

**FORD MOTOR COMPANY A/S**

**Annual Report for 2016**

**Borupvang 5 D-E  
2750 Ballerup**

**CVR-nr. 62 53 23 19**



The Annual Report was presented and  
adopted at the Annual General Meeting  
of the company.

10 July 2017

*f. Anne-Louise Højgaard*  
Chairman

**FORD MOTOR COMPANY A/S**  
**INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
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## FORD MOTOR COMPANY A/S DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2016 for Ford Motor Company A/S (the "Company") prepared under International Financial Reporting Standards as adopted by the European Union.

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Janne Kämäräinen

Erling Kaas

Neil Humphries

Jakob Alkil\*

*\* Jakob Alkil was a director until May 2017. Janne Kämäräinen appointed director on Jakob Alkil's resignation.*

### Principal activities and review of the business

The company is engaged in importing and distributing Ford motor vehicles and ancillary products in Denmark. Further, the company has sales (motor vehicles) to one dealership located in Iceland.

The market conditions and results for passenger vehicles are lower than expectations set for the financial year as stated in the annual report for 2015. However, the sale of commercial vehicles in 2016 exceeded expectations.

2016 became yet another record setting year for car sales in Denmark. Despite record levels achieved in last 5 years, the sales of passenger vehicles increased in 2016 by 7.4% compared to last year, which corresponds to 223,000 new passenger cars.

Overall, there was a strong development in the commercial vehicle market with an increase in sales of 4,000 more than 2015, corresponding to 36,618 commercial vehicles and consequently an increase of 12.8%.

The company sold 14,173 passenger cars in 2016 which is the same level as in 2015. This caused Ford's market share for passenger cars to decrease from 6.9% in 2015 to 6.4% in 2016. Ford closed the year as the fifth best-selling brand in respect of passenger cars in 2016.

The company's sale of commercial vehicles amounted to 7,303 units which is 1,250 units more than in 2015. This is primarily due to the fact that, for the fifth year in a row, Ford Transit was the best-selling commercial vehicle in Denmark. This confirmed Ford's position further as the best-selling brand for commercial vehicles with a 19.9% market share against a share on 18.6% in 2015.

The total market share held by Ford was thus 8.1% in 2016 compared to 8.3% in 2015.

*\*The figures for the number of registered units are based on statistics from the Danish Car Importers Association (De danske bilimportører).*

### Future developments

The Danish car market is expected to continue to show a small increase thus settling at an estimated total of approximately 265,000 sold units in 2017.

For commercial vehicles, sales are expected to grow to a level of approximately 42,500 units with a continuous small increase in medium-sized vans. The demand for actual medium-sized vans is still high since the new, modern models are more economic and fuel-efficient, and after-sales service agreements are often bought in order to keep the operating expenses at a low level.

The company expects that 2017 will show an increase in sales and growth leading to a market share of 8.4%.

**FORD MOTOR COMPANY A/S  
DIRECTORS' REPORT**

**Financial Highlights**

Set over a five year period, the development of the Company is shown below:

<i>Key figures</i>	<b>2016</b> TDKK IFRS	<b>2015</b> TDKK IFRS	<b>2014</b> TDKK IFRS	<b>2013</b> TDKK Danish GAAP	<b>2012</b> TDKK Danish GAAP
<b>Income Statement:</b>					
Revenue	2,781,242	2,718,312	2,383,399	2,036,054	1,906,935
Operating Profit	13,189	8,021	3,662	16,472	20,277
Net Profit/Loss from financial items	(3,537)	(3,000)	(1,494)	6,013	6,201
Net Profit/Loss for the year after tax	10,468	5,385	2,327	22,485	92
<b>Statement of Financial Position</b>					
Total Assets	481,413	483,076	422,156	427,743	426,557
Equity	119,290	108,773	102,868	182,644	175,171
<b>Investment in property, plant and equipment</b>	6,383	6,622	6,243	-	60
<b>Number of employees</b>	49	48	45	44	46

**Political donations**

There were no contributions to political parties (2015: nil).

**Financial risks**

The company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate risk and exchange rate risk. The company has in place a risk management programme that sets out the guidelines to manage these risks and the circumstances where it would be appropriate to use financial instruments to manage these.

**Post balance sheet events**

There have been no significant events affecting the company since the year end.

**Corporate Social Responsibility**

The Company has well established policies for safeguarding and improving the social and environmental impact of its operations. For example, all the Company's manufacturing locations are ISO14001 certified and, as part of a joint initiative agreed with its European Works Council, it operates to agreed social rights and social responsibility principles. We also encourage our suppliers both to work to achieve ISO14001 certification and to operate their own plants to a standard consistent with our principles. Globally 100% of our production suppliers, who wish to seek future business with Ford, are ISO14001 certified. We also operate a diversity award; this is the Chairman's leadership award for diversity (CLAD) to celebrate our efforts in Europe for an inclusive culture. This is also mirrored by our Purchasing team who evaluate and reward Ford suppliers for their diversity efforts.

Social responsibility is equally demonstrated through a focus on vehicle safety and our commitment to the community. This feature has been awarded an advanced safety award by EuroNCAP. The new Ford Galaxy and S-Max were awarded a 5 star EuroNCAP rating and includes a number of remarkable technologies. These include lane departure systems, inflatable rear seatbelt, active city stop, sign recognition, pre-collision assist with pedestrian detection and active park assist, all to improve safety and customer peace of mind.

**FORD MOTOR COMPANY A/S  
DIRECTORS' REPORT**

**Diversity**

Ford Motor Company A/S is a sales company characterised by high numbers of vehicles sold through the company and with a limited number of employees. Ford Motor Company A/S pursues a policy of providing equal opportunities for both genders at all levels.

When choosing between equally qualified candidates, the diversity among the employees will be taken into consideration, as it is the aim that both genders attain a representation at management levels of at least 25%. Ford has defined a target that by 2020, at least one member of the Board of Directors must belong to the under-represented gender. However, this target must not rank above the other competency requirements in the nomination of board candidates. The Board of Directors currently consists of three male members.

**Management's Statement**

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Ford Motor Company A/S for the financial year 1 January – 31 December 2016.

The Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. Moreover, the Financial Statements are prepared in accordance with additional Danish disclosure requirements. Management's Review is also prepared in accordance with Danish disclosure requirements. In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations and cash flows for the financial year 1 January - 31 December

2016.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 10 July 2017

**Executive Board**



Janne Kamäräinen  
CEO

**Board of Directors**



Janne Kamäräinen



Erling Kaas



Neil Humphries  
Chairman

**FORD MOTOR COMPANY A/S**  
**INCOME STATEMENT**  
(in TDKK)

	Note	For the years ended December 31,	
		2016	2015
<b>Revenues</b>			
Automotive	5	2,781,242	2,718,312
Total revenues		2,781,242	2,718,312
<b>Cost of sales and other expenses</b>			
Cost of Sales	6	2,633,434	2,611,837
Selling, administrative, and other expenses	6	134,619	98,454
Total costs and expenses		2,768,053	2,710,291
Other interest income/(expense) and finance income/(cost), net	7	(3,537)	(3,000)
Other income/(expense), net	8	831	1,012
<b>Profit/(Loss) before income tax</b>		10,483	6,033
Income tax (benefit)/expense	10	15	648
<b>Net profit/(loss)</b>		10,468	5,385

**STATEMENT OF COMPREHENSIVE INCOME**  
(in TDKK)

	Note	For the years ended December 31,	
		2016	2015
<b>Net profit/(loss)</b>		10,468	5,385
<b>Other comprehensive income/(loss), net of tax</b>			
<b>Items that may be reclassified to profit or loss</b>			
Remeasurement of the liability for the post-employment benefit	16	(324)	880
Interest income impact on irrecoverable surplus	16	63	41
Movement in asset ceiling	16	265	(438)
<b>Total other comprehensive income/(loss), net of tax</b>	21	4	483
<b>Comprehensive income/(loss)</b>		10,472	5,868

The accompanying notes are part of the financial statements.

**FORD MOTOR COMPANY A/S**  
**STATEMENT OF FINANCIAL POSITION**  
(in TDKK)

	Note	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
Cash and cash equivalents		10,775	16,489
Trade and other receivables, net	11	346,540	363,240
Inventories	12	82,389	60,796
Other assets	13	1,663	1,956
<b>Total current assets</b>		<b>441,367</b>	<b>442,481</b>
Property, plant, and equipment	14	7,386	7,941
Trade and other receivables, net	11	928	922
Investment in subsidiaries	15	25,732	25,732
Deferred income taxes	10	6,000	6,000
<b>Total non-current assets</b>		<b>40,046</b>	<b>40,595</b>
<b>Total assets</b>		<b>481,413</b>	<b>483,076</b>
<b>LIABILITIES</b>			
Accounts payable	17	128,761	201,368
Deferred revenue and other liabilities	18	19,172	30,046
Provisions	19	187,317	93,077
Income taxes payable	10	-	648
Pension and other post-employment obligations	16	-	-
<b>Total current liabilities</b>		<b>335,250</b>	<b>325,139</b>
Deferred revenue and other liabilities	18	-	-
Provisions	19	26,873	49,164
<b>Total non-current liabilities</b>		<b>26,873</b>	<b>49,164</b>
<b>Total liabilities</b>		<b>362,123</b>	<b>374,303</b>
<b>EQUITY</b>			
Common stock	20	108,000	108,000
Capital in excess of par value of stock		99	54
Retained earnings		11,191	719
Accumulated other comprehensive income/(loss)	21	-	-
<b>Total equity</b>		<b>119,290</b>	<b>108,773</b>
<b>Total liabilities and equity</b>		<b>481,413</b>	<b>483,076</b>

The accompanying notes are part of the financial statements.

**FORD MOTOR COMPANY A/S**  
**STATEMENT OF CASH FLOWS**  
(in TDKK)

	<b>For the years ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Net profit/(loss)	10,468	5,385
Depreciation	317	391
Share-based payment expense	45	37
Pension/OPEB expense	4	483
Foreign currency adjustments	(1,550)	609
Decrease/(Increase) in inventory	(21,593)	(34,780)
Decrease/(Increase) in trade and other receivables and other assets	16,993	(28,495)
(Decrease)/Increase in provisions	71,949	24,064
(Decrease)/Increase in accounts payable and other liabilities	(82,586)	30,313
Loss on sale of property, plant and equipment	-	50
<b>Net cash provided by/(used in) operating activities</b>	<b>(5,953)</b>	<b>(1,943)</b>
<b>Cash flows from investing activities</b>		
Capital spending	(6,383)	(6,622)
Proceeds from sale of Property, plant and equipment	6,622	6,243
<b>Net cash provided by/(used in) investing activities</b>	<b>239</b>	<b>(379)</b>
<b>Net cash provided by/(used in) financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(5,714)</b>	<b>(2,322)</b>
<b>Cash and cash equivalents at January 1</b>	<b>16,489</b>	<b>18,811</b>
Net increase/(decrease) in cash and cash equivalents	(5,714)	(2,322)
<b>Cash and cash equivalents at December 31</b>	<b>10,775</b>	<b>16,489</b>



**FORD MOTOR COMPANY A/S**  
**STATEMENT OF CHANGES IN EQUITY**  
(in TDKK)

	Capital Stock	Cap. In Excess of Par Value of Stock	Accum. Other Comprehensive Income/(Loss)	Retained Earnings	Total
<b>Balance at January 1, 2015</b>	108,000	17	-	(5,149)	102,868
Comprehensive income/(loss)					
Net profit/(loss)	-	-	-	5,385	5,385
Other comprehensive income/(loss), net of tax	-	-	483	-	483
Reclassifications	-	-	(483)	483	-
Comprehensive income/(loss)	-	-	-	5,868	5,868
Transactions with shareholders					
Dividends	-	-	-	-	-
Share-based compensation	-	37	-	-	37
Total transactions with shareholders	-	37	-	-	37
<b>Balance at December 31, 2015</b>	<b>108,000</b>	<b>54</b>	<b>-</b>	<b>719</b>	<b>108,773</b>
<b>Balance at January 1, 2016</b>	108,000	54	-	719	108,773
Comprehensive income/(loss)					
Net profit/(loss)	-	-	-	10,468	10,468
Other comprehensive income/(loss), net of tax	-	-	4	-	4
Reclassifications	-	-	(4)	4	-
Comprehensive income/(loss)	-	-	-	10,472	10,472
Transactions with shareholders					
Dividends	-	-	-	-	-
Share-based compensation	-	45	-	-	45
Total transactions with shareholders	-	45	-	-	45
<b>Balance at December 31, 2016</b>	<b>108,000</b>	<b>99</b>	<b>-</b>	<b>11,191</b>	<b>119,290</b>

The accompanying notes are part of the financial statements.

**FORD MOTOR COMPANY A/S**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1. BACKGROUND AND BASIS OF PREPARATION

### Background

Ford Motor Company A/S was founded in 1919. The company operates as an importer and wholesaler of passenger and commercial vehicles as well as spare parts and accessories. Ford Motor Company A/S operates in Denmark and has sales externally to one dealership in Iceland.

Ford Motor Company A/S's registered office is Borupvang 5 D-E, Ballerup, 2750, Denmark.

### Basis of Preparation

#### *Statement of Compliance*

We prepared our financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union. We present the financial statements on the going concern basis.

With reference to section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

#### *Presentation*

The financial statements are presented in Danish Kroner, being the functional currency of the company. All financial information has been rounded to the nearest thousand, except where otherwise indicated.

The statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year.

#### *Recognition and Measurement*

The financial statements have been prepared under the historical cost basis except when IFRS explicitly requires use of fair value.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Revenue Recognition

Revenue is generated primarily by sales of vehicles, parts, and accessories. Revenue is recorded when all risks and rewards of ownership are transferred to our customers (generally dealers). When we give our dealers the right to return eligible parts for credit, we reduce the related revenue for expected returns.

### Sales and Marketing Incentives

Sales and marketing incentives generally are recognised as revenue reductions in *Revenues*. The incentives generally take the form of cash payments to dealers and dealers' customers. The reduction to revenue is accrued at the later of the date the related vehicle is sold or the date the incentive program is both approved and communicated. We generally estimate these accruals using incentive programs that are approved as of the balance sheet date and are expected to be effective at the beginning of the subsequent period.

### Foreign Currency Revaluation

We re-measure monetary assets and liabilities denominated in a currency that is different from Ford Motor Company A/S's functional currency. The effect of this remeasurement process is reported in *Cost of sales, Selling, administrative, and other expenses, and Other income/(expense), net*.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Trade Receivables**

Trade receivables, recorded on our balance sheet in *Trade and other receivables, net*, consist primarily of receivables for vehicles, parts, and accessories. Trade receivables initially are recorded at the transaction amount. We record an allowance for doubtful accounts representing our estimate of the probable losses. Each reporting period, we assess the adequacy of our allowance for doubtful accounts taking into consideration recoveries received during that period. Additions to the allowance for doubtful accounts are made by recording charges to bad debt expense reported in *Cost of sales*. Receivables are charged to the allowance for doubtful accounts when an account is deemed to be uncollectible.

**Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, items recognised directly in equity, or items recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

**Deferred Taxes**

Deferred tax is recognised for temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the company has no uncertain tax positions to take into consideration.

A deferred tax asset is recognised for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Presentation of Sales and Sales-Related Taxes**

We collect and remit taxes assessed by Danish government that are both imposed on and concurrent with a revenue-producing transaction between us and our customers. These taxes may include, but are not limited to, sales, use, value-added, and some excise taxes. We report the collection of these taxes on a net basis (excluded from revenues).

**Cash and Cash Equivalents**

*Cash and cash equivalents* consist of cash held in local bank accounts available upon demand and are recognised at fair value.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories**

*Inventories* are measured at the lower of cost and net realisable value. The cost of inventories is determined by methods approximating the first-in first-out ("FIFO") principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**Property, Plant, and Equipment**

*Property, plant, and equipment* are recorded at cost, net of accumulated depreciation and impairments. We capitalise new assets when we expect to use the asset for more than one year. Routine maintenance and repair costs are expensed when incurred.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of the property, plant, and equipment, taking into consideration our best estimate of its residual value.

Property and equipment are depreciated primarily using the straight-line method over the estimated useful life of the asset. Useful lives range from 1 year to 14.5 years. The estimated useful lives generally are 14.5 years for machinery and equipment and 1 year for vehicles.

**Investments in subsidiaries**

*Investments in subsidiaries* are stated at cost less provisions for impairment.

**Employee Benefits**

We provide short-term and long-term benefits to our employees. Short-term employee benefit obligations generally take on the form of salaries, bonuses and profit sharing and are measured on an undiscounted basis. We generally expense short-term benefits in the period the related benefit is provided. Long-term employee benefit obligations generally take on the form of post-employment benefits.

Defined benefit pensions are measured based on the present value of projected future benefit payments for all participants for services rendered to-date. The measurement of projected future benefits is dependent on the provisions of each specific plan, demographics of the group covered by the plan, and other key measurement assumptions. For plans that provide benefits dependent on salary assumptions, we include a projection of salary growth in our measurements. No assumption is made regarding any potential changes to benefit provisions beyond those to which we are presently committed (e.g., in existing labour contracts).

The net periodic benefit costs associated with the Company's defined benefit pension plans are determined using assumptions regarding the benefit obligation and the plan assets (where applicable) as of the beginning of each year. Net periodic benefit costs are recorded in *Cost of sales* and *Selling, administrative, and other expenses*.

The funded status of the benefit plans, which represents the difference between the benefit obligation and fair value of plan assets, is calculated on a plan-by-plan basis. The benefit obligation and related funded status are determined using assumptions as of the end of each year. The impact of plan amendments and actuarial gains and losses are recorded in *Accumulated other comprehensive income/(loss)*, and then reclassified to retained earnings at the end of the year.

Curtailed gains or losses are recorded when an event occurs that significantly reduces the number of employees covered by the plan. We record a curtailment gain when the employees who are entitled to the benefits terminate their employment; we record a curtailment loss when it becomes probable a loss will occur.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Employee Benefits (Continued)**

Ford Motor Company A/S shall recognise a settlement gain or loss in the period in which a transaction that permits derecognition of the net defined benefit liability. The gain or loss on a settlement shall comprise: (a) the present value of the obligation being settled, as determined on the date of the settlement; and (b) the settlement price, including any assets transferred and/or payments made.

Ford Motor Company A/S shall re-measure the plan as of the date of the action if there is a significant curtailment or settlement.

Our policy for funded pension plans is to contribute annually, at a minimum, amounts required by applicable laws and regulations. We may make contributions beyond those legally required.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The net pension asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan (asset ceiling).

**Provisions**

A provision is recognised if, as a result of a past event, we have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. We record provisions for warranty, dealer and customer claims and similar matters.

Due to the inherent uncertainty of the amount and timing of expected payments, we measure our provisions using patterned estimation models that take into consideration historical experience with similar matters, recent facts and circumstances, as well as assumptions about current trends. Each measurement reflects our best assumptions at each reporting period but the ultimate outcome of any matter could result in an amount different than the amount we have accrued and/or disclosed.

Provisions expected to be paid in a period of greater than one year are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in *Other interest income/(expense) and finance income/(cost), net*.

**Warranties**

We accrue obligations for warranty costs and field service actions (i.e., safety recalls, emission recalls, and other product campaigns) at the time of sale. We establish estimates for warranty and field service action obligations using a patterned estimation model using historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. We re-evaluate the adequacy of our accruals on a regular basis and any revisions to our estimated obligation for warranties and field service actions are reported as *Changes in accrual related to pre-existing warranties*.

**Dealer and Customer Claims**

We accrue for dealer and customer claims related to incentive programs that are approved as of the reporting date and are expected to be effective at the beginning of the subsequent period.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Share-Based Payments**

Share-based payment arrangements include awards that will be settled by the delivery of shares. The shares are measured at fair value on the grant date. The fair value of the awards that employees are expected to earn is recognised as compensation cost over the vesting period. Changes in the number of awards that employees are expected to earn are recognised in profit or loss over the vesting period.

We measure the fair value of stock options using an option-pricing model and the fair value of restricted stock units using the closing market price of our Common Stock on the grant date.

**NOTE 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

We consider an accounting estimate to be significant if: 1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and 2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

The Management of the ultimate parent company has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors. In addition, there are other items within our financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements.

**Warranty and Product Recalls**

*Nature of Estimates Required.* We provide warranties on the products we sell. Separately, we also periodically perform field service actions related to safety recalls, emission recalls, and other product campaigns. Pursuant to these warranties and field service actions, we will repair, replace or adjust all parts on a vehicle that are defective in factory-supplied materials or workmanship. We accrue the estimated cost of both basic warranty coverages and field service actions at the time of sale.

*Assumptions and Approach Used.* We establish estimates for warranty and field service action obligations using a patterned estimation model. We use historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. We re-evaluate our estimate of warranty and field service obligations on a regular basis. Experience has shown that the initial data for any given model year may be volatile; therefore, our process relies on long-term historical averages until sufficient data are available. As actual experience becomes available, we use the data to modify the historical averages in order to ensure that the estimate is within the range of likely outcomes. We then compare the resulting accruals with present spending rates to ensure that the balances are adequate to meet expected future obligations. Based on these data, we revise our estimates as necessary. Warranty coverages vary; therefore, our warranty accruals vary depending on the type of product and the geographic location of its sale for specific periods of time and/or mileage. Field service actions are distinguishable from warranties in that they may occur in periods beyond the basic warranty coverage period. Our best estimate of the obligation related to field service actions includes expected future payments related to vehicles produced in the most recent eight model years and announced field service actions for vehicles produced before this period.

Due to the uncertainty and potential volatility of these factors, changes in our assumptions could materially affect our financial condition and results of operations. See Note 19 of the Notes to the Financial Statements for information regarding warranty and product recall related costs.

### NOTE 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (Continued)

#### Pensions

*Nature of Estimates Required.* The estimation of our defined benefit pension plan obligations and expenses requires that we make use of estimates of the present value of projected future payments to all participants, taking into consideration the likelihood of potential future events such as demographic experience and health care cost increases. Plan obligations and expenses are based on existing retirement plan provisions. No assumption is made regarding any potential future changes to benefit provisions beyond those to which we are presently committed (e.g., in existing labour contracts).

*Assumptions and Approach Used.* The assumptions used in developing the required estimates include the following key factors:

- *Discount rates.* Our discount rate assumption is based primarily on the results of a cash flow matching analysis, which matches the future cash outflows for each major plan to a yield curve based on high-quality bonds specific to the country of the plan. Benefit payments are discounted at the rates on the curve and a single discount rate specific to the plan is determined.
- *Salary growth.* Our salary growth assumption reflects our long-term actual experience, outlook, and assumed inflation.
- *Inflation.* Our inflation assumption is based on an evaluation of external market indicators, including real gross domestic product growth and central bank inflation targets.
- *Expected contributions.* Our expected amount and timing of contributions is based on an assessment of minimum requirements, cash availability, and other considerations (e.g., funded status, avoidance of regulatory premiums and levies, and tax efficiency).
- *Retirement rates.* Retirement rates are developed to reflect actual and projected plan experience.
- *Mortality rates.* Mortality rates are developed to reflect actual and projected plan experience.

Assumptions are set at each year end and are generally not changed unless there is a major plan event such as a significant curtailment or settlement that would trigger a plan remeasurement.

The effects of actual results differing from our assumptions and the effects of changing assumptions are recognised in Accumulated *other comprehensive income/(loss)* on our balance sheet.

See Note 16 for more information regarding pension costs and assumptions.

#### Income Taxes

*Nature of Estimates Required.* We must make estimates and apply judgment in determining the provision for income taxes for financial reporting purposes. We make these estimates and judgments primarily in the following areas: (i) the calculation of tax credits, and (ii) the calculation of differences in the timing of recognition of revenue and expense for tax and financial statement purposes that will ultimately be reported in tax returns. Changes in these estimates and judgments may result in a material increase or decrease to our tax provision, which would be recorded in the period in which the change occurs.

*Assumptions and Approach Used.* We are subject to the income tax laws and regulations of the Finnish tax jurisdiction. We must assess the likelihood that we will be able to recover our deferred tax assets against future sources of taxable income. IFRS recognises deferred tax assets to the extent that it is more likely than not (defined as a likelihood of more than 50%) that sufficient taxable profits will be available to utilise the deductible temporary difference or unused tax losses.

Changes in our judgment regarding the ability to recover our deferred tax assets are reflected in our tax provision in the periods in which the changes occur.



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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

**Adoption of New Accounting Standards**

We adopted the following amendments during 2016, none of which had a material impact to our financial statements or financial statement disclosures:

<u>Amendments</u>	<u>Effective Date (a)</u>
Disclosure Initiative - Presentation of Financial Statements (Amendments to IAS 1 Presentation of Financial Statements)	January 1, 2016
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)	December 31, 2016

**Accounting Standards Issued But Not Yet Adopted**

The International Accounting Standards Board ("IASB") has issued the following amendments, which are not expected to have a material impact to our financial statements or financial statement disclosures:

<u>Amendments</u>	<u>Effective Date (a)</u>
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)	January 1, 2017
Disclosure Initiative - Statement of Cash Flows (Amendments to IAS 7 Statement of Cash Flows)	January 1, 2017
Transfers of Investment Property (Amendments to IAS 40 Investment Property)	January 1, 2018
Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)	January 1, 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4 Insurance Contracts)	January 1, 2018

(a) Early adoption for each of the standards is permitted.

The following represent the standards that will, or are expected to, result in a significant change in practice and/or have a significant financial impact to Ford Motor Company A/S.

**Leases.** In January 2016, the IASB issued International Financial Reporting Standards (IFRS) 16 *Leases* which provides guidance on the recognition, measurement, presentation and disclosure of leases. The new standard supersedes present IFRS guidance on leases and requires substantially all leases to be reported on the balance sheet as right-of-use assets and lease liabilities, as well as additional disclosures. The new standard is effective as of January 1, 2019, and early adoption is permitted. We are assessing the potential impact to our financial statements and disclosures.

**Financial Instruments.** In July 2014, the IASB issued IFRS 9 *Financial Instruments*, incorporating a new expected loss impairment model and providing certain amendments to the classification and measurement requirements for financial assets. The new standard is effective as of January 1, 2018, and early adoption is permitted. We are assessing the potential impact to our financial statements and disclosures.

**Revenue from Contracts with Customers.** In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* which requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The IASB has also issued several updates to IFRS 15. The new standard supersedes IFRS guidance on revenue recognition, and requires the use of more estimates and judgments than the present standards. It also requires additional disclosures.

We will adopt the new revenue guidance effective January 1, 2017, by recognizing the cumulative effect of initially applying the new standard as an increase to the opening balance of retained earnings. We expect this adjustment to have an immaterial impact to our net income on an ongoing basis. Adoption of the new standard will also result in changes in classification between *Revenues*, *Cost of sales*, *Non-Financial services other income/(expense), net*, and *Financial services other income/(expense), net*.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 5. REVENUES**

Amounts included in *Revenues* on our income statement were as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
Sales of new vehicles, parts, and accessories	2,771,853	2,710,026
Sales of vehicles previously leased under operating leases	-	-
Other	9,389	8,286
Total revenues	2,781,242	2,718,312

There are four dealer groups that the company had sales to in 2016, who each represent in excess of 10% of the company's total revenue: Andersen Biler A/S, Autohuset Vestergaard A/S Personvogne, Via Biler A/S and Bjarne Nielsen A/S.

**NOTE 6. TOTAL COST OF SALES AND SELLING, ADMINISTRATIVE, AND OTHER EXPENSES**

Amounts included in *Cost of sales and selling, administrative, and other expenses* on our income statement were as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
Purchase of new vehicles, parts and accessories	2,630,566	2,571,498
Depreciation	317	391
Warranty	28,667	31,291
Advertising	56,066	59,861
Other	52,437	47,250
Total cost of sales and selling, administrative, and other expenses	2,768,053	2,710,291

**NOTE 7. OTHER INTEREST INCOME/(EXPENSE) AND FINANCE INCOME/(COST), NET**

Amounts included in *Other interest income/(expense) and finance income/(cost), net* on our income statement were as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
Interest income	-	-
Interest expense	(3,537)	(3,000)
Total other interest (expense)/income, net	(3,537)	(3,000)

**NOTE 8. OTHER INCOME/(EXPENSE), NET**

Amounts included in *Other income/(expense), net* on our income statement were as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
Commission	831	1,012
Total	831	1,012

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 9. NET FOREIGN CURRENCY EXCHANGE GAINS/(LOSSES)**

*Net foreign currency exchange gains/(losses)* recognised on our income statement were as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
Cost of sales	1,550	(609)
Net foreign currency exchange (losses)/gains	1,550	(609)

**NOTE 10. INCOME TAX BENEFIT/(EXPENSE)**

The *Income tax benefit/(expense)* on our income statement was estimated as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
<b>Current</b>		
Current tax on profits for the year	-	(648)
Change in estimates related to prior years	(15)	-
Total current	(15)	(648)
<b>Deferred</b>		
Origination and reversal of temporary differences	(2,779)	1,837
Changes in tax losses carried forward	409	(2,560)
Valuation Allowance	2,370	723
Total deferred	-	-
<b>Income tax benefit/(expense)</b>	<b>(15)</b>	<b>(648)</b>

The amount of reported income taxes in the statement of comprehensive income reconciled with income taxes calculated using Ford Motor Company A/S' applicable tax rate at December 31 was as follows (in TDKK). Ford Motor Company A/S' applicable tax rate is 22.0%. Income tax paid during the years ended December 31, 2016 and 2015 were DKK 663,663 and DKK 1,153,763 respectively

	For the years ended December 31,	
	2016	2015
Income before income taxes	10,483	6,033
Tax calculated at domestic tax rates applicable to profits (2016 - 22.0% and 2015 - 23.5%)	(2,306)	(1,418)
Tax effects of:		
Expenses/(Income) not (taxable)/deductible for tax purposes	(4)	(2)
Change in tax rates		
Change in estimate related to prior years	(75)	49
Valuation allowances	2,370	723
Income tax benefit/(expense)	(15)	(648)
Effective tax rate	0%	11%

The deferred tax amounts shown on the balance sheet at December 31 were as follows (in TDKK):

	2016	2015
Deferred tax assets	6,000	6,000
Deferred tax liabilities	-	-
Net deferred tax assets	6,000	6,000

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 10. INCOME TAX BENEFIT/(EXPENSE) (Continued)**

Deferred taxes by major category at December 31 were as follows (in TDKK):

	2016	2015
<b>Deferred tax assets</b>		
Tax losses carried forward	10,214	9,876
Dealer and customer claims	6,242	7,383
Reserve for doubtful debts	-	15
Compensation accruals	977	2,645
Deferred tax assets	17,433	19,919
Less: valuation allowance	(11,324)	(13,765)
<b>Total deferred tax assets</b>	<b>6,109</b>	<b>6,154</b>
<b>Deferred tax liabilities</b>		
Depreciation and amortization (excluding leasing transactions)	(109)	(154)
<b>Total deferred tax liabilities</b>	<b>(109)</b>	<b>(154)</b>
<b>Net deferred tax assets</b>	<b>6,000</b>	<b>6,000</b>

At December 31, 2016, Ford Motor Company A/S had pre-tax operating loss carry-forwards for income tax purposes in the amount of DKK 78,763,082. Tax benefits of operating loss carry-forwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carry forward period, and other circumstances.

The current and non-current portions of deferred income taxes expected to be recovered or settled within and after one year at December 31 were as follows (in TDKK):

	2016	2015
<b>Deferred tax assets</b>		
Current portion	2,000	2,000
Non-current portion	4,000	4,000
<b>Total deferred tax asset</b>	<b>6,000</b>	<b>6,000</b>
<b>Deferred tax liabilities</b>		
Current portion	-	-
Non-current portion	-	-
<b>Total deferred tax liabilities</b>	<b>-</b>	<b>-</b>
<b>Net deferred tax assets</b>	<b>6,000</b>	<b>6,000</b>

**NOTE 11. TRADE AND OTHER RECEIVABLES, NET**

*Trade and other receivables, net* on our statement of financial position were as follows (in TDKK):

	December 31, 2016	December 31, 2015
Trade Receivables	4,839	4,978
Amounts owed by group undertakings	301,411	334,816
Amounts owed by joint ventures of the ultimate parent company	39,415	22,583
Other	1,803	1,785
<b>Total</b>	<b>347,468</b>	<b>364,162</b>
Current	346,540	363,240
Non-current	928	922
<b>Total</b>	<b>347,468</b>	<b>364,162</b>

Amounts owed by group undertakings are unsecured; elements bear interest at a variable rate which is capitalised monthly and are repayable on demand.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 11. TRADE AND OTHER RECEIVABLES, NET (Continued)**

The fair value of all trade and other receivables is approximate to the carrying value. Amounts overdue do not have a material impact on these financial statements.

Excess liquidity is placed with a finance centre within the Ford Group and carries interest. In the Financial Statements this item is classified as part of receivables from group undertakings of DKK 270mils (2015: DKK 252mils). The deposit in the finance centre ranks subordinate in relation to the debt of the finance centre to Ford Motor Company, to debt to certain other companies in the Ford Motor Company group and to debt to certain external lenders.

**NOTE 12. INVENTORIES**

*Inventories* on our statement of financial position were as follows (in TDKK):

	December 31, 2016	December 31, 2015
Finished Products	82,389	60,796
	<u>82,389</u>	<u>60,796</u>

There was no impairment of inventories for the years ended December 31, 2016 and 2015.

**NOTE 13. OTHER ASSETS**

*Other assets* on our statement of financial position were as follows (in TDKK):

	December 31, 2016	December 31, 2015
Prepayments	1,663	1,956
	<u>1,663</u>	<u>1,956</u>

All other assets fall due within one year and the fair value is approximate to the carrying value.

**NOTE 14. PROPERTY, PLANT, AND EQUIPMENT**

*Property, plant, and equipment* includes machinery and equipment, vehicles and other assets that we use in our normal operations.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of the property, plant, and equipment, taking into consideration our best estimate of its residual value.

Useful lives range from 1 year to 14.5 years. The estimated useful lives generally are 14.5 years for machinery and equipment, 5 years for leasehold improvements and 1 year for vehicles.

Changes in Property, plant, and equipment balances on our statement of financial position were as follows (in TDKK):

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 14. PROPERTY, PLANT, AND EQUIPMENT (Continued)**

	For the years ended December 31, 2016		
	Leasehold improvements	Machinery, Equipment, and Other	Total
<b>Cost</b>			
Beginning balance	249	12,601	12,850
Additions	-	6,383	6,383
Disposals	-	(7,228)	(7,228)
Ending balance	249	11,756	12,005
<b>Accumulated depreciation and impairment</b>			
Beginning balance	(210)	(4,699)	(4,909)
Depreciation	(31)	(286)	(317)
Disposals	-	607	607
Ending balance	(241)	(4,378)	(4,619)
<b>Total</b>	<b>8</b>	<b>7,378</b>	<b>7,386</b>

	For the years ended December 31, 2015		
	Leasehold improvements	Machinery, Equipment, and Other	Total
<b>Cost</b>			
Beginning balance	249	12,430	12,679
Additions	-	6,622	6,622
Disposals	-	(6,451)	(6,451)
Ending balance	249	12,601	12,850
<b>Accumulated depreciation and impairment</b>			
Beginning balance	(187)	(4,489)	(4,676)
Depreciation	(23)	(368)	(391)
Disposals	-	158	158
Ending balance	(210)	(4,699)	(4,909)
<b>Total</b>	<b>39</b>	<b>7,902</b>	<b>7,941</b>

There are no assets under finance lease arrangements included in *Property, plant, and equipment*.

**NOTE 15. INTERESTS IN SUBSIDIARIES**

**Ownership Percentage and Investment Balances**

*Investment in subsidiaries* on our statement of financial position was as follows (in TDKK, except percentages):

	Ownership Percentage	Investment Balance		
	December 31, 2016	December 31, 2016	December 31, 2015	January 1, 2015
Ford Motor Norge A/S (Jurisdiction: Norway)	100.0%	25,732	25,732	25,732
		25,732	25,732	25,732

The investment in Ford Motor Norge A/S is held at historical cost, no impairment has been recorded against the investment value.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 16. EMPLOYEE BENEFITS**

We provide retirement benefits including the following:

*Defined Benefit Pension Plans.* We have defined benefit pension plans covering salaried employees. Our defined benefit plans are closed to new participants. Our defined benefit pension plans are funded (i.e., have restricted assets from which benefits are paid).

*Defined Contribution and Savings Plans.* We have also established defined contribution and savings plans for our employees. Contributions to these plans, if any, are made from general Company cash and are expensed as incurred. The expense for our defined contribution and savings plans was DKK 1.7mils and DKK 1mils for the years ended December 31, 2016 and 2015, respectively.

**Assumptions**

The assumptions used to determine expense and benefit obligations were as follows (in TDKK):

	Pension Plans (Funded)	
	2016	2015
<b>Assumptions used to determine net benefit cost for the year ended December 31</b>		
Discount rate	0.62 %	1.10 %
Average rate of increase in compensation	2.00 %	2.00 %

**Benefit Plans - Expense and Status**

The net expense/(income) and remeasurement cost for our defined benefit pension plan for the years ended December 31, were as follows (in TDKK):

	Pension Plans (Funded)	
	2016	2015
<b>Income/(Expense)</b>		
Current service cost	6,811	4,880
Net expense/(income)	6,811	4,880
<b>Remeasurements</b>		
Return on plan assets (greater)/less than discount rate	(7,241)	5,342
(Gain)/loss from changes in financial assumptions	12,838	(4,972)
Experience (gains)/losses	(5,272)	(1,250)
Total remeasurements	325	(880)
Total	7,136	4,000

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 16. EMPLOYEE BENEFITS (Continued)**

The year-end status of the plan was as follows (in TDKK):

	Pension Plans (Funded)	
	2016	2015
<b>Change in benefit obligation</b>		
Benefit obligation at January 1	153,606	161,312
Current service cost	6,811	4,880
Interest expense	2,573	1,966
Plan participant contributions	364	349
Benefits paid	(8,158)	(8,679)
(Gain)/loss from change in financial assumptions	12,838	(4,972)
Experience (gains)/losses	(5,272)	(1,250)
Benefit obligation at December 31	<u>162,762</u>	<u>153,606</u>
<b>Change in plan assets</b>		
Fair value of plan assets at January 1	157,397	164,665
Interest income	2,637	2,006
Return on plan assets greater/(less) than discount rate	7,241	(5,342)
Company contributions	6,807	4,398
Plan participant contributions	364	349
Benefits paid	(8,158)	(8,679)
Fair value of plan assets at December 31	<u>166,288</u>	<u>157,397</u>
Total	<u><u>3,526</u></u>	<u><u>3,791</u></u>
<b>Change in asset ceiling/minimum funding requirement</b>		
Asset ceiling/minimum funding requirement at January 1	(3,791)	(3,353)
Change in asset ceiling, excluding amounts included in interest cost/(income)	329	(397)
Interest expense/(income)	(64)	(41)
Asset ceiling/minimum funding requirement at December 31	<u>(3,526)</u>	<u>(3,791)</u>
Total at December 31	<u><u>-</u></u>	<u><u>-</u></u>

**Pension Plan Contributions**

In 2016, we contributed DKK 7,398,981 to our fully funded pension plans (most of which were mandatory contributions). During 2017, we expect to contribute about DKK 6.0mils from cash and cash equivalents.

**Estimated Future Benefit Payments**

Estimated future gross benefit payments were as follows (in TDKK):

	Pension Plans (Funded)
2017	5,961
2018	4,967
2019	4,500
2020	5,222
2021	4,962
2022-2026	20,460

There are no current expectations to receive a refund from the defined benefit scheme.



FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 16. EMPLOYEE BENEFITS (Continued)**

**Risks**

*Substantial pension liabilities impairing liquidity or financial condition.* If our cash flows and capital resources were insufficient to fund our pension obligations, we could be forced to suspend dividend payments or seek additional capital.

*Worse-than-assumed economic and demographic experience for postretirement benefit plans (e.g., discount rates).* The measurement of our obligations, costs, and liabilities associated with benefits pursuant to our postretirement benefit plans requires that we estimate the present value of projected future payments to all participants. We use many assumptions in calculating these estimates, including assumptions related to discount rates and demographic experience (e.g., mortality and retirement rates). To the extent actual results are less favourable than our assumptions, there could be a substantial adverse impact on our financial condition and results of operations.

**Pension Plan Asset Information**

*Investment Objective and Strategies.* All assets are externally managed and most assets are actively managed. Managers are not permitted to invest outside of the asset class (e.g., fixed income, public equity, alternatives) or strategy for which they have been appointed. We use investment guidelines and recurring audits as tools to ensure investment managers invest solely within the investment strategy they have been provided.

*Fair Value of Plan Assets.* Pension assets are recorded at fair value, and include primarily fixed income and equity securities, derivatives, and alternative investments, which include hedge funds, private equity, and real estate.

**Sensitivity Analysis**

There are no material sensitivities to disclose.

**NOTE 17. ACCOUNTS PAYABLE**

*Accounts payable* on our statement of financial position were as follows (in TDKK):

	December 31, 2016	December 31, 2015
Trade Payables	38,355	34,114
Amounts owed to group undertakings	47,185	119,849
Amounts owed to joint ventures of the ultimate parent company	9,521	7,275
Social security and other taxes	33,700	40,130
<b>Total</b>	<b>128,761</b>	<b>201,368</b>

The fair value of accounts payable is approximate to the carrying value and measured at amortized cost.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 18. DEFERRED REVENUE AND OTHER LIABILITIES**

*Deferred revenue and other liabilities* on our statement of financial position were as follows (in TDKK):

	December 31, 2016	December 31, 2015
Deferred Revenue	4,036	8,875
Social security and other taxes	41	49
Other	15,095	21,122
<b>Total</b>	<b>19,172</b>	<b>30,046</b>
Current portion	19,172	30,046
Non-current portion	-	-
<b>Total</b>	<b>19,172</b>	<b>30,046</b>

Deferred revenue relates to revenue received in relation to extended warranty service plans. Revenue is deferred and recognised to income on a straight-line basis over the contract period except in those circumstances where sufficient historical evidence indicates that the costs of performing the services under the contract are incurred on an other than a straight-line basis. In those circumstances, revenue is recognised over the contract period in proportion to the costs expected to be incurred in performing services under the contract.

The fair value of deferred revenue and other liabilities is approximate to the carrying value and measured at amortized cost.

**NOTE 19. PROVISIONS**

*Provisions* on our statement of financial position were as follows (in TDKK):

	December 31, 2016	December 31, 2015
Warranties	49,557	47,878
Dealer and customer claims	164,633	94,363
Other	-	-
<b>Total</b>	<b>214,190</b>	<b>142,241</b>
Current portion	187,317	93,077
Non-current portion	26,873	49,164
<b>Total</b>	<b>214,190</b>	<b>142,241</b>

***Warranties***

We accrue obligations for warranty costs and field service actions (i.e., safety recalls, emission recalls, and other product campaigns) at the time of sale. We establish estimates for warranty and field service action obligations using a patterned estimation model using historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year. We re-evaluate the adequacy of our accruals on a regular basis and any revisions to our estimated obligation for warranties and field service actions are reported as *Changes in accrual related to pre-existing warranties* in the table below.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 19. PROVISIONS (Continued)**

The changes in provisions for warranties were as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
Beginning balance	47,878	50,219
Provisions made	28,378	44,914
Changes related to pre-existing provisions	3,290	(10,597)
Payments made	(29,994)	(36,662)
Accretion of discounting	5	4
Ending balance	<u>49,557</u>	<u>47,878</u>
Current portion	22,684	4,820
Non-current portion	26,873	43,058
<b>Total</b>	<u>49,557</u>	<u>47,878</u>

**Dealer and Customer Claims**

We accrue for dealer and customer claims related to incentive programs that are approved as of the reporting date and are expected to be effective at the beginning of the subsequent period.

The changes in provisions for dealer and customer claims were as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
Beginning balance	94,363	67,957
Provisions made	141,508	88,257
Changes related to pre-existing provisions	-	-
Payments made	(71,238)	(61,851)
Ending balance	<u>164,633</u>	<u>94,363</u>
Current portion	164,633	88,257
Non-current portion	-	6,106
<b>Total</b>	<u>164,633</u>	<u>94,363</u>

**NOTE 20. CAPITAL STOCK**

The number of *Common stock* shares outstanding at December 31 was as follows:

	2016	2015
Beginning balance	900,000	900,000
Shares issued	-	-
Shares reacquired	-	-
Ending balance	<u>900,000</u>	<u>900,000</u>

Par value per share is DKK 120 and all shares are fully paid.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 21. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)**

The changes in the accumulated balances for each component of *Accumulated other comprehensive income/(loss)* attributable to Ford Motor Company A/S were as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
<b>Pension and other postretirement benefits</b>		
Beginning balance	-	-
Gains/(Losses) arising during the period	4	482
Less: Tax/(Tax benefit)	-	-
Other comprehensive income/(loss), net of tax	4	482
Reclassification to retained earnings, net of tax	(4)	(482)
Total AOCI ending balance at December 31	-	-

**NOTE 22. SHARE-BASED PAYMENTS**

Ford Motor Company A/S's ultimate parent company issues restricted stock units ("RSUs") to our employees, which consist of time-based and performance-based awards. RSUs provide the recipients with the right to shares of Common Stock following a specified performance period and/or vesting period. Time-based awards generally have a vesting feature whereby one-third of each grant of RSUs vests after the first anniversary of the grant date, one-third after the second anniversary, and one-third after the third anniversary. Performance-based RSUs vest at the end of the specified performance period, generally three years, assuming required metrics are met. Performance-based RSUs have two components: one based on the ultimate parent company's internal financial performance metrics, and the other based on the ultimate parent company's total shareholder return relative to total shareholder returns of an industrial and automotive peer group. The ultimate parent company issues new shares of Common Stock upon vesting of RSUs. All awards issued under the incentive plan are equity settled.

The fair value of both the time-based and the portion of the performance-based RSUs pertaining to internal performance metrics is determined using the closing price of the ultimate parent company's Common Stock. The fair value of time-based RSUs is expensed over the shorter of the vesting period, using the graded vesting method, or the time period an employee becomes eligible to retain the award at retirement. The fair value of performance-based RSUs is expensed when it is probable and estimable as measured against the performance metrics over the shorter of the performance or required service periods. Expense is recorded in *Selling, administrative, and other expenses*.

The expense recorded in Ford Motor Company A/S in relation to Share Based payments was DKK 44,920 and DKK 37,105 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 23. LEASE COMMITMENTS**

We lease land, buildings, and equipment under agreements that expire over various contractual periods. Minimum non-cancellable operating lease commitments at December 31, 2016 were as follows (in thousands):

	2017	2018	2019	Total
Land and Buildings	2,527	-	-	2,527
Machinery, Equipment and Office Furniture	55	17	-	72
<b>Total</b>	<b>2,582</b>	<b>17</b>	<b>-</b>	<b>2,599</b>

Operating lease expense for the years ended December 31 was as follows (in thousands):

	2016	2015	2014
Land and Buildings	2,292	1,941	2,508
Machinery, Equipment and Office Furniture	268	214	121
<b>Total</b>	<b>2,560</b>	<b>2,155</b>	<b>2,629</b>

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 24. FINANCIAL RISK MANAGEMENT**

Ford Motor Company A/S is exposed to a variety of risks in the normal course of its business. Its financial condition depends on the extent to which it effectively identifies, assesses, monitors, and manages these risks. The principal types of risk to which the Company is exposed include:

- Market risk
- Liquidity risk
- Credit risk

Ford Motor Company, the ultimate parent company of Ford Motor Company A/S, manages each of these types of risk on a global consolidated basis in the context of its contribution to its overall risk. It makes business decisions on a risk-adjusted basis and prices its services consistent with these risks. Ford Motor Company's global risk management policies are established to identify and analyse the risk exposures, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly at a global consolidated level to reflect changes in market conditions and Ford Motor Company's activities.

Changes in interest rates or exchange rates do not have a material impact to the financial position of Ford Motor Company A/S.

**NOTE 25. CONTROLLING PARTIES**

The Company's immediate and ultimate parent company and controlling party is Ford Motor Company, a company incorporated in the State of Delaware in the USA, which is the parent undertaking of the largest group to consolidate these financial statements. Ford Motor Company owns 100% of the Company's shares. Copies of the ultimate parent company's financial statements may be obtained from: Ford Motor Company, One American Road, Dearborn, Michigan 48126, USA.

**NOTE 26. RELATED PARTIES TRANSACTIONS**

Our related parties include group undertakings, joint ventures of the ultimate parent company and key management personnel.

**Transactions with our group undertakings and joint ventures of our ultimate parent company**

In the ordinary course of business we buy from/sell various products and services including vehicles, parts, and components to/from entities under the control of our ultimate parent company and joint venture of the ultimate parent company.

The income statement effects of transactions with entities under the control of our ultimate parent company and joint venture of the ultimate parent company were as follows (in TDKK):

	For the years ended December 31,			
	2016		2015	
	Entities under the control of ultimate parent company	Joint Ventures with the ultimate parent company	Entities under the control of ultimate parent company	Joint Ventures with the ultimate parent company
Sales included in <i>Revenues</i>	-	2,678,683	-	2,607,825
Purchases included in <i>Cost of sales</i>	2,630,566	-	2,571,498	-

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 26. RELATED PARTIES TRANSACTIONS (Continued)**

The effect of transactions with entities under the control of the ultimate parent company and joint ventures of the ultimate parent company on the statement of financial position was as follows (in TDKK):

	For the years ended December 31,			
	2016		2015	
	Entities under the control of ultimate parent company	Joint Ventures with the ultimate parent company	Entities under the control of ultimate parent company	Joint Ventures with the ultimate parent company
Accounts and notes receivable	301,411	39,415	339,880	36,845
Accounts and notes payable	47,185	9,521	119,964	2,096

**Transactions with key management personnel**

Key management personnel are the Board of Directors. Compensation costs for key management personnel were as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
Salaries and other short-term benefits	1,983	2,191
Retirement, and other post-employment and other long-term benefits - defined benefit scheme	88	343
Retirement, and other post-employment and other long-term benefits - other	121	120
Share-based compensation	45	37
Other compensation	-	-
Total compensation	2,237	2,691

During the year 0 Directors (2015: 0 Directors) exercised share options in the ultimate parent company and 1 Director (2015: 1 Director) was eligible to receive shares in the ultimate parent company under a long term incentive programme.

There were no other transactions with key management personnel during 2016. All transactions were on an arm's length basis.

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 27. SEGMENT INFORMATION**

Our operating activity consists of the Automotive sector. Segment selection is based on the organisational structure we use to evaluate performance and make decisions on resource allocation, as well as availability and materiality of separate financial results consistent with that structure.

Automotive segment results are presented on a "where-sold," absolute-cost basis, which reflects the profit/(loss) on the sale within the segment in which the ultimate sale is made to our external customer. The presentation generally includes the effect of legal entity transfer prices within the Automotive sector for vehicles, components, and product engineering.

Key operating data for our business segment for the years ended or at December 31 were as follows (in TDKK):

	For the years ended December 31,	
	2016	2015
Revenue	2,781,242	2,718,312
Profit before income tax	10,483	6,033
Other disclosures:		
Depreciation	317	391
Interest (income) / expense	3,537	3,000
Cash outflow for capital spending	6,383	6,622
Total assets	481,413	483,076

**Employment costs**

	For the years ended December 31,	
	2016	2015
Wages and salaries	25,812	23,813
Social security costs	108	105
Pension costs	6,795	5,315
Other	515	1,887
<b>Total</b>	<b>33,230</b>	<b>31,120</b>

Total number of employees for the year ended December 31, 2016 and 2015 were 49 and 48 respectively.

**Auditor's fees**

Auditors' remuneration for the statutory audit of the company's annual financial statements (which included technical assistance with financial statements) was DKK 648,500 (2015: DKK 648,500). Remuneration for provision of other services was split as follows: tax advisory (which included technical assistance with the tax return) was DKK 150,000 (2015: DKK 150,000) and assistance with pension related matters was DKK 220,000 (2015: DKK 220,000).

FORD MOTOR COMPANY A/S  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 28. GEOGRAPHIC INFORMATION**

Total Company revenues and non-current assets, split geographically, for the years ended December 31 were as follows (in TDKK):

	December 31, 2016		December 31, 2015	
	Revenues	Long-Lived Assets (a)	Revenues	Long-Lived Assets (a)
Domestic	2,678,683	7,386	2,607,825	7,941
Iceland	102,559	-	110,487	-
Total Company	2,781,242	7,386	2,718,312	7,941

(a) *Property, plant, and equipment.*

**NOTE 29. BUSINESS COMBINATIONS**

No transactions were undertaken in 2016 that would qualify as Business Combinations.

**NOTE 30. DISCONTINUED OPERATIONS, HELD-FOR-SALE OPERATIONS, AND OTHER DISPOSITIONS**

No transactions were undertaken in 2016 that would qualify as a discontinued operation, held-for-sale operation or other disposition.

**NOTE 31. EVENTS SUBSEQUENT TO THE REPORTING DATE**

There were no events subsequent to the reporting date that require adjustments or disclosure in the financial statements.



## ***Independent Auditor's Report***

To the Shareholders of Ford Motor Company A/S

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Ford Motor Company A/S for the financial year 1 January - 31 December 2016, which comprise income statement and statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

### **Management's Responsibilities for the Financial Statements**

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using

the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 10 July 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Jan Wright

State Authorised Public Accountant



Jakob Brasted

State Authorised Public Accountant