

FORD MOTOR CO
Form 10-Q/A
November 17, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-3950

FORD MOTOR COMPANY

(Exact name of registrant as specified in its charter)

1-3950
(Commission File Number)

38-0549190
(IRS Employer Identification No.)

One American Road, Dearborn, Michigan
(Address of principal executive offices)

48126
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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.. Yes x No

As of August 1, 2006, the registrant had outstanding 1,810,158,409 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit index located on page number 51.



EXPLANATORY NOTE

Ford Motor Company (generally referred to herein as "Ford," "the Company", "we," "our" or "us") is filing this Quarterly Report on Form 10-Q/A for the period ended June 30, 2006 ("Amendment" or "Second Quarter 2006 Form 10-Q/A Report") to amend our Quarterly Report on Form 10-Q for the period ended June 30, 2006 ("Original Filing") that was filed with the Securities and Exchange Commission ("SEC") on August 4, 2006.

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

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

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

Although we now have determined that the hedging relationships at issue in this restatement did not meet the specific criteria for an assumption of no ineffectiveness pursuant to Paragraph 68, we are precluded by SFAS No. 133 from retroactively performing full effectiveness testing in order to apply hedge accounting. Accordingly, the restated results in our Annual Report on Form 10-K/A for the year ended December 31, 2005 ("2005 Form 10-K/A Report") reflect the changes in fair value of these instruments as derivative gains and losses during the affected periods, without recording any offsetting change in the value of the debt they were economically hedging.

As a result, we have filed our 2005 Form 10-K/A Report restating certain financial information therein including: historical balance sheets as of December 31, 2005 and 2004; statements of income, cash flows and stockholders' equity for the years ending 2005, 2004, and 2003; and selected financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001.

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

See Note 28 of the Notes to the Financial Statements in our 2005 Form 10-K/A Report for additional information and amounts related to our restatement. In addition, this Second Quarter 2006 Form 10-Q/A Report includes, in Note 2 of the Notes to the Financial Statements, restated consolidated and sector statements of income for the three- and six-month periods ended June 30, 2006 and 2005, restated consolidated and sector balance sheets as of June 30, 2006 and December 31, 2005, and restated condensed consolidated and sector statements of cash flows for the six-month periods ended June 30, 2006 and 2005.

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

	2006 Net Income/(Loss)		2005 Net Income/(Loss)	
	Second Quarter	First Half	Second Quarter	First Half
Previously reported	\$ (254)	\$ (1,441)	\$ 946	\$ 2,158
Pre-tax adjustments:				
Fair value interest rate swaps	(232)	(563)	383	(189)
Out-of-period adjustments	128	85	49	94
Total pre-tax adjustments	(104)	(478)	432	(95)
Related tax effects - provision for/(benefit from)	(41)	(179)	163	(27)
Net after-tax adjustments	(63)	(299)	269	(68)
Restated	\$ (317)	\$ (1,740)	\$ 1,215	\$ 2,090

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

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

- Employee-benefit related expenses: We recorded an out-of-period adjustment primarily related to special termination packages offered outside of our normal separation programs that were not recognized as employees separated, but when paid. As part of our restatement, we recognized additional pre-tax income/(loss) of \$7 million and \$3 million in the second quarter and first half of 2006, respectively, and \$87 million and \$98 million in the second quarter and first half of 2005, respectively.
- Marketing incentives: We recorded out-of-period adjustments primarily to correct reserves for marketing incentives that were recognized at point of retail sale rather than when we sold the vehicle to the dealer. As part of our restatement, we recognized additional pre-tax income/(loss) of \$80 million and \$68 million in the second quarter and first half of 2006, respectively, and \$23 million and \$105 million in the second quarter and first half of 2005, respectively.
- In addition, during the affected periods, we also recorded many other less-significant out-of-period adjustments, which totaled \$41 million and \$14 million in the second quarter and first half of 2006, respectively, and \$(61) million and \$(109) million in the second quarter and first half of 2005, respectively. Nearly all of these adjustments were recorded in *Cost of sales*.

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

For the convenience of the reader, this Second Quarter 2006 Form 10-Q/A Report sets forth the Original Filing in its entirety, although we are only restating those portions of "Part 1. Financial Information" affected by corrected

financial information. This Second Quarter 2006 Form 10-Q/A Report includes currently-dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as well as the currently dated consent of our independent registered public accounting firm. The changes we have made are a result of and reflect the restatement described herein; no other information in the Original Filing has been updated.

We do not intend to amend previously-filed Quarterly Reports on Form 10-Q for periods ending prior to December 31, 2005. The reader should not rely on our previously-filed Quarterly Report on Form 10-Q for the period ended June 30, 2006 and 2005, but should instead rely upon the updated financial data provided for these periods herein.

PART I. FINANCIAL INFORMATION

ITEM 1. *Financial Statements.*

FORD MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

For the Periods Ended June 30, 2006 and 2005

(in millions, except per share amounts)

	Restated - See Note 2			
	Second Quarter		First Half	
	2006	2005	2006	2005
	(unaudited)		(unaudited)	
Sales and revenues				
Automotive sales	\$ 37,827	\$ 38,708	\$ 74,800	\$ 78,122
Financial Services revenues	4,067	6,458	7,895	11,939
Total sales and revenues	41,894	45,166	82,695	90,061
Costs and expenses				
Automotive cost of sales	36,130	36,722	72,786	72,315
Selling, administrative and other expenses	4,631	6,104	9,234	12,198
Interest expense	2,259	1,919	4,394	4,130
Financial Services provision for credit and insurance losses	50	(17)	96	168
Total costs and expenses	43,070	44,728	86,510	88,811
Automotive interest income and other non-operating income/(expense), net	310	651	525	804
Automotive equity in net income/(loss) of affiliated companies	205	69	284	126
Income/(loss) before income taxes	(661)	1,158	(3,006)	2,180
Provision for/(benefit from) income taxes	(361)	(138)	(1,342)	(14)
Income/(loss) before minority interests	(300)	1,296	(1,664)	2,194
Minority interests in net income/(loss) of subsidiaries	19	84	78	142
Income/(loss) from continuing operations	(319)	1,212	(1,742)	2,052
Income/(loss) from discontinued operations (Note 4)	2	3	2	38
Net income/(loss)	\$ (317)	\$ 1,215	\$ (1,740)	\$ 2,090
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK (Note 11)				
Basic income/(loss)	\$ (0.17)	\$ 0.66	\$ (0.93)	\$ 1.12

Income/(loss) from continuing operations							
Income/(loss) from discontinued operations		—		—		—	0.02
Net income/(loss)	\$	(0.17)	\$	0.66	\$	(0.93)	\$ 1.14
Diluted income/(loss)							
Income/(loss) from continuing operations	\$	(0.17)	\$	0.59	\$	(0.93)	\$ 1.02
Income/(loss) from discontinued operations		—		0.01		—	0.01
Net income/(loss)	\$	(0.17)	\$	0.60	\$	(0.93)	\$ 1.03
Cash dividends	\$	0.10	\$	0.10	\$	0.20	\$ 0.20

The accompanying notes are part of the financial statements

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES

SECTOR STATEMENT OF INCOME
For the Periods Ended June 30, 2006 and 2005
(in millions, except per share amounts)

	Restated - See Note 2			
	Second Quarter 2006 (unaudited)	2005	2006 (unaudited)	First Half 2005 (unaudited)
AUTOMOTIVE				
Sales	\$ 37,827	\$ 38,708	\$ 74,800	\$ 78,122
Costs and expenses				
Cost of sales	36,130	36,722	72,786	72,315
Selling, administrative and other expenses	2,950	3,053	5,935	6,166
Total costs and expenses	39,080	39,775	78,721	78,481
Operating income/(loss)	(1,253)	(1,067)	(3,921)	(359)
Interest expense	348	187	694	589
Interest income and other non-operating income/(expense), net	310	651	525	804
Equity in net income/(loss) of affiliated companies	205	69	284	126
Income/(loss) before income taxes — Automotive	(1,086)	(534)	(3,806)	(18)
FINANCIAL SERVICES				
Revenues	4,067	6,458	7,895	11,939
Costs and expenses				
Interest expense	1,911	1,732	3,700	3,541
Depreciation	1,291	1,540	2,499	3,054
Operating and other expenses	390	1,511	800	2,978
Provision for credit and insurance losses	50	(17)	96	168
Total costs and expenses	3,642	4,766	7,095	9,741
Income/(loss) before income taxes — Financial Services	425	1,692	800	2,198
TOTAL COMPANY				
Income/(loss) before income taxes	(661)	1,158	(3,006)	2,180
Provision for/(benefit from) income taxes	(361)	(138)	(1,342)	(14)
Income/(loss) before minority interests	(300)	1,296	(1,664)	2,194
Minority interests in net income/(loss) of subsidiaries	19	84	78	142

Income/(loss) from continuing operations	(319)	1,212	(1,742)	2,052
Income/(loss) from discontinued operations (Note 4)	2	3	2	38
Net income/(loss)	\$ (317)	\$ 1,215	\$ (1,740)	\$ 2,090

**AMOUNTS PER SHARE OF
COMMON AND CLASS B STOCK
(Note 11)**

Basic income/(loss)

Income/(loss) from continuing operations	\$ (0.17)	\$ 0.66	\$ (0.93)	\$ 1.12
Income/(loss) from discontinued operations	—	—	—	0.02
Net income/(loss)	\$ (0.17)	\$ 0.66	\$ (0.93)	\$ 1.14

Diluted income/(loss)

Income/(loss) from continuing operations	\$ (0.17)	\$ 0.59	\$ (0.93)	\$ 1.02
Income/(loss) from discontinued operations	—	0.01	—	0.01
Net income/(loss)	\$ (0.17)	\$ 0.60	\$ (0.93)	\$ 1.03
Cash dividends	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20

The accompanying notes are part of the financial statements

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEET**
(in millions)

	Restated - See Note 2	
	June 30,	December 31,
	2006	2005
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 27,985	\$ 28,406
Marketable securities	12,600	10,672
Loaned securities	33	3,461
Finance receivables, net	106,554	105,975
Other receivables, net	9,215	8,536
Net investment in operating leases	31,884	27,099
Retained interest in sold receivables	1,150	1,420
Inventories (Note 6)	12,116	10,271
Equity in net assets of affiliated companies	2,751	2,579
Net property	41,655	40,676
Deferred income taxes	6,905	5,880
Goodwill and other intangible assets (Note 8)	6,392	5,945
Assets of discontinued/held-for-sale operations	—	5
Other assets	17,785	18,534
Total assets	\$ 277,025	\$ 269,459
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payables	\$ 23,674	\$ 22,910
Accrued liabilities and deferred revenue	78,558	73,047
Debt	153,002	153,278
Deferred income taxes	5,955	5,660
Total liabilities	261,189	254,895
Minority interests	1,054	1,122
Stockholders' equity		
Capital stock		
Common Stock, par value \$0.01 per share (1,837 million shares issued)	18	18
Class B Stock, par value \$0.01 per share (71 million shares issued)	1	1
Capital in excess of par value of stock	4,636	4,872
Accumulated other comprehensive income/(loss)	(403)	(3,680)
Treasury stock	(420)	(833)
Earnings retained for use in business	10,950	13,064
Total stockholders' equity	14,782	13,442
Total liabilities and stockholders' equity	\$ 277,025	\$ 269,459

The accompanying notes are part of the financial statements

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES**SECTOR BALANCE SHEET**
(in millions)

	Restated - See Note 2	
	June 30,	December 31,
	2006	2005
	(unaudited)	
ASSETS		
Automotive		
Cash and cash equivalents	\$ 14,700	\$ 13,388
Marketable securities	8,887	6,860
Loaned securities	33	3,461
Total cash, marketable and loaned securities	23,620	23,709
Receivables, net	3,517	3,075
Inventories (Note 6)	12,116	10,271
Deferred income taxes	888	1,249
Other current assets	9,397	8,177
Total current assets	49,538	46,481
Equity in net assets of affiliated companies	1,949	1,756
Net property	41,344	40,348
Deferred income taxes	11,846	10,999
Goodwill and other intangible assets (Note 8)	6,374	5,928
Assets of discontinued/held-for-sale operations	—	5
Other assets	9,519	8,308
Total Automotive assets	120,570	113,825
Financial Services		
Cash and cash equivalents	13,285	15,018
Marketable securities	3,713	3,812
Finance receivables, net	112,252	111,436
Net investment in operating leases	26,073	22,951
Retained interest in sold receivables	1,150	1,420
Goodwill and other intangible assets (Note 8)	18	17
Other assets	5,943	7,457
Receivable from Automotive	759	83
Total Financial Services assets	163,193	162,194
Intersector elimination	(759)	(83)
Total assets	\$ 283,004	\$ 275,936
LIABILITIES AND STOCKHOLDERS' EQUITY		
Automotive		
Trade payables	\$ 18,472	\$ 16,637
Other payables	3,253	4,222
Accrued liabilities and deferred revenue	31,828	28,829
Deferred income taxes	953	804
Debt payable within one year	1,269	978
Current payable to Financial Services	52	83

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Total current liabilities	55,827	51,553
Long-term debt	16,450	16,900
Other liabilities	41,430	38,639
Deferred income taxes	563	586
Non-current payable to Financial Services	707	—
Total Automotive liabilities	114,977	107,678
Financial Services		
Payables	1,949	2,051
Debt	135,283	135,400
Deferred income taxes	10,418	10,747
Other liabilities and deferred income	5,300	5,579
Total Financial Services liabilities	152,950	153,777
Minority interests	1,054	1,122
Stockholders' equity		
Capital stock		
Common Stock, par value \$0.01 per share (1,837 million shares issued)	18	18
Class B Stock, par value \$0.01 per share (71 million shares issued)	1	1
Capital in excess of par value of stock	4,636	4,872
Accumulated other comprehensive income/(loss)	(403)	(3,680)
Treasury stock	(420)	(833)
Earnings retained for use in business	10,950	13,064
Total stockholders' equity	14,782	13,442
Intersector elimination	(759)	(83)
Total liabilities and stockholders' equity	\$ 283,004	\$ 275,936

The accompanying notes are part of the financial statements

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Periods Ended June 30, 2006 and 2005
(in millions)

	2006	Restated - See Note 2 First Half (unaudited)	2005
Cash flows from operating activities of continuing operations			
Net cash (used in)/provided by operating activities	\$	9,710	\$ 12,749
Cash flows from investing activities of continuing operations			
Capital expenditures		(3,403)	(3,572)
Acquisitions of retail and other finance receivables and operating leases		(29,407)	(28,951)
Collections of retail and other finance receivables and operating leases		21,021	25,169
Net acquisitions of daily rental vehicles		—	(2,148)
Purchases of securities		(11,170)	(3,044)
Sales and maturities of securities		11,247	2,395
Proceeds from sales of retail and other finance receivables and operating leases		2,947	12,506
Proceeds from sale of businesses		51	2,070
Cash paid for acquisitions		(37)	(1,296)
Transfer of cash balances upon disposition of discontinued/held-for-sale operations		(4)	(4)
Other		777	1,154
Net cash (used in)/provided by investing activities		(7,978)	4,279
Cash flows from financing activities of continuing operations			
Cash dividends		(374)	(367)
Sales of Common Stock		234	447
Purchases of Common Stock		(97)	(263)
Changes in short-term debt		280	765
Proceeds from issuance of other debt		23,900	15,118
Principal payments on other debt		(26,433)	(26,151)
Other		89	(26)
Net cash (used in)/provided by financing activities		(2,401)	(10,477)
Effect of exchange rate changes on cash		241	(526)
Net increase/(decrease) in cash and cash equivalents from continuing operations		(428)	6,025
Cash flows from discontinued operations			
Cash flows from operating activities of discontinued operations		3	70
Cash flows from investing activities of discontinued operations		—	(50)

Cash flows from financing activities of discontinued operations		—		—
Net increase/(decrease) in cash and cash equivalents	\$	(425)	\$	6,045
Cash and cash equivalents at January 1	\$	28,406	\$	22,828
Cash and cash equivalents of discontinued/held-for-sale operations at January 1		4		681
Net increase/(decrease) in cash and cash equivalents		(425)		6,045
Less: cash and cash equivalents of discontinued/held-for-sale operations at June 30		—		(722)
Cash and cash equivalents at June 30	\$	27,985	\$	28,832

The accompanying notes are part of the financial statements

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES

CONDENSED SECTOR STATEMENT OF CASH FLOWS
For the Periods Ended June 30, 2006 and 2005
(in millions)

	Restated - See Note 2			
	First Half 2006		First Half 2005	
	Automotive (unaudited)	Financial Services	Automotive (unaudited)	Financial Services
Cash flows from operating activities of continuing operations				
Net cash (used in)/provided by operating activities	\$ 5,277	\$ 3,663	\$ 5,090	\$ 3,984
Cash flows from investing activities				
Capital expenditures	(3,381)	(22)	(3,347)	(225)
Acquisitions of retail and other finance receivables and operating leases	—	(29,407)	—	(28,951)
Collections of retail and other finance receivables and operating leases	—	20,923	—	24,998
Net (increase)/decrease of wholesale receivables	—	868	—	956
Net acquisitions of daily rental vehicles	—	—	—	(2,997)
Purchases of securities	(2,478)	(8,692)	(2,149)	(895)
Sales and maturities of securities	2,300	8,947	1,883	512
Proceeds from sales of retail and other finance receivables and operating leases	—	2,947	—	12,506
Proceeds from sales of wholesale receivables	—	—	—	3,739
Proceeds from sale of businesses	51	—	29	2,041
Transfer of cash balances upon disposition of discontinued/held-for-sale operations	(4)	—	1	(5)
Investing activity from Financial Services	552	—	1,402	—
Investing activity to Financial Services	(1,400)	—	—	—
Cash paid for acquisitions	(37)	—	(1,296)	—
Other	31	746	(8)	1,162
Net cash (used in)/provided by investing activities	(4,366)	(3,690)	(3,485)	12,841
Cash flows from financing activities				
Cash dividends	(374)	—	(367)	—
Sales of Common Stock	234	—	447	—
Purchases of Common Stock	(97)	—	(263)	—
Changes in short-term debt	239	41	158	607

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Proceeds from issuance of other debt	175	23,725	84	15,034
Principal payments on other debt	(550)	(25,883)	(595)	(25,556)
Financing activity from Automotive	—	1,400	—	—
Financing activity to Automotive	—	(552)	—	(1,402)
Other	150	(61)	(4)	(22)
Net cash (used in)/provided by financing activities	(223)	(1,330)	(540)	(11,339)
Effect of exchange rate changes on cash	4	237	(39)	(487)
Net change in intersector receivables/payables and other liabilities	613	(613)	(356)	356
Net increase/(decrease) in cash and cash equivalents from continuing operations	1,305	(1,733)	670	5,355
Cash flows from discontinued operations				
Cash flows from operating activities of discontinued operations	3	—	(1)	71
Cash flows from investing activities of discontinued operations	—	—	16	(66)
Cash flows from financing activities of discontinued operations	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	\$ 1,308	\$ (1,733)	\$ 685	\$ 5,360
Cash and cash equivalents at January 1				
Cash and cash equivalents of discontinued/held-for-sale operations at January 1	4	—	2	679
Net increase/(decrease) in cash and cash equivalents	1,308	(1,733)	685	5,360
Less: cash and cash equivalents of discontinued/held-for-sale operations at June 30	—	—	(18)	(704)
Cash and cash equivalents at June 30	\$ 14,700	\$ 13,285	\$ 10,808	\$ 18,024

The accompanying notes are part of the financial statements

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States for interim financial information, and instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, these unaudited financial statements reflect those adjustments necessary for a fair statement of the results of operations and financial condition of Ford Motor Company and its consolidated subsidiaries and consolidated variable interest entities ("VIEs") of which we are the primary beneficiary for the periods and at the dates presented. Results for interim periods should not be considered indicative of results for a full year. Reference should be made to the financial statements contained in our Annual Report on Form 10-K/A for the year ended December 31, 2005 ("2005 Form 10-K/A Report"). For purposes of this report, "Ford", the "Company", "we", "our", "us" or similar references mean Ford Motor Company and our consolidated subsidiaries and our consolidated VIEs of which we are the primary beneficiary, unless the context requires otherwise.

NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

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

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

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

Although we now have determined that the hedging relationships at issue in this restatement did not meet the specific criteria for an assumption of no ineffectiveness pursuant to Paragraph 68, we are precluded by SFAS No. 133 from retroactively performing full effectiveness testing in order to apply hedge accounting. Accordingly, the restated results in our 2005 Form 10-K/A Report reflect the changes in fair value of these instruments as derivative gains and losses

during the affected periods, without recording any offsetting change in the value of the debt they were economically hedging.

As a result, we have filed our 2005 Form 10-K/A Report restating certain financial information therein including: historical balance sheets as of December 31, 2005 and 2004; statements of income, cash flows and stockholders' equity for the years ending 2005, 2004, and 2003; and selected financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002, and 2001.

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

*Item 1. Financial Statements (Continued)***NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)**

See Note 28 of the Notes to the Financial Statements in our 2005 Form 10-K/A Report for additional information and amounts related to our restatement. In addition, this Quarterly Report on Form 10-Q/A for the period ended June 30, 2006 includes restated consolidated and sector statements of income for the three-and six-month periods ended June 30, 2006 and 2005, restated consolidated and sector balance sheets as of June 30, 2006 and December 31, 2005, and restated condensed consolidated and sector statements of cash flows for the six-month periods ended June 30, 2006 and 2005.

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

	2006 Net Income/(Loss)		2005 Net Income/(Loss)	
	Second Quarter	First Half	Second Quarter	First Half
Previously reported	\$ (254)	\$ (1,441)	\$ 946	\$ 2,158
Pre-tax adjustments:				
Fair value interest rate swaps	(232)	(563)	383	(189)
Out-of-period adjustments	128	85	49	94
Total pre-tax adjustments	(104)	(478)	432	(95)
Related tax effects - provision for/(benefit from)	(41)	(179)	163	(27)
Net after-tax adjustments	(63)	(299)	269	(68)
Restated	\$ (317)	\$ (1,740)	\$ 1,215	\$ 2,090

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

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

- Employee-benefit related expenses: We recorded an out-of-period adjustment primarily related to special termination packages offered outside of our normal separation programs that were not recognized as employees separated, but when paid. As part of our restatement, we recognized additional pre-tax income/(loss) of \$7 million and \$3 million in the second quarter and first half of 2006, respectively, and \$87 million and \$98 million in the second quarter and first half of 2005, respectively.
- Marketing incentives: We recorded out-of-period adjustments primarily to correct reserves for marketing incentives that were recognized at point of retail sale rather than when we sold the vehicle to the dealer. As part of our restatement, we recognized additional pre-tax income/(loss) of \$80 million and \$68 million in the second quarter and first half of 2006, respectively, and \$23 million and \$105 million in the second quarter and first half of 2005, respectively.

In addition, during the affected periods, we also recorded many other less-significant out-of-period adjustments, which totaled \$41 million and \$14 million in the second quarter and first half of 2006, respectively, and \$(61) million and \$(109) million in the second quarter and first half of 2005, respectively. Nearly all of these adjustments were recorded in *Cost of sales*.

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

*Item 1. Financial Statements (Continued)***NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)****Presentation of Cash Flows**

Beginning with our year ended December 31, 2005 statements of cash flows, we have revised the presentation of cash flows to separately disclose the operating, investing, and financing portions of the cash flows attributable to our discontinued operations. This revision is in response to public statements by the staff of the Securities and Exchange Commission ("SEC") concerning classification of discontinued operations within the statement of cash flows.

In accordance with the definition of cash equivalents in SFAS No. 95 *Statement of Cash Flows*, we revised the presentation of \$3.1 billion and \$593 million of marketable securities with contractual maturities exceeding ninety days from the date of purchase from *Cash and cash equivalents* to *Marketable securities* on the balance sheet and statement of cash flows as of December 31, 2005 and statement of cash flows as of June 30, 2005, respectively. All of these securities had maturity dates of less than twelve months from the date purchase and were highly liquid. This revision had no impact on 2005 *Net/income (loss)*.

Financial Statements

The following table presents the effect of the restatement on the Consolidated Statement of Income (in millions, except per share amounts):

	Second Quarter 2006		First Half 2006	
	Previously Reported	Restated	Previously Reported	Restated
	(unaudited)		(unaudited)	
Sales and revenues				
Automotive sales	\$ 37,747	\$ 37,827	\$ 74,732	\$ 74,800
Financial Services revenues	4,218	4,067	8,288	7,895
Total sales and revenues	41,965	41,894	83,020	82,695
Costs and expenses				
Automotive cost of sales	36,167	36,130	72,841	72,786
Selling, administrative and other expenses	4,631	4,631	9,223	9,234
Interest expense	2,178	2,259	4,197	4,394
Financial Services provision for credit and insurance losses	61	50	96	96
Total costs and expenses	43,037	43,070	86,357	86,510
Automotive interest income and other non-operating income/(expense), net	310	310	525	525
Automotive equity in net income/(loss) of affiliated companies	205	205	284	284
Income/(loss) before income taxes	(557)	(661)	(2,528)	(3,006)
Provision for/(benefit from) income taxes	(320)	(361)	(1,163)	(1,342)
Income/(loss) before minority interests	(237)	(300)	(1,365)	(1,664)

Minority interests in net income/(loss) of subsidiaries	19	19	78	78
Income/(loss) from continuing operations	(256)	(319)	(1,443)	(1,742)
Income/(loss) from discontinued operations (Note 4)	2	2	2	2
Net income/(loss)	\$ (254)	\$ (317)	\$ (1,441)	\$ (1,740)

**AMOUNTS PER SHARE OF
COMMON AND CLASS B STOCK
(Note 11)**

Basic income/(loss)

Income/(loss) from continuing operations	\$ (0.14)	\$ (0.17)	\$ (0.77)	\$ (0.93)
Income/(loss) from discontinued operations	—	—	—	—
Net income/(loss)	\$ (0.14)	\$ (0.17)	\$ (0.77)	\$ (0.93)

Diluted income/(loss)

Income/(loss) from continuing operations	\$ (0.14)	\$ (0.17)	\$ (0.77)	\$ (0.93)
Income/(loss) from discontinued operations	—	—	—	—
Net income/(loss)	\$ (0.14)	\$ (0.17)	\$ (0.77)	\$ (0.93)
Cash dividends	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20

*Item 1. Financial Statements (Continued)***NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)**

The following table presents the effect of the restatement on the Consolidated Statement of Income (in millions, except per share amounts):

	Second Quarter 2005		First Half 2005	
	Previously Reported (unaudited)	Restated	Previously Reported (unaudited)	Restated
Sales and revenues				
Automotive sales	\$ 38,685	\$ 38,708	\$ 78,017	\$ 78,122
Financial Services revenues	5,863	6,458	11,667	11,939
Total sales and revenues	44,548	45,166	89,684	90,061
Costs and expenses				
Automotive cost of sales	36,713	36,722	72,271	72,315
Selling, administrative and other expenses	6,127	6,104	12,217	12,198
Interest expense	1,719	1,919	3,683	4,130
Financial Services provision for credit and insurance losses	(17)	(17)	168	168
Total costs and expenses	44,542	44,728	88,339	88,811
Automotive interest income and other non-operating income/(expense), net	651	651	804	804
Automotive equity in net income/(loss) of affiliated companies	69	69	126	126
Income/(loss) before income taxes	726	1,158	2,275	2,180
Provision for/(benefit from) income taxes	(301)	(138)	13	(14)
Income/(loss) before minority interests	1,027	1,296	2,262	2,194
Minority interests in net income/(loss) of subsidiaries	84	84	142	142
Income/(loss) from continuing operations	943	1,212	2,120	2,052
Income/(loss) from discontinued operations (Note 4)	3	3	38	38
Net income/(loss)	\$ 946	\$ 1,215	\$ 2,158	\$ 2,090
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK (Note 11)				
Basic income/(loss)				
Income/(loss) from continuing operations	\$ 0.51	\$ 0.66	\$ 1.16	\$ 1.12
Income/(loss) from discontinued operations	—	—	0.02	0.02

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Net income/(loss)	\$	0.51	\$	0.66	\$	1.18	\$	1.14
Diluted income/(loss)								
Income/(loss) from continuing operations	\$	0.47	\$	0.59	\$	1.05	\$	1.02
Income/(loss) from discontinued operations		—		0.01		0.01		0.01
Net income/(loss)	\$	0.47	\$	0.60	\$	1.06	\$	1.03
Cash dividends	\$	0.10	\$	0.10	\$	0.20	\$	0.20

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*Item 1. Financial Statements (Continued)***NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)**

The following table presents the effect of the restatement on the Sector Statement of Income (in millions, except per share amounts):

	Second Quarter 2006		First Half 2006	
	Previously Reported (unaudited)	Restated	Previously Reported (unaudited)	Restated
AUTOMOTIVE				
Sales	\$ 37,747	\$ 37,827	\$ 74,732	\$ 74,800
Costs and expenses				
Cost of sales	36,167	36,130	72,841	72,786
Selling, administrative and other expenses	2,950	2,950	5,924	5,935
Total costs and expenses	39,117	39,080	78,765	78,721
Operating income/(loss)	(1,370)	(1,253)	(4,033)	(3,921)
Interest expense	348	348	694	694
Interest income and other non-operating income/(expense), net	310	310	525	525
Equity in net income/(loss) of affiliated companies	205	205	284	284
Income/(loss) before income taxes — Automotive	(1,203)	(1,086)	(3,918)	(3,806)
FINANCIAL SERVICES				
Revenues	4,218	4,067	8,288	7,895
Costs and expenses				
Interest expense	1,830	1,911	3,503	3,700
Depreciation	1,291	1,291	2,499	2,499
Operating and other expenses	390	390	800	800
Provision for credit and insurance losses	61	50	96	96
Total costs and expenses	3,572	3,642	6,898	7,095
Income/(loss) before income taxes — Financial Services	646	425	1,390	800
TOTAL COMPANY				
Income/(loss) before income taxes	(557)	(661)	(2,528)	(3,006)
Provision for/(benefit from) income taxes	(320)	(361)	(1,163)	(1,342)
Income/(loss) before minority interests	(237)	(300)	(1,365)	(1,664)
Minority interests in net income/(loss) of subsidiaries	19	19	78	78
	(256)	(319)	(1,443)	(1,742)

Income/(loss) from continuing operations

Income/(loss) from discontinued operations (Note 4)		2		2		2		2
Net income/(loss)	\$	(254)	\$	(317)	\$	(1,441)	\$	(1,740)

AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK (Note 11)**Basic income/(loss)**

Income/(loss) from continuing operations	\$	(0.14)	\$	(0.17)	\$	(0.77)	\$	(0.93)
Income/(loss) from discontinued operations		—		—		—		—
Net income/(loss)	\$	(0.14)	\$	(0.17)	\$	(0.77)	\$	(0.93)

Diluted income/(loss)

Income/(loss) from continuing operations	\$	(0.14)	\$	(0.17)	\$	(0.77)	\$	(0.93)
Income/(loss) from discontinued operations		—		—		—		—
Net income/(loss)	\$	(0.14)	\$	(0.17)	\$	(0.77)	\$	(0.93)
Cash dividends	\$	0.10	\$	0.10	\$	0.20	\$	0.20

*Item 1. Financial Statements (Continued)***NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)**

The following table presents the effect of the restatement on the Sector Statement of Income (in millions, except per share amounts):

	Second Quarter 2005		First Half 2005	
	Previously Reported (unaudited)	Restated	Previously Reported (unaudited)	Restated
AUTOMOTIVE				
Sales	\$ 38,685	\$ 38,708	\$ 78,017	\$ 78,122
Costs and expenses				
Cost of sales	36,713	36,722	72,271	72,315
Selling, administrative and other expenses	3,076	3,053	6,185	6,166
Total costs and expenses	39,789	39,775	78,456	78,481
Operating income/(loss)	(1,104)	(1,067)	(439)	(359)
Interest expense	187	187	589	589
Interest income and other non-operating income/(expense), net	651	651	804	804
Equity in net income/(loss) of affiliated companies	69	69	126	126
Income/(loss) before income taxes — Automotive	(571)	(534)	(98)	(18)
FINANCIAL SERVICES				
Revenues	5,863	6,458	11,667	11,939
Costs and expenses				
Interest expense	1,532	1,732	3,094	3,541
Depreciation	1,540	1,540	3,054	3,054
Operating and other expenses	1,511	1,511	2,978	2,978
Provision for credit and insurance losses	(17)	(17)	168	168
Total costs and expenses	4,566	4,766	9,294	9,741
Income/(loss) before income taxes — Financial Services	1,297	1,692	2,373	2,198
TOTAL COMPANY				
Income/(loss) before income taxes	726	1,158	2,275	2,180
Provision for/(benefit from) income taxes	(301)	(138)	13	(14)
Income/(loss) before minority interests	1,027	1,296	2,262	2,194
Minority interests in net income/(loss) of subsidiaries	84	84	142	142
	943	1,212	2,120	2,052

Income/(loss) from continuing operations

Income/(loss) from discontinued operations (Note 4)		3		3		38		38
Net income/(loss)	\$	946	\$	1,215	\$	2,158	\$	2,090

AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK (Note 11)**Basic income/(loss)**

Income/(loss) from continuing operations	\$	0.51	\$	0.66	\$	1.16	\$	1.12
Income/(loss) from discontinued operations		—		—		0.02		0.02
Net income/(loss)	\$	0.51	\$	0.66	\$	1.18	\$	1.14

Diluted income/(loss)

Income/(loss) from continuing operations	\$	0.47	\$	0.59	\$	1.05	\$	1.02
Income/(loss) from discontinued operations		—		0.01		0.01		0.01
Net income/(loss)	\$	0.47	\$	0.60	\$	1.06	\$	1.03
Cash dividends	\$	0.10	\$	0.10	\$	0.20	\$	0.20

*Item 1. Financial Statements (Continued)***NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)**

The following table presents the effect of the restatement on the Consolidated Balance Sheet (in millions):

	June 30, 2006		December 31, 2005	
	Previously Reported	Restated	Previously Reported	Restated
ASSETS				
Cash and cash equivalents	\$ 27,985	\$ 27,985	\$ 28,406	\$ 28,406
Marketable securities	12,600	12,600	10,672	10,672
Loaned securities	33	33	3,461	3,461
Finance receivables, net	106,554	106,554	105,975	105,975
Other receivables, net	9,194	9,215	8,522	8,536
Net investment in operating leases	31,884	31,884	27,099	27,099
Retained interest in sold receivables	1,150	1,150	1,420	1,420
Inventories (Note 6)	12,116	12,116	10,271	10,271
Equity in net assets of affiliated companies	2,751	2,751	2,579	2,579
Net property	41,639	41,655	40,706	40,676
Deferred income taxes	6,879	6,905	5,881	5,880
Goodwill and other intangible assets (Note 8)	6,392	6,392	5,945	5,945
Assets of discontinued/held-for-sale operations	—	—	5	5
Other assets	17,771	17,785	18,534	18,534
Total assets	\$ 276,948	\$ 277,025	\$ 269,476	\$ 269,459
LIABILITIES AND STOCKHOLDERS' EQUITY				
Payables	\$ 23,595	\$ 23,674	\$ 22,813	\$ 22,910
Accrued liabilities and deferred revenue	78,473	78,558	72,977	73,047
Debt	153,478	153,002	154,332	153,278
Deferred income taxes	5,729	5,955	5,275	5,660
Total liabilities	261,275	261,189	255,397	254,895
Minority interests	1,054	1,054	1,122	1,122
Stockholders' equity				
Capital stock				
Common Stock, par value \$0.01 per share (1,837 million shares issued)	18	18	18	18
Class B Stock, par value \$0.01 per share (71 million shares issued)	1	1	1	1
Capital in excess of par value of stock	4,636	4,636	4,872	4,872
Accumulated other comprehensive income/(loss)	(262)	(403)	(3,562)	(3,680)
Treasury stock	(420)	(420)	(833)	(833)
Earnings retained for use in business	10,646	10,950	12,461	13,064

Total stockholders' equity		14,619		14,782		12,957		13,442
Total liabilities and stockholders' equity	\$	276,948	\$	277,025	\$	269,476	\$	269,459

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*Item 1. Financial Statements (Continued)***NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)**

The following table presents the effect of the restatement on the Sector Balance Sheet (in millions):

	June 30, 2006		December 31, 2005	
	Previously Reported	Restated	Previously Reported	Restated
ASSETS				
Automotive				
Cash and cash equivalents	\$ 14,700	\$ 14,700	\$ 13,388	\$ 13,388
Marketable securities	8,887	8,887	6,860	6,860
Loaned securities	33	33	3,461	3,461
Total cash, marketable and loaned securities	23,620	23,620	23,709	23,709
Receivables, net	3,496	3,517	3,061	3,075
Inventories (Note 6)	12,116	12,116	10,271	10,271
Deferred income taxes	832	888	1,187	1,249
Other current assets	9,397	9,397	8,177	8,177
Total current assets	49,461	49,538	46,405	46,481
Equity in net assets of affiliated companies	1,949	1,949	1,756	1,756
Net property	41,328	41,344	40,378	40,348
Deferred income taxes	11,926	11,846	11,049	10,999
Goodwill and other intangible assets (Note 8)	6,374	6,374	5,928	5,928
Assets of discontinued/held-for-sale operations	—	—	5	5
Other assets	9,505	9,519	8,308	8,308
Total Automotive assets	120,543	120,570	113,829	113,825
Financial Services				
Cash and cash equivalents	13,285	13,285	15,018	15,018
Marketable securities	3,713	3,713	3,812	3,812
Finance receivables, net	112,252	112,252	111,436	111,436
Net investment in operating leases	26,073	26,073	22,951	22,951
Retained interest in sold receivables	1,150	1,150	1,420	1,420
Goodwill and other intangible assets (Note 8)	18	18	17	17
Other assets	5,943	5,943	7,457	7,457
Receivable from Automotive	759	759	83	83
Total Financial Services assets	163,193	163,193	162,194	162,194
Intersector elimination	(759)	(759)	(83)	(83)
Total assets	\$ 282,977	\$ 283,004	\$ 275,940	\$ 275,936
LIABILITIES AND STOCKHOLDERS' EQUITY				
Automotive				
Trade payables	\$ 18,393	\$ 18,472	\$ 16,554	\$ 16,637
Other payables	3,253	3,253	4,222	4,222

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Accrued liabilities and deferred revenue	31,743	31,828	28,733	28,829
Deferred income taxes	953	953	804	804
Debt payable within one year	1,269	1,269	978	978
Current payable to Financial Services	52	52	83	83
Total current liabilities	55,663	55,827	51,374	51,553
Long-term debt	16,450	16,450	16,900	16,900
Other liabilities	41,430	41,430	38,639	38,639
Deferred income taxes	563	563	586	586
Non-current payable to Financial Services	707	707	—	—
Total Automotive liabilities	114,813	114,977	107,499	107,678
Financial Services				
Payables	1,949	1,949	2,037	2,051
Debt	135,759	135,283	136,454	135,400
Deferred income taxes	10,242	10,418	10,349	10,747
Other liabilities and deferred income	5,300	5,300	5,605	5,579
Total Financial Services liabilities	153,250	152,950	154,445	153,777
Minority interests	1,054	1,054	1,122	1,122
Stockholders' equity				
Capital stock				
Common Stock, par value \$0.01 per share (1,837 million shares issued)	18	18	18	18
Class B Stock, par value \$0.01 per share (71 million shares issued)	1	1	1	1
Capital in excess of par value of stock	4,636	4,636	4,872	4,872
Accumulated other comprehensive income/(loss)	(262)	(403)	(3,562)	(3,680)
Treasury stock	(420)	(420)	(833)	(833)
Earnings retained for use in business	10,646	10,950	12,461	13,064
Total stockholders' equity	14,619	14,782	12,957	13,442
Intersector elimination	(759)	(759)	(83)	(83)
Total liabilities and stockholders' equity	\$ 282,977	\$ 283,004	\$ 275,940	\$ 275,936

*Item 1. Financial Statements (Continued)***NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)**

The following table presents the effect of the restatement on the Condensed Consolidated Statement of Cash Flows for the period ended June 30 (in millions):

	First Half 2006		First Half 2005	
	Previously Reported (unaudited)	Restated	Previously Reported (unaudited)	Restated
Cash flows from operating activities of continuing operations				
Net cash (used in)/provided by operating activities	\$ 10,453	\$ 9,710	\$ 14,582	\$ 12,749
Cash flows from investing activities of continuing operations				
Capital expenditures	(3,403)	(3,403)	(3,572)	(3,572)
Acquisitions of retail and other finance receivables and operating leases	(29,407)	(29,407)	(28,951)	(28,951)
Collections of retail and other finance receivables and operating leases	21,021	21,021	25,150	25,169
Net acquisitions of daily rental vehicles	—	—	(2,997)	(2,148)
Purchases of securities	(11,170)	(11,170)	(3,044)	(3,044)
Sales and maturities of securities	11,247	11,247	2,395	2,395
Proceeds from sales of retail and other finance receivables and operating leases	2,947	2,947	12,506	12,506
Proceeds from sale of businesses	51	51	2,070	2,070
Cash paid for acquisitions	(37)	(37)	(1,296)	(1,296)
Transfer of cash balances upon disposition of discontinued/held-for-sale operations	(4)	(4)	(4)	(4)
Other	49	777	71	1,154
Net cash (used in)/provided by investing activities	(8,706)	(7,978)	2,328	4,279
Cash flows from financing activities of continuing operations				
Cash dividends	(374)	(374)	(367)	(367)
Sales of Common Stock	234	234	447	447
Purchases of Common Stock	(97)	(97)	(263)	(263)
Changes in short-term debt	265	280	834	765
Proceeds from issuance of other debt	23,900	23,900	14,765	15,118
Principal payments on other debt	(26,433)	(26,433)	(25,769)	(26,151)
Other	89	89	(6)	(26)
Net cash (used in)/provided by financing activities	(2,416)	(2,401)	(10,359)	(10,477)

Effect of exchange rate changes on cash	241	241	(526)	(526)
Net increase/(decrease) in cash and cash equivalents from continuing operations	(428)	(428)	6,025	6,025
Cash flows from discontinued operations				
Cash flows from operating activities of discontinued operations	3	3	70	70
Cash flows from investing activities of discontinued operations	—	—	(50)	(50)
Cash flows from financing activities of discontinued operations	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	\$ (425)	\$ (425)	\$ 6,045	\$ 6,045
Cash and cash equivalents at January 1	\$ 28,406	\$ 28,406	\$ 22,828	\$ 22,828
Cash and cash equivalents of discontinued/held-for-sale operations at January 1	4	4	681	681
Net increase/(decrease) in cash and cash equivalents	(425)	(425)	6,045	6,045
Less: cash and cash equivalents of discontinued/held-for-sale operations at June 30	—	—	(722)	(722)
Cash and cash equivalents at June 30	\$ 27,985	\$ 27,985	\$ 28,832	\$ 28,832

*Item 1. Financial Statements (Continued)***NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)**

The following table presents the effect of the restatement on the Condensed Sector Statement of Cash Flows for the period ended June 30, 2006 (in millions):

	Previously Reported First Half 2006		Restated First Half 2006	
	Automotive (unaudited)	Financial Services	Automotive (unaudited)	Financial Services
Cash flows from operating activities of continuing operations				
Net cash (used in)/provided by operating activities	\$ 5,297	\$ 4,386	\$ 5,277	\$ 3,663
Cash flows from investing activities				
Capital expenditures	(3,381)	(22)	(3,381)	(22)
Acquisitions of retail and other finance receivables and operating leases	—	(29,407)	—	(29,407)
Collections of retail and other finance receivables and operating leases	—	20,923	—	20,923
Net (increase)/decrease of wholesale receivables	—	868	—	868
Net acquisitions of daily rental vehicles	—	—	—	—
Purchases of securities	(2,478)	(8,692)	(2,478)	(8,692)
Sales and maturities of securities	2,300	8,947	2,300	8,947
Proceeds from sales of retail and other finance receivables and operating leases	—	2,947	—	2,947
Proceeds from sales of wholesale receivables	—	—	—	—
Proceeds from sale of businesses	51	—	51	—
Transfer of cash balances upon disposition of discontinued/held-for-sale operations	(4)	—	(4)	—
Investing activity from Financial Services	552	—	552	—
Investing activity to Financial Services	(1,400)	—	(1,400)	—
Cash paid for acquisitions	(37)	—	(37)	—
Other	11	38	31	746
Net cash (used in)/provided by investing activities	(4,386)	(4,398)	(4,366)	(3,690)
Cash flows from financing activities				
Cash dividends	(374)	—	(374)	—
Sales of Common Stock	234	—	234	—
Purchases of Common Stock	(97)	—	(97)	—
Changes in short-term debt	239	26	239	41
Proceeds from issuance of other debt	175	23,725	175	23,725
Principal payments on other debt	(550)	(25,883)	(550)	(25,883)

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Financing activity from Automotive	—	1,400	—	1,400
Financing activity to Automotive	—	(552)	—	(552)
Other	150	(61)	150	(61)
Net cash (used in)/provided by financing activities	(223)	(1,345)	(223)	(1,330)
Effect of exchange rate changes on cash	4	237	4	237
Net change in intersector receivables/payables and other liabilities	613	(613)	613	(613)
Net increase/(decrease) in cash and cash equivalents from continuing operations	1,305	(1,733)	1,305	(1,733)
Cash flows from discontinued operations				
Cash flows from operating activities of discontinued operations	3	—	3	—
Cash flows from investing activities of discontinued operations	—	—	—	—
Cash flows from financing activities of discontinued operations	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	\$ 1,308	\$ (1,733)	\$ 1,308	\$ (1,733)
Cash and cash equivalents at January 1				
Cash and cash equivalents of discontinued/held-for-sale operations at January 1	4	—	4	—
Net increase/(decrease) in cash and cash equivalents	1,308	(1,733)	1,308	(1,733)
Less: cash and cash equivalents of discontinued/held-for-sale operations at June 30	—	—	—	—
Cash and cash equivalents at June 30	\$ 14,700	\$ 13,285	\$ 14,700	\$ 13,285

*Item 1. Financial Statements (Continued)***NOTE 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)**

The following table presents the effect of the restatement on the Condensed Sector Statement of Cash Flows for the period ended June 30, 2005 (in millions):

	Previously Reported First Half 2005		Restated First Half 2005	
	Automotive (unaudited)	Financial Services	Automotive (unaudited)	Financial Services
Cash flows from operating activities of continuing operations				
Net cash (used in)/provided by operating activities	\$ 5,093	\$ 5,322	\$ 5,090	\$ 3,984
Cash flows from investing activities				
Capital expenditures	(3,347)	(225)	(3,347)	(225)
Acquisitions of retail and other finance receivables and operating leases	—	(28,951)	—	(28,951)
Collections of retail and other finance receivables and operating leases	—	24,979	—	24,998
Net (increase)/decrease of wholesale receivables	—	599	—	956
Net acquisitions of daily rental vehicles	—	(2,997)	—	(2,997)
Purchases of securities	(2,149)	(895)	(2,149)	(895)
Sales and maturities of securities	1,883	512	1,883	512
Proceeds from sales of retail and other finance receivables and operating leases	—	12,506	—	12,506
Proceeds from sales of wholesale receivables	—	3,739	—	3,739
Proceeds from sale of businesses	29	2,041	29	2,041
Transfer of cash balances upon disposition of discontinued/held-for-sale operations	1	(5)	1	(5)
Investing activity from Financial Services	1,402	—	1,402	—
Investing activity to Financial Services	—	—	—	—
Cash paid for acquisitions	(1,296)	—	(1,296)	—
Other	(11)	82	(8)	1,162
Net cash (used in)/provided by investing activities	(3,488)	11,385	(3,485)	12,841
Cash flows from financing activities				
Cash dividends	(367)	—	(367)	—
Sales of Common Stock	447	—	447	—
Purchases of Common Stock	(263)	—	(263)	—
Changes in short-term debt	158	676	158	607
Proceeds from issuance of other debt	84	14,681	84	15,034
Principal payments on other debt	(595)	(25,174)	(595)	(25,556)

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Financing activity from Automotive	—	—	—	—
Financing activity to Automotive	—	(1,402)	—	(1,402)
Other	(4)	(2)	(4)	(22)
Net cash (used in)/provided by financing activities	(540)	(11,221)	(540)	(11,339)
Effect of exchange rate changes on cash	(39)	(487)	(39)	(487)
Net change in intersector receivables/payables and other liabilities	(356)	356	(356)	356
Net increase/(decrease) in cash and cash equivalents from continuing operations	670	5,355	670	5,355
Cash flows from discontinued operations				
Cash flows from operating activities of discontinued operations	(1)	71	(1)	71
Cash flows from investing activities of discontinued operations	16	(66)	16	(66)
Cash flows from financing activities of discontinued operations	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	\$ 685	\$ 5,360	\$ 685	\$ 5,360
Cash and cash equivalents at January 1				
Cash and cash equivalents of discontinued/held-for-sale operations at January 1	2	679	2	679
Net increase/(decrease) in cash and cash equivalents	685	5,360	685	5,360
Less: cash and cash equivalents of discontinued/held-for-sale operations at June 30	(18)	(704)	(18)	(704)
Cash and cash equivalents at June 30	\$ 10,808	\$ 18,024	\$ 10,808	\$ 18,024

*Item 1. Financial Statements (Continued)***NOTE 3. INCOME TAXES**

For the first half of the year, we have used the actual effective tax rate for the year-to-date tax provision calculation because a reliable estimate of the full-year effective tax rate cannot be made. External business conditions and other factors throughout the year may contribute to significant variability of the effective tax rate due to the impact of permanent differences relative to our financial results. The second quarter tax rate of 41.6% and first half tax rate of 40.7% include the impact on deferred tax balances of tax law changes in the country of Turkey and the state of Texas.

NOTE 4. DISCONTINUED OPERATIONS AND OTHER DISPOSITIONS**Total Company Discontinued Operations**

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

	Second Quarter		First Half	
	2006	2005	2006	2005
Sales and revenues	\$ —	\$ 17	\$ —	\$ 120
Operating income/(loss) from discontinued operations	\$ —	\$ (3)	\$ —	\$ 54
Gain/(loss) on discontinued operations	3	(15)	3	(16)
(Provision for)/benefit from income taxes	(1)	21	(1)	—
Income/(loss) from discontinued operations	\$ 2	\$ 3	\$ 2	\$ 38

NOTE 5. EXIT AND DISPOSAL ACTIVITIES AND OTHER ACTIONS

Jobs Bank Benefits Reserve: On January 23, 2006, we announced a major business improvement plan for our North American Automotive operations, which we refer to as the Way Forward plan. As part of this plan, we have announced that the following facilities would be idled through 2008: St. Louis Assembly Plant, Atlanta Assembly Plant, Wixom Assembly Plant, Batavia Transmission Plant, Windsor Casting Plant, Twin Cities Assembly Plant, and Norfolk Assembly Plant. In addition, we announced that production at our St. Thomas Assembly Plant in Canada would be reduced to one shift.

Hourly employees working at the U.S. plants identified above are represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW"); hourly employees working at the Canadian plants identified above are represented by the National Automobile, Aerospace, Transportation and General Workers Union of Canada ("CAW"). The collective bargaining agreement between us and the UAW contains a guaranteed employment numbers provision, pursuant to which we are required to pay idled workers who meet certain conditions substantially all of their wages and benefits for the term of the current agreement; the collective bargaining agreement between us and the CAW contains provisions pursuant to which we are required to pay idled workers a portion of their wages and certain benefits for a specified period of time based on the number of credits an employee has received. We refer to these benefits under the UAW and CAW agreements as "Jobs Bank Benefits."

The plant idlings and shift reduction described above are expected to create a population of hourly workers covered under the UAW and CAW collective bargaining agreements who will be permanently idled because we do not have the ability or intent to redeploy or absorb them in our operations. Consequently, we recognized a \$1.75 billion pre-tax charge during the first quarter of 2006, reported in *Automotive cost of sales*, for costs associated with 13,500 UAW-represented employees (including 3,500 Automotive Components Holdings, LLC ("ACH") employees) and 2,000 CAW-represented employees who are expected to be idled on a permanent basis. The employee-related costs associated with these actions include an amount for Jobs Bank Benefits expected to be provided in their present form under the current UAW and CAW collective bargaining agreements, which are scheduled to expire in September 2007 and September 2008, respectively, and an amount for Jobs Bank Benefits or similar benefits in an expected modified form under new collective bargaining agreements after expiration of the current agreements. The reserve balance is adjusted for Jobs Bank Benefits payments made to employees. In addition, the reserve includes the expected cost of voluntary separation and relocation packages offered to affected employees and is adjusted when we receive UAW agreement to offer voluntary separation packages and/or relocation packages to employees at these plants and the number of acceptances can be reasonably estimated. Approximately 3,400 of the 15,500 affected employees have already accepted voluntary separation packages or have agreed to relocate to other facilities. In addition, we have received union agreement to offer approximately 4,100 additional voluntary separation packages at the seven plants to be idled identified above.

*Item 1. Financial Statements (Continued)***NOTE 5. EXIT AND DISPOSAL ACTIVITIES AND OTHER ACTIONS (Continued)**

The reserve balance at June 30, 2006 was \$1.32 billion and represents our best estimate of our remaining liability considering several factors: the demographics of the population at each affected facility, redeployment alternatives, recent experience relative to voluntary redeployments, and recent experience with regard to the rate of acceptance of voluntary termination packages. However, because of the complexities inherent in estimating this reserve, our actual costs could differ materially. Accordingly, we will continue to review actively our expected liability and make adjustments as necessary. We will continue to expense costs associated with the small number of employees who are temporarily idled on an as-incurred basis.

Other Voluntary Employee Separation Actions: During the first half of 2006, we also reduced our hourly workforce in U.S. plants other than those identified above by approximately 2,700 employees year-to-date and recognized a \$149 million pre-tax charge related to these separations. In the second quarter of 2005, we announced a salaried personnel separation program for North American employees. We recognized pre-tax employee separation charges of \$7 million and \$205 million in 2006 and 2005, respectively, related to this separation program.

During the third quarter of 2005, Premier Automotive Group ("PAG") and Ford Europe initiated hourly and salaried employee separation actions resulting in pre-tax charges of \$57 million in the first half of 2006.

All charges disclosed above exclude costs for pension, postretirement health care and life insurance benefits. For further discussion regarding pension, postretirement health care and life insurance benefits, see Note 13 of the Notes to the Financial Statements.

NOTE 6. AUTOMOTIVE INVENTORIES

Inventories are summarized as follows (in millions):

	June 30, 2006	December 31, 2005
Raw materials, work-in-process and supplies	\$ 4,515	\$ 4,057
Finished products	8,644	7,223
Total inventories at FIFO	13,159	11,280
Less: LIFO adjustment	(1,043)	(1,009)
Total inventories	\$ 12,116	\$ 10,271

NOTE 7. NET PROPERTY

Beginning January 1, 2006, we changed our method of amortization for special tools from an activity-based method (units-of-production) to a time-based method. The time-based method amortizes the cost of special tools over their expected useful lives using a straight-line method or, if the production volumes for major product programs associated with the tool are expected to materially decline over the life of the tool, an accelerated method reflecting the rate of decline. This change decreased *Cost of sales* by \$50 million and \$134 million for the second quarter and first half of 2006, respectively, and increased *Income/(loss) from continuing operations* and *Net income* by \$31 million or \$0.01 per diluted share and \$84 million or \$0.05 per diluted share for the second quarter and first half of 2006, respectively.

NOTE 8. GOODWILL AND OTHER INTANGIBLES

Beginning in 2006, our policy is to perform annual testing of goodwill and certain other intangible assets during the fourth quarter to determine whether any impairment has occurred. This testing is conducted at the reporting unit level. To test for impairment, the carrying value of each reporting unit is compared with its fair value. Fair value is estimated using the present value of free cash flows method. Prior to 2006, our policy was to test in the second quarter; in 2005, we tested in both the second and fourth quarters. Fourth quarter testing is considered preferable because it allows us to use more current financial information and matches our business plan timing. This change in accounting principle does not delay, accelerate or avoid an impairment charge or affect our financial statements.

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*Item 1. Financial Statements (Continued)***NOTE 8. GOODWILL AND OTHER INTANGIBLES (Continued)**

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

	Goodwill, Dec. 31, 2005	Goodwill Acquired	Goodwill Impaired	Exchange Translation/ Other	Goodwill, June 30, 2006
Automotive Sector:					
Ford North America	\$ 202	\$ 4	\$ —	\$ —	206
Ford South America	—	—	—	—	—
Ford Europe	31	—	—	2	33
PAG	4,875	—	—	385	5,260
Ford Asia Pacific and Africa	—	—	—	—	—
Total Automotive Sector	5,108	4	—	387	5,499
Financial Services Sector:					
Ford Credit	17	—	—	1	18
Total Financial Services Sector	17	—	—	1	18
Total	\$ 5,125	\$ 4	\$ —	\$ 388	\$ 5,517

In addition to the goodwill presented in the above table, included within *Equity in net assets of affiliated companies* was goodwill of \$249 million at June 30, 2006. This included an increase of \$36 million related to the conversion of our investment in Mazda Motor Corporation ("Mazda") convertible bonds to an investment in Mazda's equity.

The components of identifiable intangible assets are as follows (in millions):

	June 30, 2006			December 31, 2005		
	Gross Carrying Amount	Less: Accumulated Depreciation	Net Intangible Assets	Gross Carrying Amount	Less: Accumulated Depreciation	Net Intangible Assets
Automotive Sector:						
Tradename	\$ 459	\$ —	\$ 459	\$ 431	\$ —	\$ 431
Distribution Networks	358	(90)	268	337	(83)	254
Other	247	(99)	148	221	(86)	135
Total Automotive Sector	1,064	(189)	875	989	(169)	820
Total Financial Services						
Sector	4	(4)	—	4	(4)	—
Total	\$ 1,068	\$ (193)	\$ 875	\$ 993	\$ (173)	\$ 820

The intangibles account is comprised of a non-amortizable tradename, distribution networks with a useful life of 40 years and other intangibles with various amortization periods (primarily patents, customer contracts, technology and land rights). Pre-tax amortization expense related to these intangible assets for the first half of 2006 and 2005 was \$12 million and \$34 million, respectively. Intangible asset amortization is forecasted to range from \$20 million to \$30 million per year for the next five years, excluding the impact of foreign currency translation.

NOTE 9. VARIABLE INTEREST ENTITIES

We consolidate VIEs of which we are the primary beneficiary. The liabilities recognized as a result of consolidating these VIEs do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against our general assets. Reflected in our June 30, 2006 balance sheet are consolidated VIE assets of \$5.5 billion for the Automotive sector and \$54.6 billion for the Financial Services sector. Included in Automotive consolidated VIE assets are \$577 million of cash and cash equivalents. For the Financial Services sector, consolidated VIE assets include \$5.3 billion in cash and cash equivalents, and \$49.3 billion of finance receivables.

We have several investments in other entities determined to be VIEs of which we are not the primary beneficiary. The risks and rewards associated with our interests in these entities are based primarily on ownership percentages. Our maximum exposure (\$269 million for the Automotive sector and \$197 million for the Financial Services sector at June 30, 2006) to any potential losses, should they occur, associated with these VIEs is limited to the value of our invested capital or equity rights and, where applicable, receivables due from the VIEs.

*Item 1. Financial Statements (Continued)***NOTE 9. VARIABLE INTEREST ENTITIES (Continued)**

Ford Credit also sells finance receivables to bank-sponsored asset-backed commercial paper issuers that are special purpose entities ("SPEs") of the sponsor bank; these SPEs are not consolidated by us. The outstanding balance of finance receivables that have been sold by Ford Credit to these SPEs was approximately \$5 billion at June 30, 2006.

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS

All derivative instruments, including embedded derivatives, are recorded at fair market value on our balance sheet.

Income Statement Impact: The ineffective portion of designated hedges and mark-to-market adjustments for non-designated hedging activity are recognized in *Cost of sales* or *Interest income and other non-operating income/(expense), net* for the Automotive sector and in *Revenues* for the Financial Services sector.

Fair Value of Derivative Instruments: The fair value of derivatives reflects the price that a third party would be willing to pay or receive in arm's-length transactions for these derivatives, and includes mark-to-market adjustments to reflect the effects of changes in the related index. The following table summarizes the estimated fair value of our derivative financial instruments, taking into consideration the effects of legally enforceable netting agreements (in millions):

	June 30, 2006		December 31, 2005	
	Fair Value Assets	Fair Value Liabilities	Fair Value Assets	Fair Value Liabilities
Automotive Sector				
Foreign currency forwards and options	\$ 1,242	\$ 652	\$ 747	\$ 1,168
Commodity forwards and options	1,190	51	703	38
Other	121	—	128	1
Total derivative financial instruments	\$ 2,553	\$ 703	\$ 1,578	\$ 1,207
Financial Services Sector				
Foreign currency swaps, forwards, and options	\$ 861	\$ 754	\$ 1,126	\$ 789
Interest rate swaps	713	107	1,657	96
Impact of netting agreements	(9)	(9)	(205)	(205)
Total derivative financial instruments	\$ 1,565	\$ 852	\$ 2,578	\$ 680

NOTE 11. AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK

The calculation of diluted income per share of Common and Class B Stock takes into account the effect of obligations, such as stock options and convertible securities, considered to be potentially dilutive. Basic and diluted income/(loss) per share were calculated using the following (in millions):

	Second Quarter		First Half	
	2006	2005	2006	2005
Basic and Diluted Income/(Loss)	\$ (319)	\$ 1,212	\$ (1,742)	\$ 2,052

Basic income/(loss) from continuing operations				
Effect of dilutive convertible preferred securities	—	(a)	54	—
			(a)	107
Diluted income/(loss) from continuing operations	\$	(319)	\$	1,266
			\$	(1,742)
			\$	2,159

Basic and Diluted Shares

Average shares outstanding	1,876		1,842	1,870	1,836
Restricted and uncommitted-ESOP shares	(1)		(3)	(2)	(3)
Basic shares	1,875		1,839	1,868	1,833
Net dilutive options and restricted and uncommitted-ESOP shares	—	(b)	8	—	(b)
					12
Dilutive convertible preferred securities	—	(a)	282	—	(a)
					282
Diluted shares	1,875		2,129	1,868	2,127

Not included in calculation of diluted earnings per share due to their antidilutive effect:

(a) 282 million shares and the related income effect for convertible preferred securities.

(b) 4 million and 5 million contingently issuable shares for second quarter 2006 and first half 2006, respectively.

Item 1. Financial Statements (Continued)

NOTE 12. COMPREHENSIVE INCOME/(LOSS)

Total comprehensive income/(loss) is summarized as follows (in millions):

	Second Quarter		First Half	
	2006	2005	2006	2005
Net income/(loss)	\$ (317)	\$ 1,215	\$ (1,740)	\$ 2,090
Other comprehensive income/(loss)				
Foreign currency translation	1,289	(1,880)	1,467	(2,959)
Minimum pension liability	1,180	53	1,146	101
Net income/(loss) on derivative instruments	426	(690)	680	(963)
Net holding gain/(loss)	(4)	27	(16)	(12)
Total other comprehensive income/(loss)	2,891	(2,490)	3,277	(3,833)
Total comprehensive income/(loss)	\$ 2,574	\$ (1,275)	\$ 1,537	\$ (1,743)

NOTE 13. RETIREMENT BENEFITS

Pension, postretirement health care and life insurance benefit expense is summarized as follows (in millions):

	Second Quarter					
	Pension Benefits				Health Care and Life Insurance	
	U.S. Plans		Non-U.S. Plans		2006	2005
	2006	2005	2006	2005		
Service cost	\$ 176	\$ 185	\$ 171	\$ 160	\$ 198	\$ 178
Interest cost	595	600	341	356	548	551
Expected return on assets	(841)	(846)	(396)	(417)	(129)	(126)
Amortization of:						
Prior service costs	115	126	30	31	(160)	(54)
(Gains)/losses and other	35	25	138	80	229	223
Separation programs	5	20	18	16	—	—
Loss from curtailment	489	—	—	—	2	—
Costs allocated to Visteon	—	(28)	—	—	1	(81)
Net expense/(income)	\$ 574	\$ 82	\$ 302	\$ 226	\$ 689	\$ 691

	First Half					
	Pension Benefits				Health Care and Life Insurance	
	U.S. Plans		Non-U.S. Plans		2006	2005
	2006	2005	2006	2005		
Service cost	\$ 354	\$ 369	\$ 342	\$ 326	\$ 377	\$ 356
Interest cost	1,189	1,198	678	724	1,095	1,102
Expected return on assets	(1,676)	(1,669)	(795)	(836)	(258)	(248)
Amortization of:						
Prior service costs	233	252	60	62	(320)	(108)
(Gains)/losses and other	59	51	269	172	458	447
Separation programs	20	25	34	17	—	—
Loss from curtailment	903	—	—	—	2	—

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Costs allocated to Visteon		—		(56)		—		—		2		(162)
Net expense/(income)	\$	1,082	\$	170	\$	588	\$	465	\$	1,356	\$	1,387

In the first quarter, we recorded a \$414 million pension curtailment loss associated with employees to be permanently idled at announced facilities. In the second quarter, we recorded an additional \$489 million pension curtailment loss associated with employee separations.

In December 2005, we entered into an agreement with the UAW (the "Agreement") to increase retiree health care cost sharing as part of our overall cost reduction efforts. Our decision to modify the retiree health care plan was challenged in court, so that implementation of the Agreement required court approval of a proposed settlement of the legal challenge. On July 13, 2006, we received the necessary court approval and cost savings began to accrue as of that date.

Item 1. Financial Statements (Continued)

NOTE 13. RETIREMENT BENEFITS (Continued)

At June 30, 2006, our retiree VEBA contained \$6.2 billion, invested on a long-term basis consistent with our pension asset investments. We plan to change our investment strategy for this VEBA to invest \$3 billion in shorter-duration fixed income investments to facilitate the payment of retiree benefits. Consistent with our standard practice, we will include in Automotive gross cash the amounts invested in shorter-duration fixed income investments that are able to be used within the next 18 months to pay for retiree benefits. Our plan for the balance of 2006 is to use between \$500 million and \$1 billion of these shorter-duration fixed income investments to pay retiree benefits. As a result of these changes, effective September 30, 2006 our expected return assumption applicable to the trust assets invested in shorter-duration fixed income investments and those invested on a long-term basis consistent with our pension asset investments will be 5.5% and 8.5%, respectively.

Company Contributions

Our policy for funded plans is to contribute annually, at a minimum, amounts required by applicable laws, regulations, and union agreements. From time to time, we make contributions beyond those legally required.

Pension: In the first half of 2006, we contributed \$700 million to our worldwide pension plans, including benefit payments paid directly by the Company for unfunded plans. We expect to contribute from Automotive cash and cash equivalents an additional \$700 million in the second half of 2006, for a total of \$1.4 billion. Based on current assumptions and regulations, we do not expect to have a legal requirement to fund our major U.S. pension plans in 2006.

NOTE 14. GUARANTEES

The fair values of guarantees and indemnifications during 2006 and 2005 are recorded in the financial statements and are *de minimis*.

At June 30, 2006, the following guarantees were issued and outstanding:

Guarantees related to affiliates and third parties: We guarantee debt and lease obligations of certain joint ventures, as well as certain financial obligations of outside third parties to support business and economic growth. Expiration dates vary, and guarantees will terminate on payment and/or cancellation of the obligation. A payment by us would be triggered by failure of the guaranteed party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from the third party amounts paid by us under the guarantee. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full, and may be limited in the event of insolvency of the third party or other circumstances. The maximum potential payments under these guarantees total \$110 million.

On December 21, 2005, we completed the sale of The Hertz Corporation ("Hertz"). As part of this transaction, we provided cash-collateralized letters of credit in an aggregate amount of \$200 million to support the asset-backed portion of the buyer's financing for the transaction. As of June 30, 2006, the carrying value of our deferred gain related to the letters of credit was \$25 million, which represents the estimated fair value of our guarantee. For further discussion of these letters of credit, see Note 27 of the Notes to the Financial Statements in our 2005 Form 10-K/A Report.

In 1996, we issued \$500 million of 7.25% Notes due October 1, 2008. In 1999, we entered into a de-recognition transaction to defease our obligation as primary obligor with respect to the principal of these notes. As part of this transaction, we placed certain financial assets into an escrow trust for the benefit of the noteholders, and the trust became the primary obligor with respect to the principal (we became secondarily liable for the entire principal amount).

We also have guarantees outstanding associated with a subsidiary trust, Ford Motor Company Capital Trust II ("Trust II"). For further discussion of Trust II, see Notes 16 and 18 of the Notes to the Financial Statements in our 2005 Form 10-K/A Report.

Indemnifications: We regularly evaluate the probability of having to incur costs associated with indemnifications contained in contracts to which we are a party, and have accrued for expected losses that are probable and for which a loss can be estimated. During the second quarter of 2006, there were no significant changes to our indemnifications.

*Item 1. Financial Statements (Continued)***NOTE 14. GUARANTEES (Continued)****Product Performance**

Warranty: Estimated warranty costs and additional service actions are accrued for at the time the vehicle is sold to a dealer. Included in the warranty cost accruals are costs for basic warranty coverages on vehicles sold. Additional service actions, such as product recalls and other customer service actions, are not included in the warranty reconciliation below, but are also accrued for at the time of sale. Estimates for warranty costs are made based primarily on historical warranty claim experience. The following is a tabular reconciliation of the product warranty accruals (in millions):

	First Half	
	2006	2005
Beginning balance	\$ 6,243	\$ 5,814
Payments made during the period	(2,060)	(1,965)
Changes in accrual related to warranties issued during the period	1,947	1,973
Changes in accrual related to pre-existing warranties	132	354
Foreign currency translation and other	121	(177)
Ending balance	\$ 6,383	\$ 5,999

Extended Service Plans: Fees or premiums for the issuance of extended service plans are recognized in income over the contract period in proportion to the costs expected to be incurred in performing services under the contract.

NOTE 15. SEGMENT INFORMATION

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

Beginning with the second quarter of 2006, we changed the reporting of our Automotive sector to separately disclose the following segments: Ford North America, Ford South America, Ford Europe, PAG, and Ford Asia Pacific and Africa/Mazda. Automotive sector prior period information has been reclassified and is provided for these segments in the table below. Included in each segment described below with the exception of our interest in Mazda are the associated costs to design, develop, manufacture, and service vehicles and parts.

Ford North America segment includes primarily the sale of Ford, Lincoln and Mercury brand vehicles and related service parts in North America (the United States, Canada and Mexico).

Ford South America segment includes primarily the sale of Ford-brand vehicles and related service parts in South America.

Ford Europe segment includes primarily the sale of Ford-brand vehicles and related service parts in Europe, Turkey, and Russia.

The PAG segment includes primarily the sale of PAG-brand vehicles (i.e., Volvo, Jaguar, Land Rover and Aston Martin) and related service parts throughout the world (including North America, South America, Europe, Asia

Pacific, and Africa).

Ford Asia Pacific and Africa/Mazda segment includes primarily the sale of Ford-brand vehicles and related service parts in the Asia Pacific region and South Africa and also includes our share of the results of Mazda, of which we own 33.4%, and certain of our Mazda-related investments.

Transactions among Automotive segments are presented generally on an absolute cost basis, eliminating the effect of legal entity transfer prices within the Automotive sector for vehicles, components and product engineering.

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Item 1. Financial Statements (Continued)

NOTE 15. SEGMENT INFORMATION (Continued)

(In Millions)

	Automotive Sector							Total	Other	Total
	Ford North America	Ford South America	Total The Americas	Ford Europe	PAG	Ford Asia Pacific & Africa/Mazda	International			
SECOND QUARTER 2006										
Revenues										
External customer	\$ 19,171	\$ 1,289	\$ 20,460	\$ 7,526	\$ 7,768	\$ 2,073	\$ 17,367	\$	—	\$ 37,827
Intersegment	159	—	159	234	46	(56)	224	—	—	383
Income										
Income/(loss) before income taxes										
	(1,264)	99	(1,165)	171	(180)	173	164	(85)	(85)	(1,086)
SECOND QUARTER 2005										
Revenues										
External customer	\$ 19,960	\$ 1,042	\$ 21,002	\$ 7,887	\$ 7,879	\$ 1,940	\$ 17,706	\$	—	\$ 38,708
Intersegment	1,293	—	1,293	444	175	48	667	—	—	1,960
Income										
Income/(loss) before income taxes										
	(1,150)	91	(1,059)	61	(41)	107	127	398	398	(534)

	Financial Services Sector (a)					Total Company		
	Ford Credit	Hertz (b)	Other	Elims	Total	Elims (c)	Total	
SECOND QUARTER 2006								
Revenues								
External customer	\$ 3,998	\$	—	\$ 69	\$	—	\$ 4,067	\$ 41,894
Intersegment	155	—	8	(1)	162	(545)	—	
Income								
Income/(loss) before income taxes								
	435	—	(10)	—	425	—	(661)	
SECOND QUARTER 2005								
Revenues								
External customer	\$ 4,544	\$ 1,867	\$ 47	\$	—	\$ 6,458	\$	45,166
Intersegment	166	5	11	(5)	177	(2,137)	—	
Income								
Income/(loss) before income taxes								
	1,557	153	(18)	—	1,692	—	1,158	

-
- (a) Financial Services sector's interest income is recorded as *Revenues*.
 - (b) We sold 100% of our interest in Hertz during the fourth quarter of 2005.
 - (c) Includes intersector transactions occurring in the ordinary course of business.

Item 1. Financial Statements (Continued)

NOTE 15. SEGMENT INFORMATION (Continued)

(In Millions)

	Automotive Sector								Total	
	Ford North America	Ford South America	Total The Americas	Ford Europe	PAG	Ford Asia Pacific & Africa/Mazda	Total International	Other		
FIRST HALF 2006										
Revenues										
External customer	\$ 38,940	\$ 2,451	\$ 41,391	\$ 14,300	\$ 14,893	\$ 4,216	\$ 33,409	\$ —	\$ 74,800	
Intersegment	411	—	411	524	114	4	642	—	1,053	
Income										
Income/(loss) before income taxes	(4,222)	247	(3,975)	227	(31)	220	416	(247)	(3,806)	
Total assets at June 30									120,570	
FIRST HALF 2005										
Revenues										
External customer	\$ 41,143	\$ 1,908	\$ 43,051	\$ 15,582	\$ 15,514	\$ 3,975	\$ 35,071	\$ —	\$ 78,122	
Intersegment	2,388	—	2,388	1,079	378	65	1,522	—	3,910	
Income										
Income/(loss) before income taxes	(570)	170	(400)	131	(89)	204	246	136	(18)	
Total assets at June 30									111,066	

	Financial Services Sector (a)					Total Company		
	Ford Credit	Hertz (b)	Other	Elims	Total	Elims (c)	Total	
FIRST HALF 2006								
Revenues								
External customer	\$ 7,763	\$ —	\$ 132	\$ —	\$ 7,895	\$ —	\$ 82,695	
Intersegment	312	—	16	(3)	325	(1,378)	—	
Income								
Income/(loss) before income taxes	817	—	(17)	—	800	—	(3,006)	
Total assets at June 30	162,266	—	10,344	(9,417)	163,193	(759)	283,004	
FIRST HALF 2005								

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Revenues														
External customer	\$	8,320	\$	3,511	\$	108	\$	—	\$	11,939	\$	—	\$	90,061
Intersegment		312		9		13		(8)		326		(4,236)		—
Income														
Income/(loss) before														
income taxes		2,048		186		(36)		—		2,198		—		2,180
Total assets at June 30		156,957		16,080		12,495		(11,787)		173,745		(1,655)		283,156

- (a) Financial Services sector's interest income is recorded as *Revenues*.
- (b) We sold 100% of our interest in Hertz during the fourth quarter of 2005.
- (c) Includes intersector transactions occurring in the ordinary course of business

Report of Independent Registered Public Accounting Firm

To Board of Directors and Stockholders
Ford Motor Company:

We have reviewed the accompanying consolidated balance sheet of Ford Motor Company and its subsidiaries as of June 30, 2006, and the related consolidated statements of income for each of the three-month and six-month periods ended June 30, 2006 and 2005, and the condensed consolidated statement of cash flows for the six-month periods ended June 30, 2006 and 2005. These interim financial statements are the responsibility of the Company's management.

The accompanying sector balance sheets and the related sector statements of income and of cash flows is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the review procedures applied in the review of the basic financial statements.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 of the Notes to the Financial Statements, the Company restated its consolidated financial statements and sector financial information for the three-month and six-month periods ended June 30, 2006 and 2005.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2005, and the related consolidated statements of income, of cash flows and of stockholders' equity for the year then ended (not presented herein), and in our report dated March 1, 2006, except for the effect of the restatement described in Note 28 of the Notes to the Financial Statements in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2005 ("2005 Form 10-K/A Report"), as to which the date is November 14, 2006, appearing in Item 8 in the Company's 2005 Form 10-K/A Report, we expressed an unqualified opinion thereon (with an explanatory paragraph relating to the restatement of the consolidated financial statements). In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2005, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Detroit, Michigan

August 4, 2006, except for the effect of the restatement described in Note 2 of the Notes to the Financial Statements, as to which the date is November 17, 2006

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The discussion below reflects the impact of our restatement as described in Note 2 of the Notes to the Financial Statements.

SECOND QUARTER RESULTS OF OPERATIONS

With these changes, our worldwide net loss was \$317 million or \$0.17 per share of Common and Class B stock in the second quarter of 2006, down from a profit of \$1.2 billion or \$0.60 per share in the second quarter of 2005.

Results by business sector for the second quarter of 2006 and 2005 are shown below (in millions):

	Restated Second Quarter		2006 Over/ (Under) 2005
	2006	2005	
Income/(loss) before income taxes			
Automotive sector	\$ (1,086)	\$ (534)	\$ (552)
Financial Services sector	425	1,692	(1,267)
Total	(661)	1,158	(1,819)
Provision for/(benefit from) income taxes	(361)	(138)	(223)
Minority interests in net income/(loss) of subsidiaries			
*	19	84	(65)
Income/(loss) from continuing operations	(319)	1,212	(1,531)
Income/(loss) from discontinued operations	2	3	(1)
Net income/(loss)	\$ (317)	\$ 1,215	\$ (1,532)

* Primarily related to Ford Europe's consolidated less-than-100%-owned affiliates; the decrease primarily reflected the impact on deferred tax balances of tax law changes in the country of Turkey.

Included in *Income/(loss) before income taxes* are items we do not consider indicative of our ongoing operating activities ("special items"). The following table details the second quarter 2006 and 2005 special items by segment or business unit (in millions):

	Restated Second Quarter	
	2006	2005
Ford North America		
Jobs Bank Benefits and voluntary termination charges (primarily related to the Way Forward plan)	\$ 146	\$ —
Pension curtailment charges	(489)	—
Additional personnel-reduction programs	(139)	(63)
Visteon-related charges (primarily valuation allowance against employee-related receivables)	—	(318)
Fuel-cell technology charges	—	(11)
Tax adjustments (result of law changes related to non-income taxes)	—	85
Total Ford North America	(482)	(307)
Ford Europe		
Personnel-reduction programs	(14)	—

PAG

Personnel-reduction programs	(18)	(33)
Ford Asia Pacific and Africa/Mazda		
Mazda pension transfer	137	—
Divestiture of non-core businesses	—	14
Total	\$ (377)	\$ (326)

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

AUTOMOTIVE SECTOR

Details by Automotive segment or business unit of *Income/(loss) before income taxes* for the second quarter of 2006 and 2005 are shown below (in millions):

	Restated Second Quarter		
	2006	2005	2006 Over/ (Under) 2005
The Americas Operations			
Ford North America	\$ (1,264)	\$ (1,150)	\$ (114)
Ford South America	99	91	8
Total The Americas Operations	(1,165)	(1,059)	(106)
International Operations			
Ford Europe	171	61	110
PAG	(180)	(41)	(139)
Subtotal Ford Europe and PAG	(9)	20	(29)
Ford Asia Pacific and Africa	4	50	(46)
Mazda and Associated Operations	169	57	112
Subtotal Ford Asia Pacific and Africa/Mazda	173	107	66
Total International Operations	164	127	37
Other Automotive	(85)	398	(483)
Total	\$ (1,086)	\$ (534)	\$ (552)

Details by Automotive segment or business unit of sales and vehicle unit sales for the second quarter of 2006 and 2005 are shown below:

	Restated Second Quarter						
	Sales (in billions)			Vehicle Unit Sales (a) (in thousands)			
	2006	2005	2006 Over/(Under) 2005	2006	2005	2006 Over/(Under) 2005	2006 Over/(Under) 2005
The Americas Operations							
Ford North America	\$ 19.1	\$ 19.9	\$ (0.8) (4)%	834	862	(28) (3)%	(3)%
Ford South America	1.3	1.0	0.3 24	90	85	5 6	6
Total The Americas Operations	20.4	20.9	(0.5) (2)	924	947	(23) (2)	(2)
International Operations							
Ford Europe	7.5	7.9	(0.4) (5)	459	454	5 1	1
PAG	7.8	7.9	(0.1) (1)	194	202	(8) (4)	(4)

Subtotal Ford Europe and PAG	15.3	15.8	(0.5)	(3)	653	656	(3)	—
Ford Asia Pacific and Africa (b)	1.8	2.0	(0.2)	(7)	138	115	23	20
Mazda and Associated Operations (c)	0.3	—	0.3	—	17	—	17	—
Subtotal Ford Asia Pacific and Africa/Mazda	2.1	2.0	0.1	—	155	115	40	35
Total International Operations	17.4	17.8	(0.4)	(2)	808	771	37	5
Total	\$ 37.8	\$ 38.7	\$ (0.9)	(2)%	1,732	1,718	14	1%

(a) Vehicle unit sales generally are reported on a where-sold basis, and include sales of all Ford-badged units and units manufactured by Ford and sold to other manufacturers, as well as units distributed for other manufacturers.

Vehicles sold to daily rental car companies that are returned to us pursuant to a guaranteed repurchase option and vehicles used in our own fleet (including management evaluation vehicles) are included in vehicle unit sales at the time they are disposed of by us through used car channels.

(b) Included in vehicle unit sales of Ford Asia Pacific and Africa are Ford-badged vehicles sold in China and Malaysia by certain unconsolidated affiliates totaling about 37,000 and 21,000 units in 2006 and 2005, respectively. "Sales" above does not include revenue from these units.

(c) In 2006, this reflects sales of Mazda6 by our subsidiary, AutoAlliance International, Inc. ("AAI"), which we began consolidating in the third quarter of 2005.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

Details of Automotive sector market share for selected markets for the second quarter of 2006 and 2005, along with the level of dealer stocks as of June 30, 2006 and 2005, are shown below:

Market	Second Quarter Market Share			Dealer-Owned Stocks (a) (in thousands)		
	2006	2005	2006 Over/(Under) 2005	June 30,2006	June 30,2005	2006 Over/(Under) 2005
U.S. (b)	16.7%	16.7%	— pts.	795	851	(56)
South America (b) (c)	11.2	11.6	(0.4)	39	34	5
Europe (b) (d)	8.3	8.4	(0.1)	305	347	(42)
PAG -- U.S./Europe (d)	1.0/ 2.2	1.1/ 2.3	(0.1)/(0.1)	42/60	47/67	(5)/(7)
Asia Pacific and Africa (b) (e) (f)	2.4	2.3	0.1	59	47	12

(a) Dealer-owned stocks represent our estimate of vehicles shipped to our customers (dealers) and not yet sold by the dealers to their retail customers, including some vehicles reflected in our inventory.

(b) Includes only Ford and, in certain markets (primarily U.S.), Lincoln and Mercury brands.

(c) South America 2006 market share is based on estimated vehicle retail sales for our six major markets (Argentina, Brazil, Chile, Colombia, Ecuador and Venezuela).

(d) European 2006 market share is based, in part, on estimated vehicle registrations for our 19 major European markets.

(e) Asia Pacific and Africa 2006 market share is based on estimated vehicle retail sales for our 12 major markets (Australia, China, Japan, India, Indonesia, Malaysia, New Zealand, Philippines, South Africa, Taiwan, Thailand, and Vietnam).

(f) Dealer-owned stocks for Asia Pacific and Africa include primarily Ford-brand vehicles as well as a small number of units distributed for other manufacturers.

Overall Automotive Sector

The decline in earnings primarily reflected unfavorable net interest income primarily related to the non-recurrence of favorable tax-related interest on refund claims and adjustments to tax-related interest reserves (about \$500 million), unfavorable currency exchange primarily due to the expiration of favorable hedges (about \$300 million), unfavorable volume and mix - mainly product mix, with the impact of lower industry volume offset primarily by the favorable impact of a higher year-over-year change in dealer stocks (about \$300 million), and higher marketing incentives in North America (about \$200 million). These adverse factors were offset partially by favorable cost changes (about \$700 million). See "First Half Results of Operations - Automotive Sector" for a discussion of cost changes.

The decline in revenues primarily reflected unfavorable changes in currency exchange rates for International Operations, unfavorable product mix, and unfavorable net pricing.

The Americas Operations

Ford North America Segment. The improvement in earnings primarily reflected favorable cost changes and the non-recurrence of Visteon-related charges (primarily valuation allowance against employee-related receivables), offset partially by pension curtailment charges, unfavorable volume and mix (mainly product mix, with the impact of

lower industry volume offset primarily by the favorable impact of a higher year-over-year change in dealer stocks), higher marketing incentives, and unfavorable currency exchange. The cost changes reflected improvements in quality-related costs, manufacturing and engineering costs, and net product costs.

Ford South America Segment. The increase in earnings primarily reflected favorable net pricing and higher industry volume, offset partially by unfavorable cost changes. Cost changes reflected higher net product costs, advertising and sales promotions costs, and manufacturing and engineering costs.

*Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)**International Operations*

Ford Europe Segment. The increase in earnings primarily reflected favorable cost changes and favorable net pricing, offset partially by unfavorable market mix, and unfavorable currency exchange. The favorable cost changes reflected improvements in manufacturing and engineering costs and net product costs.

PAG Segment. The decline in earnings primarily reflected unfavorable currency exchange related to the expiration of favorable hedges, adjustments to warranty accruals for prior model-year vehicles, mainly at Land Rover and Jaguar, and lower market share at Volvo associated with new model changeovers, offset partially by favorable product and market mix and lower overhead costs.

Ford Asia Pacific and Africa/Mazda Segment. The decrease in earnings for Ford Asia Pacific and Africa primarily reflected weaker industry volumes in traditional markets and lower sales of our Australian large cars, offset partially by favorable cost changes, including a grant from the Australian government for previously incurred expenses. Vehicle unit sales for the period increased while revenue for the same period declined. The increase in vehicle unit sales is more than explained by higher unit sales in China, India, and South Africa. The decrease in revenue primarily reflected changes in currency exchange rates. Our revenue excludes vehicle unit sales at our unconsolidated affiliates, including those in China.

The increase in earnings for Mazda and Associated Operations primarily reflected our share of a gain Mazda realized on the transfer of its pension liabilities back to the Japanese government, offset partially by the non-recurrence of gains on our investment in Mazda convertible bonds. During the second half of 2005 and the first quarter of 2006, we converted to equity all of our Mazda convertible bonds, and, therefore, will no longer have income effects from the mark-to-market adjustments for these bonds.

Other Automotive

The decline in results primarily reflected the non-recurrence of favorable tax-related interest on refund claims and adjustments to tax-related interest reserves, offset partially by higher returns on invested cash.

FINANCIAL SERVICES SECTOR

Details of Financial Services sector *Revenues* and *Income/(loss) before income taxes* for the second quarter of 2006 and 2005 are shown below:

	Revenues (in billions)		Restated Second Quarter			
			Income/(Loss) Before Income Taxes (in millions)			
	2006	2005	2006 Over/(Under) 2005	2006	2005 Over/(Under) 2005	
Ford Credit	\$ 4.0	\$ 4.5	\$ (0.5)	\$ 435	\$ 1,557	\$ (1,122)
Other Financial Services	0.1	0.1	—	(10)	(18)	8
Hertz	—	1.9	(1.9)	—	153	(153)
Total	\$ 4.1	\$ 6.5	\$ (2.4)	\$ 425	\$ 1,692	\$ (1,267)

We sold Hertz during the fourth quarter of 2005 resulting in declines in *Revenues* and *Income/(loss) before income taxes* during 2006.

Ford Credit

The decrease in earnings primarily reflected market valuations primarily related to non-designated derivatives, higher borrowing costs, the impact of lower average receivables in Ford Credit's managed portfolio, higher depreciation expense and lower credit loss reserve reductions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

Ford Credit's net finance receivables and net investment in operating leases are shown below (in billions):

	June 30, 2006	December 31, 2005	2006 Over/(Under) 2005
On-Balance Sheet (including on-balance sheet securitizations) *	\$ 136.2	\$ 132.1	\$ 4.1
Securitized Off-Balance Sheet	14.6	18.0	(3.4)
Managed	\$ 150.8	\$ 150.1	\$ 0.7
Serviced	\$ 153.8	\$ 153.0	\$ 0.8

* At June 30, 2006 and December 31, 2005, about \$52.1 billion and \$44.7 billion, respectively, of finance receivables have been sold for legal purposes in securitization transactions that do not satisfy the requirements for accounting sale treatment. In addition, at June 30, 2006 and December 31, 2005, interests in operating leases and the related vehicles (net of accumulated depreciation) of \$12.5 billion and \$6.5 billion, respectively, have been transferred for legal purposes and are held for the benefit of consolidated securitization SPEs. These receivables and interests in operating leases and the related vehicles are available only for repayment of debt or other obligations issued or arising in the securitization transactions and to pay other transaction participants; they are not available to pay Ford Credit's other obligations or the claims of Ford Credit's other creditors.

The increase in on-balance sheet, managed and serviced receivables from year-end 2005 primarily reflected increased investments in operating leases, offset partially by lower retail contract placement volumes. We expect Ford Credit to have lower receivable levels in the second half of 2006. At year-end 2006, we anticipate Ford Credit's managed receivables to be about \$145 billion.

The following table shows worldwide credit losses net of recoveries, which are referred to as charge-offs, and loss-to-receivables ratios, which equal charge-offs for the period on an annualized basis divided by the average amount of receivables outstanding for the period, for the second quarter of 2006 and 2005:

	2006	Second Quarter 2005	2006 Over/(Under) 2005	
Charge-offs (in millions)				
On-Balance Sheet	\$ 83	\$ 137	\$ (54)	
Managed	102	169	(67)	
Loss-to-Receivables Ratios				
On-Balance Sheet	0.25%	0.44%	(0.19)	pts.
Managed	0.27%	0.41%	(0.14)	pts.

During the second quarter of 2006, charge-offs and loss-to-receivables ratios for Ford Credit's on-balance sheet and managed portfolios reached their lowest levels in the past five years. The improvements primarily reflected a higher quality retail installment and lease portfolio and enhancements to Ford Credit's collection practices. Lower average levels of retail installment receivables also contributed to reduced charge-offs.

Shown below is Ford Credit's allowance for credit losses related to finance receivables and operating leases for the periods specified:

	June 30, 2006	December 31, 2005	2006 Over/(Under) 2005	
Allowance for credit losses (in billions)	\$ 1.4	\$ 1.6	\$ (0.2)	
Allowance as a percentage of end-of-period receivables	0.99%	1.19%	(0.20)	pts.

The decrease in allowance for credit losses from year-end 2005 primarily reflected improved charge-off performance.

Other Financial Services

The improvement in earnings primarily reflected the non-recurrence of a loss on a property sale.

*Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)***FIRST HALF RESULTS OF OPERATIONS**

Our worldwide net loss was \$1.7 billion or \$0.93 per share of Common and Class B stock in the first half of 2006, down from a profit of \$2.1 billion or \$1.03 per share in the first half of 2005.

Results by business sector for the first half of 2006 and 2005 are shown below (in millions):

	2006	Restated First Half 2005	2006 Over/ (Under) 2005
Income/(loss) before income taxes			
Automotive sector	\$ (3,806)	\$ (18)	\$ (3,788)
Financial Services sector	800	2,198	(1,398)
Total	(3,006)	2,180	(5,186)
Provision for/(benefit from) income taxes	(1,342)	(14)	(1,328)
Minority interests in net income/(loss) of subsidiaries			
*	78	142	(64)
Income/(loss) from continuing operations	(1,742)	2,052	(3,794)
Income/(loss) from discontinued operations	2	38	(36)
Net income/(loss)	\$ (1,740)	\$ 2,090	\$ (3,830)

*Primarily related to Ford Europe's consolidated less-than-100%-owned affiliates; the decrease primarily reflected the impact on deferred tax balances of tax law changes in the country of Turkey.

Included in *Income/(loss) before income taxes* are items we do not consider indicative of our ongoing operating activities ("special items"). The following table details the first half 2006 and 2005 special items by segment or business unit (in millions):

	2006	First Half 2005
Ford North America		
Jobs Bank Benefits and voluntary termination charges (primarily related to the Way Forward plan)	\$ (1,608)	\$ —
Pension curtailment charges	(903)	—
U.S. plant idlings (primarily fixed-asset write-offs)	(281)	—
Additional personnel-reduction programs	(209)	(63)
Visteon-related charges (primarily valuation allowance against employee-related receivables)	—	(327)
Divestiture of non-core business	—	(59)
Fuel-cell technology charges	—	(50)
Tax adjustments (result of law changes related to non-income taxes)	—	85
Total Ford North America	(3,001)	(414)
Ford South America		
Legal settlement relating to social welfare tax liability	11	—
Ford Europe		
Personnel-reduction programs	(23)	—
PAG		

Personnel-reduction programs	(21)	(33)
Ford Asia Pacific and Africa/Mazda		
Mazda pension transfer	137	—
Divestiture of non-core businesses	—	14
Total	\$ (2,897)	\$ (433)

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

AUTOMOTIVE SECTOR

Details by Automotive segment or business unit of *Income/(loss) before income taxes* for the first half of 2006 and 2005 are shown below (in millions):

	2006		Restated First Half 2005		2006 Over/(Under) 2005
The Americas Operations					
Ford North America	\$	(4,222)	\$	(570)	\$ (3,652)
Ford South America		247		170	77
Total The Americas Operations		(3,975)		(400)	(3,575)
International Operations					
Ford Europe		227		131	96
PAG		(31)		(89)	58
Subtotal Ford Europe and PAG		196		42	154
Ford Asia Pacific and Africa		6		93	(87)
Mazda and Associated Operations		214		111	103
Subtotal Ford Asia Pacific and Africa/Mazda		220		204	16
Total International Operations		416		246	170
Other Automotive					
Total	\$	(3,806)	\$	(18)	\$ (3,788)

Details by Automotive segment or business unit of sales and vehicle unit sales for the first half of 2006 and 2005 are shown below:

	Sales (in billions)		2006 Over/(Under) 2005		Restated First Half		Vehicle Unit Sales (a) (in thousands)		2006 Over/(Under) 2005	
	2006	2005			2006	2005	2006	2005		
The Americas Operations										
Ford North America	\$ 38.9	\$ 41.1	\$ (2.2)	(5)%	1,697	1,760	(63)	(4)%		
Ford South America	2.5	1.9	0.6	28	174	158	16	10		
Total The Americas Operations	41.4	43.0	(1.6)	(4)	1,871	1,918	(47)	(2)		
International Operations										
Ford Europe	14.3	15.6	(1.3)	(8)	893	899	(6)	(1)		

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PAG	14.9	15.5	(0.6)	(4)	377	390	(13)	(3)
Subtotal Ford Europe and PAG	29.2	31.1	(1.9)	(6)	1,270	1,289	(19)	(1)
Ford Asia Pacific and Africa (b)	3.5	4.0	(0.5)	(11)	272	227	45	20
Mazda and Associated Operations (c)	0.7	—	0.7	—	41	—	41	—
Subtotal Ford Asia Pacific and Africa/Mazda	4.2	4.0	0.2	6	313	227	86	38
Total International Operations	33.4	35.1	(1.7)	(5)	1,583	1,516	67	4
Total	\$ 74.8	\$ 78.1	\$ (3.3)	(4)%	3,454	3,434	20	1%

(a) Vehicle unit sales generally are reported on a where-sold basis, and include sales of all Ford-badged units and units manufactured by Ford and sold to other manufacturers, as well as units distributed for other manufacturers.

Vehicles sold to daily rental car companies that are returned to us pursuant to a guaranteed repurchase option and vehicles used in our own fleet (including management evaluation vehicles) are included in vehicle unit sales at the time they are disposed of by us through used car channels.

(b) Included in vehicle unit sales of Ford Asia Pacific and Africa are Ford-badged vehicles sold in China and Malaysia by certain unconsolidated affiliates totaling about 72,000 and 35,000 units in 2006 and 2005, respectively. "Sales" above does not include revenue from these units.

(c) In 2006, this reflects sales of Mazda6 by our subsidiary, AAI, which we began consolidating in the third quarter of 2005.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

Details of Automotive sector market share for selected markets for the first half of 2006 and 2005, along with the level of dealer stocks as of June 30, 2006 and 2005, are shown below:

Market	First Half Market Share			Dealer-Owned Stocks (a) (in thousands)		
	2006	2005	2006 Over/(Under) 2005	June 30, 2006	June 30, 2005	2006 Over/(Under) 2005
U.S. (b)	16.9%	17.2%	(0.3) pts.	795	851	(56)
South America (b) (c)	11.6	12.0	(0.4)	39	34	5
Europe (b) (d)	8.6	8.7	(0.1)	305	347	(42)
PAG -- U.S./Europe (d)	1.1/2.2	1.2/2.3	(0.1)/(0.1)	42/60	47/67	(5)/(7)
Asia Pacific and Africa (b) (e) (f)	2.4	2.3	0.1	59	47	12

(a) Dealer-owned stocks represent our estimate of vehicles shipped to our customers (dealers) and not yet sold by the dealers to their retail customers, including some vehicles reflected in our inventory.

(b) Includes only Ford and, in certain markets (primarily U.S.), Lincoln and Mercury brands.

(c) South America 2006 market share is based on estimated vehicle retail sales for our six major markets (Argentina, Brazil, Chile, Colombia, Ecuador and Venezuela).

(d) Europe 2006 market share is based, in part, on estimated vehicle registrations for our 19 major European markets.

(e) Asia Pacific and Africa 2006 market share is based on estimated vehicle retail sales for our 12 major markets (Australia, China, Japan, India, Indonesia, Malaysia, New Zealand, Philippines, South Africa, Taiwan, Thailand, and Vietnam).

(f) Dealer-owned stocks for Asia Pacific and Africa include primarily Ford-brand vehicles as well as some units distributed for other manufacturers.

Overall Automotive Sector

The decline in earnings primarily reflected Jobs Bank Benefits and voluntary termination charges (about \$1.6 billion), pension curtailment charges (about \$900 million), unfavorable net pricing (about \$600 million), lower market share and adverse product mix in North America and Europe (about \$500 million), unfavorable currency exchange primarily due to the expiration of favorable hedges (about \$400 million), unfavorable net interest income primarily related to the non-recurrence of favorable tax-related interest on refund claims and adjustments to tax-related interest reserves (about \$400 million), costs of U.S. plant idlings - primarily fixed-asset write-offs (about \$300 million), and other net expenses including those associated with ACH (about \$100 million). These adverse factors were offset partially by favorable cost changes (about \$700 million) and the non-recurrence of Visteon-related charges - primarily valuation allowance against employee-related receivables (about \$300 million).

The decline in revenues primarily reflected unfavorable changes in currency exchange rates for International Operations, lower vehicle unit sales volume in North America, unfavorable product mix, and unfavorable net pricing.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

The table below details our first half cost changes at constant volume, mix and exchange, excluding special items and discontinued operations (in billions):

	Explanation of Cost Changes	Restated 2006 Better/(Worse) Than 2005
Manufacturing and engineering	Primarily hourly and salaried personnel reductions and ongoing efficiencies in our plants, partially offset by charges associated with fixed-asset retirements.	\$ 0.5
Net product	Pricing reductions from our suppliers and design cost reductions on existing products, offset partially by commodity price increases.	0.5
Overhead	Primarily lower selling and administrative costs.	0.2
Quality-related	Primarily non-recurrence of favorable adjustments in 2005 related to reserves for additional service actions.	(0.2)
Advertising & Sales Promotions	Primarily increased advertising costs reflecting plans to strengthen the image of our brands and improve the awareness of the new products being introduced.	(0.1)
Depreciation and amortization	Acceleration of depreciation resulting from ongoing improvement plans inclusive of the announced future facility idlings, offset partially by the favorable impact of the change in special tooling amortization method and the favorable impact of the impairment charge taken in fourth quarter of 2005 for long-lived assets of Jaguar/Land Rover operations.	(0.1)
Total		\$ 0.8

The Americas Operations

Ford North America Segment. The decline in earnings primarily reflected Jobs Bank Benefits and voluntary termination charges (see Note 5 of the Notes to the Financial Statements for additional discussion of Jobs Bank Benefits and voluntary termination charges), pension curtailment charges, unfavorable volume and mix, unfavorable net pricing, costs of U.S. plant idlings (primarily fixed-asset write-offs), and unfavorable currency exchange, offset partially by favorable cost changes, primarily in net product costs.

Ford South America Segment. The increase in earnings primarily reflected favorable net pricing and higher vehicle unit sales reflecting higher industry sales volume, offset partially by unfavorable cost changes. The unfavorable cost changes primarily reflected unfavorable net product costs and unfavorable manufacturing and engineering costs.

International Operations

Ford Europe Segment. The increase in earnings primarily reflected favorable cost changes, offset partially by unfavorable volume and mix, and unfavorable net pricing. The favorable cost changes primarily reflected lower net

product costs and manufacturing and engineering costs.

PAG Segment. The improvement in earnings primarily reflected improved product mix and favorable cost changes, offset partially by unfavorable currency exchange related to the expiration of favorable hedges and unfavorable net pricing. The favorable cost changes reflected improvements in net product costs and manufacturing and engineering costs, offset partially by adjustments to warranty accruals for prior model-year vehicles, mainly at Land Rover and Jaguar.

Ford Asia Pacific and Africa/Mazda Segment. The decrease in earnings for Ford Asia Pacific and Africa primarily reflected adverse product mix including lower large car sales in Australia and unfavorable changes in currency exchange rates, offset partially by favorable cost changes including a grant from the Australian government for previously incurred expenses. Vehicle unit sales for the period increased while revenue for the same period declined. The increase in vehicle unit sales is more than explained by higher unit sales in China and India. The decrease in revenue primarily reflected changes in currency exchange rates and a higher mix of small cars relative to the same period last year. Our revenue excludes vehicle unit sales at our unconsolidated affiliates, including those in China.

The increase in earnings for Mazda and Associated Operations primarily reflected our share of a gain Mazda realized on the transfer of its pension liabilities back to the Japanese government, offset partially by the non-recurrence of gains on our investment in Mazda convertible bonds. During the second half of 2005 and the first quarter of 2006, we converted to equity all of our Mazda convertible bonds, and, therefore, will no longer have income effects from the mark-to-market adjustments for these bonds.

*Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)**Other Automotive*

The decline in results primarily reflected the non-recurrence of favorable tax-related interest on refund claims and adjustments to tax-related interest reserves, offset partially by higher returns on invested cash.

FINANCIAL SERVICES SECTOR

Details of Financial Services sector *Revenues* and *Income/(loss) before income taxes* for the first half of 2006 and 2005 are shown below:

	Revenues (in billions)		Restated First Half Income/(Loss) Before Income Taxes (in millions)			
	2006	2005	2006 Over/(Under) 2005		2006 Over/(Under) 2005	
			2006	2005		
Ford Credit	\$ 7.8	\$ 8.3	\$ (0.5)	\$ 817	\$ 2,048	\$ (1,231)
Other Financial Services	0.1	0.1	—	(17)	(36)	19
Hertz	—	3.5	(3.5)	—	186	(186)
Total	\$ 7.9	\$ 11.9	\$ (4.0)	\$ 800	\$ 2,198	\$ (1,398)

We sold Hertz during the fourth quarter of 2005 resulting in declines in *Revenues* and *Income/(loss) before income taxes* during 2006.

Ford Credit

The decrease in earnings primarily reflected higher borrowing costs, market valuations primarily related to non-designated derivatives, the impact of lower average receivables in Ford Credit's managed portfolio and higher depreciation expense.

The following table shows worldwide charge-offs and loss-to-receivables ratios for the first half of 2006 and 2005:

Charge-offs (in millions)	First Half		
	2006	2005	2006 Over/(Under) 2005
On-Balance Sheet	\$ 194	\$ 318	\$ (124)
Managed	238	398	(160)
Loss-to-Receivables Ratios			
On-Balance Sheet	0.29%	0.50%	(0.21) pts.
Managed	0.32%	0.48%	(0.16) pts.

The improvements in charge-offs and loss-to-receivables ratios for the on-balance sheet and managed portfolios primarily reflected a higher quality retail installment and lease portfolio and enhancements to Ford Credit's collection practices. Lower average levels of retail installment receivables also contributed to reduced charge-offs.

Other Financial Services

The improvement in earnings primarily reflected the non-recurrence of a loss on a property sale.

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*Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)***LIQUIDITY AND CAPITAL RESOURCES****Automotive Sector**

For the Automotive sector, liquidity and capital resources include gross cash balances, cash generated by operations, funds raised in capital markets and committed credit lines.

Gross Cash. Automotive gross cash includes cash and cash equivalents, marketable and loaned securities and assets contained in a short-term Voluntary Employee Beneficiary Association trust ("VEBA") as detailed below (in billions):

	June 30, 2006	December 31, 2005	June 30, 2005	December 31, 2004
Cash and cash equivalents	\$ 14.7	\$ 13.4	\$ 10.8	\$ 10.1
Marketable securities	8.9	6.9	7.6	8.3
Loaned securities	0.0	3.4	0.8	1.1
Total cash, marketable securities and loaned securities	23.6	23.7	19.2	19.5
Short-term VEBA assets	0.0	1.4	2.6	4.1
Gross cash	\$ 23.6	\$ 25.1	\$ 21.8	\$ 23.6

In managing our business, we classify changes in Automotive gross cash into two categories: operating-related and other (which includes pension and long-term VEBA contributions, certain special items, tax refunds, capital transactions with the Financial Services sector, acquisitions and divestitures and other - primarily financing related). Our key metric is operating-related cash flow, which best represents the ability of our Automotive operations to generate cash. We believe the cash flow analysis reflected in the table below, which differs from a cash flow statement presented in accordance with generally accepted accounting principles in the United States ("GAAP"), is useful to investors because it includes cash flow elements that we consider to be related to our operating activities (e.g., capital spending) that are not included in *Net cash flows from operating activities*, the most directly comparable GAAP financial measure.

Changes in Automotive gross cash for the second quarter and first half of 2006 and 2005 are summarized below (in billions):

	Second Quarter		Restated		First Half	
	2006	2005	2006	2005	2006	2005
Gross cash at end of period	\$ 23.6	\$ 21.8	\$ 23.6	\$ 21.8		
Gross cash at beginning of period	23.7	22.9	25.1	23.6		
Total change in gross cash	\$ (0.1)	\$ (1.1)	\$ (1.5)	\$ (1.8)		
Operating-related cash flows						
Automotive income/(loss) before income taxes	\$ (1.1)	\$ (0.5)	\$ (3.8)	\$ 0.0		
Special items	0.4	0.3	2.9	0.4		
Capital expenditures	(1.6)	(1.9)	(3.4)	(3.3)		
Depreciation and special tools amortization	1.8	1.7	3.6	3.5		

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Changes in receivables, inventories and trade payables	(0.2)	(0.7)	(0.8)	(0.2)
Other (a)	0.9	0.9	1.0	0.3
Total operating-related cash flows	0.2	(0.2)	(0.5)	0.7
Other changes in cash				
Contributions to funded pension plans/long-term VEBA	(0.2)	(1.1)	(0.5)	(2.5)
Cash impact of personnel-reduction programs and Jobs Bank Benefits accrual	(0.3)	(0.1)	(0.7)	(0.1)
Capital transactions with Financial Services sector (b)	0.4	0.7	0.6	1.1
Dividends paid to shareholders	(0.2)	(0.2)	(0.4)	(0.4)
Changes in total Automotive sector debt	0.0	0.0	(0.1)	(0.4)
Other	0.0	(0.2)	0.1	(0.2)
Total change in gross cash	\$ (0.1)	\$ (1.1)	\$ (1.5)	\$ (1.8)

(a) Primarily expense and payment timing differences for items such as marketing, warranty, pension and OPEB.

(b) Primarily dividends received from Ford Credit, excluding proceeds from Financial Services sector divestitures paid to the Automotive sector.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

Shown in the table below is a reconciliation between financial statement *Cash flows from operating activities of continuing operations* and operating-related cash flows (calculated as shown in the table above), for the second quarter of 2006 and 2005 (in billions):

	Second Quarter		Restated		First Half	
	2006	2005	2006	2005	2006	2005
Net cash flows from operating activities of continuing operations	\$ 5.9	\$ 3.3	\$ 5.3	\$ 5.1		
Items included in operating-related cash flows						
Capital expenditures	(1.6)	(1.9)	(3.4)	(3.3)		
Net transactions between Automotive and Financial Services sector (a)	(0.3)	0.4	(0.5)	(0.4)		
Items not included in operating-related cash flows						
Cash impact of Jobs Bank Benefits and separation programs	0.3	0.1	0.7	0.1		
Net (sales)/purchases of trading securities	(3.1)	(1.7)	(1.7)	(1.1)		
Pension and long-term VEBA contributions	0.2	1.1	0.5	2.5		
Other (b)	(1.2)	(1.5)	(1.4)	(2.2)		
Operating-related cash flows	\$ 0.2	\$ (0.2)	\$ (0.5)	\$ 0.7		

(a) Primarily payables and receivables between the sectors in the normal course of business.

(b) Primarily the exclusion of cash flow from short-term VEBA contribution/(drawdown).

Debt. At June 30, 2006, our Automotive sector had total debt of \$17.7 billion, compared with \$17.9 billion at December 31, 2005. Total senior debt at June 30, 2006 was \$12.6 billion, compared with \$12.7 billion at December 31, 2005. The decrease in senior debt primarily reflected the maturity of two small bonds totaling about \$200 million.

Credit Facilities. At July 1, 2006, the Automotive sector had \$6.7 billion of contractually committed credit facilities with financial institutions, of which \$6.4 billion were available for use. Of the lines available for use, 77% (or \$5 billion) are committed through June 30, 2010 and the remainder for a shorter period of time. Of the \$6.7 billion, \$6.3 billion constitute global credit facilities and may be used, at our option, by any of our direct or indirect majority-owned subsidiaries on a guaranteed basis. We also have the ability to transfer, on a non-guaranteed basis, \$2 billion of such global credit facilities to Ford Credit and approximately \$500 million to FCE Bank plc ("FCE"), Ford Credit's European operation. All of the global credit facilities are free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements), and credit rating triggers that would limit our ability to borrow.

Financial Services Sector

Ford Credit

Debt and Cash. Ford Credit's total debt plus securitized off-balance sheet funding was \$146.7 billion at June 30, 2006, down \$3.3 billion compared with year-end 2005, primarily reflecting repayment of maturing debt.

At June 30, 2006, Ford Credit's cash, cash equivalents and marketable securities (excluding marketable securities related to insurance activities) totaled \$16 billion, compared with \$17.9 billion at year-end 2005. In the normal course of its funding activities, Ford Credit may generate more proceeds than are necessary for its immediate funding needs. These excess amounts are maintained primarily as highly liquid investments, which provide liquidity for Ford Credit's short-term funding needs and give Ford Credit flexibility in the use of its other funding programs. Cash balances to be used only to support Ford Credit's on-balance sheet securitization transactions at June 30, 2006 and December 31, 2005, were approximately \$5.3 billion and \$2.3 billion, respectively. The increase primarily reflects about \$2 billion in cash collections for a wholesale term maturity in July 2006.

Funding. During the second quarter of 2006, Ford Credit realized proceeds of \$9.9 billion from asset-backed funding (including about \$400 million from public and private sales of receivables in off-balance sheet securitizations) and about \$2.2 billion from unsecured institutional funding. In addition, Ford Credit exchanged a portion of its outstanding debt securities for a new series of approximately \$1.5 billion of fixed rate notes due 2010, a new series of approximately \$1 billion of floating rate notes due 2011 and approximately \$1.2 billion in cash. The purpose of the debt exchange was to lengthen Ford Credit's average debt maturities and reduce its overall debt levels.

Term Funding Plan. Ford Credit's present full-year 2006 funding plans are in the range of \$12 billion to \$17 billion for public funding and \$25 billion to \$33 billion for private transactions (including whole-loan sale transactions). Through June 30, 2006, Ford Credit had completed \$25.9 billion of term debt issuance: \$15.2 billion through private transactions (of which \$13.7 billion was asset-backed funding and \$1.5 billion was unsecured) and \$10.7 billion through public transactions (of which \$6.7 billion was asset-backed funding, \$1.5 billion was unsecured and \$2.5 billion was from the debt exchange described above); and \$1 billion from a whole-loan sale transaction.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

Leverage. Ford Credit uses leverage, or the debt-to-equity ratio, to make various business decisions, including establishing pricing for retail, wholesale and lease financing, and assessing its capital structure. Ford Credit calculates leverage on a financial statement basis and on a managed basis.

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

	June 30, 2006	Restated December 31, 2005
Total debt	\$ 133.2	\$ 133.4
Total stockholder's equity	11.7	11.4
Debt-to-equity ratio (to 1)	11.4	11.7

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

	June 30, 2006	Restated December 31, 2005
Total debt	\$ 133.2	\$ 133.4
Securitized off-balance sheet receivables outstanding	14.6	18.0
Retained interest in securitized off-balance sheet receivables	(1.1)	(1.4)
Adjustments for cash and cash equivalents, and marketable securities *	(16.0)	(17.9)
Fair value hedge accounting adjustments	(0.2)	(0.5)
Total adjusted debt	\$ 130.5	\$ 131.6
Total stockholder's equity (including minority interest)	\$ 11.7	\$ 11.4
Fair value hedge accounting adjustments	(0.4)	(0.7)
Total adjusted equity	\$ 11.3	\$ 10.7
Managed debt-to-equity ratio (to 1)	11.5	12.3

* Excluding marketable securities related to insurance activities.

For the remainder of 2006, Ford Credit expects its managed leverage to trend down slightly from the current ratio of 11.5 to 1.

Credit Facilities. For additional funding and to maintain liquidity, Ford Credit and its majority-owned subsidiaries, including FCE, have contractually-committed credit facilities with financial institutions that totaled \$5.7 billion at July 1, 2006, of which \$4.1 billion were available for use. Of the \$5.7 billion, about \$3.4 billion constitute Ford Credit facilities (\$2.7 billion global and about \$700 million non-global) and \$2.3 billion are FCE facilities (\$2.2 billion global and about \$100 million non-global). Of the lines available for use, 30% (or \$1.2 billion) are committed through June 30, 2010, and the remainder are committed for a shorter period of time. Ford Credit's global credit facilities may be used at its option by any of its direct or indirect majority-owned subsidiaries. FCE's global credit facilities may be used at its option by any of its direct or indirect majority-owned subsidiaries. Ford Credit or FCE, as the case may be, will guarantee any such borrowings. All of the global credit facilities have substantially identical contract terms (other

than commitment amounts) and are free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements), and credit rating triggers that could limit Ford Credit's ability to borrow.

Additionally, at July 1, 2006, banks provided \$18.9 billion of contractually-committed liquidity facilities exclusively to support Ford Credit's two on-balance sheet asset-backed commercial paper programs; \$18.5 billion supported Ford Credit's FCAR Owner Trust retail securitization program ("FCAR") and \$375 million supported the Motown NotesSM wholesale securitization program ("Motown Notes"). The FCAR and Motown Notes programs must be supported by liquidity facilities equal to at least 100% and 5%, respectively, of their face amount. At July 1, 2006, \$18 billion of FCAR's bank credit facilities were available to support FCAR's asset-backed commercial paper or subordinated debt. The remaining \$500 million of available credit lines could be accessed for additional funding if FCAR issued additional subordinated debt. Utilization of these facilities is subject to conditions specific to each program and Ford Credit having a sufficient amount of securitizable assets. At July 1, 2006, the outstanding balances were \$16.4 billion for the FCAR program and \$5.0 billion for the Motown Notes program.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

Committed Purchase Programs. Ford Credit has entered into agreements with several bank-sponsored commercial paper issuers and other financial institutions pursuant to which such parties are contractually committed to purchase from Ford Credit, at Ford Credit's option, retail receivables and, under certain agreements, wholesale finance receivables or asset-backed securities backed by wholesale finance receivables, for proceeds of up to \$20.9 billion (\$16.2 billion retail and \$4.7 billion wholesale). These agreements have varying maturity dates between August 22, 2006 and March 2, 2009. Ford Credit's ability to obtain funding under these commitments is subject to Ford Credit having a sufficient amount of receivables that are eligible for sale under these programs. As of June 30, 2006, \$8.5 billion of these commitments were in use.

At June 30, 2006, Ford Credit's total cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities), together with funding available through credit facilities and committed purchase programs, was \$75 billion, of which \$69 billion could be utilized (based on the availability of receivables at June 30, 2006 that were eligible for sale under Ford Credit's committed programs) to provide liquidity for all of Ford Credit's short-term funding obligations.

Total Company

Stockholders' Equity. Our stockholders' equity was \$14.8 billion at June 30, 2006, up \$1.3 billion compared with December 31, 2005. The increase primarily reflected favorable changes in *Accumulated other comprehensive income/(loss)* ("OCI") (see Note 12 of the Notes to the Financial Statements for details of OCI), offset partially by *Net income/(loss)* from the first half of 2006.

Credit Ratings

Ford. In June 2006, Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc. ("S&P") lowered Ford's long-term senior unsecured rating to B+ from BB-, maintained the short-term rating at B-2 and maintained the outlook at Negative. In June 2006, Fitch, Inc. ("Fitch") lowered Ford's long-term senior unsecured rating to BB- from BB, maintained the short-term rating at B and maintained the outlook at Negative. In July 2006, Moody's Investors Services ("Moody's") lowered Ford's long-term senior unsecured rating to B2 from Ba3, maintained the short-term rating at Not Prime ("NP") and maintained the outlook at Negative. In July 2006, Dominion Bond Rating Service Limited ("DBRS") lowered Ford's long-term senior unsecured rating to B (high) from BB (low), lowered the short-term rating to R-3 (middle) from R-3 (high) and maintained the trend at Negative.

Ford Credit. In June 2006, S&P lowered Ford Credit's long-term senior unsecured rating to B+ from BB-, maintained the short-term rating at B-2 and maintained the outlook at Negative. In June 2006, Fitch affirmed Ford Credit's long-term senior unsecured rating at BB, maintained the short-term rating at B and maintained the outlook at Negative. In July 2006, Moody's lowered Ford Credit's long-term senior unsecured rating to Ba3 from Ba2, maintained the short-term rating at "NP" and maintained the outlook at Negative. In July 2006, DBRS lowered Ford Credit's long-term senior unsecured rating to BB (low) from BB, maintained the short-term rating at R-3 (high) and maintained the trend at Negative.

The following chart summarizes our present senior long-term unsecured and short-term credit ratings and the outlook assigned by four of the nationally recognized statistical rating organizations:

	Ford			Ford Credit		
	Long Term	Short Term	Outlook/Trend	Long Term	Short Term	Outlook/Trend
DBRS	B (high)	R-3 (middle)	Negative	BB (low)	R-3 (high)	Negative

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Fitch	BB-	B	Negative	BB	B	Negative
Moody's	B2	NP	Negative	Ba3	NP	Negative
S&P*	B+	B-2	Negative	B+	B-2	Negative

* S&P maintained FCE's long-term rating at BB-.

As a result of lower credit ratings, our access to unsecured debt markets has become more restricted. Ford Credit's unsecured borrowing costs have increased and its outstanding unsecured term debt balances and unsecured commercial paper balances have declined. In response, Ford Credit has increased its use of securitization and other asset-backed sources of liquidity and will continue to expand and diversify its asset-backed funding by asset class and region. Over time, Ford Credit likely will need to reduce further the amount of receivables it purchases. A significant reduction in the amount of purchased receivables would reduce Ford Credit's ongoing profits, and could adversely affect its ability to support the sale of Ford vehicles.

*Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)***OFF-BALANCE SHEET ARRANGEMENTS**

Special Purpose Entities. At June 30, 2006, the total outstanding principal amount of receivables sold by Ford Credit and held by off-balance sheet securitization entities was \$14.6 billion, down about \$3.4 billion from December 31, 2005. The decline in securitized off-balance sheet receivables primarily reflected the impact of the U.S. public retail transaction being reported on-balance sheet in the first half of 2006. Ford Credit's retained interests in such sold receivables at June 30, 2006 were \$1.1 billion, down about \$300 million from December 31, 2005.

OUTLOOK

We have set and communicated the following planning assumptions and operational metrics:

Industry Volume (SAAR incl.

<u>heavy trucks)</u>	Planning Assumptions	First Half Status	Full-Year Outlook
U.S. (million units)	17.0	17.2	17.2
Europe (million units)	17.3	17.7	17.6

Operation Metrics**2006 Milestones**

Quality	Improved	On track	On track
Market share	Flat to improved	Down	Down
Automotive cost changes (billions)			
(a)	Favorable	\$0.7	On track
Capital spending (billions)	About \$7	\$3.4	On track
Year-end cash balance (billions)			
(b)	Over \$20	\$23.6	On track

(a) At constant volume, mix and exchange; excluding special items.

(b) Includes cash and cash equivalents, marketable securities, loaned securities, and short-term VEBA.

Although we continue to expect cost changes to be favorable this year, in the second half of 2006 we expect to experience increased costs associated with product programs, commodities and warranty; the increase in warranty costs results from our recently-announced extended powertrain warranty for 2007 model-year Ford, Lincoln and Mercury vehicles sold in the United States and Canada. As a result, we do not expect to repeat our favorable first half cost changes in the second half of 2006. With respect to our other milestones, we remain on track to improve quality and to meet our capital spending and year-end cash balance targets for 2006. However, we now anticipate that our market share will be down for the full year. We expect that each of our operating segments, with the exception of Ford North America and PAG, will be profitable in 2006. Based on the recent trend in sales, we now anticipate full-year PAG results will be a loss. We also currently anticipate a favorable tax settlement in the third quarter of 2006 primarily relating to tax years 1992-94.

Our current projection of third quarter 2006 production for certain segments is as follows (in thousands):

	Third Quarter	
	Vehicle Unit	2006
	Production	Over/(Under)
		2005
Ford North America	670	(58)

Ford Europe	410	38
PAG	150	(3)

Projected third quarter 2006 production for our Ford North America segment of 670,000 units represents a decrease of 58,000 units from 2005. The decline reflects lower truck and SUV sales and our intention to maintain appropriate dealer inventory levels. Projected third quarter production for our Ford Europe segment of 410,000 units represents an increase of 38,000 units from last year, primarily reflecting a change in the timing of vacation shutdowns. Projected third quarter production for our PAG segment of 150,000 units is a decrease of 3,000 units from last year.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

In December 2005, we entered into an agreement with the UAW (the "Agreement") to increase retiree health care cost sharing as part of our overall cost reduction efforts. Our decision to modify the retiree health care plan was challenged in court, so that implementation of the Agreement required court approval of a proposed settlement of this legal challenge. On July 13, 2006, we received the necessary court approval, and cost savings began to accrue as of that date. The projected average annual cost savings from the plan amendment is \$650 million, with average annual cash savings of about \$200 million. Because the Agreement constitutes a significant plan amendment, accounting rules required us to remeasure the UAW health care plan liability as of July 13, 2006. The Agreement, together with the plan remeasurement (including effects of a higher discount rate and recent health care claims experience), is expected to reduce our OPEB obligation by about \$9 billion, which will be reflected beginning with our third quarter 2006 financial statements.

See Note 13 of the Notes to the Financial Statements for a discussion of changes to our retiree VEBA.

We currently anticipate that charges for full-year 2006 special items will be about \$3.8 billion. This includes a charge of about \$1.6 billion for Jobs Bank Benefits and related voluntary termination charges; the slight improvement in this number reflects our agreement on buyout packages for employees who will be displaced by the idling of our Atlanta Assembly Plant, and agreement on the relocation of a number of our St. Louis Assembly Plant employees. Our projected full-year charges now include about \$1.2 billion for pension curtailment losses in North America, primarily related to execution of our Way Forward plan. Other special items reflected in our full-year projection include anticipated charges of about \$900 million for additional personnel-reduction programs in North America and Europe, and about \$300 million for facility-related costs that we recorded in the first quarter of 2006 (primarily related to a fixed asset write-off for our idled St. Louis Assembly Plant). We expect these charges to be partially offset by favorable one-time gains of about \$200 million, primarily related to our share of a gain Mazda realized on the transfer of its pension liabilities back to the Japanese government. We currently expect the cash payments during 2006 for these special items, and for some similar separation expenses recorded in 2005, to be about \$1.5 billion.

We expect our Financial Services sector to be profitable in 2006, though less profitable than in 2005 due to the absence of earnings from Hertz (including the gain on sale) and lower expected earnings at Ford Credit. The lower expected earnings at Ford Credit primarily reflect the impact of higher interest rates, lower average receivables levels in its managed portfolio, and higher depreciation expenses for vehicles subject to operating leases due to market weakness for trucks and medium- and large-sized sport utility vehicles. We anticipate Ford Credit's managed receivables will be about \$145 billion at year-end 2006.

Risk Factors

Statements included or incorporated by reference herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- Continued decline in market share;
- Continued or increased price competition resulting from industry overcapacity, currency fluctuations or other factors;
- A market shift (or an increase in or acceleration of market shift) away from sales of trucks or sport utility vehicles, or from sales of other more profitable vehicles in the United States;
- A significant decline in industry sales, particularly in the United States or Europe, resulting from slowing economic growth, geo-political events (e.g., an escalation or expansion of armed conflict in or beyond the Middle East) or other factors;

- Lower-than-anticipated market acceptance of new or existing products;
- Continued or increased high prices for or reduced availability of fuel;
- Currency or commodity price fluctuations;
- Adverse effects from the bankruptcy or insolvency of, change in ownership or control of, or alliances entered into by a major competitor;

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

- Economic distress of suppliers that has in the past and may in the future require us to provide financial support or take other measures to ensure supplies of components or materials;
 - Work stoppages at Ford or supplier facilities or other interruptions of supplies;
 - Single-source supply of components or materials;
 - Labor or other constraints on our ability to restructure our business;
- Worse-than-assumed economic and demographic experience for our postretirement benefit plans (e.g., discount rates, investment returns, and health care cost trends);
- The discovery of defects in vehicles resulting in delays in new model launches, recall campaigns or increased warranty costs;
- Increased safety, emissions, fuel economy or other (e.g., pension funding) regulation resulting in higher costs, cash expenditures, and/or sales restrictions;
- Unusual or significant litigation or governmental investigations arising out of alleged defects in our products or otherwise;
- A change in our requirements for parts or materials where we have entered into long-term supply arrangements that commit us to purchase minimum or fixed quantities of certain parts or materials, or to pay a minimum amount to the seller ("take-or-pay contracts");
- Inability to access debt or securitization markets around the world at competitive rates or in sufficient amounts due to additional credit rating downgrades or otherwise;
 - Higher-than-expected credit losses;
- Increased competition from banks or other financial institutions seeking to increase their share of financing Ford vehicles;
 - Changes in interest rates;
 - Collection and servicing problems related to finance receivables and net investment in operating leases;
 - Lower-than-anticipated residual values or higher-than-expected return volumes for leased vehicles;
- New or increased credit, consumer or data protection or other regulations resulting in higher costs and/or additional financing restrictions; and
 - Inability to implement the Way Forward plan.

We cannot be certain that any expectation, forecast or assumption made by management in preparing these forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. For additional discussion, see "Item 1A. Risk Factors" in our 2005 Form 10-K/A Report.

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*. This Interpretation prescribes a recognition threshold and a measurement attribute for the financial statement reporting of tax positions taken in tax returns. The Interpretation is effective for fiscal years beginning after December 15, 2006. We are assessing the potential impact on our financial condition and results of operations. In addition, we have not yet adopted SFAS Nos. 155 and 156 as previously discussed in our Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2006.

OTHER FINANCIAL INFORMATION

The interim financial information included in this Second Quarter 2006 Form 10-Q/A Report has not been audited by PricewaterhouseCoopers LLP ("PwC"). In reviewing such information, PwC has applied limited procedures in accordance with professional standards for reviews of interim financial information. Accordingly, you should restrict your reliance on their reports on such information. PwC is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the interim financial information, because such reports do not constitute "reports" or "parts" of the registration statements prepared or certified by PwC within the meaning of Sections 7 and 11 of the Securities Act of 1933.

ITEM 3. *Quantitative and Qualitative Disclosures About Market Risk.*

Foreign Currency Risk. Our foreign currency risk sensitivity has increased since December 31, 2005 due to the continued weakening of the U.S. dollar. As the value of the dollar weakens against foreign currencies, the value of our derivative portfolio increases, and thus the adverse impact of a hypothetical 10% rate change on our financial results becomes increasingly significant. As of June 30, 2006, the potential decrease in fair value of our derivative portfolio in response to a hypothetical 10% adverse change in underlying foreign currency exchange rates would be \$1.6 billion, compared with \$1.3 billion at December 31, 2005.

Commodity Price Risk. Our commodity price risk has also increased as the value of our derivative portfolio increased due to commodity prices increases since December 31, 2005. As of June 30, 2006, the potential decrease in fair value of our derivative portfolio in response to a hypothetical 10% adverse change in underlying commodity prices would be \$300 million, compared with \$200 million at December 31, 2005.

Interest Rate Risk. There has been no material change in interest rate risk for our Automotive investment portfolio compared with that disclosed in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our 2005 Form 10-K/A Report.

Ford Credit's interest rate risk also increased since December 31, 2005. Assuming a hypothetical increase in interest rates of 100 basis points (or 1%) across all maturities, we estimate that such an increase at June 30, 2006 would reduce Ford Credit's pre-tax cash flow by approximately \$78 million over the next twelve months, compared with \$40 million at December 31, 2005. In reality, rate changes are rarely instantaneous or parallel.

ITEM 4. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures. As discussed in "Item 9A. Controls and Procedures" of our 2005 Form 10-K/A Report, in the fourth quarter of 2006, we identified a material weakness in internal control over financial reporting with respect to the application of the assumption of no ineffectiveness to certain derivative transactions that did not meet the specific criteria set forth in Paragraph 68. As of the date of the filing of our 2005 Form 10-K/A Report, that material weakness has been fully remediated as described in "Item 9A. Controls and Procedures" of our 2005 Form 10-K/A Report.

Alan Mulally, our Chief Executive Officer ("CEO"), and Donat R. Leclair, Jr., our Chief Financial Officer ("CFO"), have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 30, 2006, and, solely as a result of the existence at that time of the material weakness in internal control over financial reporting described above, each has concluded that our disclosure controls and procedures were ineffective.

In connection with the filing of this Second Quarter 2006 Form 10-Q/A Report, under the direction of our CEO and CFO, we have again evaluated the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) of the Exchange Act, and have concluded that, including the remedial actions described in our 2005 Form 10-K/A Report, as of the date of filing our Second Quarter 2006 Form 10-Q/A Report our disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Changes in Internal Control over Financial Reporting. James J. Padilla, formerly Ford's President and Chief Operating Officer, retired from the Company effective July 1, 2006. William Clay Ford, Jr., our Chairman and Chief Executive Officer, assumed Mr. Padilla's responsibilities and became President and Chief Operating Officer.

Also, Ford Credit replaced its commercial paper administration system, and, as part of an ongoing effort in Europe, replaced its primary wholesale financing receivable system in Germany.

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PART II. OTHER INFORMATION**ITEM 1. Legal Proceedings.***Environmental Matters.*

St. Louis Assembly Plant Enforcement Action (previously reported on page 26 of our 2005 Form 10-K/A Report). In 2005, the Department of Justice advised us that the Environmental Protection Agency ("EPA") had referred to it for civil enforcement a matter regarding refrigerants used in several types of process equipment at our St. Louis Assembly Plant. The referral was based on the EPA's belief that the plant did not comply with all of the Clean Air Act's recordkeeping, testing, and repair requirements related to equipment with regulated refrigerants. Although we believe that we have fully complied with all applicable requirements, we have agreed to pay a civil penalty of \$125,000 to resolve this matter.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the second quarter of 2006, we purchased shares of our Common Stock as follows:

Period	Total Number of Shares Purchased*	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
Apr. 1, 2006 through Apr. 30, 2006	1,799,165	\$ 7.48	0	No publicly announced repurchase program in place
May 1, 2006 through May 31, 2006	2,098,552	7.04	0	No publicly announced repurchase program in place
Jun. 1, 2006 through Jun. 30, 2006	1,684,428	7.09	0	No publicly announced repurchase program in place
Total	5,582,145	\$ 7.20	0	

* We currently do not have a publicly announced repurchase program in place. Of the 5,582,145 shares purchased, 5,525,577 shares were purchased from the Ford Motor Company Savings and Stock Investment Plan for Salaried Employees ("SSIP") and the Tax Efficient Savings Plan for Hourly Employees ("TESPHE"). Shares are generally purchased from SSIP and TESPHE when participants in those plans elect to sell units in the Ford Stock Fund upon retirement, upon termination of employment with the Company, related to an in-service distribution, or to fund a loan against an existing account balance in the Ford Stock Fund. Shares are not purchased from these plans when a participant transfers account balances out of the Ford Stock Fund and into another investment option under the plans. The remaining shares were acquired from our employees or directors in accordance with our various compensation plans as a result of share withholdings to pay income taxes with respect to: (i) the lapse of restrictions on restricted stock, (ii) the issuance of unrestricted stock, including issuances as a result of the conversion of restricted stock equivalents, or (iii) to pay the exercise price and related income taxes with respect to certain exercises of stock

options.

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

On May 11, 2006, the 2006 Annual Meeting of Shareholders of the Company was held. The following is a brief description of the matters voted upon at the meeting and tabulation of the voting therefor:

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*ITEM 4. Submission of Matters to a Vote of Security-Holders. (continued)**Proposal One: Election of Directors.*

Nominee	Number of Votes	
	For	Against
John R. H. Bond	2,401,675,414	359,794,090
Stephen G. Butler	2,694,734,387	66,735,117
Kimberly A. Casiano	2,682,329,861	79,139,643
Edsel B. Ford II	2,665,074,928	96,394,576
William C. Ford, Jr.	2,686,078,204	75,391,300
Irvine O. Hockaday, Jr.	2,674,160,694	87,308,810
Richard A. Manoogian	2,684,566,949	76,902,555
Ellen R. Marram	2,679,562,309	81,907,195
Homer A. Neal	2,688,113,077	73,356,427
Jorma Ollila	2,688,237,770	73,231,734
Robert E. Rubin	2,394,426,399	367,043,105
John L. Thornton	2,688,705,157	72,764,347

There were no broker non-votes with respect to the election of directors.

Proposal Two: Ratification of Selection of Independent Registered Public Accounting Firm. A proposal to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm to audit the books of account and other corporate records of the Company for 2006 was adopted, with 2,709,258,507 votes cast for, 33,591,583 votes cast against, 18,619,414 votes abstained and 0 broker non-votes.

Proposal Three: Relating to Disclosure of Compensation Paid to Executive Officers. A proposal relating to disclosure of Company executive officers who are contractually entitled to receive more than \$500,000 annually in compensation was rejected, with 2,057,935,262 votes cast against, 212,500,547 votes cast for, 23,290,451 votes abstained and 467,743,244 broker non-votes.

Proposal Four: Relating to the Company Reporting on its Lobbying Efforts Relative to Federal Fuel Economy Standards. A proposal relating to the Company reporting on its lobbying efforts relative to CAFE standards was rejected, with 2,035,622,767 votes cast against, 159,694,154 votes for, 98,409,339 votes abstained and 467,743,244 broker non-votes.

Proposal Five: Relating to Adoption of Cumulative Voting for the Election of Directors. A proposal relating to adoption of cumulative voting for the election of directors was rejected, with 1,944,294,677 votes cast against, 313,584,056 votes cast for, 35,847,527 votes abstained and 467,743,244 broker non-votes.

Proposal Six: Relating to Tying Executive Compensation to Reducing Lifetime Product Greenhouse Gas Emissions. A proposal relating to tying executive compensation to reducing lifetime product greenhouse gas emissions was rejected, with 2,103,388,757 votes cast against, 105,412,128 votes cast for, 84,925,375 votes abstained and 467,743,244 broker non-votes.

Proposal Seven: Relating to Consideration of a Recapitalization Plan to Provide that All of the Company's Outstanding Stock Have One Vote Per Share. A proposal relating to consideration of a recapitalization plan to provide that all of the Company's outstanding stock have one vote per share was rejected, with 1,746,469,126 votes cast against, 519,808,579 votes cast for, 27,448,555 votes abstained and 467,743,244 broker non-votes.

Proposal Eight: Relating to the Board of Directors Publishing a Report on Global Warming/Cooling. A proposal relating to the Board of Directors publishing a report on global warming/cooling was rejected, with 2,098,095,881 votes cast against, 93,833,525 votes cast for, 101,796,854 votes abstained and 467,743,244 broker non-votes.

Proposal Nine: Relating to the Company Removing References to Sexual Orientation From Its Equal Employment Policies. A proposal relating to the Company removing references to sexual orientation from its equal employment policies was rejected, with 2,137,486,856 votes cast against, 104,900,944 votes cast for, 51,338,460 votes abstained and 467,743,244 broker non-votes.

Proposal Ten: Relating to the Company Changing Its Governing Documents to Require that the Chairman of the Board Have No Management Duties, Titles or Responsibilities. A proposal relating to the Company changing its governing documents to require that the Chairman of the Board have no management duties, titles or responsibilities was rejected, with 1,837,115,669 votes cast against, 428,285,763 votes cast for, 28,324,828 votes abstained and 467,743,244 broker non-votes.

ITEM 5. Other Information.

Governmental Standards - Motor Vehicle Fuel Economy

As previously discussed on page 13 of our 2005 Form 10-K/A Report, a group of petitioners led by Massachusetts and other states has sought review by the U.S. Supreme Court of a decision by the U.S. Court of Appeals for the District of Columbia Circuit upholding the Environmental Protection Agency's decision not to regulate carbon dioxide emissions from motor vehicles under the federal Clean Air Act. The Supreme Court has now agreed to review the appellate court's ruling, and has set a briefing schedule that spans the late summer and fall of 2006. No date for oral argument has been set, but a decision in the case is expected by late June 2007. The Alliance of Automobile Manufacturers ("Alliance"), of which we are a member, is an intervenor in the case and will participate in the briefing to support the Environmental Protection Agency's decision. Separately, the Alliance has also intervened in a Pennsylvania citizens' suit in opposition to an effort to compel the state of Pennsylvania to adopt California motor vehicle standards.

In addition, the Bush administration has requested authority from Congress for the National Highway Traffic Safety Administration ("NHTSA") to reform passenger car CAFE standards along the same lines as its new fuel economy program for light trucks. New authority from Congress is believed to be required because the federal law governing the fuel economy program imposes greater limitations on NHTSA's ability to regulate the car program than the truck program. Congress is considering various bills in response to the administration's request, some of which would impose additional, burdensome requirements (such as minimum year-over-year percentage increases in the fuel economy standards for cars). Such requirements would be much more onerous than the percentage increases typically required by NHTSA in setting "maximum feasible" standards under current law. If such a bill were enacted, it could threaten Ford's ability to comply with passenger car fuel economy standards in the future.

ITEM 6. Exhibits.

Please see exhibit index below.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FORD MOTOR COMPANY

(Registrant)

Date November 17, 2006

By: /s/ Peter J. Daniel
Peter J. Daniel
Senior Vice President and Controller

EXHIBIT INDEX

Designation	Description	Method of Filing
Exhibit 10.1	Description of Retirement Arrangement for James J. Padilla	Filed with our Current Report on Form 8-K dated May 10, 2006
Exhibit 10.2	Agreement between Ford Motor Company and James J. Padilla dated April 7, 2006	Filed with this Report
Exhibit 12	Ford Motor Company and Subsidiaries Calculation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	Filed with this Report
Exhibit 15	Letter of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, dated November 17, 2006, relating to Financial Information	Filed with this Report
Exhibit 31.1	Rule 15d-14(a) Certification of CEO	Filed with this Report
Exhibit 31.2	Rule 15d-14(a) Certification of CFO	Filed with this Report
Exhibit 32.1	Section 1350 Certification of CEO	Furnished with this Report
Exhibit 32.2	Section 1350 Certification of CFO	Furnished with this Report