

Ford Motor Company A/S

Annual Report for 2015

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

on 08/06 2016

Chairman

A handwritten signature in blue ink, which appears to read "Carsten Panusey". The signature is written in a cursive style and is positioned to the right of the "Chairman" text.



FORD MOTOR COMPANY A/S
INTERNATIONAL FINANCIAL REPORTING STANDARDS

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DIRECTORS' REPORT

Directors' report for the year ended 31 December 2015

The directors present their annual report and audited financial statements for the year ended 31 December 2015 for Ford Motor Company A/S (the Company") prepared under International Accounting Financial Standards.

Directors

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

Jakob Alkil

Erling Kaas

Neil Humphries

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 company's sale of passenger cars in 2015 progressed as planned however, the sale of commercial vehicles in 2015 exceeded expectations of management.

2015 became yet another record setting year for car sales in Denmark where sales of passenger vehicles increased in 2015 by 9.9% compared to the prior year, which corresponds to 207,556 new passenger cars. This number is higher than ever before, primarily due to the private consumer's continued interest in new and particularly small cars which amounted to around 60% of passenger car sales.

Overall, there was a strong development in the commercial vehicle market with sales of 3,988 more commercial vehicles than in 2014, corresponding to 32,461 new commercial vehicles resulting in an increase of 14.0% year over year.

The company sold 14,283 passenger cars in 2015 which is a decrease of 4.5% compared to 2014. This caused Ford's market share for passenger cars to decrease from 7.9% in 2014 to 6.9% in 2015. Ford ended the year as the fourth best-selling brand in respect of passenger cars in 2015.

The company's sale of commercial vehicles amounted to 6,044 units which is approximately 1,000 units more than in 2014. This is primarily due to the fact that, for the fourth 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 an 18.6% market share.

The total market share held by Ford was thus 8.3% in 2015 compared to 9.0% in 2014.

**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 a total of approximately 250,000 sold units in 2016 - the share of small cars to private consumers is still expected to increase as significantly as in 2015.

For commercial vehicles, sales are also expected to remain at the same level as in 2015 corresponding to approximately 32,500 units with a continuous small increase in medium-sized commercial vehicles. The demand for actual medium-sized commercial vehicles is still high since the new 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.

Therefore the company expects that 2016 will show an increase in sales and growth leading to a market share of 8.5%.

FORD MOTOR COMPANY A/S

DIRECTORS' REPORT (Continued)

Financial Highlights

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

Key figures	2015	2014	2013	2012	2011
	TDKK	TDKK	TDKK	TDKK	TDKK
	IFRS	IFRS	Danish GAAP	Danish GAAP	Danish GAAP
Income Statement:					
Revenue	2,718,312	2,383,399	2,036,054	1,906,935	2,336,895
Operating Profit	8,021	3,662	16,472	20,277	18,181
Net Profit/Loss from financial items	(3,000)	(1,494)	6,013	6,201	(67,408)
Net Profit/Loss for the year after tax	5,385	2,327	22,485	92	(50,400)
Statement of Financial Position					
Total Assets	483,076	422,156	427,743	426,557	545,812
Equity	108,773	102,868	182,644	175,171	186,977
Investment in property, plant and equipment	6,622	6,243	0	60	0
Number of employees	48	45	44	46	43

Political donations

There were no contributions to political parties (2014: 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 not prepared any policies for corporate social responsibility.

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 MOTOR COMPANY A/S

DIRECTORS' REPORT (Continued)

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 2015.

The Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU. 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 2015 of the Company and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2015.

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, 8 June 2016

Executive Board



Jakob Aklil
CEO

Board of Directors



Neil James Humphries
Chairman



Jakob Aklil



Erling Kaas

FORD MOTOR COMPANY A/S

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of Ford Motor Company A/S.

Report on Financial Statements

We have audited the Financial Statements of Ford Motor Company A/S for the financial year 1 January to 31 December 2015, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the Company. The Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements of the Danish Financial Statements Act.

Management's Responsibility 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 additional disclosure requirements, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Company's Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

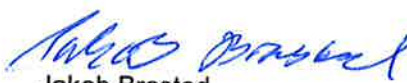
Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Copenhagen, 8 June 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31



Jan Wright
State Authorised Public Accountant



Jakob Brasted
State Authorised Public Accountant

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

	Note	For the years ended December 31,	
		2015	2014
Revenues	5	2,718,312	2,383,399
Cost of sales and other expenses	6		
Cost of sales		2,611,837	2,286,923
Selling, administrative, and other expenses		98,454	92,814
Total costs and expenses		2,710,291	2,379,737
Other interest income/(expense) and finance income/(cost), net	7	(3,000)	(1,494)
Other income/(expense), net	8	1,012	1,315
Profit before income tax		6,033	3,483
Income tax expense	10	648	1,156
Net profit		5,385	2,327

STATEMENT OF COMPREHENSIVE INCOME

	Note	For the years ended December 31,	
		2015	2014
Net profit		5,385	2,327
Other comprehensive income, net of tax			
Items which will not be reclassified to profit and loss			
Remeasurement of the liability for the net defined post-employment benefit	16	880	82
Interest income impact on irrecoverable surplus	16	41	56
Movement in asset ceiling	16	(438)	751
Total other comprehensive income, net of tax	21	483	889
Comprehensive income		5,868	3,216

The accompanying notes are part of the financial statements.

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

	Note	December 31, 2015	December 31, 2014	January 1, 2014
ASSETS				
Cash and cash equivalents		16,489	18,811	42,996
Trade and other receivables	11	363,240	336,111	226,114
Inventories	12	60,796	26,016	39,391
Other assets	13	1,956	591	702
Total current assets		<u>442,481</u>	<u>381,529</u>	<u>309,203</u>
Property, plant, and equipment	14	7,941	8,003	7,322
Trade and other receivables	11	922	892	1,028
Investment in subsidiaries	15	25,732	25,732	25,732
Deferred income taxes	10	6,000	6,000	6,000
Total non-current assets		<u>40,595</u>	<u>40,627</u>	<u>40,082</u>
Total assets		<u>483,076</u>	<u>422,156</u>	<u>349,285</u>
LIABILITIES				
Accounts payable	17	201,368	174,435	155,091
Deferred revenue and other liabilities	18	30,046	25,521	18,855
Provisions	19	93,077	68,479	43,801
Income taxes payable	10	648	1,156	41
Pension and other post-employment obligations		—	—	—
Total current liabilities		<u>325,139</u>	<u>269,591</u>	<u>217,788</u>
Deferred revenue and other liabilities	18	—	—	—
Provisions	19	49,164	49,697	31,862
Total non-current liabilities		<u>49,164</u>	<u>49,697</u>	<u>31,862</u>
Total liabilities		<u>374,303</u>	<u>319,288</u>	<u>249,650</u>
EQUITY				
Common stock	20	108,000	108,000	108,000
Capital in excess of par value of stock		54	17	—
Retained earnings		719	(5,149)	(8,365)
Total equity	32	<u>108,773</u>	<u>102,868</u>	<u>99,635</u>
Total liabilities and equity		<u>483,076</u>	<u>422,156</u>	<u>349,285</u>

The accompanying notes are part of the financial statements.

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

	For the years ended December 31,	
	2015	2014
Cash flows from operating activities		
Net profit	5,385	2,327
Depreciation	391	520
Share-based payment expense	37	17
Pension expense	483	889
(Increase)/ Decrease in inventory	(34,780)	13,375
(Increase) in trade and other receivables and other assets	(28,495)	(109,885)
Increase in provisions	24,064	42,513
Increase in accounts payable and other liabilities	30,313	26,613
Loss on sale of property, plant and equipment	50	—
Foreign exchange losses	609	647
Net cash used in operating activities	(1,943)	(22,984)
Cash flows from investing activities		
Capital spending	(6,622)	(6,243)
Proceeds from sale of Property, plant and equipment	6,243	5,042
Net cash used in investing activities	(379)	(1,201)
Cash flows from financing activities	—	—
Net decrease in cash and cash equivalents	(2,322)	(24,185)
Cash and cash equivalents at January 1	18,811	42,996
Net decrease in cash and cash equivalents	(2,322)	(24,185)
Cash and cash equivalents at December 31	16,489	18,811

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

	Capital Stock	Cap. in Excess of Par Value of Stock	Accumulated Other Compre- hensive Income/(Loss) (Note 21)	Retained Earnings	Total
Balance at January 1, 2014	108,000	—	—	(8,365)	99,635
Comprehensive income					
Net profit	—	—	—	2,327	2,327
Other comprehensive income, net of tax	—	—	889	—	889
Reclassifications	—	—	(889)	889	—
Comprehensive income	—	—	—	3,216	3,216
Transactions with shareholders					
Dividends	—	—	—	—	—
Share-based compensation	—	17	—	—	17
Total transactions with shareholders	—	17	—	—	17
Balance at December 31, 2014	108,000	17	—	(5,149)	102,868
Balance at January 1, 2015	108,000	17	—	(5,149)	102,868
Comprehensive income					
Net profit	—	—	—	5,385	5,385
Other comprehensive income, net of tax	—	—	483	—	483
Reclassifications	—	—	(483)	483	—
Comprehensive income	—	—	—	5,868	5,868
Transactions with shareholders					
Dividends	—	—	—	—	—
Share-based compensation	—	37	—	—	37
Total transactions with shareholders	—	37	—	—	37
Balance at December 31, 2015	108,000	54	—	719	108,773

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 a standalone basis.

Presentation

The financial statements are presented in Danish Kroner. 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.

Adoption of IFRS

These financial statements of Ford Motor Company A/S have been prepared for the first time in accordance with IFRS and related interpretations issued by the IASB, applying IFRS 1 First-Time Adoption of International Financial Reporting Standards.

The differences between the carrying amount of the assets and liabilities in the statement of financial position under the previously applied Danish GAAP and IFRS resulted in a different amount of equity at the date of transition to IFRS which was January 1, 2014. See Note 32 for additional information.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

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' functional currency. The effect of this remeasurement process is reported in *Cost of sales, Selling, administrative, and other expenses, and Other income/(expense), net*.

Trade Receivables

Trade receivables, recorded on our balance sheet in *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.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 5 years for leasehold improvements 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*.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefits (Continued)

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.

Curtailment 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 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*.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

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.

Management has developed and selected these critical accounting estimates which have been discussed with Ford Motor Company A/S' ultimate parent company. 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.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

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.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

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

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 Danish 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.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. NEW STANDARDS AND INTERPRETATIONS 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:

Amends	Description	Effective Date (a)
IAS 1 <i>Presentation of Financial Statements</i>	Disclosure Initiative - Presentation of Financial Statements	January 1, 2016
IAS 7 <i>Statement of Cash Flows</i>	Disclosure Initiative - Statement of Cash Flows	January 1, 2017
IAS 12 <i>Income Taxes</i>	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017

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

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.

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 new standard supersedes virtually all present guidance on revenue recognition, and requires the use of more estimates and judgments as well as additional disclosures. The IASB has issued several updates to the standard which i) defer the original effective date from January 1, 2017 to January 1, 2018, while allowing for early adoption; ii) clarify the application of the principal versus agent guidance; and iii) clarify the guidance on inconsequential and perfunctory promises and licensing. The new accounting standard will impact the timing of when certain arrangements are recognized as revenue as we move from a risk and rewards model to a control model. The new accounting standard is expected to have an impact to our income statement, balance sheet, and financial statement disclosures and we are reviewing our arrangements to evaluate the impact and method of adoption.

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,	
	2015	2014
Sales of new vehicles, parts, and accessories	2,710,026	2,375,565
Sales of vehicles previously leased under operating leases	—	—
Other	8,286	7,834
Total revenues	2,718,312	2,383,399

There are three dealers the Company made sales to in 2015 more than 10% of its total revenue, Andersen Biler A/S, Bjarne Nielsen A/S and Via Biler 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,	
	2015	2014
Purchase of new vehicles, parts and accessories	2,571,498	2,237,030
Depreciation	391	520
Warranty	31,291	38,423
Advertising	59,861	56,320
Other	47,250	47,444
Total cost of sales and selling, administrative, and other expenses	2,710,291	2,379,737

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,	
	2015	2014
Interest income	—	314
Interest expense	(3,000)	(1,808)
Total other interest expense and finance cost, net	(3,000)	(1,494)

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

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,	
	2015	2014
Commission	1,012	1,315
Total	1,012	1,315

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,	
	2015	2014
Cost of sales	(609)	(647)
Net foreign currency exchange gains/(losses)	(609)	(647)

NOTE 10. INCOME TAXES

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

	For the years ended December 31,	
	2015	2014
Current		
Current tax on profits for the year	(648)	(1,156)
Total current	(648)	(1,156)
Deferred		
Origination and reversal of temporary differences	1,837	3,384
Changes in tax losses carried forward	(2,560)	(3,166)
Valuation Allowance	723	(218)
Total deferred	—	—
Income tax benefit/(expense)	(648)	(1,156)

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 23.5%. Income tax paid during the years ended December 31, 2015 and 2014 were DKK 1,153,763 and DKK 41,200 respectively.

	For the years ended December 31,	
	2015	2014
Income before income taxes	6,033	3,483
Tax calculated at domestic tax rates applicable to profits (2015 - 23.5% and 2014 - 24.5%)	(1,418)	(853)
Tax effects of:		
Expenses/(Income) not (taxable)/deductible for tax purposes	(2)	(30)
Change in tax rates	49	(25)
Change in estimate related to prior years	—	(30)
Valuation allowances	723	(218)
Income tax benefit/(expense)	(648)	(1,156)
Effective tax rate	11%	33%

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. INCOME TAXES (Continued)

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

	For the years ended December 31,	
	2015	2014
Deferred tax assets	6,000	6,000
Deferred tax liability	—	—
Net deferred tax assets	6,000	6,000

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

	For the years ended December 31,	
	2015	2014
Deferred tax assets		
Tax losses carried forward	9,876	12,436
Dealer and customer claims	7,383	5,229
Reserve for doubtful debts	15	12
Compensation accruals	2,645	2,980
Deferred tax assets	19,919	20,657
Less: valuation allowance	(13,765)	(14,487)
Total deferred tax assets	6,154	6,170
Deferred tax liabilities		
Depreciation and amortization (excluding leasing transactions)	(154)	(170)
Total deferred tax liabilities	(154)	(170)
Net deferred tax assets	6,000	6,000

At December 31, 2015, Ford Motor Company A/S had pre-tax operating loss carry-forwards for income tax purposes in the amount of DKK 89,839,531. 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):

	For the years ended December 31,	
	2015	2014
Deferred tax assets		
Current portion	2,000	2,000
Non-current portion	4,000	4,000
Total deferred tax asset	6,000	6,000
Deferred tax liabilities		
Current portion	—	—
Non-current portion	—	—
Total deferred tax liabilities	—	—
Net deferred tax assets	6,000	6,000

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. TRADE AND OTHER RECEIVABLES

Trade and Other Receivables on our statement of financial position were as follows (in TDKK):

	December 31, 2015	December 31, 2014	January 1, 2014
Trade Receivables	4,978	2,460	1,639
Amounts owed by group undertakings	334,816	306,332	190,926
Amounts owed by joint venture of the ultimate parent company	22,583	26,462	32,674
Other	1,785	1,749	1,903
Total	<u>364,162</u>	<u>337,003</u>	<u>227,142</u>
	December 31, 2015	December 31, 2014	January 1, 2014
Current	363,240	336,111	226,114
Non-current	922	892	1,028
Total	<u>364,162</u>	<u>337,003</u>	<u>227,142</u>

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

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 252mils (2014: DKK 303mils). The deposit in the finance centre ranks subordinate in relation to the debt of the finance centre to Ford Motor Company Inc., to debt to certain other companies in the Ford Motor Company Inc. 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, 2015	December 31, 2014	January 1, 2014
Finished products	60,796	26,016	39,391
Total	<u>60,796</u>	<u>26,016</u>	<u>39,391</u>

There was no impairment of inventories for the years ended December 31, 2015 and 2014.

NOTE 13. OTHER ASSETS

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

	December 31, 2015	December 31, 2014	January 1, 2014
Prepayments	1,956	591	702
Total	<u>1,956</u>	<u>591</u>	<u>702</u>

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

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

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):

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

	For the year ended December 31, 2014		
	Leasehold improvements	Machinery, Equipment, and Other	Total
Cost			
Beginning balance	249	16,075	16,324
Additions	—	6,243	6,243
Disposals	—	(9,888)	(9,888)
Ending balance	249	12,430	12,679
Accumulated depreciation and impairment			
Beginning balance	(163)	(8,839)	(9,002)
Depreciation	(24)	(496)	(520)
Disposals	—	4,846	4,846
Ending balance	(187)	(4,489)	(4,676)
Total	62	7,941	8,003

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

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

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):

	Jurisdiction	Ownership Percentage	Investment Balance		
		December 31, 2014	December 31, 2015	December 31, 2014	January 1, 2014
Ford Motor Norge	Norway	100.0 %	25,732	25,732	25,732
Total			25,732	25,732	25,732

The investment in Ford Motor Norge 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 1m and DKK 763 thousand for the years ended December 31, 2015 and 2014, respectively.

Assumptions

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

	Pension Plans (Funded)	
	2015	2014
Weighted average assumptions used to measure our benefit obligations and plan assets at December 31		
Discount rate	— %	— %
Average rate of increase in compensation	— %	— %
Assumptions used to determine net benefit cost for the year ended December 31		
Discount rate	1.10 %	0.84 %

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)	
	2015	2014
Income/(Expense)		
Current service cost	4,880	6,107
Net expense/(income)	4,880	6,107
Remeasurements		
Return on plan assets (greater)/less than discount rate	5,342	1,581
(Gain)/loss from changes in financial assumptions	(4,972)	1,594
Experience (gains)/losses	(1,250)	(3,257)
Total remeasurements	(880)	(82)
Total	4,000	6,025

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)	
	2015	2014
Change in benefit obligation		
Benefit obligation at January 1	161,312	164,191
Current service cost	4,880	6,107
Interest expense	1,966	2,235
Plan participant contributions	349	363
Benefits paid	(8,679)	(9,921)
(Gain)/loss from change in financial assumptions	(4,972)	1,594
Experience (gains)/losses	(1,250)	(3,257)
Benefit obligation at December 31	<u>153,606</u>	<u>161,312</u>
Change in plan assets		
Fair value of plan assets at January 1	164,665	168,295
Interest income	2,006	2,291
Return on plan assets greater/(less) than discount rate	(5,342)	(1,581)
Company contributions	4,398	5,218
Plan participant contributions	349	363
Benefits paid	(8,679)	(9,921)
Fair value of plan assets at December 31	<u>157,397</u>	<u>164,665</u>
Total	<u>3,791</u>	<u>3,353</u>
Change in asset ceiling/minimum funding requirement		
Asset ceiling/minimum funding requirement at January 1	(3,353)	(4,104)
Change in asset ceiling, excluding amounts included in interest cost/(income)	(397)	807
Interest expense/(income)	(41)	(56)
Asset ceiling/minimum funding requirement at December 31	<u>(3,791)</u>	<u>(3,353)</u>
Total at December 31	<u>—</u>	<u>—</u>

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. EMPLOYEE BENEFITS (Continued)

Pension Plan Contributions

In 2015, we contributed DKK 4,397,407 to our fully funded pension plans (most of which were mandatory contributions). During 2016, we expect to contribute about DKK 6.8m from cash and cash equivalents.

Estimated Future Benefit Payments

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

	Pension Plans (Funded)
2016	9,082
2017	8,663
2018	8,244
2019	7,824
2020	7,405
2021-2025	28,650

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

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.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. ACCOUNTS PAYABLE

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

	December 31, 2015	December 31, 2014	January 1, 2014
Trade Payables	34,114	29,239	22,940
Amounts owed to group undertakings	119,849	110,906	91,252
Amounts owed to joint venture of the ultimate parent company	7,275	—	—
Social security and other taxes	40,130	34,290	40,899
Total	201,368	174,435	155,091

All accounts payable fall due within one year and the fair value is approximate to the carrying value.

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, 2015	December 31, 2014	January 1, 2014
Deferred Revenue	8,875	9,313	4,840
Social security and other taxes	49	90	62
Other	21,122	16,118	13,953
Total	30,046	25,521	18,855
Current portion	30,046	25,521	18,855
Non-current portion	—	—	—
Total	30,046	25,521	18,855

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.

NOTE 19 PROVISIONS

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

	December 31, 2015	December 31, 2014	January 1, 2014
Warranties	47,878	50,219	31,700
Dealer and customer claims	94,363	67,957	43,963
Other	—	—	—
Total	142,241	118,176	75,663
Current portion	93,077	68,479	43,801
Non-current portion	49,164	49,697	31,862
Total	142,241	118,176	75,663

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. PROVISIONS (Continued)

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.

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

	For the years ended December 31,	
	2015	2014
Beginning balance	50,219	31,700
Provisions made	44,914	38,800
Changes related to pre-existing provisions	(10,597)	6,651
Payments made	(36,662)	(26,967)
Accretion of discounting	4	35
Foreign currency translation and other	—	—
Ending balance	<u>47,878</u>	<u>50,219</u>
Current portion	4,820	5,762
Non-current portion	43,058	44,457
Total	<u>47,878</u>	<u>50,219</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,	
	2015	2014
Beginning balance	67,957	43,963
Provisions made	88,257	62,717
Changes related to pre-existing provisions	—	(414)
Payments made	(61,851)	(38,309)
Foreign currency translation and other	—	—
Ending balance	<u>94,363</u>	<u>67,957</u>
Current portion	88,257	62,717
Non-current portion	6,106	5,240
Total	<u>94,363</u>	<u>67,957</u>

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. CAPITAL STOCK

The number of Common Stock shares outstanding at December 31 were as follows:

	2015	2014
Beginning balance	900,000	900,000
Shares issued	—	—
Shares reacquired	—	—
Ending balance	900,000	900,000

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

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 millions):

	For the years ended December 31,	
	2015	2014
Pension and other postretirement benefits		
Beginning balance	—	—
Gains/(Losses) arising during the period	483	889
Less: Tax/(Tax benefit)	—	—
Other comprehensive income/(loss), net of tax	483	889
Reclassification to retained earnings, net of tax	(483)	(889)
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 37,105 and DKK 17,259 for the years ended December 31, 2015 and 2014, respectively.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

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, 2015 were as follows (in thousands):

	2016	2017	2018	2019	2020	Thereafter	Total
Land and Buildings	4,014	—	—	—	—	—	4,014
Machinery, Equipment and Office Furniture	282	14	—	—	—	—	296
	4,296	14	—	—	—	—	4,310

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

	2015	2014	2013
Land and Buildings	1,941	2,508	2,737
Machinery, Equipment and Office Furniture	214	121	49
	2,155	2,629	2,786

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.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 26. RELATED PARTIES TRANSACTIONS

Our related parties include group undertakings, joint ventures and key management personnel.

Transactions with our group undertakings and joint ventures

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,			
	2015		2014	
	Entities under the control of ultimate parent company	Joint ventures of the ultimate parent company	Entities under the control of ultimate parent company	Joint ventures of the ultimate parent company
Sales included in revenue	—	2,607,825	—	2,318,225
Purchases included in <i>Cost of sales</i>	2,571,498	—	2,237,030	—

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

	For the years ended December 31,			
	2015		2014	
	Entities under the control of ultimate parent company	Joint ventures of the ultimate parent company	Entities under the control of ultimate parent company	Joint ventures of the ultimate parent company
Accounts and notes receivable	339,880	36,845	306,332	27,541
Accounts and notes payable	119,964	2,096	110,297	609

Transactions with key management personnel

Compensation costs for key management personnel were as follows (in TDKK):

	For the years ended December 31,	
	2015	2014
Salaries and other short-term benefits	2,191	2,136
Retirement, and other post-employment and other long-term benefits	463	327
Share-based compensation	37	17
Other compensation	—	—
Total compensation	2,691	2,480

During the year the Directors did not exercise share options in the ultimate parent company (2014: 0 Directors) and 1 Director (2014: 1 Director) was eligible to receive shares in the ultimate parent company under the long term incentive programme.

There were no other transactions with key management personnel during 2015. Key management personnel are the Board of Directors. All transactions were on an arm's length basis.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 27. SEGMENT INFORMATION

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 and components.

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

	For the years ended December 31,	
	2015	2014
Revenue	2,718,312	2,383,399
Profit/ before income tax	6,033	3,483
Other disclosures:		
Depreciation	391	520
Interest expense	3,000	1,808
Interest income	—	314
Cash outflow for capital spending	6,622	6,243
Total assets	483,076	422,156

Employment costs

	For the years ended December 31,	
	2015	2014
Wages and salaries	23,813	22,077
Social security costs	105	97
Pension costs	5,315	5,895
Other	1,887	1,115
	31,120	29,184

Total number of employees for the years ended December 31, 2015 and 2014 were 48 and 45 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 (2014: DKK 643,675). Remuneration for provision of other services was split as follows: tax advisory (which included technical assistance with the tax return) was DKK 150,000 (2014: DKK 150,000) and assistance with pension related matters was DKK 220,000 (2014: 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 by our country of domicile, Denmark, and other countries, for the years ended December 31 were as follows: (in TDKK):

	December 31, 2015		December 31, 2014		January 1, 2014
	Revenues	Long-Lived Assets (a)	Revenues	Long-Lived Assets (a)	Long-Lived Assets (a)
Domestic	2,607,825	7,941	2,318,225	8,003	7,322
Iceland (Brimborg)	110,487	—	65,174	—	—
Total Company	2,718,312	7,941	2,383,399	8,003	7,322

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

NOTE 29. BUSINESS COMBINATIONS

No transactions were undertaken in 2015 that would qualify as Business Combinations.

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

No transactions were undertaken in 2015 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.

NOTE 32. IFRS FIRST-TIME ADOPTION

As stated in Note 1, these are the Company's first financial statements prepared in accordance with IFRS. The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2015, the comparative information presented in these financial statements for the year ended December 31, 2014 and in the preparation of an opening IFRS statement of financial position at January 1, 2014 (the Company's date of transition to IFRS).

In preparing its first IFRS financial statements in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the Company has applied the relevant mandatory exceptions and certain optional exemptions from full retrospective application of IFRS. Material optional exemptions applied by the Company are as follows:

- The Company has taken the IFRS 1 exemption to use the book values recorded in its ultimate parent company's consolidated IFRS financial statements in relation to Ford Motor Company A/S as the deemed cost for items of property, plant, and equipment.
- The Company applied the requirements of IFRS 2 *Share-based payment* only to share-based compensation awards that have not vested as at the date of transition.

FORD MOTOR COMPANY A/S
NOTES TO THE FINANCIAL STATEMENTS

NOTE 32. IFRS FIRST-TIME ADOPTION (Continued)

Effect of adoption of IFRS

In preparing its opening IFRS statement of financial position, the Company has made certain statement of financial position reclassifications and adjustments to amounts reported previously in financial statements prepared in accordance with Danish GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company's reported financial position and financial performance is set out in the following tables and the notes that accompany the tables. Transition from previous GAAP to IFRS did not result in significant changes to the Company's reported cash flows.

Reconciliation of equity was as follows (in TDKK):

	December 31, 2014	January 1, 2014
Total equity under Danish GAAP	180,915	182,644
Discounting (a)	32	324
Warranty (b)	32	—
Revenue (c)	—	(710)
Property, Plant and Equipment (d)	5	8
Investment (e)	(78,115)	(82,588)
Other	(1)	(2)
Taxation (g)	—	(41)
Total impact of transition to IFRS	(78,047)	(83,009)
Total equity under IFRS	102,868	99,635

Reconciliation of comprehensive income was as follows (in TDKK):

	For the year ended December 31, 2014
Comprehensive income under Danish GAAP	5,755
Discounting (a)	(292)
Warranty (b)	32
Revenue (c)	710
Property, Plant and Equipment (d)	(3)
Investment (e)	(3,011)
Pension (f)	(889)
Other	(1)
Taxation (g)	26
Total impact of transition to IFRS	(3,428)
Comprehensive income for the year under IFRS	2,327

- (a) Under Danish GAAP, provisions and other liabilities were recorded without adjusting for the time value of money. Under IFRS, provisions and other liabilities are recorded at the present value of the expenditure expected and/or required to be incurred to settle the obligation.
- (b) Release of additional warranty reserves not required under IFRS.
- (c) Under Danish GAAP revenue was recognised on sale of company service vehicles which were leased back. Under IFRS revenue is reversed on those vehicles. Additionally, revenue was previously recognised immediately on sale of core parts subject to return within 12 months. Under IFRS revenue is not recognised until the 12 month return period is lapsed.
- (d) Borrowing costs have been expensed previously under Danish GAAP but capitalised under IFRS.
- (e) IFRS one-time election taken to recognise investments at cost previously measured under the equity method. The exchange difference on remeasurement of Ford Motor Norge A/S's total assets have been previously recognised in equity.
- (f) Actuarial gains and losses on defined benefit obligation revalued under IFRS.
- (g) Taxation impact of the above changes.