FORD MOTOR CO
Form 10-Q
May 08, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

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

For the transition period from ___________ to ____________

Commission File Number: 1-3950

FORD MOTOR COMPANY
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State of Incorporation) | 38-0549190<br>(IRS Employer Identification No.) |
| One American Road, Dearborn, Michigan<br>(Address of principal executive offices) | 48126<br>(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.
x Yes ¨ No

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Large accelerated filer | x | Accelerated filer | ¨ | Non-accelerated filer | ¨ | Smaller reporting company | ¨ |

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

¨ Yes o No

As of May 1, 2009, the registrant had outstanding 2,802,397,653 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit index located on page number 68.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

FORD MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
For the Periods Ended March 31, 2009 and 2008
(in millions, except per share amounts)

| | First Quarter | |
|---|---|---|
| | 2009 | 2008 |
| | (unaudited) | |
| Sales and revenues | | |
| Automotive sales | $ 21,368 | $ 39,117 |
| Financial Services revenues | 3,410 | 4,175 |
| Total sales and revenues | 24,778 | 43,292 |
| | | |
| Costs and expenses | | |
| Automotive cost of sales | 21,662 | 35,456 |
| Selling, administrative and other expenses | 3,727 | 5,094 |
| Interest expense | 1,936 | 2,575 |
| Financial Services provision for credit and insurance losses | 402 | 344 |
| Total costs and expenses | 27,727 | 43,469 |
| | | |
| Automotive interest income and other non-operating income/(expense), net (Note 7) | 1,343 | 92 |
| Financial Services other income/(loss), net (Note 7) | 113 | 229 |
| Equity in net income/(loss) of affiliated companies | (127) | 142 |
| Income/(Loss) before income taxes | (1,620) | 286 |
| Provision for/(benefit from) income taxes | (204) | 95 |
| Income/(Loss) from continuing operations | (1,416) | 191 |
| Income/(Loss) from discontinued operations (Note 10) | — | 1 |
| Net income/(loss) | (1,416) | 192 |
| Less: Income/(loss) attributable to noncontrolling interests | 11 | 122 |
| Net income/(loss) attributable to Ford Motor Company | $ (1,427) | $ 70 |
| | | |
| NET INCOME/(LOSS) ATTRIBUTABLE TO FORD MOTOR COMPANY | | |
| Income/(Loss) from continuing operations | $ (1,427) | $ 69 |
| Income/(Loss) from discontinued operations (Note 10) | — | 1 |
| Net income/(loss) | $ (1,427) | $ 70 |
| | | |
| AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 11) | | |
| Basic income/(loss) | | |
| Income/(Loss) from continuing operations | $ (0.60) | $ 0.03 |
| Income/(Loss) from discontinued operations | — | — |
| Net income/(loss) | $ (0.60) | $ 0.03 |
| Diluted income/(loss) | | |
| Income/(Loss) from continuing operations | $ (0.60) | $ 0.03 |
| Income/(Loss) from discontinued operations | — | — |

| | | | | |
|---|---|---|---|---|
| Net income/(loss) | $ | (0.60) | $ | 0.03 |

The accompanying notes are part of the financial statements

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES

SECTOR STATEMENT OF OPERATIONS
For the Periods Ended March 31, 2009 and 2008
(in millions, except per share amounts)

| | First Quarter 2009 | First Quarter 2008 |
|---|---|---|
| | (unaudited) | |
| AUTOMOTIVE | | |
| Sales | $ 21,368 | $ 39,117 |
| Costs and expenses | | |
| Cost of sales | 21,662 | 35,456 |
| Selling, administrative and other expenses | 2,044 | 3,109 |
| Total costs and expenses | 23,706 | 38,565 |
| Operating income/(loss) | (2,338) | 552 |
| Interest expense | 484 | 558 |
| Interest income and other non-operating income/(expense), net (Note 7) | 1,343 | 92 |
| Equity in net income/(loss) of affiliated companies | 11 | 136 |
| Income/(Loss) before income taxes — Automotive | (1,468) | 222 |
| FINANCIAL SERVICES | | |
| Revenues | 3,410 | 4,175 |
| Costs and expenses | | |
| Interest expense | 1,452 | 2,017 |
| Depreciation | 1,435 | 1,836 |
| Operating and other expenses | 248 | 149 |
| Provision for credit and insurance losses | 402 | 344 |
| Total costs and expenses | 3,537 | 4,346 |
| Other income/(loss), net (Note 7) | 113 | 229 |
| Equity in net income/(loss) of affiliated companies | (138) | 6 |
| Income/(Loss) before income taxes — Financial Services | (152) | 64 |
| TOTAL COMPANY | | |
| Income/(Loss) before income taxes | (1,620) | 286 |
| Provision for/(Benefit from) income taxes | (204) | 95 |
| Income/(Loss) from continuing operations | (1,416) | 191 |
| Income/(Loss) from discontinued operations (Note 10) | — | 1 |
| Net income/(loss) | (1,416) | 192 |
| Less: Income/(loss) attributable to noncontrolling interests | 11 | 122 |
| Net income/(loss) attributable to Ford Motor Company | $ (1,427) | $ 70 |
| NET INCOME/(LOSS) ATTRIBUTABLE TO FORD MOTOR COMPANY | | |

| | | | | |
|---|---|---|---|---|
| Income/(Loss) from continuing operations | $ | (1,427) | $ | 69 |
| Income/(Loss) from discontinued operations (Note 10) | | — | | 1 |
| Net income/(loss) | $ | (1,427) | $ | 70 |
| | | | | |
| AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 11) | | | | |
| Basic income/(loss) | | | | |
| Income/(Loss) from continuing operations | $ | (0.60) | $ | 0.03 |
| Income/(Loss) from discontinued operations | | — | | — |
| Net income/(loss) | $ | (0.60) | $ | 0.03 |
| Diluted income/(loss) | | | | |
| Income/(Loss) from continuing operations | $ | (0.60) | $ | 0.03 |
| Income/(Loss) from discontinued operations | | — | | — |
| Net income/(loss) | $ | (0.60) | $ | 0.03 |

The accompanying notes are part of the financial statements

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(in millions)

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| | (unaudited) | |
| ASSETS | | |
| Cash and cash equivalents | $ 21,093 | $ 22,049 |
| Marketable securities | 20,363 | 17,411 |
| Finance receivables, net | 84,008 | 93,484 |
| Other receivables, net | 5,390 | 5,674 |
| Net investment in operating leases | 21,912 | 25,250 |
| Inventories (Note 2) | 6,575 | 6,988 |
| Equity in net assets of affiliated companies | 1,736 | 1,599 |
| Net property | 23,779 | 24,143 |
| Deferred income taxes | 2,818 | 3,108 |
| Goodwill and other net intangible assets (Note 4) | 227 | 246 |
| Assets of held-for-sale operations (Note 10) | 7,273 | 8,612 |
| Other assets | 7,960 | 9,734 |
| Total assets | $ 203,134 | $ 218,298 |
| | | |
| LIABILITIES | | |
| Payables | $ 12,882 | $ 13,145 |
| Accrued liabilities and deferred revenue | 54,429 | 59,526 |
| Debt (Note 5) | 145,586 | 152,577 |
| Deferred income taxes | 1,706 | 2,035 |
| Liabilities of held-for-sale operations (Note 10) | 5,008 | 5,542 |
| Total liabilities | 219,611 | 232,825 |
| | | |
| EQUITY | | |
| Capital stock | | |
| Common Stock, par value $0.01 per share (2,350 million shares issued) | 23 | 23 |
| Class B Stock, par value $0.01 per share (71 million shares issued) | 1 | 1 |
| Capital in excess of par value of stock | 10,985 | 10,875 |
| Accumulated other comprehensive income/(loss) | (10,624) | (10,085) |
| Treasury stock | (180) | (181) |
| Retained earnings/(Accumulated deficit) | (17,782) | (16,355) |
| Total equity/(deficit) attributable to Ford Motor Company | (17,577) | (15,722) |
| Equity/(Deficit) attributable to noncontrolling interests | 1,100 | 1,195 |
| Total equity/(deficit) | (16,477) | (14,527) |
| Total liabilities and equity | $ 203,134 | $ 218,298 |

The accompanying notes are part of the financial statements

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Item 1. Financial Statements (Continued)

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

| | March 31, 2009 (unaudited) | December 31, 2008 |
|---|---|---|
| ASSETS | | |
| Automotive | | |
| Cash and cash equivalents | $ 8,102 | $ 6,377 |
| Marketable securities | 13,483 | 9,296 |
| Total cash and marketable securities | 21,585 | 15,673 |
| Receivables, net | 2,694 | 3,065 |
| Inventories (Note 2) | 6,575 | 6,988 |
| Deferred income taxes | 306 | 302 |
| Other current assets | 2,099 | 3,450 |
| Current receivable from Financial Services | 2,871 | 2,035 |
| Total current assets | 36,130 | 31,513 |
| Equity in net assets of affiliated companies | 1,376 | 1,076 |
| Net property | 23,590 | 23,930 |
| Deferred income taxes | 6,410 | 7,204 |
| Goodwill and other net intangible assets (Note 4) | 219 | 237 |
| Assets of held-for-sale operations (Note 10) | 7,273 | 8,414 |
| Other assets | 1,454 | 1,441 |
| Total Automotive assets | 76,452 | 73,815 |
| Financial Services | | |
| Cash and cash equivalents | 12,991 | 15,672 |
| Marketable securities | 7,237 | 8,607 |
| Finance receivables, net | 86,713 | 96,101 |
| Net investment in operating leases | 20,765 | 23,120 |
| Equity in net assets of affiliated companies | 360 | 523 |
| Goodwill and other net intangible assets (Note 4) | 8 | 9 |
| Assets of held-for-sale operations (Note 10) | — | 198 |
| Other assets | 5,981 | 7,437 |
| Total Financial Services assets | 134,055 | 151,667 |
| Intersector elimination | (3,237) | (2,535) |
| Total assets | $ 207,270 | $ 222,947 |
| | | |
| LIABILITIES | | |
| Automotive | | |
| Trade payables | $ 9,614 | $ 9,193 |
| Other payables | 1,965 | 1,982 |
| Accrued liabilities and deferred revenue | 26,561 | 29,584 |
| Deferred income taxes | 2,856 | 2,790 |
| Debt payable within one year (Note 5) | 1,428 | 1,191 |
| Total current liabilities | 42,424 | 44,740 |
| Long-term debt (Note 5) | 30,704 | 23,036 |

| | | |
|---|---|---|
| Other liabilities | 22,368 | 23,766 |
| Deferred income taxes | 384 | 614 |
| Liabilities of held-for-sale operations (Note 10) | 5,008 | 5,487 |
| Total Automotive liabilities | 100,888 | 97,643 |
| Financial Services | | |
| Payables | 1,303 | 1,970 |
| Debt (Note 5) | 113,811 | 128,842 |
| Deferred income taxes | 2,602 | 3,280 |
| Other liabilities and deferred income | 5,509 | 6,184 |
| Liabilities of held-for-sale operations (Note 10) | — | 55 |
| Payable to Automotive | 2,871 | 2,035 |
| Total Financial Services liabilities | 126,096 | 142,366 |
| Intersector elimination | (3,237) | (2,535) |
| Total liabilities | 223,747 | 237,474 |
| | | |
| EQUITY | | |
| Capital stock | | |
| Common Stock, par value $0.01 per share (2,350 million shares issued) | 23 | 23 |
| Class B Stock, par value $0.01 per share (71 million shares issued) | 1 | 1 |
| Capital in excess of par value of stock | 10,985 | 10,875 |
| Accumulated other comprehensive income/(loss) | (10,624) | (10,085) |
| Treasury stock | (180) | (181) |
| Retained earnings/(Accumulated deficit) | (17,782) | (16,355) |
| Total equity/(deficit) attributable to Ford Motor Company | (17,577) | (15,722) |
| Equity/(Deficit) attributable to noncontrolling interests | 1,100 | 1,195 |
| Total equity/(deficit) | (16,477) | (14,527) |
| Total liabilities and equity | $ 207,270 | $ 222,947 |

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 March 31, 2009 and 2008
(in millions)

| | First Quarter 2009 (unaudited) | First Quarter 2008 (unaudited) |
|---|---|---|
| Cash flows from operating activities of continuing operations | | |
| Net cash (used in)/provided by operating activities | $ 4,161 | $ 1,027 |
| | | |
| Cash flows from investing activities of continuing operations | | |
| Capital expenditures | (1,366) | (1,490) |
| Acquisitions of retail and other finance receivables and operating leases | (6,032) | (11,872) |
| Collections of retail and other finance receivables and operating leases | 10,047 | 10,936 |
| Purchases of securities | (22,151) | (13,531) |
| Sales and maturities of securities | 19,217 | 13,527 |
| Settlements of derivatives | 1,163 | 456 |
| Proceeds from sale of businesses | 166 | 44 |
| Other | (339) | 165 |
| Net cash (used in)/provided by investing activities | 705 | (1,765) |
| | | |
| Cash flows from financing activities of continuing operations | | |
| Sales of Common Stock | — | 63 |
| Changes in short-term debt | (3,863) | (678) |
| Proceeds from issuance of other debt | 15,458 | 11,150 |
| Principal payments on other debt | (16,395) | (11,107) |
| Other | (50) | (129) |
| Net cash (used in)/provided by financing activities | (4,850) | (701) |
| | | |
| Effect of exchange rate changes on cash | (342) | 316 |
| Cumulative correction of Financial Services prior period error (Note 1) | (630) | — |
| | | |
| Net increase/(decrease) in cash and cash equivalents from continuing operations | (956) | (1,123) |
| | | |
| Cash flows from discontinued operations | | |
| Cash flows from operating activities of discontinued operations | — | 29 |
| Cash flows from investing activities of discontinued operations | — | (94) |
| Cash flows from financing activities of discontinued operations | — | (344) |
| | | |
| Net increase/(decrease) in cash and cash equivalents | $ (956) | $ (1,532) |
| | | |
| Cash and cash equivalents at January 1 | $ 22,049 | $ 35,283 |
| Cash and cash equivalents of discontinued/held-for-sale operations at January 1 | — | — |
| Net increase/(decrease) in cash and cash equivalents | (956) | (1,532) |
| Less: cash and cash equivalents of discontinued/held-for-sale operations at March 31 | — | — |

| | | |
|---|---|---|
| Cash and cash equivalents at March 31 | $ 21,093 | $ 33,751 |

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 March 31, 2009 and 2008
(in millions)

| | First Quarter 2009 | | First Quarter 2008 | |
|---|---|---|---|---|
| | Automotive | Financial Services | Automotive | Financial Services |
| | (unaudited) | | (unaudited) | |
| Cash flows from operating activities of continuing operations | | | | |
| Net cash (used in)/provided by operating activities | $ (2,265) | $ 1,911 | $ 685 | $ 2,482 |
| | | | | |
| Cash flows from investing activities | | | | |
| Capital expenditures | (1,361) | (5) | (1,449) | (41) |
| Acquisitions of retail and other finance receivables and operating leases | — | (6,032) | — | (12,166) |
| Collections of retail and other finance receivables and operating leases | — | 10,124 | — | 10,936 |
| Net (increase)/decrease of wholesale receivables | — | 4,438 | — | (1,846) |
| Purchases of securities | (17,662) | (5,544) | (12,509) | (1,022) |
| Sales and maturities of securities | 13,498 | 5,854 | 11,329 | 2,198 |
| Settlements of derivatives | 242 | 921 | 282 | 174 |
| Proceeds from sale of businesses | 1 | 165 | 44 | — |
| Investing activity from Financial Services | — | — | — | — |
| Investing activity to Financial Services | — | — | — | — |
| Other | (330) | (9) | 15 | 150 |
| Net cash (used in)/provided by investing activities | (5,612) | 9,912 | (2,288) | (1,617) |
| | | | | |
| Cash flows from financing activities | | | | |
| Sales of Common Stock | — | — | 63 | — |
| Changes in short-term debt | 365 | (4,228) | 93 | (771) |
| Proceeds from issuance of other debt | 10,186 | 5,272 | 57 | 11,093 |
| Principal payments on other debt | (190) | (15,285) | (90) | (11,017) |
| Other | (35) | (15) | (91) | (38) |
| Net cash (used in)/provided by financing activities | 10,326 | (14,256) | 32 | (733) |
| | | | | |
| Effect of exchange rate changes on cash | (134) | (208) | 235 | 81 |
| Net change in intersector receivables/payables and other liabilities | (590) | 590 | (679) | 679 |
| Cumulative correction of prior period error (Note 1) | — | (630) | — | — |
| Net increase/(decrease) in cash and cash equivalents from continuing operations | 1,725 | (2,681) | (2,015) | 892 |
| | | | | |
| Cash flows from discontinued operations | | | | |
| | — | — | — | 29 |

| | | | | |
|---|---|---|---|---|
| Cash flows from operating activities of discontinued operations | | | | |
| Cash flows from investing activities of discontinued operations | — | — | — | (94) |
| Cash flows from financing activities of discontinued operations | — | — | — | (344) |
| | | | | |
| Net increase/(decrease) in cash and cash equivalents | $ 1,725 | $ (2,681) | $ (2,015) | $ 483 |
| | | | | |
| Cash and cash equivalents at January 1 | $ 6,377 | $ 15,672 | $ 20,678 | $ 14,605 |
| Cash and cash equivalents of discontinued/held-for-sale operations at January 1 | — | — | — | — |
| Net increase/(decrease) in cash and cash equivalents | 1,725 | (2,681) | (2,015) | 483 |
| Less: cash and cash equivalents of discontinued/held-for-sale operations at March 31 | — | — | — | — |
| Cash and cash equivalents at March 31 | $ 8,102 | $ 12,991 | $ 18,663 | $ 15,088 |

The accompanying notes are part of the financial statements

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Periods Ended March 31, 2009 and 2008
(in millions)

| | First Quarter 2009 (unaudited) | First Quarter 2008 (unaudited) |
|---|---|---|
| Net income/(loss) | $ (1,416) | $ 192 |
| Other comprehensive income/(loss), net of tax: | | |
| Foreign currency translation | (515) | 871 |
| Net gain/(loss) on derivative instruments | (87) | 225 |
| Employee benefit-related | (5) | 96 |
| Net holding gain/(loss) | (1) | (27) |
| Total other comprehensive income/(loss), net of tax | (608) | 1,165 |
| Comprehensive income/(loss) | (2,024) | 1,357 |
| Less: Comprehensive income/(loss) attributable to noncontrolling interests (Note 17) | (58) | 72 |
| Comprehensive income/(loss) attributable to Ford Motor Company | $ (1,966) | $ 1,285 |

The accompanying notes are part of the financial statements

Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

Item 1. Financial Statements (Continued)

NOTE 1. PRINCIPLES OF PRESENTATION AND CONSOLIDATION

Our financial statements are presented in accordance with generally accepted accounting principles ("GAAP") 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. We show certain of our financial statements on both a consolidated and a sector basis for our Automotive and Financial Services sectors. All intercompany items and transactions have been eliminated in both the consolidated and sector basis financial statements. Reconciliations of certain line items are explained below in this Note, where the presentation of these intercompany eliminations or consolidated adjustments differ between the consolidated and sector financial statements.

In the opinion of management, these unaudited financial statements reflect 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. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. Reference should be made to the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2008 ("2008 Form 10-K 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. All held-for-sale assets and liabilities are excluded from the footnotes unless otherwise noted. See Note 10 for details of held-for-sale operations.

In the first quarter of 2009, our wholly-owned subsidiary Ford Motor Credit Company LLC ("Ford Credit") recorded a $630 million cumulative adjustment to correct for the overstatement of Financial Services sector cash and cash equivalents and certain accounts payable that originated in prior periods. The impact on previously-issued annual and interim financial statements was not material.

Noncontrolling Interests. We adopted Statement of Financial Accounting Standards ("SFAS") No. 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51 ("SFAS No. 160") on January 1, 2009. This standard establishes accounting and reporting requirements for the noncontrolling interest (formerly "minority interest") in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The presentation and disclosure requirements of this standard must be applied retrospectively for all periods. This requirement changed the presentation of our consolidated and sector statements of operations and our consolidated and sector balance sheets. It also required us to incorporate a consolidated statement of comprehensive income. Beginning with this quarter, footnote disclosures for our interim financial periods will include separate reconciliations of our beginning-of-period to end-of-period equity/(deficit) for Ford and the noncontrolling interests.

Convertible Debt Instruments. We adopted the Financial Accounting Standards Board ("FASB") Staff Position ("FSP") No. APB 14-1, Accounting for Convertible Debt Instruments that may be Settled in Cash upon Conversion (Including Partial Cash Settlement) ("FSP APB 14-1") on January 1, 2009. FSP APB 14-1 applies to convertible debt securities that, upon conversion, may be settled in cash. FSP APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate resulting in higher interest expense over the life of the instrument due to amortization of the discount. This new pronouncement applies to our 4.25% Senior Convertible Notes due December 15, 2036 ("Convertible Notes") issued in December 2006. We have applied the pronouncement retrospectively to all periods presented.

Item 1. Financial Statements (Continued)

NOTE 1. PRINCIPLES OF PRESENTATION AND CONSOLIDATION (Continued)

The following financial statement line items were affected by implementation of FSP APB 14-1 (in millions, except per share information):

| Statement of Operations | Revised First Quarter 2008 | As Originally Reported First Quarter 2008 | Effect of Change |
|---|---|---|---|
| Automotive interest expense | $ 558 | $ 528 | $ (30) |
| Income/(loss) from continuing operations attributable to Ford Motor Company | 69 | 99 | (30) |
| Net income/(loss) attributable to Ford Motor Company | 70 | 100 | (30) |
| Earnings per share attributable to Ford Motor Company | 0.03 | 0.05 | (0.02) |

| Balance Sheet (a) | Revised December 31, 2008 | As Originally Reported December 31, 2008 | Effect of Change |
|---|---|---|---|
| Automotive other assets – noncurrent (b) | $ 1,441 | $ 1,512 | $ 71 |
| Automotive long-term debt | 23,036 | 24,655 | (1,619) |
| Capital in excess of par value of stock (c) | 10,875 | 9,076 | 1,799 |
| Retained earnings/(Accumulated deficit) | (16,355) | (16,145) | (210) |

__________

(a) As a result of the retrospective application of FSP APB 14-1, the December 31, 2008 column on our consolidated and sector balance sheets is "unaudited."
(b) Effect of Change related to FSP APB 14-1 is $30 million; the remaining $41 million relates to the assets of Volvo classified as held-for-sale operations (see Note 10 for discussion of Volvo).
(c) Effect of Change represents the equity component under FSP APB 14-1 (i.e., $1,864 million), less those amounts previously recorded on conversions prior to adoption of the standard (i.e., $65 million).

The following shows the effect on the per share amounts attributable to Ford Common and Class B Stock for the first quarter of 2009 before and after the adoption of FSP APB 14-1:

| | First Quarter 2009 | | |
|---|---|---|---|
| Basic income/(loss) | Before Adoption | After Adoption | Change |
| Income/(Loss) from continuing operations | $ (0.58) | $ (0.60) | $ (0.02) |
| Income/(Loss) from discontinued operations | — | — | — |
| Net income/(loss) | $ (0.58) | $ (0.60) | $ (0.02) |
| Diluted income/(loss) | | | |
| Income/(Loss) from continuing operations | $ (0.58) | $ (0.60) | $ (0.02) |
| Income/(Loss) from discontinued operations | — | — | — |

| | | | |
|---|---|---|---|
| Net income/(loss) | $ (0.58) | $ (0.60) | $ (0.02) |

Presentation of Balance Sheet

Deferred Tax Assets and Liabilities. The difference between the total assets and total liabilities as presented in our sector balance sheet and consolidated balance sheet is the result of netting of deferred income tax assets and liabilities. The reconciliation between total sector and consolidated balance sheets is as follows (in millions):

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| Sector balance sheet presentation of deferred income tax assets: | | |
| Automotive sector current deferred income tax assets | $ 306 | $ 302 |
| Automotive sector non-current deferred income tax assets | 6,410 | 7,204 |
| Financial Services sector deferred income tax assets* | 238 | 251 |
| Total | 6,954 | 7,757 |
| Reclassification for netting of deferred income taxes | (4,136) | (4,649) |
| Consolidated balance sheet presentation of deferred income tax assets | $ 2,818 | $ 3,108 |
| | | |
| Sector balance sheet presentation of deferred income tax liabilities: | | |
| Automotive sector current deferred income tax liabilities | $ 2,856 | $ 2,790 |
| Automotive sector non-current deferred income tax liabilities | 384 | 614 |
| Financial Services sector deferred income tax liabilities | 2,602 | 3,280 |
| Total | 5,842 | 6,684 |
| Reclassification for netting of deferred income taxes | (4,136) | (4,649) |
| Consolidated balance sheet presentation of deferred income tax liabilities | $ 1,706 | $ 2,035 |

* Financial Services deferred income tax assets are included in Financial Services other assets on our sector balance sheet.

Item 1. Financial Statements (Continued)

NOTE 1. PRINCIPLES OF PRESENTATION AND CONSOLIDATION (Continued)

Ford Acquisition of Ford Credit Debt. In connection with our Registration Statement (No. 333-151355) filed on Form S-3 and the related prospectus dated June 2, 2008 and the prospectus supplements dated August 14, 2008 and October 2, 2008, we issued shares of Ford Common Stock from time to time in market transactions and used the proceeds therefrom to purchase outstanding Ford Credit debt securities maturing prior to 2012. During 2008, we purchased $492 million of Ford Credit debt securities for $424 million in cash. Debt securities with a face and fair value of $135 million matured on January 12, 2009.

On our consolidated balance sheet, the remaining debt is no longer reported in our Debt balances. On our sector balance sheet, the debt is reported as outstanding as it has not been retired or cancelled by Ford Credit. Accordingly, on our sector balance sheet, $357 million and $492 million of debt are reported as Financial Services debt at March 31, 2009 and December 31, 2008, respectively. Likewise, included in Automotive marketable securities are $357 million and $492 million at March 31, 2009 and December 31, 2008, respectively, related to Ford's purchase of the Ford Credit debt securities. Consolidating elimination adjustments for these debt securities and related accrued interest of $9 million and $8 million at March 31, 2009 and December 31, 2008, respectively, are included in the Intersector elimination lines on the sector balance sheet.

Presentation of Cash Flows

Wholesale and Other Finance Receivables. The reconciliation between total sector and consolidated cash flows from operating activities of continuing operations is as follows (in millions):

| | First Quarter 2009 | First Quarter 2008 |
|---|---|---|
| Sum of sector cash flows from operating activities of continuing operations | $ (354) | $ 3,167 |
| Reclassification of wholesale receivable cash flows from investing to operating for consolidated presentation (a) | 4,438 | (1,846) |
| Reclassification of finance receivable cash flows from investing to operating for consolidated presentation (b) | 77 | (294) |
| Consolidated cash flows from operating activities of continuing operations | $ 4,161 | $ 1,027 |

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(a) In addition to vehicles sold by us, the cash flows from wholesale finance receivables being reclassified from investing to operating include financing by Ford Credit of used and non-Ford vehicles. 100% of cash flows from wholesale finance receivables have been reclassified for consolidated presentation as the portion of these cash flows from used and non-Ford vehicles is impracticable to separate.

(b) Includes cash flows of finance receivables purchased/collected from certain divisions and subsidiaries of the Automotive sector.

Ford Credit Acquisition of Ford Debt. During the first quarter of 2009, Ford Credit conducted a cash tender offer for our secured term loan under the secured credit agreement that we entered into with various banks and financial institutions on December 15, 2006 (the "Credit Agreement"). Pursuant to this offer, Ford Credit purchased from lenders thereof $2.2 billion principal amount of term loan for an aggregate cost of $1.1 billion (including transaction costs). This transaction settled on March 27, 2009, following which Ford Credit distributed the term loan to its immediate parent, Ford Holdings LLC ("Ford Holdings"), whereupon the debt was forgiven. As a result, we recorded a gain on extinguishment of debt in the amount of $1.1 billion, net of transaction costs, in Automotive interest income and other non-operating income/(expense), net. Approximately $4.6 billion aggregate principal amount of term loans remains outstanding.

On our consolidated statement of cash flows, the $1.1 billion cash outflow related to Ford Credit's purchase of our secured term loan is presented as a principal payment on debt within Cash flows from financing activities of continuing operations. On our sector statement of cash flows, the cash outflow is presented as a purchase of securities by our Financial Services sector within Cash flows from investing activities of continuing operations.

Ford Acquisition of Ford Credit Debt. On our consolidated statement of cash flows, the $135 million cash payment from Ford Credit to us related to the maturity of Ford Credit's debt securities discussed in "Presentation of Balance Sheet" above is not shown as a cash outflow because the debt was not reported as outstanding on our consolidated balance sheet. On our sector statement of cash flows, the $135 million cash payment is presented as a cash inflow from Automotive sales and maturities of securities within Cash flows from investing activities of continuing operations and a cash outflow from Financial Services principal payments on debt within Cash flows from financing activities of continuing operations.

Item 1. Financial Statements (Continued)

NOTE 1. PRINCIPLES OF PRESENTATION AND CONSOLIDATION (Continued)

Liquidity

At March 31, 2009, our Automotive sector had total cash, cash equivalents, and marketable securities of $21.6 billion (including about $300 million of Temporary Asset Account securities ("TAA")).

We have experienced substantial negative cash flows in recent periods, and had negative equity of $16.5 billion at March 31, 2009. Based on our current planning assumptions, we expect net Automotive operating cash flows in 2009 to be negative, but significantly improved from 2008. The dramatic decline in industry sales volume during 2008, and our reduced production to match demand, had a substantial negative effect on cash flows. Trade payables and other elements of working capital have improved in the first quarter of 2009 and should continue to improve as industry sales volume stabilizes and begins to grow, contributing to the expected improvement in operating cash flow.

We continue to face many risks and uncertainties, however, related to the global economy, our industry in particular, and the credit environment which could materially impact our plan. Of these potentialities, we believe that the two risks that are reasonably possible to have a material impact on us are (i) a decline in industry sales volume to levels below our current planning assumptions, and (ii) actions necessary to ensure an uninterrupted supply of materials and components.

Our current planning assumptions forecast that industry sales volume will stabilize in the first half of 2009 and begin to improve soon thereafter, culminating in full-year 2009 U.S. industry sales volume in the lower end of the range of 10.5 million units to 12.5 million units, and industry sales volume for the 19 markets we track in Europe in the range of 13.5 million units to 14.5 million units. Based on our analysis of the market, we believe that these assumptions are reasonable. There is a risk, however, that industry sales volume may not stabilize in the United States in the first half of 2009 or begin to improve in the United States and Europe as soon thereafter as we forecast.

In addition to the risk related to industry sales volume, our plan also could be negatively impacted by pressures affecting our supply base. Our suppliers have experienced increased economic distress due to the sudden and substantial drop in industry sales volume that affected all automobile manufacturers. Dramatically lower industry sales volumes have made existing debt obligations and fixed cost levels difficult for many suppliers to manage, especially with the tight credit market, resulting in an increase in distressed suppliers and supplier bankruptcies. As a result, it is reasonably possible that our costs to ensure an uninterrupted supply of materials and components could be higher than our present planning assumptions by a material amount.

We believe that even a combination of these two reasonably possible scenarios, however, as measured by a decline to 9.2 million units in the United States and 11.7 million units in Europe, combined with our assessment of the necessary cost to ensure an uninterrupted supply of materials and components (absent a significant industry event in 2009 such as an uncontrolled bankruptcy of a major competitor or important suppliers to Ford which we believe is remote), would not exceed our present available liquidity. We believe that the risk of decline in industry sales volume below these levels (i.e., below 9.2 million units in the United States and 11.7 million units in Europe) is remote. Therefore, we do not believe that these reasonably possible scenarios cause substantial doubt about our ability to continue as a going concern for the next year.

With regard to our Financial Services sector, Ford Credit expects the majority of its funding in 2009 will consist of eligible issuances pursuant to government-sponsored programs. It is reasonably possible that credit markets could continue to constrain Ford Credit's funding or that Ford Credit will not be eligible for government-sponsored programs. In these circumstances, Ford Credit could mitigate these funding risks by reducing the amount of finance receivables and operating leases they purchase or originate. At our current industry sales volume assumption, this would not have a material impact on our going concern analysis. If industry sales volume were to decline to the reduced levels described above, the risk of Ford Credit not being able to support the sale of Ford products would be remote.

Accordingly, we have concluded that there is no substantial doubt about our ability to continue as a going concern, and our financial statements have been prepared on a going concern basis.

Notwithstanding this conclusion, as previously disclosed in our 2008 Form 10-K Report and our business plan submission to Congress in December 2008, in this environment a number of scenarios could put severe pressure on our short- and long-term Automotive liquidity, including a worsening of the scenarios described above. We presently believe that the likelihood of such an event is remote. In such a scenario, however, or in response to other unanticipated circumstances, we could take additional mitigating actions or require additional financing to improve our liquidity.

Item 1. Financial Statements (Continued)

NOTE 2. INVENTORIES

Inventories are summarized as follows (in millions):

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| Raw materials, work-in-process and supplies | $ 2,926 | $ 2,747 |
| Finished products | 4,493 | 5,091 |
| Total inventories under first-in, first-out method ("FIFO") | 7,419 | 7,838 |
| Less: Last-in, first-out method ("LIFO") adjustment | (844) | (850) |
| Total inventories | $ 6,575 | $ 6,988 |

Inventories are stated at lower of cost or market. About one-fourth of inventories were determined under the LIFO method.

NOTE 3. 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 necessarily 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 necessarily represent additional assets that could be used to satisfy claims against our general assets.

Automotive Sector

VIEs of which we are the primary beneficiary:

Activities with the joint ventures described below include purchasing substantially all of the joint ventures' output under a cost-plus-margin arrangement and/or volume dependent pricing. These contractual arrangements may require us to absorb joint venture losses when production volume targets are not met or allow us, in some cases, to receive bonuses when production volume targets are exceeded. Described below are the significant VIEs that we consolidated as of March 31, 2009.

AutoAlliance International, Inc. ("AAI") is a 50/50 joint venture with Mazda Motor Corporation ("Mazda") in North America. AAI is engaged in the manufacture of automobiles on behalf of Ford and Mazda, primarily for sale in North America.

Ford Otomotiv Sanayi Anonim Sirketi ("Ford Otosan") is a 41/41/18 joint venture in Turkey with the Koc Group of Turkey and public investors. Ford Otosan is the single-source supplier of the Ford Transit Connect model, and an assembly supplier of the Ford Transit van model, both of which we sell primarily in Europe.

Getrag Ford Transmissions GmbH ("GFT") is a 50/50 joint venture with Getrag Deutsche Venture GmbH and Co. KG. GFT is the primary supplier of manual transmissions for use in our European vehicles.

Getrag All Wheel Drive AB is a 40/60 joint venture between Volvo Cars and Getrag Dana Holding GmbH. The joint venture produces all-wheel-drive components. The assets and liabilities associated with this joint venture that were classified during the first quarter of 2009 as held for sale are shown in the table below and are included in the assets and liabilities of Volvo classified as held-for-sale operations in Note 10.

Tekfor Cologne GmbH ("Tekfor") is a 50/50 joint venture with Neumayer Tekfor GmbH. Tekfor produces transmission and chassis components for use in our vehicles.

Pininfarina Sverige, AB is a 40/60 joint venture between Volvo Cars and Pininfarina, S.p.A. The joint venture was established to engineer and manufacture niche vehicles. The assets and liabilities associated with this joint venture that were classified during the first quarter of 2009 as held for sale are shown in the table below and are included in the assets and liabilities of Volvo classified as held-for-sale operations in Note 10.

We also hold interests in certain dealerships, and at March 31, 2009 there were approximately 64 dealerships that were part of our Dealer Development program that are consolidated. We supply and finance the majority of vehicles and parts of these dealerships, and the operators have a contract to buy our equity interest over a period of time. See Note 6 for discussion of the impairment of our investment in these assets.

Item 1. Financial Statements (Continued)

NOTE 3. VARIABLE INTEREST ENTITIES (Continued)

The total consolidated VIE assets and liabilities reflected on our March 31, 2009 and December 31, 2008 balance sheets are as follows (in millions):

| Assets | March 31, 2009 | December 31, 2008 |
|---|---|---|
| Cash and cash equivalents | $ 519 | $ 665 |
| Receivables | 440 | 518 |
| Inventories | 910 | 1,117 |
| Net property | 2,220 | 2,136 |
| Assets of held-for-sale operations | 294 | 318 |
| Other assets | 184 | 297 |
| Total assets | $ 4,567 | $ 5,051 |
| | | |
| Liabilities | | |
| Trade payables | $ 413 | $ 516 |
| Accrued liabilities | 281 | 324 |
| Debt | 980 | 972 |
| Liabilities of held-for-sale operations | 87 | 97 |
| Other liabilities | 189 | 167 |
| Total liabilities | $ 1,950 | $ 2,076 |
| | | |
| Equity attributable to noncontrolling interests | $ 1,073 | $ 1,168 |

The financial performance of the consolidated VIEs reflected on our statements of operations for the first quarters of 2009 and 2008 are as follows (in millions):

| | First Quarter | |
|---|---|---|
| | 2009 | 2008 |
| Sales | $ 926 | $ 2,054 |
| Costs and expenses | | |
| Cost of sales | 847 | 1,666 |
| Selling, administrative and other expenses | 109 | 192 |
| Total costs and expenses | 956 | 1,858 |
| Operating income/(loss) | (30) | 196 |
| | | |
| Interest expense | 15 | 17 |
| | | |
| Interest income and other non-operating income/(expense), net | 16 | 20 |
| Equity in net income/(loss) of affiliated companies | (3) | 1 |
| Income/(Loss) before income taxes - Automotive | (32) | 200 |
| | | |
| Provision for/(Benefit from) income taxes | 22 | 68 |
| Income/(Loss) from continuing operations | (54) | 132 |

| | | | | |
|---|---|---|---|---|
| Income/(Loss) from discontinued operations | | — | | — |
| Net income/(loss) | | (54) | | 132 |
| | | | | |
| Less: Income/(loss) attributable to noncontrolling interests | | 12 | | 120 |
| Net income/(loss) attributable to Ford Motor Company | $ | (66) | $ | 12 |

VIEs of which we are not the primary beneficiary:

In 2005, as part of the transaction to sell our interest in The Hertz Corporation ("Hertz"), we provided cash-collateralized letters of credit to support the payment obligations of Hertz Vehicle Financing LLC, a VIE which is wholly owned by Hertz and of which we are not the primary beneficiary. The fair value of our obligation related to these letters of credit, which will expire no later than December 31, 2011, was approximately $12 million at March 31, 2009. For additional discussion of these letters of credit, see Note 16.

We also have investments in unconsolidated subsidiaries determined to be VIEs of which we are not the primary beneficiary. These investments, described below, are accounted for as equity-method investments and are included in Equity in net assets of affiliated companies.

Formed in 1995, AutoAlliance (Thailand) Co., Ltd ("AAT") is a 50/50 joint venture with Mazda in Thailand. AAT is engaged in the manufacturing of automobiles on behalf of Ford and Mazda for both the Thai domestic market and for export markets through Ford and Mazda. Ford and Mazda share equally the risks and rewards of the joint venture.

Item 1. Financial Statements (Continued)

NOTE 3. VARIABLE INTEREST ENTITIES (Continued)

In 2002, we established the Ford Motor Company Capital Trust II ("Trust II"). We own 100% of Trust II's common stock which is equal to 5% of Trust II's total equity. The risks and rewards associated with our interests in this entity are based primarily on ownership percentage.

Our maximum exposure to VIEs of which we are not the primary beneficiary is as follows (in millions):

| | March 31, 2009 | December 31, 2008 | Change in Maximum Exposure |
|---|---|---|---|
| Investments | $ 400 | $ 413 | $ (13) |
| Liabilities | (35) | (38) | 3 |
| Guarantees (off-balance sheet) | 365 | 362 | 3 |
| Total maximum exposure | $ 730 | $ 737 | $ (7) |

This includes a guarantee of a line of credit on behalf of AAT for plant expansion.

Financial Services Sector

VIEs of which Ford Credit is the primary beneficiary:

Ford Credit uses special purpose entities to issue asset-backed securities in securitization transactions to public and private investors, bank conduits, and government programs. The asset-backed securities are backed by the expected cash flows from finance receivables and our interest in net investments in operating leases that have been legally sold but continue to be recognized by us. Ford Credit retains interests in its securitization transactions, including senior and subordinated securities issued by VIEs, rights to cash held for the benefit of the securitization investors (e.g., a reserve fund), and residual interests.

As residual interest holder, Ford Credit is exposed to underlying residual and credit risk of the collateral, and may be exposed to interest rate risk. Ford Credit's exposure does not represent incremental risk to Ford Credit, and was $18.9 billion and $21.1 billion at March 31, 2009 and December 31, 2008, respectively. The amount of risk absorbed by Ford Credit's residual interests is generally represented by and limited to the amount of overcollaterization of its assets securing the debt and any cash reserves funded. For Ford Credit's wholesale transactions, this also includes cash it has contributed to excess funding accounts and its participation interests in VIEs.

Ford Credit generally has no obligation to repurchase or replace any securitized asset that subsequently becomes delinquent in payment or otherwise is in default. Securitization investors have no recourse to Ford Credit or its other assets for credit losses on the securitized assets, and have no right to require Ford Credit to repurchase their investments. Ford Credit does not guarantee any asset-backed securities and has no obligation to provide liquidity or contribute cash or additional assets to the VIEs. In certain instances in the first quarter of 2009, Ford Credit elected to provide additional enhancements or repurchase specific subordinated notes in order to address challenging market conditions.

In certain transactions Ford Credit has dynamic enhancements, where it may elect to support the performance and/or product mix of the transactions by purchasing additional subordinated notes or increasing cash reserves. Ford Credit's maximum contribution for these transactions was $491 million in the first quarter of 2009.

Although not contractually required, Ford Credit regularly supports its wholesale securitization programs by repurchasing receivables of a dealer from the VIEs when the dealer's performance is at risk, which transfers the corresponding risk of loss from the VIE to Ford Credit. Ford Credit repurchased $41 million of such receivables in the first quarter of 2009. In addition, from time to time, Ford Credit supports its revolving wholesale transactions by contributing cash to an excess funding account when receivables fall below the required level in order to continue to finance the receivables. These cash enhancements ranged from $0 to $1.3 billion in the first quarter of 2009.

Ford Credit's FCAR Owner Trust retail securitization program (“FCAR”) is a VIE that issues commercial paper and Ford Credit may, on occasion, purchase the debt issued by FCAR. In October 2008, Ford Credit registered to sell up to $16 billion of FCAR asset-backed commercial paper to the U.S. Federal Reserve's Commercial Paper Funding Facility ("CPFF"). Commercial paper sold to the CPFF is for a term of 90 days and sales can be made through October 30, 2009. At March 31, 2009, Ford Credit had an outstanding balance of $7 billion of FCAR asset-backed commercial paper issued to the CPFF. At March 31, 2009, the finance receivables of FCAR supported $10 billion of FCAR's asset-backed commercial paper.

Item 1. Financial Statements (Continued)

NOTE 3. VARIABLE INTEREST ENTITIES (Continued)

In November 2008, the U.S. Federal Reserve announced the Term Asset-Backed Securities Loan Facility ("TALF"), pursuant to which the Federal Reserve Bank of New York was authorized to provide up to $200 billion of non-recourse loans to investors in highly-rated asset-backed securities who pledge these securities as collateral for the non-recourse loan. Asset-backed securities backed by automotive retail, lease, and wholesale finance receivables qualify for the TALF program. On February 10, 2009, this program was further expanded to $1 trillion by the Consumer & Business Lending Initiative as part of the Financial Stability Plan announced by the U.S. Treasury. Ford Credit completed a TALF-eligible $3 billion retail transaction in March 2009 through a VIE.

Finance receivables and net investment in operating leases that collateralize the secured debt of the VIE remain on Ford Credit's balance sheet and therefore are not included in the VIE assets shown in the following table. As of March 31, 2009, the carrying values of the assets were $39.5 billion of retail receivables, $16.7 billion of wholesale receivables, and $13.6 billion of net investment in operating leases. As of December 31, 2008, the carrying values of the assets were $41.9 billion of retail receivables, $19.6 billion of wholesale receivables, and $15.6 billion of net investment in operating leases. The liabilities recognized as a result of consolidating these VIEs do not represent additional claims on Ford Credit's general assets; rather, they represent claims against only the specific securitized assets. Conversely, these specific securitized assets do not represent additional assets that could be used to satisfy claims against Ford Credit's general assets.

The total consolidated VIE assets and liabilities reflected on our March 31, 2009 and December 31, 2008 balance sheets are as follows (in millions):

| | March 31, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | Cash & Cash Equivalents (a) | Debt (b) | Cash & Cash Equivalents (a) | Debt (b) |
| VIEs supporting transactions by asset class (c) | | | | |
| Retail | $ 2,690 | $ 32,660 | $ 2,673 | $ 34,507 |
| Wholesale | 788 | 11,916 | 1,029 | 15,537 |
| Net investment in operating leases | 187 | 10,302 | 206 | 12,005 |
| Total | $ 3,665 | $ 54,878 | $ 3,908 | $ 62,049 |

(a) Additional cash and cash equivalents available to support the obligations of the VIEs that are not assets of the VIEs were $1 billion and $949 million as of March 31, 2009 and December 31, 2008, respectively, and are reflected in our consolidated financial statements.

(b) Certain notes issued by the VIEs to affiliated companies served as collateral for accessing the European Central Bank ("ECB") facility. This external funding of $246 million and $308 million at March 31, 2009 and December 31, 2008, respectively, was not reflected as a liability of the VIEs, but was included in our consolidated liabilities.

(c) The derivative assets of our consolidated VIEs were $59 million and $46 million at March 31, 2009 and December 31, 2008, respectively, and the derivative liabilities were $673 million and $808 million at March 31, 2009 and December 31, 2008, respectively.

The financial performance of the consolidated VIEs reflected in our statements of operations for the first quarters of 2009 and 2008 are as follows (in millions):

| | First Quarter | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | | | | 2008 | | | |
| | | Derivative (Income)/ Expense | | Interest Expense | | Derivative (Income)/ Expense | | Interest Expense |
| VIEs supporting transactions by asset class | | | | | | | | |
| Retail | $ | 40 | $ | 275 | $ | 270 | $ | 453 |
| Wholesale | | (3) | | 79 | | (22) | | 184 |
| Net investment in operating leases | | 27 | | 124 | | 96 | | 178 |
| Our financial performance related to VIEs | $ | 64 | $ | 478 | $ | 344 | $ | 815 |

VIEs of which Ford Credit is not the primary beneficiary:

Ford Credit has investments in certain joint ventures determined to be VIEs of which it is not the primary beneficiary.  These joint ventures provide consumer and dealer financing in their respective markets.  The joint ventures are financed by external debt as well as subordinated financial support provided by the joint venture partners.  The risks and rewards associated with Ford Credit's interests in these joint ventures are based primarily on ownership percentages.  Ford Credit's investments in these joint ventures are accounted for as equity method investments and are included in Other assets.  Ford Credit's maximum exposure to any potential losses associated with these VIEs is limited to its equity investments, which amounted to $137 million and $140 million at March 31, 2009 and December 31, 2008, respectively.

Item 1. Financial Statements (Continued)

NOTE 4. GOODWILL AND OTHER NET INTANGIBLES

Goodwill

The total carrying amount of goodwill was $38 million and $40 million at March 31, 2009 and December 31, 2008, respectively. At March 31, 2009, $30 million of the goodwill balance related to Ford Europe, and $8 million related to Ford Credit. At December 31, 2008, $31 million of the goodwill balance related to Ford Europe, and $9 million related to Ford Credit. Changes in the goodwill balance are attributable to the impact of foreign currency translation. We also have goodwill recorded within Equity in net assets of affiliated companies of $34 million at March 31, 2009 and December 31, 2008.

Other Net Intangibles

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

| | March 31, 2009 | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Less: Accumulated Amortization | Net Intangible Assets | Gross Carrying Amount | Less: Accumulated Amortization | Net Intangible Assets |
| Automotive Sector | | | | | | |
| Manufacturing and production incentive rights | $ 229 | (128) | 101 | 227 | (113) | 114 |
| License and advertising agreements | 85 | (25) | 60 | 85 | (23) | 62 |
| Other | 70 | (42) | 28 | 71 | (41) | 30 |
| Total Automotive sector | 384 | (195) | 189 | 383 | (177) | 206 |
| Total Financial Services Sector | 3 | (3) | — | 4 | (4) | — |
| Total Company | $ 387 | $ (198) | $ 189 | $ 387 | $ (181) | $ 206 |

Our identifiable intangible assets are comprised of manufacturing and production incentive rights acquired in 2006 with a useful life of 4 years, license and advertising agreements with amortization periods of 5 years to 25 years, and other intangibles with various amortization periods (primarily patents, customer contracts, technology, and land rights).

Pre-tax amortization expense was as follows (in millions):

| | First Quarter | |
|---|---|---|
| | 2009 | 2008 |
| Pre-tax amortization expense | $ 18 | $ 24 |

Intangible asset amortization is forecasted to be approximately $70 million to $80 million per year for the next two years, and $10 million thereafter.

Item 1. Financial Statements (Continued)

NOTE 5. DEBT AND COMMITMENTS

Debt at April 8, 2009 (pro forma), March 31, 2009, and December 31, 2008 are shown below. Pro forma amounts below reflect debt repurchases that were completed on April 8, 2009; see "Subsequent Events" below for additional detail regarding these transactions.

| | Amount Outstanding (in millions) | | |
|---|---|---|---|
| | (Pro Forma) April 8, 2009 | March 31, 2009 | December 31, 2008 |
| Automotive Sector | | | |
| Debt payable within one year | | | |
| Short-term | $ 861 | $ 861 | $ 543 |
| Long-term payable within one year | | | |
| Secured term loan | 70 | 70 | 70 |
| Other debt | 497 | 497 | 578 |
| Total debt payable within one year | 1,428 | 1,428 | 1,191 |
| | | | |
| Long-term debt payable after one year | | | |
| Public unsecured debt securities | 5,594 | 8,983 | 9,148 |
| Convertible notes | 579 | 4,883 | 4,883 |
| Subordinated convertible debentures | 2,984 | 2,984 | 3,027 |
| Secured term loan | 4,566 | 4,566 | 6,790 |
| Secured revolving loan | 10,066 | 10,066 | — |
| Other debt | 950 | 950 | 951 |
| Total long-term debt payable after one year | 24,739 | 32,432 | 24,799 |
| | | | |
| Unamortized discount (a) | (331) | (1,728) | (1,763) |
| | | | |
| Total long-term debt payable after one year | 24,408 | 30,704 | 23,036 |
| | | | |
| Total Automotive sector | $ 25,836 | $ 32,132 | $ 24,227 |
| | | | |
| Financial Services Sector | | | |
| Short-term debt | | | |
| Asset-backed commercial paper | $ 10,010 | $ 10,010 | $ 11,503 |
| Other asset-backed short-term debt | 3,034 | 3,034 | 5,569 |
| Ford Interest Advantage (b) | 1,958 | 1,958 | 1,958 |
| Other short-term debt | 1,285 | 1,285 | 1,538 |
| Total short-term debt | 16,287 | 16,287 | 20,568 |
| Long-term debt | | | |
| Unsecured debt | | | |
| Notes payable within one year | 12,602 | 12,602 | 15,712 |
| Notes payable after one year | 34,128 | 34,128 | 37,583 |
| Unamortized discount | (232) | (232) | (256) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Asset-backed debt | | | | | | |
| Notes payable within one year | | 24,696 | | 24,696 | | 26,501 |
| Notes payable after one year | | 26,330 | | 26,330 | | 28,734 |
| Total long-term debt | | 97,524 | | 97,524 | | 108,274 |
| Total Financial Services sector | $ | 113,811 | $ | 113,811 | $ | 128,842 |
| | | | | | | |
| Total Automotive and Financial Services sectors | $ | 139,647 | $ | 145,943 | $ | 153,069 |
| Intersector elimination (c) | | (357) | | (357) | | (492) |
| Total Company | $ | 139,290 | $ | 145,586 | $ | 152,577 |

(a) Includes unamortized discount on convertible notes per FSP APB 14-1.

(b) The Ford Interest Advantage program consists of our floating rate demand notes.

(c) Debt related to Ford's acquisition of Ford Credit debt securities; see Note 1 for additional detail.

Item 1. Financial Statements (Continued)

NOTE 5. DEBT AND COMMITMENTS (Continued)

Debt maturities at March 31, 2009 were as follows (in millions):

| | 2009 | 2010 | 2011 | 2012 | 2013 | Thereafter | Total Debt Maturities | Adj. | Total Debt Carrying Value |
|---|---|---|---|---|---|---|---|---|---|
| Automotive Sector | | | | | | | | | |
| Public unsecured debt securities | $ — | $ 490 | $ — | $ — | $ — | $ 8,493 | $ 8,983 | $ — | $ 8,983 |
| Convertible notes (a) | — | — | — | — | — | 4,883 | 4,883 | (1,585) | 3,298 |
| Subordinated convertible debentures | — | — | — | — | — | 2,984 | 2,984 | — | 2,984 |
| Secured term loan | 53 | 70 | 70 | 70 | 4,373 | — | 4,636 | — | 4,636 |
| Secured revolving loan | — | — | 10,066 | — | — | — | 10,066 | — | 10,066 |
| Short term and other debt (b) | 1,058 | 476 | 146 | 128 | 71 | 429 | 2,308 | — | 2,308 |
| Unamortized discount | — | — | — | — | — | — | — | (143) | (143) |
| Total Automotive debt | 1,111 | 1,036 | 10,282 | 198 | 4,444 | 16,789 | 33,860 | (1,728) | 32,132 |
| Financial Services Sector | | | | | | | | | |
| Unsecured debt | 13,119 | 8,580 | 11,978 | 5,321 | 4,641 | 6,009 | 49,648 | — | 49,648 |
| Asset-backed debt | 34,132 | 14,294 | 12,924 | 2,403 | 98 | 219 | 64,070 | — | 64,070 |
| Unamortized discount | — | — | — | — | — | — | — | (232) | (232) |
| Other (c) | — | — | — | — | — | — | — | 325 | 325 |
| Total Financial Services debt | 47,251 | 22,874 | 24,902 | 7,724 | 4,739 | 6,228 | 113,718 | 93 | 113,811 |
| Intersector elimination (d) | (175) | (182) | — | — | — | — | (357) | — | (357) |
| Total Company | $ 48,187 | $ 23,728 | $ 35,184 | $ 7,922 | $ 9,183 | $ 23,017 | $ 147,221 | $ (1,635) | $ 145,586 |

(a) Adjustment reflects unamortized discount per FSP APB 14-1.
(b) Primarily non-U.S. affiliate debt.
(c) Reflects adjustment related to designated fair value hedges of debt.
(d) Debt related to Ford's acquisition of Ford Credit debt securities; see Note 1 for additional detail.

Automotive Sector

Public Unsecured Debt Securities

Our public unsecured debt securities outstanding at April 8, 2009 (pro forma) and March 31, 2009 were as follows (in millions):

| Title of Security | Aggregate Principal Amount Outstanding (Pro Forma) April 8,2009 | March 31, 2009 |
|---|---|---|
| 9.50% Guaranteed Debentures due June 1, 2010 | $ 334 | $ 490 |
| 6 1/2% Debentures due August 1, 2018 | 361 | 482 |
| 8 7/8% Debentures due January 15, 2022 | 86 | 178 |
| 6.55% Debentures due October 3, 2022 (a) | 15 | 15 |
| 7 1/8% Debentures due November 15, 2025 | 209 | 295 |
| 7 1/2% Debentures due August 1, 2026 | 193 | 250 |
| 6 5/8% Debentures due February 15, 2028 | 104 | 124 |
| 6 5/8% Debentures due October 1, 2028 (b) | 638 | 741 |
| 6 3/8% Debentures due February 1, 2029 (b) | 260 | 432 |
| 5.95% Debentures due September 3, 2029 (a) | 8 | 8 |
| 6.15% Debentures due June 3, 2030 (a) | 10 | 10 |
| 7.45% GLOBLS due July 16, 2031 (b) | 1,794 | 3,699 |
| 8.900% Debentures due January 15, 2032 | 151 | 383 |
| 9.95% Debentures due February 15, 2032 | 4 | 11 |
| 5.75% Debentures due April 2, 2035 (a) | 40 | 40 |
| 7.50% Debentures due June 10, 2043 (c) | 593 | 690 |
| 7.75% Debentures due June 15, 2043 | 73 | 150 |
| 7.40% Debentures due November 1, 2046 | 398 | 438 |
| 9.980% Debentures due February 15, 2047 | 181 | 208 |
| 7.70% Debentures due May 15, 2097 | 142 | 339 |
| Total unsecured debt securities | $ 5,594 | $ 8,983 |

(a) Unregistered industrial revenue bonds.
(b) Listed on the Luxembourg Exchange and on the Singapore Exchange.
(c) Listed on the New York Stock Exchange.

Item 1. Financial Statements (Continued)

NOTE 5. DEBT AND COMMITMENTS (Continued)

Debt for Equity Exchanges. During the first quarter of 2008, we issued an aggregate of 8,987,366 shares of Ford Common Stock, par value $0.01 per share, in exchange for $71 million principal amount of our outstanding publicly-issued unsecured, non-convertible debt securities. As a result of the exchange, we recorded a pre-tax gain of $16 million, net of unamortized discounts, premiums and fees, in Automotive interest income and other non-operating income/(expense), net in the first quarter of 2008.

Debt Repurchases. In January 2009, through a private market transaction, we repurchased $165 million principal amount of our outstanding publicly-issued unsecured non-convertible notes for $37 million in cash. As a result, we recorded a pre-tax gain of $127 million, net of unamortized discounts, premiums and fees, in Automotive interest income and other non-operating income/(expense), net in the first quarter of 2009.

Convertible Notes

At March 31, 2009, we had outstanding $4.9 billion in principal amount of unsecured Convertible Notes that mature in 2036. The Convertible Notes pay interest semiannually at a rate of 4.25% per annum. The Convertible Notes are convertible into shares of Ford Common Stock, based on a conversion rate (subject to adjustment) of 108.6957 shares per $1,000 principal amount of Convertible Notes (which is equal to a conversion price of $9.20 per share, representing a 25% conversion premium based on the closing price of $7.36 per share on December 6, 2006). Holders may require us to purchase all or a portion of the Convertible Notes for cash on December 20, 2016 and December 15, 2026 or upon a change in control of the Company, or for shares of Ford Common Stock upon a designated event, in each case for a price equal to 100% of the principal amount of the Convertible Notes being repurchased, plus any accrued and unpaid interest to, but not including, the date of repurchase. We may redeem for cash all or a portion of the Convertible Notes at our option at any time or from time to time on or after December 20, 2016 at a price equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date. We also may terminate the conversion rights at any time on or after December 20, 2013 if the closing price of Ford Common Stock exceeds 140% of the then-prevailing conversion price for twenty trading days during any consecutive 30 trading day period.

We adopted FSP APB 14-1 on January 1, 2009. FSP APB 14-1 applies to convertible debt securities that, upon conversion, may be settled in cash. FSP APB 14-1 requires an issuer to separately account for the liability and equity components in a manner that reflects the issuer's nonconvertible borrowing rate resulting in higher interest expense over the life of the instrument due to amortization of the discount. We applied this FSP retrospectively to all periods presented.

The following table summarizes the liability and equity components of our Convertible Notes (in millions):

| | (Pro Forma) April 8, 2009 | March 31, 2009 | December 31, 2008 |
|---|---|---|---|
| Liability component | | | |
| Principal | $ 579 | $ 4,883 | $ 4,883 |
| Unamortized discount* | (188) | (1,585) | (1,619) |
| Net carrying amount | $ 391 | $ 3,298 | $ 3,264 |

| | | | |
|---|---|---|---|
| Equity component (recorded in Capital in excess of par value of stock) | $ (3,207) | $ (1,864) | $ (1,864) |

__________

* The discount on the liability component will amortize through December 20, 2016.

In addition, we recognized interest cost related to the contractual interest coupon of $52 million and $53 million for the first quarters of 2009 and 2008, respectively and we recognized interest cost related to the amortization of the discount on the liability component of $34 million and $31 million for the first quarters of 2009 and 2008, respectively. The effective rate on the liability component was 10.5%.

Subordinated Convertible Debentures

At March 31, 2009, we had outstanding $3 billion of 6.50% Junior Subordinated Convertible Debentures due 2032 ("Subordinated Convertible Debentures") to Trust II, a subsidiary trust. The Subordinated Convertible Debentures are the sole assets of Trust II. As of January 15, 2007, the Subordinated Convertible Debentures had become redeemable at our option.

At March 31, 2009, Trust II had outstanding 6.50% Cumulative Convertible Trust Preferred Securities with an aggregate liquidation preference of $2.8 billion (“Trust Preferred Securities”). We guarantee the payment of all distribution and other payments of the Trust Preferred Securities to the extent not paid by Trust II, but only if and to the extent we have made a payment of interest or principal on the Subordinated Convertible Debentures. Trust II is not consolidated by us as it is a VIE in which we do not have a significant variable interest and of which we are not the primary beneficiary.

Item 1. Financial Statements (Continued)

NOTE 5. DEBT AND COMMITMENTS (Continued)

During the first quarter of 2009, pursuant to a request for conversion, we issued an aggregate of 2,437,575 shares of Ford Common Stock, par value $0.01 per share, in exchange for $43 million principal amount of our Subordinated Convertible Debentures.

Secured Term Loan and Revolving Loan

We entered into the Credit Agreement on December 15, 2006 with various banks and financial institutions, which provided for a $7 billion secured term-loan facility maturing on December 15, 2013 and an $11.5 billion revolving credit facility maturing on December 15, 2011. Due to concerns about the instability in the capital markets and the uncertain state of the global economy, on January 29, 2009, we gave notice to borrow the total unused amount (i.e., $10.9 billion) under the $11.5 billion revolving credit facility. On February 3, 2009, the requested borrowing date, the lenders under that facility advanced to us $10.1 billion. As expected, the $890 million commitment of Lehman Commercial Paper Inc. ("LCPI"), one of the lenders under the facility, was not advanced because of LCPI having filed for protection under Chapter 11 of the U.S. Bankruptcy Code on October 5, 2008. The $10.1 billion revolving loan will bear interest at LIBOR plus a margin of 2.25% and will mature on December 15, 2011.

Under the Credit Agreement, we may designate certain of our domestic and foreign subsidiaries, including Ford Credit, as borrowers under the revolving facility. We and certain of our domestic subsidiaries that constitute a substantial portion of our domestic Automotive assets (excluding cash) are guarantors under the Credit Agreement, and future material domestic subsidiaries will become guarantors when formed or acquired.

Collateral. The borrowings of the Company, the subsidiary borrowers, and the guarantors under the Credit Agreement are secured by a substantial portion of our domestic Automotive assets (excluding cash). The collateral includes a majority of our principal domestic manufacturing facilities, excluding facilities to be closed, subject to limitations set forth in existing public indentures and other unsecured credit agreements; domestic accounts receivable; domestic inventory; up to $4 billion of marketable securities or cash proceeds therefrom; 100% of the stock of our principal domestic subsidiaries, including Ford Credit (but excluding the assets of Ford Credit); certain intercompany notes of Volvo Holding Company Inc., a holding company for Volvo, Ford Motor Company of Canada, Limited ("Ford Canada") and Grupo Ford S. de R.L. de C.V. (a Mexican subsidiary); 66% to 100% of the stock of all major first tier foreign subsidiaries (including Volvo); and certain domestic intellectual property, including trademarks.

Covenants. The Credit Agreement requires ongoing compliance with a borrowing base covenant and contains other restrictive covenants, including a restriction on our ability to pay dividends. The Credit Agreement prohibits the payment of dividends (other than dividends payable solely in stock) on Ford Common and Class B Stock, subject to certain limited exceptions. In addition, the Credit Agreement contains a liquidity covenant requiring us to maintain a minimum of $4 billion in the aggregate of domestic cash, cash equivalents, loaned and marketable securities and short-term Voluntary Employee Benefit Association ("VEBA") assets and/or availability under the revolving credit facility.

With respect to the borrowing base covenant, we are required to limit the outstanding amount of debt under the Credit Agreement as well as certain permitted additional indebtedness secured by the collateral described above such that the total debt outstanding does not exceed the value of the collateral as calculated in accordance with the Credit Agreement.

Events of Default. In addition to customary payment, representation, bankruptcy and judgment defaults, the Credit Agreement contains cross-payment and cross-acceleration defaults with respect to other debt for borrowed money and a change in control default.

Secured Term Loan Offer. On March 27, 2009, Ford Credit purchased from the lenders thereof $2.2 billion principal amount of our secured term loan under the Credit Agreement for an aggregate cost of $1.1 billion (including transaction costs). Consistent with previously announced plans to return capital from Ford Credit to us, Ford Credit distributed the repurchased secured term loan to its immediate parent, Ford Holdings, whereupon the debt was forgiven. Approximately $4.6 billion aggregate principal amount of the secured term loan remains outstanding. As a result of this transaction, we recorded a pre-tax gain of $1.1 billion in Automotive interest income and other non-operating income/(expense), net in the first quarter of 2009.

Item 1. Financial Statements (Continued)

NOTE 5. DEBT AND COMMITMENTS (Continued)

Subsequent Events

Conversion Offer. Pursuant to an exchange offer we conducted, on the settlement date of April 8, 2009, $4.3 billion principal amount of Convertible Notes was exchanged for an aggregate of 468 million shares of Ford Common Stock, $344 million in cash ($80 in cash per $1,000 principal amount of Convertible Notes exchanged) and the applicable accrued and unpaid interest on such Convertible Notes. Upon settlement, $579 million aggregate principal amount of Convertible Notes remains outstanding with a carrying value of $391 million. As a result of the conversion, we estimate that we will record a pre-tax gain of approximately $1.2 billion to Automotive interest income and other non-operating income/(expense), net in the second quarter 2009 financial statements.

Unsecured Notes Tender Offer. Pursuant to a cash tender offer conducted by Ford Credit, on the settlement date of April 8, 2009, Ford Credit purchased $3.4 billion principal amount of our public unsecured debt securities for an aggregate cost of $1.1 billion cash (including transaction costs and accrued and unpaid interest payments for such tendered debt securities). Upon settlement, Ford Credit transferred the repurchased debt securities to us in satisfaction of $1.1 billion of Ford Credit's tax liabilities to us. Approximately $5.6 billion aggregate principal amount of Ford's public unsecured debt securities (including about $100 million of industrial revenue bonds) remains outstanding. As a result of the transaction, we estimate that we will record a pre-tax gain of approximately $2.2 billion, net of unamortized discounts, premiums and fees, to Automotive interest income and other non-operating income/(expense), net in the second quarter of 2009.

As previously announced, we also elected to defer future interest payments related to the Trust Preferred Securities.

Financial Services Sector

Unsecured Debt

Debt Repurchases. In the first quarter of 2009, through private market transactions, our Financial Services sector repurchased an aggregate of $341 million principal amount of its outstanding unsecured notes for $279 million in cash. As a result, Financial Services sector recorded a pre-tax gain of $65 million, net of unamortized discounts, premiums, and fees, in Financial Services other income/(loss), net in the first quarter of 2009 ($51 million related to Ford Holdings and $14 million related to Ford Credit).

Asset-Backed Debt

The following table shows the assets and the associated liabilities related to Ford Credit's secured debt arrangements that are included in our financial statements for March 31, 2009 and December 31, 2008 (in billions):

| | March 31, 2009 | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Cash & Cash Equiv. | Receivables | Related Debt | Cash & Cash Equiv. | Receivables | Related Debt |
| Retail | $ 3.3 | $ 49.6 | $ 40.0 | $ 3.3 | $ 51.6 | $ 42.6 |
| Wholesale | 1.0 | 18.6 | 13.7 | 1.2 | 22.1 | 17.6 |
| | 1.1 | 13.6 | 10.3 | 1.0 | 15.6 | 12.0 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in operating leases | | | | | | | | | | | | |
| Total secured debt arrangements* | $ | 5.4 | $ | 81.8 | $ | 64.0 | $ | 5.5 | $ | 89.3 | $ | 72.2 |

* Includes debt of $55.1 billion and $62.3 billion as of March 31, 2009 and December 31, 2008, respectively, issued by VIEs of which we are the primary beneficiary or an affiliate whereby the debt is backed by the collateral of the VIE. The carrying values of Ford Credit assets securing the debt issued by these VIEs were $4.7 billion and $4.8 billion of cash and cash equivalents, $39.5 billion and $41.9 billion of retail receivables, $16.7 billion and $19.6 billion of wholesale receivables, and $13.6 billion and $15.6 billion of net investment in operating leases as of March 31, 2009 and December 31, 2008, respectively. Refer to Note 3 for further discussion regarding VIEs.

In certain financing structures, Ford Credit issues asset-backed debt directly, rather than through consolidated VIEs. For Ford Credit's bank-sponsored conduit program, Ford Credit transfers finance receivables to bank conduits or sponsor banks in which it retains a significant interest in the transferred pools of receivables. The outstanding balance of the transferred pools of finance receivables was $7.6 billion and $8.4 billion and the associated secured debt was $6.3 billion and $6.9 billion at March 31, 2009 and December 31, 2008, respectively.

Item 1. Financial Statements (Continued)

NOTE 5. DEBT AND COMMITMENTS (Continued)

Ford Credit's European Central Bank ("ECB") facility has pledged certain financial assets as collateral and included the associated debt in secured debt arrangements that did not use a VIE. Of the $700 million and $773 million of debt secured by collateral at March 31, 2009 and December 31, 2008, respectively, Ford Credit has issued a majority through the ECB. The assets associated with this debt included $94 million and $80 million of cash and cash equivalents and $1.1 billion and $1.2 billion of receivables at March 31, 2009 and December 31, 2008, respectively.

Financial Services sector asset-backed debt also includes $103 million and $105 million at March 31, 2009 and December 31, 2008, respectively, that is secured by property.

NOTE 6. IMPAIRMENTS

Automotive Sector

Held-for-Sale Impairments. See Note 10 for discussion of our held-for-sale impairment of Volvo.

U.S. Consolidated Dealerships. During the first quarter of 2009, we recorded an other-than-temporary impairment of our investment in our consolidated dealerships of $78 million in Automotive cost of sales. The fair value measurement used to determine the impairment was based on the market approach and reflects the expected proceeds which are de minimis. The fair value of our investment is classified in Level 2 of our fair-value hierarchy.

Financial Services Sector

DFO Partnership. In March 2009, our Board approved a potential sale of our investment in DFO Partnership. DFO Partnership holds a portfolio of "non-core" diversified leveraged lease assets (e.g., railcars, aircraft, energy facilities). We used information obtained from the bids to assist in determining the $200 million fair value of the investment in DFO Partnership. As a result, during the first quarter of 2009, we recorded an other-than-temporary impairment of our investment in DFO Partnership of $141 million in Equity in net income/(loss) of affiliated companies. The fair value of our investment is classified in Level 2 of our fair-value hierarchy.

NOTE 7. OTHER INCOME/(LOSS)

Automotive Sector. The following table summarizes the amounts included in Automotive interest income and other non-operating income/(expense), net for the periods ended March 31, 2009 and 2008 (in millions):

| | First Quarter | |
|---|---|---|
| | 2009 | 2008 |
| Interest income | $ 62 | $ 344 |
| Realized and unrealized gains/(losses) on cash equivalents and marketable securities | (6) | (271) |
| Gains/(Losses) on the sale of held-for-sale operations, equity and cost investments, and other dispositions | 13 | 6 |
| Gains/(Losses) on extinguishment of debt | 1,279 | 16 |
| Other* | (5) | (3) |
| Total | $ 1,343 | $ 92 |

* Includes $9 million in other costs associated with the overall debt restructuring discussed in Note 5.

Financial Services Sector. The following table summarizes the amounts included in Financial Services other income/(loss), net for the periods ended March 31, 2009 and 2008 (in millions):

| | First Quarter | |
|---|---|---|
| | 2009 | 2008 |
| Interest income (non-financing related) | $ 44 | $ 145 |
| Realized and unrealized gains/(losses) on cash equivalents and marketable securities | (13) | (4) |
| Gains/(Losses) on the sale of held-for-sale operations, equity and cost investments, and other dispositions | 2 | 6 |
| Gains/(Losses) on extinguishment of debt | 65 | — |
| Investment and other income related to sales of receivables | 10 | 69 |
| Insurance premiums earned, net | 29 | 40 |
| Other | (24) | (27) |
| Total | $ 113 | $ 229 |

Item 1. Financial Statements (Continued)

NOTE 8. EMPLOYEE SEPARATION ACTIONS AND EXIT AND DISPOSAL ACTIVITIES

Automotive Sector

Transitional Benefits

During the first quarter of 2009, we reached an agreement with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") to modify the 2007 collective bargaining agreement between us and the UAW. We renegotiated Job Security Benefits, modified Supplemental Unemployment Benefits, and established a new Transition Assistance Plan. We establish liabilities for expected employee benefits to be provided under our collective bargaining agreements. At March 31, 2009 and December 31, 2008, the related liabilities were $109 million and $411 million, respectively. During the first quarter of 2009 and 2008, we recorded in Automotive cost of sales a benefit of $292 million and $93 million, respectively, related to a decrease in the liability.

Separation Actions

The cost of voluntary employee separation actions is recorded at the time of an employee's acceptance, unless the acceptance requires explicit approval by the Company. The costs of conditional voluntary separations are accrued when all conditions are satisfied. The costs of involuntary separation programs are accrued when management has approved the program and the affected employees are identified.

UAW Voluntary Separations. During the first quarter of 2009, we continued to offer voluntary separation packages to our UAW hourly workforce. These actions resulted in pre-tax charges of $24 million and $148 million in the first quarter of 2009 and 2008, respectively. We recorded the expense in Automotive cost of sales. We have a separation reserve established for these costs, and at March 31, 2009 and December 31, 2008, the reserve was $89 million and $162 million, respectively.

Other Employee Separation Actions. The following table shows pre-tax charges for other hourly and salaried employee separation actions for the first quarter of 2009 and 2008, respectively, which are reported in Automotive cost of sales and Selling, administrative and other expenses (in millions).

| | First Quarter | |
|---|---|---|
| | 2009 | 2008 |
| Ford U.S. (salaried-related) | $ 61 | $ — |
| Ford Canada | 38 | 1 |
| Other | 13 | 4 |

The charges above exclude costs for pension and other postretirement employee benefits ("OPEB").

Financial Services Sector

Separation Actions

In the first quarter of 2009, Ford Credit announced plans to restructure its U.S. operations to meet changing business conditions, including the decline in its receivables. The restructuring affects its servicing, sales, and central operations. Ford Credit recognized pre-tax charges of $27 million in Selling, administrative and other expenses for this and other employee separation actions outside of the United States.

These charges exclude costs for pension and OPEB.

NOTE 9.  INCOME TAXES

Generally, for interim tax reporting we estimate one single tax rate for tax jurisdictions not subject to a valuation allowance, which is applied to the year-to-date ordinary income/(loss).  However, we manage our operations by multi-jurisdictional business units and thus are unable to reasonably compute one overall effective tax rate.  Accordingly, our worldwide tax provision is calculated pursuant to FASB Interpretation No. 18, Accounting for Income Taxes in Interim Periods, which provides that tax (or benefit) in each foreign jurisdiction not subject to valuation allowance be separately computed as ordinary income/(loss) occurs within the jurisdiction.

The U.S. and Canadian governments are progressing with terms of a negotiated settlement of our transfer pricing methodologies, covering a number of years. It is reasonably possible that a settlement could be completed within the near term, resulting in a positive effect on our income tax provision.

Item 1. Financial Statements (Continued)

NOTE 10. DISCONTINUED OPERATIONS, HELD-FOR-SALE OPERATIONS, OTHER DISPOSITIONS, AND ACQUISITIONS

Automotive Sector

Held-for-Sale Operations

Volvo. In the fourth quarter of 2008, we performed annual goodwill impairment testing for our Volvo reporting unit. We compared the carrying value of our Volvo reporting unit to its fair value, and concluded that the goodwill was not impaired. We performed this measurement relying primarily on the income approach, applying a discounted cash flow methodology. Our valuation was based on an in-use premise which considered a discount rate, after-tax return on sales rate, growth rate, and terminal value consistent with assumptions we believed principal market participants (i.e., other global automotive manufacturers) would use. This methodology produced appropriate valuations for entities we disposed of in recent years; in light of worsening economic conditions, however, we also considered other valuations, including a discounted cash flow analysis using more conservative assumptions than we initially used. This alternative analysis incorporated a significantly higher discount rate, offset partially by a higher growth rate; a much lower after-tax return on sales rate; and a lower terminal value. This alternative analysis reduced the valuation of our Volvo reporting unit by about 50 percent. Even this more conservative analysis, however, did not support an impairment of Volvo goodwill at year-end.

As previously disclosed, in recent years we have undertaken efforts to divest non-core assets in order to allow us to focus exclusively on our global Ford brand. Toward that end, in 2007 we sold our interest in Aston Martin; in 2008, we sold our interest in Jaguar Land Rover, and a significant portion of our ownership in Mazda. During the first quarter of 2009, based on our strategic review of Volvo and in light of our goal to focus on the global Ford brand, our Board of Directors committed to actively market Volvo for sale, notwithstanding the current distressed market for automotive-related assets. Accordingly, in the first quarter of 2009 we reported Volvo as held for sale and we are ceasing depreciation of its long-lived assets in the second quarter of 2009.

Our commitment to actively market Volvo for sale also triggered a held-for-sale impairment test in the first quarter of 2009. We received information from our discussions with potential buyers that provided us a value for Volvo using a market approach, rather than an income approach. We concluded that the information we received from our discussions with potential buyers was more representative of the value of Volvo given the current market conditions, the characteristics of viable market participants, and our anticipation of a more immediate transaction for Volvo. These inputs resulted in a lower value for Volvo than the discounted cash flow method we had previously used.

After considering deferred gains reported in Accumulated other comprehensive income/(loss), we recognized a pre-tax impairment charge of $650 million related to our total investment in Volvo. The impairment was recorded in Automotive cost of sales for the first quarter of 2009.

Had we not committed to actively market Volvo for sale, we would not have been afforded the benefit of the new information obtained in discussions with potential buyers. Rather, we would have continued to employ an in-use premise to test Volvo's goodwill and long-lived assets, using a discounted cash flow methodology with assumptions similar to those we used at year-end 2008.

Any transaction that we enter into is expected to close within the next twelve months.

The assets and liabilities of Volvo classified as held-for-sale operations are as follows:

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| Assets | | |
| Receivables | $ 497 | $ 399 |
| Inventories | 1,438 | 1,630 |
| Net property | 4,125 | 4,422 |
| Goodwill | 1,099 | 1,150 |
| Other intangibles | 188 | 198 |
| Other assets | 576 | 615 |
| Impairment of carrying value | (650) | — |
| Total assets of the held-for-sale operations | $ 7,273 | $ 8,414 |
| Liabilities | | |
| Payables | $ 1,519 | $ 1,626 |
| Pension liabilities | 439 | 560 |
| Warranty liabilities | 438 | 494 |
| Other liabilities | 2,612 | 2,807 |
| Total liabilities of the held-for-sale operations | $ 5,008 | $ 5,487 |

Item 1. Financial Statements (Continued)

NOTE 10. DISCONTINUED OPERATIONS, HELD-FOR-SALE OPERATIONS, OTHER DISPOSITIONS, AND ACQUISITIONS (Continued)

Jaguar Land Rover. During 2008, we sold our Jaguar Land Rover operations. In the first quarter of 2008, we recorded a pre-tax impairment charge of $421 million reported in Automotive cost of sales. There are no assets or liabilities remaining on our balance sheet related to Jaguar Land Rover operations.

Other Dispositions

Ballard. In the first quarter of 2008, we reached an agreement with Ballard to exchange our entire ownership interest of 12.9 million shares of Ballard stock for a 30% equity interest in Automotive Fuel Cell Cooperation Corporation ("AFCC") along with $22 million in cash. AFCC is a joint venture between Ford (30%), Daimler AG (50.1%) and Ballard (19.9%). It was created for the development of automotive fuel cells. We also have agreed to purchase from Ballard its 19.9% equity interest for $65 million plus interest within five years. As a result of the exchange, we recognized in Automotive cost of sales a pre-tax loss of $70 million. Our investment in AFCC is reported in Equity in net assets of affiliated companies.

Financial Services Sector

Discontinued Operations

First quarter results for discontinued operations are shown in the table below (in millions):

| | First Quarter | |
|---|---|---|
| | 2009 | 2008 |
| Operating income/(loss) from discontinued operations | $ — | $ — |
| Gain/(Loss) on discontinued operations | — | 1 |
| (Provision for)/Benefit from income taxes | — | — |
| Income/(Loss) from discontinued operations | $ — | $ 1 |

Held-for-Sale Operations

Primus Leasing Company Limited ("Primus Thailand"). In March 2009, Ford Credit completed the sale of Primus Thailand, its operation in Thailand that offered automotive retail and wholesale financing of Ford, Mazda and Volvo vehicles. As a result of the sale, Ford Credit received $165 million in proceeds and recognized a de minimis pre-tax gain in Financial Services other income/(loss), net.

The assets and liabilities of Primus Thailand classified as held for sale at March 2, 2009 and December 31, 2008 are summarized as follows (in millions):

| | March 2, 2009 | December 31, 2008 |
|---|---|---|
| Assets | | |
| Finance receivables, net | $ 174 | $ 194 |
| Other assets | 2 | 4 |
| Total assets of held-for-sale operations | $ 176 | $ 198 |

| | | |
|---|---|---|
| Liabilities | | |
| Accounts payable | $ 10 | $ 13 |
| Debt | — | 41 |
| Other liabilities | 1 | 1 |
| Total liabilities of held-for-sale operations | $ 11 | $ 55 |

Item 1. Financial Statements (Continued)

NOTE 11. AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK

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

| | First Quarter 2009 | First Quarter 2008 |
|---|---|---|
| Basic and Diluted Income/(Loss) Attributable to Ford Motor Company | | |
| Basic income/(loss) from continuing operations | $ (1,427) | $ 69 |
| Effect of dilutive Convertible Notes (a) | — | — |
| Effect of dilutive Trust Preferred Securities (b) | — | — |
| Diluted income/(loss) from continuing operations | $ (1,427) | $ 69 |
| | | |
| Basic and Diluted Shares | | |
| Average shares outstanding | 2,398 | 2,189 |
| Restricted and uncommitted-ESOP shares | (1) | (1) |
| Basic shares | 2,397 | 2,188 |
| Net dilutive options and restricted and uncommitted-ESOP shares (c) | — | 20 |
| Dilutive Convertible Notes (a) | — | — |
| Dilutive convertible Trust Preferred Securities (b) | — | — |
| Diluted shares | 2,397 | 2,208 |

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

(a) 531 million shares and 538 million shares at March 31, 2009 and 2008, respectively, and the related income effect for Convertible Notes.

(b) 160 million shares and 162 million shares at March 31, 2009 and 2008, respectively, and the related income effect for Trust Preferred Securities.

(c) 35 million contingently-issuable shares for first quarter 2009.

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative Financial Instruments and Hedge Accounting

We adopted Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS No. 161"), on January 1, 2009. SFAS No. 161 enhances the current disclosure framework for derivative instruments and hedging activities. In this initial year of adoption, we have elected not to present earlier periods for comparative purposes.

In the normal course of business, our operations are exposed to global market risks, including the effect of changes in foreign currency exchange rates, certain commodity prices, and interest rates. To manage these risks, we enter into various derivatives contracts. Foreign currency exchange contracts including forwards, options, and futures are used to manage foreign exchange exposure. Commodity contracts including forwards and options are used to manage commodity price risk. Interest rate contracts including swaps, caps, and floors are used to manage the effects of interest rate fluctuations. Cross-currency interest rate swap contracts are used to manage foreign currency and interest rate exposures on foreign-denominated debt. The vast majority of our derivatives are over-the-counter customized derivative transactions and are not exchange-traded. Management reviews our hedging program, derivative positions, and overall risk management strategy on a regular basis. We only enter into transactions that we believe will be highly effective at offsetting the underlying risk.

Our use of derivatives to manage market risks results in the risk that a counterparty may default on a derivative contract. We establish exposure limits for each counterparty to minimize this risk and provide counterparty diversification. Substantially all of our derivative exposures are with counterparties that have long-term credit ratings of single-A or better. The aggregate fair value of derivative instruments in asset positions on March 31, 2009 was $3 billion, representing the maximum loss that would be recognized at that date if all counterparties failed to perform as contracted. We enter into master agreements with counterparties that generally allow for netting of certain exposures; therefore, our actual loss that would be recognized if all counterparties failed to perform as contracted would be significantly lower.

To ensure consistency in our treatment of derivative and non-derivative exposures with regard to our master agreements, we do not net our derivative position by counterparty for purposes of balance sheet presentation and disclosure.

All derivatives are recognized on the balance sheet at fair value. We have elected to apply hedge accounting to certain derivatives in both the Automotive and Financial Services sectors. Derivatives that receive designated hedge

Item 1. Financial Statements (Continued)

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

accounting treatment are documented and evaluated for effectiveness at the time they are designated, as well as throughout the hedge period. Cash flows associated with designated hedges are reported in the same category as the underlying hedged item.

Some derivatives do not qualify for hedge accounting; for others, we elect not to apply hedge accounting. We report changes in the fair value of derivatives not designated as hedging instruments through Automotive cost of sales, Automotive interest income and other non-operating income/(expense), net, or Financial Services other income/(loss), net depending on the sector and underlying exposure. Cash flows associated with non-designated or de-designated derivatives are reported in Net cash (used in)/provided by investing activities in our statements of cash flows.

Cash Flow Hedges. Our Automotive sector has designated certain forward and option contracts as cash flow hedges of forecasted transactions with exposure to foreign currency exchange and commodity price risks. During the second half of 2008, all foreign exchange forwards and options previously designated as cash flow hedges of forecasted transactions under critical terms match were de-designated and re-designated under the "long-haul" method using regression analysis to assess hedge effectiveness. Since 2007, we have had no commodity derivatives designated as cash flow hedges.

The effective portion of changes in the fair value of cash flow hedges is deferred in Accumulated other comprehensive income/(loss) and is recognized in Automotive cost of sales when the hedged item affects earnings. The ineffective portion is reported currently in Automotive cost of sales. Our policy is to de-designate cash flow hedges prior to the time forecasted transactions are recognized as assets or liabilities on the balance sheet and report subsequent changes in fair value through Automotive cost of sales. If it becomes probable that the originally-forecasted transaction will not occur, the related amount is also reclassified from Accumulated other comprehensive income/(loss) and recognized in earnings. Our cash flow hedges mature within two years or less.

Fair Value Hedges. Our Financial Services sector uses derivatives to reduce the risk of changes in the fair value of liabilities. We have designated certain receive-fixed, pay-float interest rate swaps as fair value hedges of fixed-rate debt under the "long haul" method of assessing effectiveness. The risk being hedged is the risk of changes in the fair value of the hedged item attributable to changes in the benchmark interest rate. We use regression analysis to assess hedge effectiveness. If the hedge relationship is deemed to be highly effective, we record the changes in the fair value of the hedged item related to the risk being hedged in Financial Services debt with the offset in Financial Services other income/(loss), net. The change in fair value of the related derivative is also recorded in Financial Services other income/(loss), net. Hedge ineffectiveness, recorded directly in earnings, is the difference between the change in fair value of the entire derivative instrument and the change in fair value of the hedged item attributable to changes in the benchmark interest rate.

When a derivative is de-designated from a fair value hedge relationship, or when the derivative in a fair value hedge relationship is terminated before maturity, the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortized over its remaining life.

Net Investment Hedges. We have used foreign currency exchange derivatives to hedge the net assets of certain foreign entities to offset the translation and economic exposures related to our investment in these entities. The effective portion of changes in the value of these derivative instruments is included in Accumulated other comprehensive income/(loss) as a foreign currency translation adjustment until the hedged investment is sold or liquidated. When the investment is sold or liquidated, the effective portion of the hedge is recognized in Automotive interest income and other non-operating income/(expense), net as part of the gain or loss on sale. We have had no active foreign currency derivatives classified as net investment hedges since the first quarter of 2007.

Normal Purchases and Normal Sales Classification. For physical supply contracts that are entered into for the purpose of procuring commodities to be used in production over a reasonable period in the normal course of our business, we have elected to apply the normal purchases and normal sales classification.

Item 1. Financial Statements (Continued)

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Income Effect of Derivative Instruments

The following table summarizes the pre-tax gains/(losses) recognized in Other comprehensive income/(loss) ("OCI"), reclassified from Accumulated other comprehensive income/(loss) ("AOCI" ) to income and recognized directly in income by hedge designation for the period ended March 31, 2009 (in millions):

| | Gain/(Loss) Recognized in OCI on Derivative (Effective Portion) | Gain/(Loss) Reclassified from AOCI to Income on Derivative (Effective Portion) | Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion) |
|---|---|---|---|
| Automotive Sector | | | |