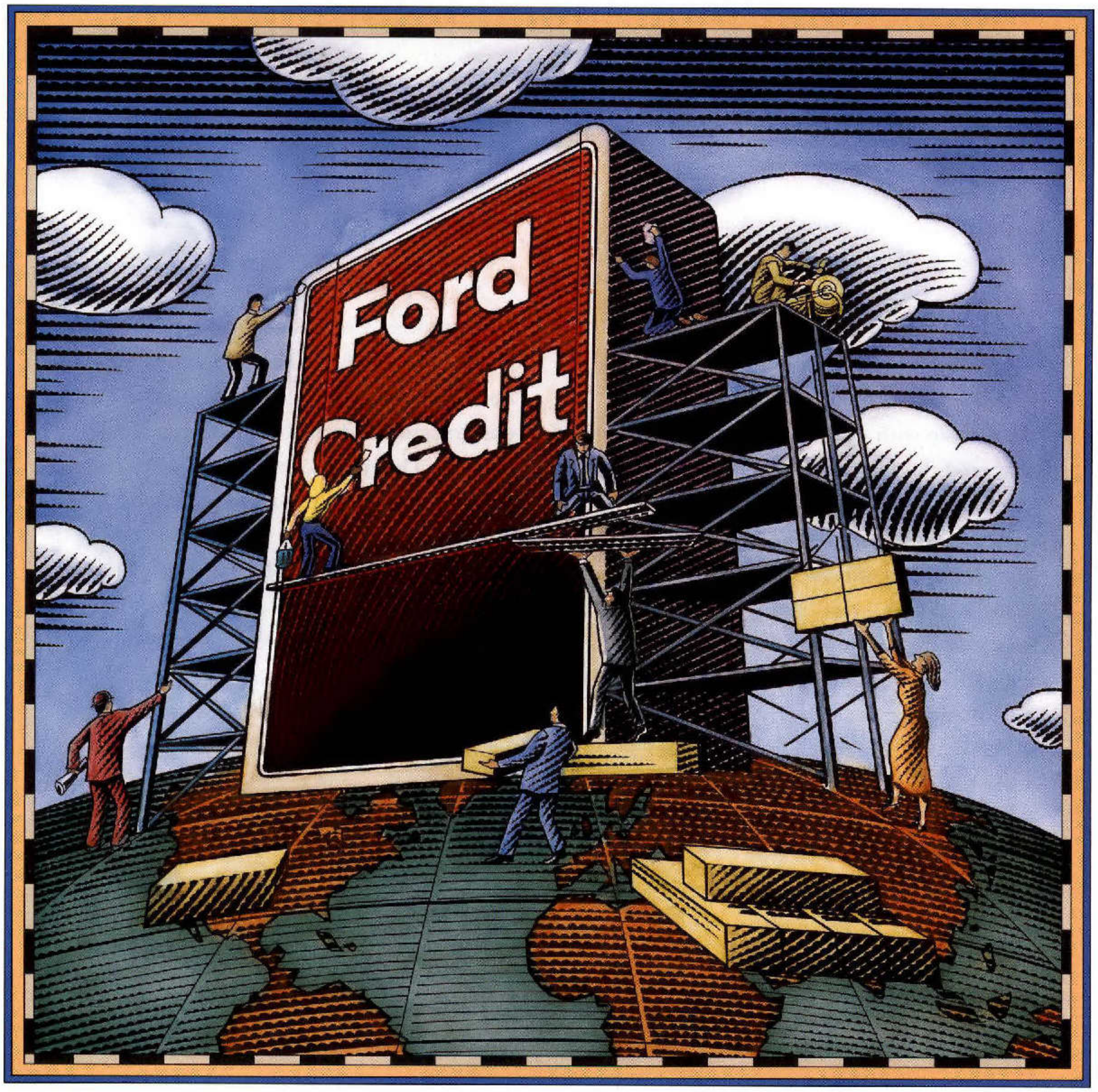
We also work closely with dealers to evaluate Ford Credit's Company-to-Dealer Standards, which guide our business relationships with dealers. We surveyed all U.S. dealers and conducted dealer focus groups in 1996. The results helped us update and clarify these standards, and we plan to roll out the new version in 1997.

As we continue to strengthen our partnership with dealers, we'll work together to find innovative ways of providing customers with the information they need to make educated decisions. And by further integrating the sales, finance and insurance processes in the dealership, both Ford Credit and dealers can improve the entire customer experience.

ABOUT THE PHOTOS

Top left: Ford Credit is launching a new company, Fairlane Credit, to provide loans for those who do not qualify for conventional financing. Phil Long, of Phil Long Ford in Colorado Springs, will be among the first dealers to offer customers financing through Fairlane Credit.

Bottom right: Ian Gosling of Ford Credit and Shivaji Dam of Kotak Mahindra Finance Ltd. helped form two joint ventures in India. One will provide financing to Ford dealers and customers, while the second will finance vehicles of other makes.


Ford
Credit

EMPLOYEES

Ford Credit's 15,330 employees around the world work together to provide excellent service to our customers and to each other. This attitude is the foundation of the company's successful performance.

We believe that satisfied employees are more likely to provide the kind of service that produces satisfied customers. Ford Credit regularly measures how well the company meets employees' needs.

Though our worldwide employee satisfaction survey, employees give consistently high marks in overall satisfaction with the company, with the best scores ever in 1996.

The ability to recruit and retain top-quality people continues to be one of Ford Credit's greatest strengths.

Our turnover rate is substantially lower than finance industry norms, which further encourages training and developement investments in our employees.

By giving employees the tools to become more effective on the job, we help them build and maintain the skills they need to meet company objectives and professional goals.

After surveying several thousand employees to identify needs, we began offering 30 new training courses in North American field locations using a variety of methods, including interactive multi-media computers.

We also created 200 learning centers to provide an appropriate training environment in each field office. Over the next several years, the program will expand to additional locations around the world.

Ford Credit encourages employees to improve company processes. Because employees know best how to improve their efficiency and service to customers, they are

Combining high employee satisfaction with efficient work processes helps us provide better value to both dealers and customers.

Valuing diversity in our workforce enables us to better understand and meet the needs of a diverse range of customers.

empowered to do just that. For example, the Continuous Improvement Recognition System provides a forum for employees to make process changes that improve efficiency, deliver better service or reduce waste. Since the program began, employee suggestions have saved Ford Credit about $15 million. We also have similar programs in Australia and the U.K.

The company's Quality Award recognizes cross-functional employee teams that have improved company processes and can show measurable results from the changes.

A group of employees from Ford Credit Taiwan was recognized with the 1996 Quality Award for its work in establishing Taiwan's first insurance agency that provides a standardized process for handling auto insurance claims.

The program has increased customer satisfaction by offering more convenient, reliable repair service through Ford dealerships.

Ford Credit formed a cross-functional, global Diversity Council to guide our efforts in promoting a culture that is strengthened by the unique differences each employee brings to the workplace. Valuing diversity in our workforce enables us to better understand and meet the needs of a diverse range of customers.

ABOUT THE PHOTOS

Top left: Ford Credit's Diversity Council promotes a culture based on valuing the differences we bring to the workplace. Members include employees from the company's central office in Dearborn, Mich. (shown), as well as all other global regions where we conduct business.

Bottom right: Jimmy Lin of Ford Credit Taiwan is part of one employee team that received the 1996 Quality Award. The team formed Taiwan's first insurance agency with a standard method for handling auto insurance claims through Ford dealerships.

We also have established a more flexible and responsive work environment in North America.

Through a new program, some employees are eligible for non-traditional work arrangements, such as temporary part-time employment. We also are exploring non-traditional work schedules and telecommuting.

By linking high employee satisfaction and productivity with efficient work processes, Ford Credit is able to provide better value to dealers and customers in the long run.

INVESTORS

Ford Credit takes a global approach to capital markets, broadening its investor base and seeking the lowest-cost funding opportunities available.

As one of the world's largest issuers of corporate debt securities, our global treasury activity issues long- and short-term debt and provides asset-liability management for the company's North American and International operations.

Ford Credit draws on a diverse investor base to ensure a wide availability of funds and offer competitive financing to our customers. We issue debt in 13 currencies, including several new additions in 1996, such as Belgian Francs and Portuguese Escudos. We also developed the company's first Polish commercial paper program to support planned growth in this developing market.

Euromoney magazine recognized Ford Credit's treasury function as operating the best-managed European commercial paper program. Our commercial paper sales force participated for the first time in a securitization issue, selling $50 million of the money market class of a November 1996 lease securitization.

Ford Credit recently launched a new asset-backed commercial paper program called FCAR Owner Trust. The $1.6 billion program increases our borrowing capacity

Asia has become an increasingly important market as the company continues to develop a broad investor base.

Ford Credit attracted many different types of investors throughout the world and issued debt in 13 currencies in 1996.

and provides an additional funding alternative to ensure continued access to the capital markets. Also during the year, we began electronic trading of commercial paper, providing investors with another simple, cost effective way to purchase our notes.

In addition, Ford Credit launched its first owner trust securitization, which tailors securities of the transaction to the needs of specific investors.

As we continued to expand our investor base, we targeted the growing Asian market and achieved several Ford Credit firsts:

— Issued our first "Euro-Asian" bond, a $750 million, five-year offering listed on the Luxembourg, Hong Kong and Singapore stock exchanges;

— Issued our first "Samurai" bond, which provided individual Japanese investors with an attractive opportunity targeted to their requirements, while offering Ford Credit a low-cost funding source;

— Issued the industry's first corporate Euro-Asian floating rate note early in 1997, a $750 million, five-year issue.

Ford Credit continues to manage the Ford Money Market Account, which provides an additional source of funding for the company. At year end, notes issued under the program totaled $1.4 billion.

The Ford Money Market Account is an investment option targeted to non-institutional investors that offers liquidity and above-average money market rates. It is available to the general public, as well as Ford employees, retirees, stockholders and affiliated U.S. dealership employees.

Investors can obtain information about the Ford Money Market Account through Ford Credit's U.S. web site.

ABOUT THE PHOTOS

Top left: During 1996, Ford Credit issued its first "Euro-Asian" bond listed on the Luxembourg, Hong Kong and Singapore stock exchanges.

Bottom right: Dealership employee Byron Darling (from left) and dealer principals Bob MacKenzie and Eddie Hall of Briarwood Ford in Saline, Mich., are among the thousands of dealership employees eligible to participate in the Ford Money Market Account managed by Ford Credit. The account now is available to the general public as well as Ford employees, retirees, stockholders and affiliated U.S. dealers.


H
SCHOOL

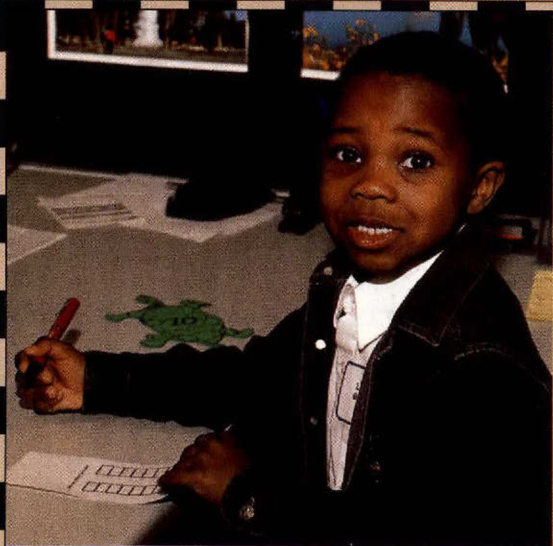
Good business starts with being a good neighbor. That's why Ford Credit takes a leadership role in credit education and supports many community outreach programs around the world.

Our commitment to education includes making it easier for consumers to understand automotive financing. We revised and simplified our retail loan and lease contracts to give customers information in an easy-to-read format. We also provided easier access to financing alternatives by launching World Wide Web sites in several countries. The sites give consumers specific information in local languages about Ford Credit financing programs available in those countries.

Ford Credit is active in introducing young people to the world of personal finance. By teaching students how to manage money wisely while they're young, we hope to help them prepare for the important financial decisions they'll face as adults.

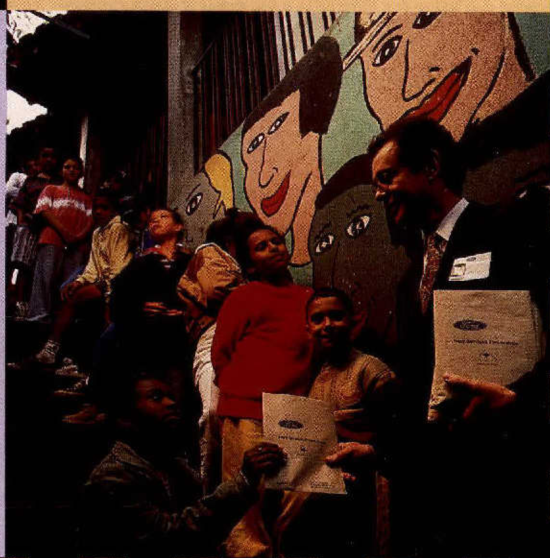
More than 60 Ford Credit and PRIMUS locations have formed partnerships with their local high schools and community colleges through the Credit Drives America program, designed to teach young adults about using credit responsibly. Nearly 2,500 students at 320 schools participated in the program during 1996.

Ford Credit's former chairman, Bill Odom, has guided the consumer finance industry's efforts as a long-standing member of the American Financial Services Association (AFSA) and through his recent role as chairman of the organization. By encouraging financial services companies to come together and resolve consumer and business issues that affect them, he has helped AFSA develop



Many employees give back to their communities by devoting time and financial resources to those in need.

Our consumer education efforts introduce young people to financial planning and help them understand the business world.



a more active, involved membership.

In 1996, Ford Credit played a key role in a nationwide coalition to improve personal finance education in U.S. schools. We also support consumer credit counseling centers throughout the U.S. that assist consumers with financial planning.

In addition, the company is a leader in leasing reform and helped found the Association of Consumer Vehicle Lessors, a trade organization that guides the leasing industry.

In Europe, community education efforts included distributing a brochure that helps explain auto financing alternatives to customers.

Through the personal efforts of our employees, Ford Credit also contributes to the many communities where we do business.

In the U.S., many Ford Credit employees are Junior Achievement volunteers, helping young people learn the workings of the American economy.

Ford Credit Brazil developed a recycling program to help purchase school supplies for Sao Paulo students. By collecting recyclable office paper and exchanging it for school supplies, our employees provided 1,700 local children with notebooks and other supplies.

PRIMUS employees in Tennessee helped raise money for cancer research and prevention by joining a 12-hour relay sponsored by the American Cancer Society.

In Puerto Rico, Ford Credit teamed with Ford Motor Company to raise funds for an American Red Cross effort to help hurricane victims. In many other countries, employees found personal ways to demonstrate their community spirit. Running a marathon to benefit breast cancer research, raising funds for a local orphanage and repairing the homes of low-income and disabled residents are among the ways Ford Credit and PRIMUS people have reached out to those in need.

ABOUT THE PHOTOS

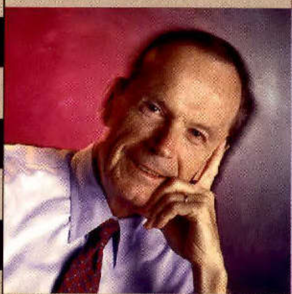
Top left: **As part of an effort to teach children about the business world, Ford Credit hosted a special event where Billie Long and other employees' children accompanied their parents to work.**

Bottom right: **Antonio Chueco Filho of Ford Credit Brazil helped develop a recycling and exchange program to provide school supplies to children in Sao Paulo. Employees collected recyclable office paper in exchange for school supplies that were donated to 1,700 local students.**

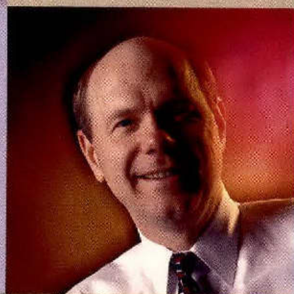
1996 BOARD OF DIRECTORS

William E. Odom*
Group Vice President -
Ford Motor Company
Chairman of the Board -
Ford Motor Credit Company

Edsel B. Ford II
Vice President -
Ford Motor Company
President -
Ford Motor Credit Company



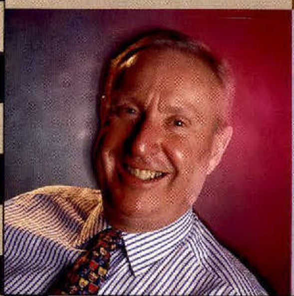
Kenneth Whipple*
Executive Vice President -
Ford Motor Company
President -
Ford Financial Services Group



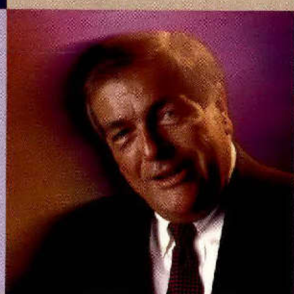
Gregory C. Smith
Executive Vice President -
International Financing Operations
Ford Motor Credit Company

David N. McCammon*
Vice President - Finance
Ford Motor Company

Kenneth J. Coates
Executive Vice President -
Finance and Administration
Ford Motor Credit Company



David J. Wennerberg*
Executive Vice President -
Diversified Operations
Ford Motor Credit Company



John G. Clissold
Executive Vice President -
North American Financing Operations
Ford Motor Credit Company

OFFICERS

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Chairman of the Board

Edsel B. Ford II
President

John G. Clissold
Executive Vice President - North American Financing Operations

Kenneth J. Coates
Executive Vice President - Finance and Administration

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Assistant Treasurer

James A. Kurtz
Assistant Treasurer

Ann Marie Petach
Assistant Treasurer

Mark R. Turner
Assistant Treasurer

*** Changes to the Ford Motor Credit Company Board of Directors as of March 15, 1997:**

William E. Odom retired and was replaced as Chairman - Ford Motor Credit Company by **Kenneth Whipple**

David N. McCammon retired and was replaced as a board member by **John M. Devine** Group Vice President and Chief Financial Officer - Ford Motor Company

David J. Wennerberg retired and was replaced as a board member by **Malcolm S. Macdonald** Treasurer - Ford Motor Company

Corporate Offices
Ford Motor Credit Company
The American Road
P.O. Box 1732
Dearborn, MI 48121-1732
(313) 323-1200

Annual, 10-K and 10-Q Reports
To obtain copies of the annual report
to the Security and Exchange Commission
on Form 10-K and the quarterly reports
on Form 10-Q, or to obtain additional copies
of this annual report, write or call:
N.W. Coughlin & Co.
9401 General Drive
Plymouth, MI 48170
(800) 835-6881

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For customer service information, write or call:
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Ford Money Market Account
For new account information call:
(800) 580-4778
(offered by prospectus only)

Commercial Paper Information

Ford Motor Credit Company finances its business in the U.S. in part through the issuance of commercial paper. These are senior obligations rated A-1 by Standard & Poor's, Prime-1 by Moody's Investors Service, F-1 by Fitch Investors Service and D-1+ by Duff & Phelps. The notes are available in either bearer or registered form for maturity on any business day selected by the investor between one and 270 days.

For more information on the notes, contact the following U.S. Financial Sales Offices:

Eastern Region
Phone: (800) 331-9254
(800) 331-9256
(313) 845-6263
Manager: Craig A. Dukes

Western Region
Phone: (800) 331-9258
(800) 521-4012
(313) 845-6257
Manager: Donald M. Zaksek

Commercial paper notes issued by Ford Credit Canada Limited are rated R-1 (middle) by Dominion Bond Rating Service, A-1 by Canadian Bond Rating Service, A-1 by Standard & Poor's and P-1 by Moody's Investors Service. For more information on the notes, contact the following Financial Sales Office:

Ford Credit Canada Limited
Treasury Department
P.O. Box 6210
Dearborn, MI 48121
Phone: (800) 437-5051
(313) 390-1230
Manager: Tony Marchant

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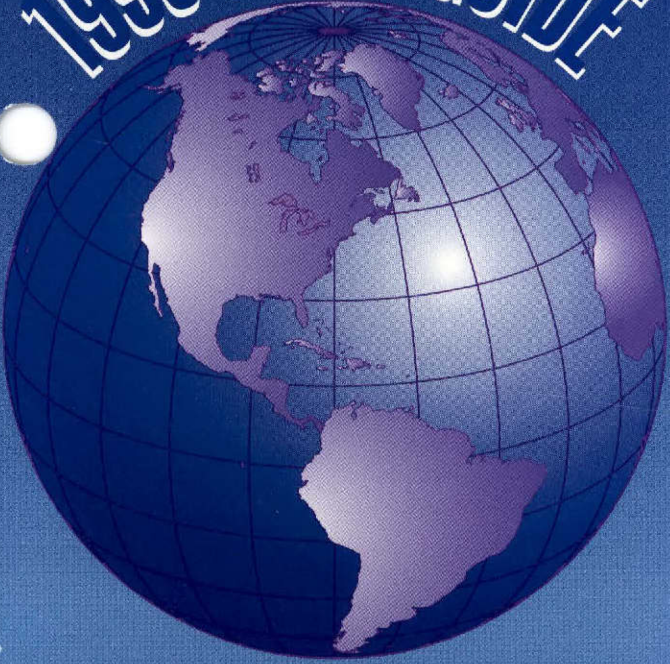
1996 PLANT GUIDE



A Pocket Reference on Ford Motor Company Worldwide Plants

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VEHICLE OPERATIONS

ASSEMBLY

Associated Motors Industries of Malaysia (AMIM) - Kuala Lumpur (Malaysia)

Hourly:	746
Salary:	73
Products:	(Joint venture 30% Ford / 70% Sime Darby) Laser and Telstar cars, Econovan, Spectron and Trader Trucks
Year Opened:	1967
Plant Size (sq. feet):	396,396
1995 Production (# units):	9,414

Atlanta Assembly - Hapeville, Georgia (USA)

Hourly:	2,749
Salary:	229
Products:	Ford Taurus and Mercury Sable
Year Opened:	1947
Plant Size (sq. feet):	2,250,000
1995 Production (# units):	268,459

AutoAlliance International, Inc. - Flat Rock, Mich. (USA)

Hourly:	2,747
Salary:	488
Products:	(Joint venture 50% Ford / 50% Mazda) Ford Probe, Mazda MX-6 and 626
Year Opened:	1987
Plant Size (sq. feet):	2,700,000
1995 Production (# units):	149,562 (Total) 50,653 (Probes)

AutoAlliance (Thailand) Co., Ltd. - Rayong (Thailand)

Hourly:	N/A
Salary:	N/A
Products:	Equity Ownership (45% Ford / 45% Mazda / 10% local) Pickup trucks
Year Opened:	Expected production 1998
Plant Size (sq. feet):	N/A
1995 Production (# units):	N/A

AutoEuropa Plant - Setubal (Portugal)

Hourly/Salary (Total): 3,000
Products: (Joint venture 50% Ford / 50% Volkswagen) Ford Galaxy and Volkswagen Sharan
Year Opened: 1995
Plant Size (sq. feet): 3,608,000
1995 Production (# units): 180,000

Azambuja Assembly - Azambuja (Portugal)

Hourly: 325
Salary: 48
Products: Ford Transit vans
Year Opened: 1963
Plant Size (sq. feet): 1,065,636
1995 Production (# units): 8,950

Bloxham Assembly - Banbury, Oxfordshire (England)

Hourly: 0
Salary: 250
Products: Aston Martin DB7
Year Opened: 1994
Plant Size (sq. feet): 47,149
1995 Production (# units): 625

Brisbane Assembly - Eagle Farm, Queensland (Australia)

Hourly: 149
Salary: 21
Products: Ford L-Series and Trader Trucks
Year Opened: 1926
Plant Size (sq. feet): 207,636
1995 Production (# units): 1,314

Broadmeadows Assembly #1 - Campbellfield, Victoria (Australia)

Hourly: 2,319*
Salary: 190*
Products – Plant #1: Ford Falcon, Fairlane and LTD cars
Year Opened: 1959
Plant Size (sq. feet): 1,485,000
1995 Production (# units): 93,302

* Includes Broadmeadows Plant #2

Broadmeadows Assembly #2 - Campbellfield, Victoria (Australia)

Hourly:	2,319*
Salary:	190*
Products – Plant #2:	Falcon commercial vehicles
Year Opened:	1959
Plant Size (sq. feet):	194,000
1995 Production (# units):	8,421

*Inlcudes Broadmeadows Plant #1

Browns Lane Assembly - Coventry (England)

Hourly:	2,000
Salary:	950
Products:	Final assembly of Jaguar XJS, XJ6, Sovereign and Daimler models
Year Opened:	1951
Plant Size (sq. feet):	1,000,000
1995 Production (# units):	40,000

Castle Bromwich Assembly - Birmingham (England)

Hourly:	850
Salary:	250
Products:	Assembly and paint for Jaguar XJS, XJ6, Sovereign and Daimler models
Year Opened:	1980
Plant Size (sq. feet):	1,400,000
1995 Production (# units):	40,000

Chicago Assembly - Chicago, Illinois (USA)

Hourly:	2,885
Salary:	210
Products:	Ford Taurus / Mercury Sable
Year Opened:	1924
Plant Size (sq. feet):	2,500,000
1995 Production (# units):	277,524

Cologne Body & Assembly - Cologne (Germany)

Hourly:	6,898
Salary:	406
Products:	Ford Fiesta and Scorpio
Year Opened:	1930
Plant Size (sq. feet):	4,600,000
1995 Production (# units):	211,794

Cuautitlan Assembly - Cuautitlan (Mexico)

Hourly: 2,627
Salary: 412
Products: Ford F-150, F-250, F-350 trucks, Ford Contour and Mercury Mystique
Year Opened: 1970
Plant Size (sq. feet): 2,033,469
1995 Production (# units): 75,126

Dagenham Body & Assembly - Dagenham, Essex (England)

Hourly: 4,650
Salary: 350
Products: Ford Fiesta cars and vans and Courier van
Year Opened: 1931
Plant Size (sq. feet): 2,953,684
1995 Production (# units): 182,307

Dearborn Assembly - Dearborn, Michigan (USA)

Hourly: 1,994
Salary: 210
Products: Ford Mustang
Year Opened: 1918
Plant Size (sq. feet): 2,570,834
1995 Production (# units): 185,986

Edison Assembly - Edison, New Jersey (USA)

Hourly: 1,486
Salary: 162
Products: Ford Ranger and Mazda B-Series compact pickup truck
Year Opened: 1948
Plant Size (sq. feet): 1,360,364
1995 Production (# units): 142,587

Ford Vietnam, Ltd. - Hanoi (Vietnam)

Hourly: 0
Salary: 0
Products: (Joint venture 75% Ford / 25% Song Cong Diesel) Ford cars and trucks
Year Opened: Expected production 1997
Plant Size (sq. feet): N/A
5 Production (# units): N/A

Genk Assembly - Genk (Belgium)

Hourly:	11,310
Salary:	547
Products:	Ford Mondeo / Transit vans
Year Opened:	1964
Plant Size (sq. feet):	4,965,840
1995 Production (# units):	470,695

Halewood Body & Assembly - Halewood, Liverpool (England)

Hourly:	4,180
Salary:	331
Products:	Ford Escort cars and vans, Jaguar stampings
Year Opened:	1962
Plant Size (sq. feet):	3,263,104
1995 Production (# units):	167,234

Hermosillo Stamping & Assembly - Hermosillo, Sonora (Mexico)

Hourly:	2,015
Salary:	275
Products:	Ford Escort three- and four-door sedan, four-door Mercury Tracers
Year Opened:	1986
Plant Size (sq. feet):	1,625,133
1995 Production (# units):	139,324

IMMSA - Monterrey (Mexico)

Hourly:	110
Salary:	17
Products:	F-Super Duty, Stripped Chassis, P-350, B-800 and F-700
Year Opened:	1988
Plant Size (sq. feet):	330,000
1995 Production (# units):	15,243

Jiangling Motors Corp., Ltd. - Nanchang (China)

Hourly:	0
Salary:	0
Products:	(Equity Ownership 20% Ford) Transit vans
Year Opened:	Expected Production 1997
Plant Size (sq. feet):	N/A
1995 Production (# units):	N/A

Kansas City Assembly -
Claycomo, Missouri (USA)

Hourly: 5,139
Salary: 334
Products: Ford F-Series SuperCabs, Ford Contour and Mercury Mystique
Year Opened: 1951
Plant Size (sq. feet): 3,600,000
1995 Production (# units): 391,834

Kentucky Truck Assembly -
Louisville, Kentucky (USA)

Hourly: 4,002
Salary: 376
Products: Ford medium and heavy trucks, commercial light trucks, AeroMax Linehaul truck
Year Opened: 1969
Plant Size (sq. feet): 4,330,460
5 Production (# units): 189,344

Lio Ho Assembly - **Chung Li (Taiwan)**

Hourly: 1,856
Salary: 627
Products: Ford Festiva, Laser, Telstar, Pronto, Liata, Aztec, Bongo, Econovan, TX5
Year Opened: 1972
Plant Size (sq. feet): 375,078
1995 Production (# units): 95,481

Lorain Assembly - **Lorain, Ohio (USA)**

Hourly: 3,491
Salary: 317
Products: Ford Thunderbird, Mercury Cougar, Ford Econoline, Club Wagon
Year Opened: 1958
Plant Size (sq. feet): 4,100,000
1995 Production (# units): 402,486

Louisville Assembly - **Louisville, Kentucky (USA)**

Hourly: 3,521
Salary: 250
Products: Ford Explorer and Ranger
Year Opened: 1955
Plant Size (sq. feet): 3,049,075
1995 Production (# units): 400,266

Mahindra Ford India, Ltd. -
Nashik, Maharashtra (India)

Hourly: 0
Salary: 0
Products: (Joint venture 50% Ford / 50% Mahindra & Mahindra, Ltd.) Ford Escort
Year Opened: 1996
Plant Size (sq. feet): N/A
1995 Production (# units): N/A

Mahindra Ford India, Ltd. -
Maraimalai Nagar, Tamil Nadu (India)

Hourly: 0
Salary: 0
Products: (Joint venture 50% Ford / 50% Mahindra & Mahindra, Ltd.) Ford Fiesta
Year Opened: Expected production 1998
Plant Size (sq. feet): N/A
1995 Production (# units): N/A

Michigan Truck Assembly -
Wayne, Michigan (USA)

Hourly: 2,885
Salary: 262
Products: Ford F-150, F-150 Lightning, F-250 Regular Cab trucks and all Ford Broncos
Year Opened: 1964
Plant Size (sq. feet): 2,587,000
1995 Production (# units): 239,021

Newport Pagnell Assembly -
Newport Pagnell (England)

Hourly: 0
Salary: 268
Products: Aston Martin Virage, Volante and Vantage
Year Opened: 1954
Plant Size (sq. feet): 564,000
1995 Production (# units): 101

Norfolk Assembly - Norfolk, Virginia (USA)

Hourly: 2,193
Salary: 184
Products: Ford F-Series trucks
Year Opened: 1925
Plant Size (sq. feet): 2,154,440
1995 Production (# units): 155,681

Oakville Assembly - Oakville, Ontario (Canada)

Hourly: 3,167
Salary: 340
Products: Ford Windstar and 1997 F-series
Year Opened: 1953
Plant Size (sq. feet): 3,811,173
1995 Production (# units): 293,267

Ohio Assembly - Avon Lake, Ohio (USA)

Hourly: 3,243
Salary: 292
Products: Ford Econoline and Club Wagon bodies, Mercury Villager and Nissan Quest
Year Opened: 1974
Plant Size (sq. feet): 3,300,000
1995 Production (# units): 337,866

Ontario Truck Assembly - Oakville, Ontario (Canada)

Hourly: 910
Salary: 127
Products: Ford F-Series trucks (F-150, F-250, F-350)
Year Opened: 1965
Plant Size (sq. feet): 1,351,000
1995 Production (# units): 82,408

Otosan Istanbul Plant - Istanbul (Turkey)

Hourly: 1,015
Salary: 235
Products: (Equity ownership 30% Ford / 55% KOC Group / 15% public) Ford Escorts, Transit light commerical, P-100 pickup and mini buses and cargo heavy trucks
Year Opened: 1959
Plant Size (sq. feet): 925,697
1995 Production (# units): 18,505

Pacheco Complex (Assembly) - Buenos Aires (Argentina)

Hourly: 1,290
Salary: 64
Products: Ford Orion, F-100 and F-400, Verona, Volkswagen Pointer, Escort and Ranger
Year Opened: 1963
Plant Size (sq. feet): 883,400
1995 Production (# units): 76,484

Plonsk Assembly - Plonsk (Poland)

Hourly: 149
Salary: 29
Products: Ford Escorts / Transit vans
Year Opened: 1995
Plant Size (sq. feet): 230,693
1995 Production (# units): 30,000

Saarlouis Body & Assembly - Saarlouis (Germany)

Hourly: 5,666
Salary: 341
Products: Ford Escort sedans and wagons
Year Opened: 1970
Plant Size (sq. feet): 3,110,000
1995 Production (# units): 295,753

Sao Bernardo Assembly - Sao Paulo (Brazil)

Hourly: 7,252
Salary: 321
Products: Ford Fiesta, Hobby, Pampa Pickup and Volkswagen Logus and Pointer
Year Opened: 1967
Plant Size (sq. feet): 4,132,400
1995 Production (# units): 174,073

South African Motor Corp. Ltd. - Silverton (South Africa)

Hourly/Salary: 2,900
Products: (Joint venture 45% Ford / 55% SAMCOR) Ford Laser / Meteor cars, Escort, Courier, Bantam pickup trucks, Ford Spectron van and Telstar
Year Opened: 1968
Plant Size (sq. feet): 1,689,320
1995 Production (# units): 61,129

Southampton Assembly - Southampton (England)

Hourly: 1,897
Salary: 151
Products: Ford Transit vans, buses, chassis cabs, Hi-Roof and Hi-Cube
Year Opened: 1953
Plant Size (sq. feet): 1,300,000
1995 Production (# units): 70,457

St. Louis Assembly - Hazelwood, Missouri (USA)

Hourly: 2,585
Salary: 221
Products: Ford Aerostar and Explorer
Year Opened: 1948
Plant Size (sq. feet): 2,676,080
1995 Production (# units): 217,818

. Thomas Assembly - St. Thomas, Ontario (Canada)

Hourly: 2,494
Salary: 249
Products: Ford Crown Victoria and Mercury Grand Marquis
Year Opened: 1967
Plant Size (sq. feet): 2,300,000
1995 Production (# units): 207,263

Twin Cities Assembly - St. Paul, Minnesota (USA)

Hourly: 1,830
Salary: 169
Products: Ford Ranger, Ranger Flareside, Ranger SuperCab, Ranger Splash Flareside, and Ranger SuperCab Flareside
Year Opened: 1925
Plant Size (sq. feet): 2,028,733
1995 Production (# units): 121,105

Valencia Assembly - Valencia (Venezuela)

Hourly: 1,390
Salary: 378
Products: Ford Festiva, F-Series (F-150, F-350, F-700), Laser and Bronco
Year Opened: 1962
Plant Size (sq. feet): 777,400
1995 Production (# units): 23,018

Valencia Body & Assembly - Valencia (Spain)

Hourly:	7,087
Salary:	870
Products:	Ford Escort and Fiesta
Year Opened:	1973
Plant Size (sq. feet):	2,636,200
1995 Production (# units):	312,239

Vehicle Assemblers of New Zealand (VANZ) - Auckland (New Zealand)

Hourly:	266
Salary:	50
Products:	(Joint venture 74% Ford / 26% Mazda) Ford Laser and Telstar cars, Ford Econovan and Courier, Trader, Mazda B-Series trucks, 626 and 323 cars
Year Opened:	1973
Plant Size (sq. feet):	350,000
1995 Production (# units):	9,711

Wayne Stamping & Assembly - Wayne, Michigan (USA)

Hourly:	3,344
Salary:	312
Products:	Ford Escort
Year Opened:	1952
Plant Size (sq. feet):	3,247,630
1995 Production (# units):	217,797

Wixom Assembly - Wixom, Michigan (USA)

Hourly:	2,903
Salary:	357
Products:	Lincoln Town Car, Mark VIII and Continental
Year Opened:	1957
Plant Size (sq. feet):	4,200,000
1995 Production (# units):	166,674

VEHICLE OPERATIONS

STAMPING

Buffalo Stamping - Buffalo, New York (USA)

Hourly:	2,054
Salary:	222
Products:	Sheet metal panels, rear floor pan assemblies, rear door, quarter panels and roofs.
Year Opened:	1950
Plant Size (sq. feet):	2,446,347
1995 Production (# units):	365,231 tons of steel

Chicago Stamping - Chicago, Illinois (USA)

Hourly:	1,958
Salary:	217
Products:	Body panels for most car and truck lines
Year Opened:	1956
Plant Size (sq. feet):	2,400,000
1995 Production (# units):	339,378 tons of steel and aluminum

Cologne Tool & Die - Cologne (Germany)

Hourly:	1,189
Salary:	85
Products:	Stamping dies, fixtures, jigs, soft tooling and die repairs
Year Opened:	1966
Plant Size (sq. feet):	322,800
1995 Production (# units):	540 dies

Croydon Plant - Croydon (England)

Hourly:	197 (1994)
Salary:	12 (1994)
Products:	Small metal stampings
Year Opened:	1949
Plant Size (sq. feet):	137,000
1995 Production (# units):	60,651,859 (1994)

Dearborn Frame - Dearborn, Michigan (USA)

Hourly:	1,212
Salary:	115
Products:	Frames, sub-frames, hinges and cross members
Year Opened:	1946
Plant Size (sq. feet):	816,200
1995 Production (# units):	2,428,844

Dearborn Stamping - Dearborn, Michigan (USA)

Hourly: 1,299
Salary: 178
Products: Body panels for most car and truck lines
Year Opened: 1936
Plant Size (sq. feet): 2,100,000
1995 Production (# units): N/A

Dearborn Tool & Die - Dearborn, Michigan (USA)

Hourly: 602
Salary: 47
Products: Stamping dies
Year Opened: 1939
Plant Size (sq. feet): 411,780
1995 Production (# units): 350 dies

Geelong Stamping - Geelong, Victoria (Australia)

Hourly: 1,185
Salary: 152
Products: Body stampings and sub-assemblies
Year Opened: 1925
Plant Size (sq. feet): 2,000,000 (Includes other Geelong plants)
1995 Production (# units): 88,950

Ipiranga Plant - Sao Paulo (Brazil)

Hourly: 2,150
Salary: 354
Products: Cabs and crossmembers for lt., med. and hvy. trucks
Year Opened: 1953
Plant Size (sq. feet): 1,294,898
1995 Production (# units): 39,185

Lamosa Plant - Nuevo Laredo (Mexico)

Hourly: 1,214
Salary: 121
Products: Catalytic converters, stabilizer bars, springs, radiator supports and wheels
Year Opened: 1986
Plant Size (sq. feet): 320,000
1995 Production (# units): 6,300,000

Maumee Stamping - Maumee, Ohio (USA)

Hourly: 778
Salary: 93
Products: Body panels (steel and plastic)
Year Opened: 1974
Plant Size (sq. feet): 732,500
1995 Production (# units): 88,800 tons of steel and 8,900 tons of plastic

Monroe Stamping - Monroe, Michigan (USA)

Hourly: 1,850
Salary: 204
Products: Body panels, catalytic converters, wheels, coil springs, stabilizer bars and door intrusion beams
Year Opened: 1950
Plant Size (sq. feet): 1,300,000
1995 Production (# units): 37,300,000

Pacheco Complex (Stamping) - Buenos Aires (Argentina)

Hourly: 1,084
Salary: 46
Products: Body panels for Ford Orion, Escort, Verona, F-100 and F-400
Year Opened: 1963
Plant Size (sq. feet): 772,245
1995 Production (# units): 76,484

Walton Hills Stamping - Walton Hills, Ohio (USA)

Hourly: 1,846
Salary: 194
Products: Body panels, deck lids, fenders, doors, quarter panels, roofs, floor pans and inner body panels
Year Opened: 1954
Plant Size (sq. feet): 2,200,000
1995 Production (# units): 213,200 tons of steel

Woodhaven Stamping - Woodhaven, Michigan (USA)

Hourly: 2,243
Salary: 228
Products: Body panels and components for most car and truck lines
Year Opened: 1965
Plant Size (sq. feet): 2,720,000
1995 Production (# units): 68,250,000

POWERTRAIN PLANTS

ENGINE

Bridgend - Bridgend (Wales)

Hourly:	1,222
Salary:	136
Products:	1.6 and 1.8-liter Zetec, 1.4-liter PTE engines and diesel engines
Year Opened:	1980
Plant Size (sq. feet):	1,525,320
1995 Production (# units):	516,752

Chihuahua Engine - Chihuahua (Mexico)

Hourly:	821
Salary:	245
Products:	2.0-liter four-cylinder Zetec engine
Year Opened:	1983
Plant Size (sq. feet):	727,829
1995 Production (# units):	200,880

Cleveland Engine #1 - Brook Park, Ohio (USA)

Hourly:	1,533
Salary:	170
Products:	4.9-liter six-cylinder and 5.0-liter V-8 engines
Year Opened:	1951
Plant Size (sq. feet):	1,900,000
1995 Production (# units):	610,801

Cleveland Engine #2 - Brook Park, Ohio (USA)

Hourly:	807
Salary:	185
Products:	2.5-liter and 3.0-liter V-6 Duratec engines, engine parts for other engine plants
Year Opened:	1955
Plant Size (sq. feet):	1,200,000
1995 Production (# units):	156,847

Cologne Engine - Cologne (Germany)

Hourly:	1,668
Salary:	142
Products:	1.8 and 2.0 Zetec, 4.0-liter V-6 OHV engines
Year Opened:	1961
Plant Size (sq. feet):	1,470,000
1995 Production (# units):	653,760

Cuautitlan Engine - Cuautitlan (Mexico)

Hourly	310
Salary:	52
Products:	5.0 and 5.8 V-8 engines and engine dress-ups
Year Opened:	1964
Plant Size (sq. feet):	265,400
1995 Production (# units):	91,000

agenham Engine - Dagenham (England)

Hourly:	1,596
Salary:	171
Products:	2.5, 1.8-liter diesel and DOHC engines
Year Opened:	1966
Plant Size (sq. feet):	741,280
1995 Production (# units):	596,600

Dearborn Engine & Fuel Tank - Dearborn, Michigan (USA)

Hourly:	1,248
Salary:	271
Products:	1.9-liter engines and steel fuel tanks
Year Opened:	1941
Plant Size (sq. feet):	2,227,300
1995 Production (# units):	3,543,137

Essex Engine - Windsor, Ontario (Canada)

Hourly:	1,186
Salary:	283
Products:	3.8-liter and 4.2-liter V-6 engines
Year Opened:	1981
Plant Size (sq. feet):	1,700,000
5 Production (# units):	423,509

Geelong Engine - Geelong, Victoria (Australia)

Hourly: 775
Salary: 87
(Includes Geelong Chassis)
Products: I6 (6-cylinder) engine
Year Opened: 1925
Plant Size (sq. feet): 2,000,000
(Includes other Geelong plants)
1995 Production (# units): 97,347

Lima Engine - Lima, Ohio (USA)

Hourly: 1,860
Salary: 316
Products: 2.3 OHC, 3.0 V-6, 7.0 and 7.5-liter V-8 engines
Year Opened: 1957
Plant Size (sq. feet): 2,424,360
1995 Production (# units): 908,422

Lio Ho Engine - Chung Li (Taiwan)

Hourly 276
Salary: 22
Products: 1.0, 1.3, 1.5, 1.6, 1.8 and 2.0-liter engines
Year Opened: 1972
Plant Size (sq. feet): 96,875
1995 Production (# units): 95,460

Otosan Engine - Inonu (Turkey)

Hourly 600
Salary: 76
Products: (Equity ownership 30% Ford / 55% KOC Group / 15% public) 2.0-liter OHC, 2.5-liter diesel, 2 ETEC MT25 and Ford cargo heavy trucks, engine parts, vehicle components machining and engine assembly
Year Opened: 1982
Plant Size (sq. feet): 420,000
1995 Production (# units): 3,207 trucks
15,860 engines
and transmisssions

Pacheco Complex (Engine Plant) - Buenos Aires (Argentina)

Hourly: 277
Salary: 18
Products: I6, 3.6-liter engines
Year Opened: 1961
Plant Size (sq. feet): 280,970
1995 Production (# units): 75,500

Radford Engine - Radford, Coventry (England)

Hourly: 530
Salary: 100
Products: V-6 and V-8 engines, transmissions for Jaguar vehicles
Year Opened: 1960
Plant Size (sq. feet): 880,000
1995 Production (# units): 40,000

meo Engine - Romeo, Michigan (USA)

Hourly: 1,012
Salary: 187
Products: 4.6-liter V-8 engines
Year Opened: 1973
Plant Size (sq. feet): 1,600,000
1995 Production (# units): 468,162

South Africa Motor Corp., Ltd. - Port Elizabeth (S. Africa)

Hourly/Salary: 414
Products: (Joint venture 45% Ford / 55% SAMCOR) 3.0-liter, B-series, 1.6-liter Kent, CVH and 2.0-liter OHC engines
Year Opened: 1963
Plant Size (sq. feet): 348,624
1995 Production (# units): 18,969

Taubate Engine - Taubate, Sao Paulo (Brazil)

Hourly: 61
Salary: 10
Products: 1.3-liter and 1.0-liter V-4 engines
Year Opened: 1974
Plant Size (sq. feet): 92,880
5 Production (# units): 16

Valencia Engine #1 - Valencia (Spain)

Hourly: 1,076
Salary: 121 (Includes Valencia Engine #2)
Products: 1.1-liter and 1.3-liter CFI, and 1.3-liter EFI engines
Year Opened: 1976
Plant Size (sq. feet): 871,560
1995 Production (# units): 438,765

Valencia Engine #2 - Valencia (Spain)

Hourly: 413
Salary: 121 (Includes Valencia Engine #1)
Products: 1.25-liter and 1.4-liter Zetec SE engines
Year Opened: 1995
Plant Size (sq. feet): 494,960
1995 Production (# units): 65,536

Windsor Engine - Windsor, Ontario (Canada)

Hourly: 1,073
Salary: 251
Products: 4.6-liter, 5.4-liter V-8 and 6.8-liter V-10 engines
Year Opened: 1922 (rebuilt 1992)
Plant Size (sq. feet): 1,202,650
1995 Production (# units): 150,000

Windsor Engine #1 - Windsor, Ontario (Canada)

Hourly: 740
Salary: 99
Products: 5.8-liter V-8 engines
Year Opened: 1937
Plant Size (sq. feet): 840,000
1995 Production (# units): 258,000

POWERTRAIN PLANTS

TRANSMISSION/STEERING/CHASSIS

Batavia Transmission - Batavia, Ohio (USA)

Hourly:	1,440
Salary:	240
Products:	CD4E automatic transaxles
Year Opened:	1980
Plant Size (sq. feet):	1,800,000
1995 Production (# units):	359,408

Bordeaux Automatic Transmission - Blanquefort (France)

Hourly:	2,234
Salary:	118
Products:	A4LD RWD hydraulic and electronic automatic transmissions
Year Opened:	1973
Plant Size (sq. feet):	1,010,000
1995 Production (# units):	649,691

Bordeaux Manual Transmission - Blanquefort (France)

Hourly:	1,203
Salary:	75
Products:	5-spd. transaxles and CTX automatic transmissions
Year Opened:	1976
Plant Size (sq. feet):	500,000
1995 Production (# units):	657,922

Cologne Transmission and Chassis - Cologne (Germany)

Hourly:	1,564
Salary:	144
Products:	MTX75 and VXT-75 transmissions, driveshafts, brake discs, hubs and front suspensions
Year Opened:	1930
Plant Size (sq. feet):	2,013,981
1995 Production (# units):	2,577,328

Dueren Plant - Dueren (Germany)

Hourly: 1,323
Salary: 120
Products: Rear axles, hubs, drums and transmission assemblies, front- wheel-drive components and drums
Year Opened: 1968
Plant Size (sq. feet): 880,000
1995 Production (# units): 3,607,654

Ford Motor Co. Caribbean, Inc. - Canovanas (Puerto Rico)

Hourly: 86
Salary: 21
Products: Power steering, pumps, rotor shafts and CV joint cages
Year Opened: 1964
Plant Size (sq. feet): 147,000
1995 Production (# units): 7,598,608

Geelong Chassis - Geelong, Victoria (Australia)

Hourly: 775*
Salary: 87*
Products: (Mach) rotors / spindles
Year Opened: 1925
Plant Size (sq. feet): 2,000,000
(Includes other Geelong plants)
1995 Production (# units): N/A
(*Includes Geelong Chassis)

Halewood Transmission - Liverpool (England)

Hourly: 1,110
Salary: 114
Products: IB5 and MT75 transmissions
Year Opened: 1964
Plant Size (sq. feet): 1,247,548
1995 Production (# units): 533,003

Hanwha Automotive Components Corp. - Chanan (S. Korea)

Hourly: 133
Salary: 59
Products: (Joint venture 49% Ford / 51% Korea Machinery Corp.) Oil and water pumps
Year Opened: 1988
Plant Size (sq. feet): 32,472
1995 Production (# units): 1,328,000

Indianapolis Plant - Indianapolis, Indiana (USA)

Hourly:	2,799
Salary:	378
Products:	Steering gears, pumps, column and valve assemblies, rack and pinion
Year Opened:	1957
Plant Size (sq. feet):	2,000,000
1995 Production (# units):	14,300,000

Livonia Transmission - Livonia, Michigan (USA)

Hourly:	2,971
Salary:	447
Products:	AX4S transaxles and 4R70W transmissions, and AX4N transmission components
Year Opened:	1952
Plant Size (sq. feet):	3,100,000
1995 Production (# units):	1,361,790

Sharonville Transmission - Sharonville, Ohio (USA)

Hourly:	1,661
Salary:	269
Products:	E4OD and C6 automatic transmissions for light trucks
Year Opened:	1958
Plant Size (sq. feet):	2,200,000
1995 Production (# units):	588,763

Sterling Plant - Sterling Heights, Michigan (USA)

Hourly:	3,209
Salary:	330
Products:	Rear axles, driveshafts, I-beams and independent rear suspension carriers
Year Opened:	1956
Plant Size (sq. feet):	3,000,000
1995 Production (# units):	6,160,460

Swansea Plant - Swansea (Wales)

Hourly: 1,016
Salary: 110
Products: Axles, hubs, transmission arms, drums, rotors, knuckles, spindles, crankshafts, camshafts, differentials, halfshafts, carriers, blocks, brackets and flanges
Year Opened: 1965
Plant Size (sq. feet): 491,732
1995 Production (# units): 8,708,463

Taubate Chassis - Taubate, Sao Paulo (Brazil)

Hourly: 634
Salary: 16
Products: Chassis components
Year Opened: 1968
Plant Size (sq. feet): 260,177
1995 Production (# units): 5,510,068 parts

Taubate Transmission - Taubate, Sao Paulo (Brazil)

Hourly: N/A
Salary: 35
Products: IB5 transmission (production began 1996)
Year Opened: 1974
Plant Size (sq. feet): 388,587
1995 Production (# units): N/A

Van Dyke Plant - Sterling Heights, Michigan (USA)

Hourly: 1,394
Salary: 280
Products: AX4N transaxles, front and rear suspensions, spindles, knuckles and hubs, CV joints and halfshafts
Year Opened: 1968
Plant Size (sq. feet): 1,913,121
1995 Production (# units): 7,139,865

Wuelfrath Chassis Plant - Wuelfrath (Germany)

Hourly: 880
Salary: 72
Products: Steering components, knuckles, spindles and transmission parts
Year Opened: 1956
Plant Size (sq. feet): 415,800
1995 Production (# units): 1,785,000 steering components

POWERTRAIN PLANTS

CASTING/FORGING/ALUMINUM

Cleveland Casting - Brook Park, Ohio (USA)

Hourly: 2,443
Salary: 362
Products: Cylinder blocks and heads, intake and exhaust manifolds, crankshafts and camshafts, flywheels, and bearing caps
Year Opened: 1952
Plant Size (sq. feet): 1,600,000
1995 Production (# units): 321,500 tons of iron

Cologne Forge & Die Cast Plant - Cologne (Germany)

Hourly: 971
Salary: 87
Products: Forging and die cast parts
Year Opened: 1961
Plant Size (sq. feet): 645,600
1995 Production (# units): N/A

Cuautitlan Casting - Cuautitlan (Mexico)

Hourly: 294
Salary: 44
Products: V-8 engine parts
Year Opened: 1964
Plant Size (sq. feet): 241,000
1995 Production (# units): 2,070 tons of iron

Essex Aluminum - Windsor, Ontario (Canada)

Hourly: 500
Salary: 101
Products: Cylinder heads and pistons
Year Opened: 1980
Plant Size (sq. feet): 450,000
1995 Production (# units): 47,000,000 lbs. of aluminum

Geelong Aluminum - Geelong, Victoria (Australia)

Hourly: 200
Salary: 19
Products: Rocker covers, cylinder heads and intake manifolds
Year Opened: 1985
Plant Size (sq. feet): 2,000,000 (Includes other Geelong plants)
1995 Production (# units): 97,347

Geelong Casting - Geelong, Victoria (Australia)

Hourly: 228
Salary: 32
Products: I6 and I4 engine blocks, camshafts, crankshafts, disc brakes and machined engine components
Year Opened: 1972
Plant Size (sq. feet): 190,000
1995 Production (# units): 121,491 engine blocks

Leamington Foundry - Leamington (England)

Hourly: 473
Salary: 82
Products: Differential gear cases, brake discs, drums, flywheels, hubs and exhaust manifolds
Year Opened: 1940
Plant Size (sq. feet): 270,000
1995 Production (# units): 8,500,000 castings

Lio Ho Casting - Chung Li (Taiwan)

Hourly: 65
Salary: 10
Products: Engine castings
Year Opened: 1972
Plant Size (sq. feet): 40,903
1995 Production (# units): 95,460

Manukau Casting - Auckland (New Zealand)

Hourly: 220
Salary: 32
Products: Die cast aluminum wheels
Year Opened: 1981
Plant Size (sq. feet): 31,252
1995 Production (# units): 560,000

Metcon Foundry -
Villa Constitucion, Santa Fe Province (Argentina)

Hourly:	679
Salary:	63
Products:	Iron castings
Year Opened:	1967
Plant Size (sq. feet):	606,303
1995 Production (# units):	29,562 tons of iron

Osasco Foundry - Osasco (Brazil)

Hourly:	644
Salary:	36
Products:	Engine and chassis casting components
Year Opened:	1958
Plant Size (sq. feet):	219,591
1995 Production (# units):	34,837 poured tons 18,273 cleaned tons

Taubate Aluminum Casting -
Taubate, Sao Paulo (Brazil)

Hourly:	300
Salary:	10
Products:	Engine and chassis casting components
Year Opened:	1968
Plant Size (sq. feet):	195,810
1995 Production (# units):	4,547 poured tons

Taubate Iron Casting - Taubate, Sao Paulo (Brazil)

Hourly:	465
Salary:	15
Products:	Engine castings and components, chassis components
Year Opened:	1968
Plant Size (sq. feet):	302,754
1995 Production (# units):	50,747 poured tons

Vulcan Forge Casting - Dearborn, Michigan (USA)

Hourly:	136
Salary:	17
Products:	Connecting rod and rod cap forgings
Year Opened:	1965
Plant Size (sq. feet):	60,034
1995 Production (# units):	14,800,000 forgings

Windsor Aluminum - Windsor, Ontario (Canada)

Hourly:	438
Salary:	81
Products:	Cylinder blocks and heads
Year Opened:	1993
Plant Size (sq. feet):	270,000
1995 Production (# units):	960,000 molds

Windsor Casting - Windsor, Ontario (Canada)

Hourly:	967
Salary:	113
Products:	Cylinder blocks and heads, crankshafts
Year Opened:	1934
Plant Size (sq. feet):	600,000
1995 Production (# units):	276,000,000 lbs. of iron

Woodhaven Forging - Woodhaven, Michigan (USA)

Hourly:	21
Salary:	8
Products:	5.4-liter V-8 and 6.8-liter V-10 steel crankshafts
Year Opened:	1995
Plant Size (sq. feet):	60,000
1995 Production (# units):	N/A

AUTOMOTIVE COMPONENTS

CLIMATE CONTROL

Autopal Plant - Hluk (Czech Republic)

Hourly:	354
Salary:	94
Products:	Radiators and heater cores
Year Opened:	1993
Plant Size (sq. feet):	340,000
1995 Production (# units):	1,095,000 (Includes Novy Jicin Climate Control)

Autopal Plant - Novy Jicin (Czech Republic)

Hourly:	1,224*
Salary:	504*
Products:	Climate control systems and assemblies
Year Opened:	1993
Plant Size (sq. feet):	555,000*
1995 Production (# units):	1,095,000 (Includes Hluk plant) (*Includes Novy Jicin Plastics Plant)

Basildon Plant - Basildon (England)

Hourly:	475
Salary:	133
Products:	Aluminum radiators, air conditioning refrigerant hoses, condensers and intercoolers
Year Opened:	1957
Plant Size (sq. feet):	383,980
1995 Production (# units):	1,883,892 radiators

Climate Systems India, Ltd. - Bhiwadi, Rajasthan (India)

Hourly	0
Salary:	46
Products:	(Joint venture 56% Ford / 39% Maruti Udyog, Ltd. / 5% Sumitomo) Aluminum radiators
Year Opened:	1993
Plant Size (sq. feet):	24,000
›5 Production (# units):	181,000

Climate Systems Mexicana - Queretaro (Mexico)

Hourly 416
Salary: 51
Products: (Joint venture 49% Ford / 51% Sumitomo) Air conditioning refrigerant lines
Year Opened: 1993
Plant Size (sq. feet): 60,000
1995 Production (# units): N/A

Coclisa Omega, San Lorenzo, Chamizal and Rivereno Plants - Juarez (Mexico)

Hourly: 2,341 (all plants)
Salary: 268 (all plants)
Products: Radiators, heater sinks, compressors, condensers, tube and hose assemblies
Year Opened: 1985 (Omega)
1992 (San Lorenzo)
1996 (Rivereno / Chamizal)
Plant Size (sq. feet): 757,417 (total site)
1995 Production (# units): 9,207,673 (total site)

Connersville Plant - Connersville, Indiana (USA)

Hourly: 3,108
Salary: 474
Products: Condensers, compressors, fuel injection components, aluminum radiators, evaporators, accumulators, tubes and hoses
Year Opened: 1961
Plant Size (sq. feet): 1,700,000
1995 Production (# units): 28,763,000

Halla Climate Control - Belleville, Ontario (Canada)

Hourly: 114
Salary: 36
Products: (Joint venture 50% Ford / 50% Mando) Accumulators, receiver driers, pipes and hoses
Year Opened: 1989
Plant Size (sq. feet): 50,000
1995 Production (# units): 775,667

Halla Climate Control - Pyongtaek City, Kyunggi-Do (South Korea)

Hourly:	934
Salary:	719
Products:	(Joint venture 50% Ford / 50% Mando) A/C and heater assemblies, compressors, rad blowers and radiators
Year Opened:	1986
Plant Size (sq. feet):	634,678
1995 Production (# units):	5,300,000

Halla Climate Control - Taejon (South Korea)

Hourly:	934*
Salary:	719*
Products:	(Joint venture) Climate control components
Year Opened:	1996
Plant Size (sq. feet):	1,213,024
5 Production (# units):	5,300,000*

(* Includes Pyongtaek City Plant)

Halla Climate Control - Rayong Province (Thailand)

Hourly:	N/A
Salary:	N/A
Products:	(Joint venture) Climate control components
Year Opened:	Expected production in 1998
Plant Size (sq. feet):	NA
1995 Production (# units):	NA

Japan Climate Systems - Hiroshima (Japan)

Hourly:	0
Salary:	352
Products:	(Joint venture 33% Ford / 33% Matsushita Electric Industrial Co. / 33% Mazda) Heaters and air conditioners
Year Opened:	1987
Plant Size (sq. feet):	202,441
1995 Production (# units):	N/A

Palmela Plant - Palmela (Portugal)

Hourly: N/A
Salary: N/A
Products: Compressors
Year Opened: Expected production in 1998
Plant Size (sq. feet): N/A
1995 Production (# units): N/A

Rio Grande Plant - Tierradel Fuego (Argentina)

Hourly: N/A
Salary: N/A
Products: (Joint venture) A/C hoses and system assembly
Year Opened: Purchase complete 4/96
Plant Size (sq. feet): N/A
1995 Production (# units): N/A

Sheldon Road Plant - Plymouth, Michigan (USA)

Hourly: 1,780
Salary: 241
Products: Heater cores and assemblies, A/C components and radiators
Year Opened: 1967
Plant Size (sq. feet): 1,100,000
1995 Production (# units): 17,680,000

United Aluminum Radiator Co. - Changchun (China)

Hourly: N/A
Salary: N/A
Products: (Joint venture 50% Ford / 50% First Auto Works) Brazed aluminum radiators
Year Opened: 1996
Plant Size (sq. feet): N/A
1995 Production (# units): N/A

AUTOMOTIVE COMPONENTS

ELECTRONICS

Altec Electronics - Chihuahua (Mexico)

Hourly: 3,951
Salary: 440
Products: Audio products, electronic control modules and driver information systems
Year Opened: 1987
Plant Size (sq. feet): 2,199,780
1995 Production (# units): 11,965,600

Cadiz Plant - Cadiz (Spain)

Hourly: 352
Salary: 127
Products: Electronic engine controls and ABS modules
Year Opened: 1990
Plant Size (sq. feet): 272,484
1995 Production (# units): 1,609,230

Enfield Plant - Enfield (England)

Hourly: 820
Salary: 140
Products: Instrument clusters, fuel and temperature gauges and senders, plastic sub-assemblies
Year Opened: 1963
Plant Size (sq. feet): 370,260
1995 Production (# units): 5,500,000

Halla Electronics - Chungwon (China)

Hourly: N/A
Salary: N/A
Products: (Joint venture 50% Ford / 50% Mando) Electronic components
Year Opened: 1996
Plant Size (sq. feet): N/A
1995 Production (# units): N/A

Markham Plant - Markham, Ontario (Canada)

Hourly: 1,495
Salary: 230
Products: Safety and convenience, driver information and vehicle controls
Year Opened: 1961
Plant Size (sq. feet): 308,010
1995 Production (# units): 12,646,400

Microelectronics Plant - Colorado Springs, Colorado (USA)

Hourly: 0
Salary: 210
Products: Complete integrated circuit design, sensors and actuators
Year Opened: 1982
Plant Size (sq. feet): 104,000
1995 Production (# units): 3,500,000

North Penn Plant - Lansdale, Pa. (USA)

Hourly: 1,567
Salary: 393
Products: Electronic engine controls, sensors, ABS, ignitions and alternators
Year Opened: 1990
Plant Size (sq. feet): 705,092
1995 Production (# units): 30,354,000

Palmela Plant - Palmela (Portugal)

Hourly: 1,414
Salary: 216
Products: Audio systems, air bag diagnostic modules, instrument clusters, multiplex and anti-theft systems
Year Opened: 1991
Plant Size (sq. feet): 294,585
1995 Production (# units): 4,298,100

Shanghai Fudian Automotive Electronics Co., Ltd. - Shanghai (China)

Salary:/Hourly: N/A
Products: (Joint venture 75% Ford / 25% Shanghai Automation Instrumentation Corp.) Electric components
Year Opened: 1996
Plant Size (sq. feet): N/A
1995 Production (# units): N/A

AUTOMOTIVE COMPONENTS

ELECTRICAL & FUEL HANDLING

Alba Plant - Szekesfehervar (Hungary)

Hourly	0
Salary:	597
Products:	Fuel pumps, starter motors and ignition coils
Year Opened:	1991
Plant Size (sq. feet):	240,000
1995 Production (# units):	3,500,000

Bedford Plant - Bedford, Indiana (USA)

Hourly:	900
Salary:	125
Products:	Fuel senders, pumps and delivery components, pressure regulators, windshield modules, reservoirs, hose assemblies and purge solenoids
Year Opened:	1978
Plant Size (sq. feet):	364,000
1995 Production (# units):	15,000,000

Belfast Plant - Belfast (N. Ireland)

Hourly:	491
Salary:	130
Products:	Oil and water pumps, fuel injection assemblies and throttle modulators
Year Opened:	1965
Plant Size (sq. feet):	312,000
1995 Production (# units):	5,000,000

Cumbica Plant - Sao Paulo (Brazil)

Salary/Hourly:	100 (170 by end of 1996)
Products:	Engine starter motors, fuel charging assemblies, throttle bodies and fuel pump senders
Year Opened:	1996
Plant Size (sq. feet):	110,000
1995 Production (# units):	N/A

El Jarudo Plant - Juarez (Mexico)

Hourly:	22
Salary:	4
Products:	Alternator sub-components
Year Opened:	1994
Plant Size (sq. feet):	166,000
1995 Production (# units):	544,048 starter cores

Rawsonville Plant - Ypsilanti, Michigan (USA)

Hourly:	2,184
Salary:	129
Products:	Fuel and air charging systems, fuel injectors, wiper motors, fuel pumps and alternators
Year Opened:	1956
Plant Size (sq. feet):	1,670,000
1995 Production (# units):	18,746,214

Siemens Automotive Systems - Telford (Engla

Hourly:	160 (1994)
Salary:	64 (1994)
Products:	(Joint venture 49% Ford / 51% Siemens) water inlets and outlets, thermostat housings and intake manifolds
Year Opened:	1992
Plant Size (sq. feet):	190,000
1995 Production (# units):	1,350,000 (1994)

Ypsilanti Plant - Ypsilanti, Michigan (USA)

Hourly:	885
Salary:	103
Products:	Starters, coils, distributors, synchronizers and bumper shock absorbers
Year Opened:	1932
Plant Size (sq. feet):	1,000,815
1995 Production (# units):	14,300,000

AUTOMOTIVE COMPONENTS

GLASS

Autovidrio Plant -
Juarez, Chihuahua (Mexico)

Hourly:	494
Salary:	97
Products:	Side and back windows
Year Opened:	1988
Plant Size (sq. feet):	257,856
1995 Production (# units):	3,424,718

Dearborn Plant -
Dearborn, Michigan (USA)

Hourly:	575
Salary:	90
Products:	Laminated windshields and float glass
Year Opened:	1923
Plant Size (sq. feet):	1,000,000
1995 Production (# units):	140,800,000 ft^2 float glass 2,469,000 windshields

Nashville Plant -
Nashville, Tennesee (USA)

Hourly:	1,220
Salary:	182
Products:	Float glass, laminated windshields, side and back windows and moon roofs
Year Opened:	1956
Plant Size (sq. feet):	1,846,322
1995 Production (# units):	225,000,000 ft^2 float glass 13,000,000 pcs. auto glass

Penstone Plant - Rockwood, Michigan (USA)

Hourly: 35 (1994)
Salary: 12 (1994)
Products: (Joint venture 23% Ford / 54% Ishizaki-Honton / 23% Nippon Sheet Glass) Hardware attachments for glass and just-in-time delivery of automotive glass to Auto-Alliance International for Ford and Mazda vehicles
Year Opened: 1988
Plant Size (sq. feet): 58,000
1995 Production (# units): 240,000 pcs. (1994)

Shanghai Fu Hua Glass Co., Ltd. - Shanghai (China)

Hourly: 291
Salary: 84
Products: (Joint venture 51% Ford / 49% Shanghai Yao Hua Glass Works) Laminated windshields, tempered side glass and back windows
Year Opened: 1994
Plant Size (sq. feet): 145,000
1995 Production (# units): 174,000 windshields

Tulsa Plant - Tulsa, Oklahoma (USA)

Hourly: 740
Salary: 119
Products: Side and back windows, pyrolytic coated reflective glass and float glass
Year Opened: 1974
Plant Size (sq. feet): 1,400,000
1995 Production (# units): 197,000 sq. ft. of glass

Vitro Flex - Monterrey (Mexico)

Hourly: 816
Salary: 202
Products: (Joint venture 38% Ford / 62% Vitro Plano) Glass parts
Year Opened: 1980
Plant Size (sq. feet): 1,656,000
1995 Production (# units): 1,270,000 car sets

AUTOMOTIVE COMPONENTS

MULTI-COMPONENTS

Automotive Components (Thailand) Ltd. - Rayong Province (Thailand)

Hourly:	N/A
Salary:	N/A
Products:	N/A
Year Opened:	Expected to begin production 1998
Plant Size (sq. feet):	N/A
1995 Production (# units):	N/A

Charleville Plant - Charleville-Mezieres (France)

Hourly:	650
Salary:	158
Products:	Heating, ventilation components and plastic components
Year Opened:	1983
Plant Size (sq. feet):	388,501
1995 Production (# units):	6,247,500

South American Electronics Operations - Sao Paulo (Brazil)

Hourly:	2,830
Salary:	438
Products:	Audio systems, electronic engine controls, plastic components, instrument panels and climate control products
Year Opened:	1973
Plant Size (sq. feet):	597,000
1995 Production (# units):	7,721,000

AUTOMOTIVE COMPONENTS

PLASTIC & TRIM

Atlantic Automotive Components Plant - Benton Harbor, Michigan (USA)

Hourly:	252
Salary:	51
Products:	(Joint venture 70% Ford / 30% Rockwell) Ashtrays, glove box doors, defoggers, garnish, steering columns covers and sniffers
Year Opened:	1993
Plant Size (sq. feet):	98,000
1995 Production (# units):	N/A

Autopal Plant - Novy Jicin (Czech Republic)

Hourly:	1,224*
Salary:	504*
Products:	Head and rear lamps and lighting components
Year Opened:	1993
Plant Size (sq. feet):	555,000*
1995 Production (# units):	4,800,000

(*Includes Novy Jicin Climate Control Plant)

Autopal Plant - Rychwald (Czech Republic)

Hourly:	396
Salary:	87
Products:	Head and rear lamps and lighting components
Year Opened:	1993
Plant Size (sq. feet):	335,000
1995 Production (# units):	4,800,000 (Includes Novy Jicin Plastics Plant)

Berlin Plant - Berlin (Germany)

Hourly:	1,040
Salary:	85
Products:	Door trims, instrument panels, consoles, radiator grilles and injection moldings
Year Opened:	1981
Plant Size (sq. feet):	150,880
1995 Production (# units):	26,152,000

Carplastic - Hermosillo (Mexico)

Hourly:	102
Salary:	10
Products:	Instrument panels, lamps and plastic components
Year Opened:	1986
Plant Size (sq. feet):	53,143
1995 Production (# units):	139,414

Carplastic - Monterrey (Mexico)

Hourly:	1,086
Salary:	233
Products:	Instrument panels, lamps, consoles, grilles, fenders and turn signal lights
Year Opened:	1982
Plant Size (sq. feet):	9,029,988
1995 Production (# units):	9,621,816

esterfield Plant - Chesterfield, Michigan (USA)

Hourly:	2,038
Salary:	241
Products:	Seat covers, built-up and foam seats, head rests and knitted vinyl
Year Opened:	1973
Plant Size (sq. feet):	1,105,389
1995 Production (# units):	1,387,888

Milan Plant - Milan, Michigan (USA)

Hourly:	1,175
Salary:	212
Products:	Bumpers and fuel tanks
Year Opened:	1976
Plant Size (sq. feet):	1,280,000
1995 Production (# units):	3,100,000

Nascote Industries Plant -
Nashville, Illinois (USA) Division of Conix Corporation

Hourly	480
Salary:	90
Products:	(Joint venture 49% Ford / 51% Decoma International of America) Bumpers and fascias
Year Opened:	1986
Plant Size (sq. feet):	470,000
1995 Production (# units):	1,314,000

Polycon Ind. -
Guelph, Ontario (Canada) - Division of Conix Canada

Hourly	677
Salary:	175
Products:	(Joint venture 49% Ford / 51% Decoma International of America) Fascias
Year Opened:	1990
Plant Size (sq. feet):	470,000
1995 Production (# units):	1,400,000

Saline Plant - **Saline, Michigan (USA)**

Hourly:	2,325
Salary:	349
Products:	Instrument panels and floor consoles
Year Opened:	1966
Plant Size (sq. feet):	1,600,000
1995 Production (# units):	5,200,000

Sandusky Plant - **Sandusky, Ohio (USA)**

Hourly:	1,450
Salary:	240
Products:	Lamps, fuel vapor containment systems and air-handling systems
Year Opened:	1955
Plant Size (sq. feet):	1,200,000
1995 Production (# units):	41,200,000

Shanghai Yan Feng Automotive Trim Company, Ltd. - Shanghai (China)

Hourly: 1,903
Salary: 545
Products: (Joint venture 51% Ford / 49% Shanghai Automotive Industry Corp.) Instrument and door panels, sunvisors, seat foam and assemblies, steering wheels, standard fasteners, metal stampings, molds and sheet metal dies
Year Opened: 1994
Plant Size (sq. feet): 1,500,000
1995 Production (# units): N/A

Tycos Tool Plant - Concord, Ontario (Canada) Division of Conix Canada

Hourly 100
Salary: 20
Products: (Joint venture 49% Ford / 51% Decoma International of America) Injection mold and RIM and LPM tools, gauges and check features
Year Opened: 1958
Plant Size (sq. feet): 100,000
1995 Production (# units): N/A

Utica Plant - Utica, Michigan (USA)

Hourly: 2,610
Salary: 370
Products: Door trim panels, headliners, package trays fascias and components
Year Opened: 1962
Plant Size (sq. feet): 2,000,000
1995 Production (# units): N/A

FAST FACTS

Oldest plant:
Dearborn (Mich.) Assembly (opened 1918)

Newest plants 1995:
AutoEuropa (Portugal)
Plonsk (Poland)
Windsor Engine (Canada)
Valencia Engine (Spain)
Woodhaven Forging (USA)

Total number of plants worldwide: 185
(Includes joint venture and equity owned facilities)

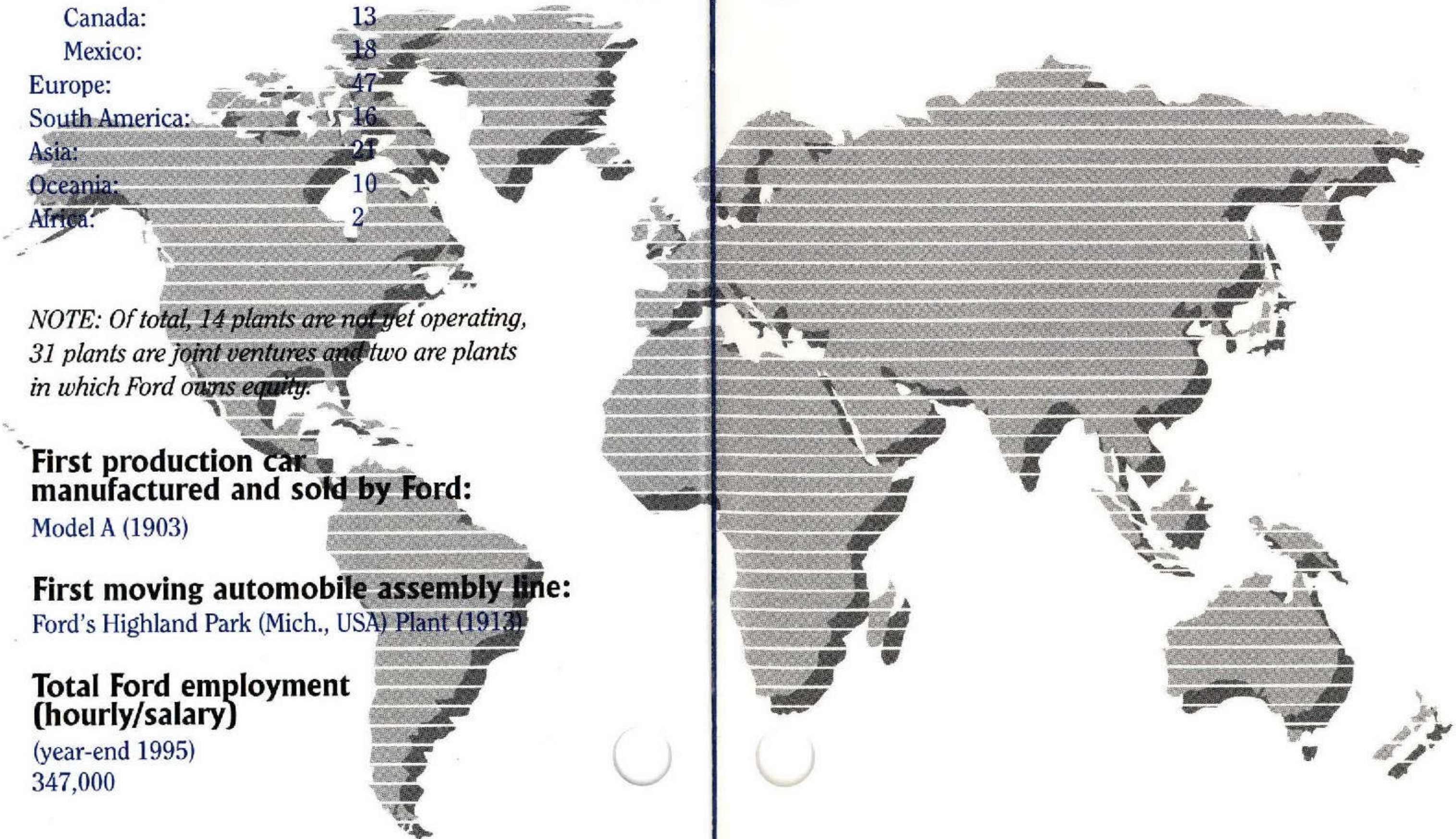
North America:	89
United States:	58
Canada:	13
Mexico:	18
Europe:	47
South America:	16
Asia:	21
Oceania:	10
Africa:	2

NOTE: Of total, 14 plants are not yet operating, 31 plants are joint ventures and two are plants in which Ford owns equity.

First production car manufactured and sold by Ford:
Model A (1903)

First moving automobile assembly line:
Ford's Highland Park (Mich., USA) Plant (1913)

Total Ford employment (hourly/salary)
(year-end 1995)
347,000



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