ANNUAL REPORT 2018

VOLVO CAR DENMARK A/S

Approved at the company's annual general meeting
May 31st 2019
Chairman

Name: Karl Magnus Ragnmark

Volvo Car Denmark A/S
CVR-nr: 14 54 07 33
Lyskær 5
2730 Herlev

Table of contents

Company information	2
Management statement	3
Audit report	4
Management report	7
Income statement 2018	11
Balance sheet 31.12.2018	12
Changes in equity 2018	14
Notes	15
Accounting policies	18

Company information

Company
Volvo Car Denmark A/S
Lyskær 5
2730 Herlev

CVR-nr: 14 54 07 33
Residence: Herlev kommune

Phone: 70 11 27 00
Telefax: 44 73 44 06
Website: www.volvocars.dk

Board of Directors
Mats Rune Svensson (Chairman)
Karl Magnus Ragnmark
Svante Magnus Boman

Management
Svante Magnus Boman, CEO
Johan Edvin Olsson, CFO

Auditor
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
0900 København C

Management statement

The Board of Directors and the Executive Board have considered and approved the annual report for the the financial year January 1, 2018 – December 31, 2018 for Volvo Car Denmark A/S.

The annual report i presented in accordance with the Danish Financial Statements Act.

We believe that the financial statements give a true and fair view of the company's assets, liabilities and financial position as of December 31, 2018 and the result of the company's activities for the financial year January 1, 2018 – 31 December, 2018.

In our opinion, the management's statement contains a true and fair statement of the matters covered by the report.

The annual report is recommended for approval by the general meeting.

Herlev, May 31st, 2019

Management

Svante Magnus Boman CEO	Johan Edvin Olsson CFO

Board of Directors

Mats Rune Svensson Chairman	Karl Magnus Ragnmark	Svante Magnus Boman

To the shareholders of VOLVO CAR DENMARK A/S

Opinion

We have audited the financial statements of VOLVO CAR DENMARK A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 31.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Christian Sanderhage
State Authorised Public Accountant
Identification No (MNE) mne23347

Brian Schmit Jensen
State Authorised Public Accountant
Identification No (MNE) mne40050

Management report

Key figures and financial ratio

million kr.	2018	2017	2016	2015	2014
Key figures					
Net revenue	1220,9	843,5	701,4	567,2	502,5
Gross income	69,9	56,9	51,2	54,8	45,9
Operating income	6,3	5,6	4,8	7,3	5,1
Net financial loss	-0,5	-0,4	-0,4	-0,4	-0,3
Net profit of the year	**4,4**	**3,9**	**3,4**	**5,1**	**3,6**
Balance	249,1	230,4	171,5	142,9	113,8
Investments in property, plant and equipment	10,7	15,8	17,8	15,1	13,2
Equity	44,5	60,1	56,3	58,0	62,9
Financial ratio					
Gross margin	5,7%	6,7%	7,3%	9,7%	9,1%
Net margin	0,4%	0,5%	0,5%	0,9%	0,7%
Return on equity	9,8%	6,6%	5,9%	8,5%	5,8%
Solidity	17,9%	26,1%	32,8%	40,6%	55,2%

Key figures and financial ratios are define and calculated in accordance with the Danish Financial Analysts' Association's "Recommendations & Financial Ratios 2015".

Key figures	Calculation	Key figures definition
Gross margin (%)	<u>Gross profit x 100</u> Net revenue	The company's operating leverage.
Net margin (%)	<u>Profit for the year x 100</u> Net revenue	The company's operating profitability. .
Return on equity (%)	<u>Profit for the year x 100</u> Total assets	The company's return on the equity that the owners have invested in the company.
Solvency ratio (%)	<u>Equity x 100</u> Total assets	The company's financial strength.

Main activity

Volvo Car Denmark A / S main activity, like previous years, consisted of the import and sale of new Volvo passenger cars, as well as the sale of spare parts and other activities related to this in the Danish market.

Market overview

The total car market for passenger cars (registrations) decreased marginally in 2018 to 218,489 units, compared with 221,786 units in 2017.

The served segment, in which Volvo competes, developed stronger than the market in general with a 37% growth. We believe in a continued strong development of the premium and served segment driven by a generally increased demand for larger cars and an increasing share of leasing on the Danish market.

In 2018, Volvo cars achieved a total market share of 2,3 % compared with 1,5 % in 2017. This corresponds to 4,643 units, which is an increase of + 51,4 % from the previous year.

Volvo was also gaining served segment share in 2018 with 15,7 % versus 14,1 % last year.

Development in activities and economic conditions

The income statement show a net revenue for the company of DKK 1 220.9 million. which is an increase of 45 % compared to 2017. The improvement can largely be attributed to a larger number of cars sold and a positive sales mix.

The company's total profit after tax in 2018 is DKK 4.4 million. against DKK 3.9 million. in 2017, which is acceptable in relation to the market and competition situation.

Capital resources

The solvency ratio was 17,9 % at year-end 2018, compared with 26,1 % in 2017. The deterioration is primarily due to an increase in the company's balance sheet total and dividend paid to Volvo Car Corporation.

The development in the company's solvency must be considered acceptable, not least since the company is 100 % supported by Volvo Car Corporation, and Volvo Car Denmark's cash (via cash pool) exceeds the ongoing need.

Liquidity and working capital

The development in the company's current assets relative to the short-term debt is satisfactory. Equity at year-end 2018 was DKK 44 million. against DKK 60 million. in 2017. Liquidity at the end of 2018 was DKK 158 million.

Liquidity in the Volvo Car Corporation AB Group

The Group's business base consists of producing and selling Volvo cars and spare parts. The company is owned directly by the Swedish Volvo Car Corporation (Volvo Car Corporation / Volvo Car AB), which is owned by Zhejiang Geely Holding Group Co. Ltd.

The company has substantial cash and bank equivalents, most of which are located in a sister company (cash pool) in the VCC Group.

Strategy and objectives

Strategy

The company's short-term strategy is to continue to build on the volume increase achieved in 2018. This growth is expected to be achieved through retained customer loyalty and the introduction of new customers through gaining market share from competitors in existing segments.

Furthermore, the development of the positive trend in customer satisfaction continues with both product and sales and service. Finally, it is the company's goal to develop and optimize the dealer network both in terms of finances and facilities.

Goals and expecations for the coming year

The expectation for Volvo's sales is an increased market share within the segments in which Volvo operates.

Research and development

The company has no actual research and development activities. These are handled centrally within the Volvo Car Corporation. The company does have employees working with research and development, but these costs are invoiced to Volvo Car Corporation.

Intellectual capital

It is essential for the company to attract and retain competent employees; therefore, significant resources are invested in enhancing the competences of the company's employees at all levels. It is the company's policy and objective that all employees should develop in their jobs.

Our approach to sustainability

Volvo Car Denmark A/S is part of Volvo Cars' Global Sustainability Initiative 'Omtanke'. It is about minimizing the negative effects of our business and even creating positive changes through our activities. This involves minimizing the environmental impacts of our own activities, as well as promoting the health of the employees of Volvo Cars, and ensuring a working environment that supports diversity and inclusion. This is reflected in our promises to achieve sustainability:

• Take Resource efficient business: Climate neutral business operations in 2025
• Sustainable work environment: No one should die or be seriously injured at Volvo Cars
• Diversity and inclusive work culture: 35% internationally selected leaders & 35% female managers by 2020

For the statutory statement on corporate social responsibility for 2018, reference is therefore made to the Group's reporting.
https://investors.volvocars.com/annualreport2018/res/pdf/VCG_AR_2018_ENG_20190325_hi-res.pdf

Statement of the gender composition of management

The company has set a target figure for the proportion of the under-represented gender on the board of directors of 35 %, which is sought to be achieved by 2020. At the end of 2018, the board of directors consists of three men. The target figure has not yet been achieved, which is due to the fact that it has been recently established.

Since the company has less than 50 employees, no special policy has been set for the under-represented gender in the other management teams.

Uncertainty regarding recognition and measurement

The annual report has not been subject to any uncertainty regarding recognition and measurement.

Unusual circumstances

There have been no unusual circumstances in 2018.

Special risks

Market risks
The Danish market and the Danish government's policy on taxes and duties make it difficult to plan the company's long-term goals in absolute terms. We expect the total industry volume to be flat year over year, but the segments in which Volvo operates are forecasted to develop positively in relation to the total market. This segment growth is expected to give the business a volume increase, even at the current market share. However, Volvo have, as mentioned earlier, also the ambition to gain market share from competitors during the year, which we expect to boost sales further.

Currency risks
There are no currency risks as settlement takes place in DKK. The company's deposits and balances are variable.

Credit risks
In addition to group companies, the company has no risks related to a single customer or business partner.

Subsequent events
Volvo Car Corporation has decided in Q1 2019 that they will close the R&D Copenhagen office located in Sydhavnen – the department of which Volvo Car Denmark A/S handles the administration on behalf of VCC (See note 5 & 6).

Income statement 2018

	Note	Volvo Car Denmark A/S	
		2018	**2017**
	Note	**kr.**	**kr.**
Net revenue	1	1 220 938 894	843 504 556
Production costs		-1 151 040 462	-786 634 102
Gross income		**69 898 431**	**56 870 454**
Distribution costs	2	-50 262 276	-38 948 328
Administrative costs	2, 3	-15 445 037	-14 062 710
Other operating income	5	26 625 417	22 949 130
Other operating costs	2, 4, 6	-24 556 342	-21 192 056
Operating income		**6 260 193**	**5 616 490**
Other financial income	7	203 480	203 514
Other financial costs	8	-721 035	-586 305
Income before tax		**5 742 638**	**5 233 700**
Income tax	9	-1 374 257	-1 362 228
Net profit for the year	10	**4 368 381**	**3 871 472**

Balance sheet 31.12.2018

	Note	Volvo Car Denmark A/S 31/12 2018 kr.	31/12 2017 kr.
ASSETS			
Fixed assets			
Property, plant and equipment		5 603 438	16 515 867
Improvment leasehold		70 114	15 542
Tangible assets	11	**5 673 552**	**16 531 409**
Other receivables		1 519 799	1 206 455
Financial assets	12	**1 519 799**	**1 206 455**
Fixed assets		**7 193 351**	**17 737 864**
Current assets			
Manufactured goods and commodities		29 014 393	18 441 537
Inventories		**29 014 393**	**18 441 537**
Receivables from sales and services		45 389 177	79 337 533
Receivables from group companies		6 536 696	7 050 017
Other receivables		3 138 843	1 933 987
Receivables		**55 064 716**	**88 321 537**
Cash and bank		**157 843 792**	**105 910 970**
Current assets		**241 922 901**	**212 674 045**
ASSETS		**249 116 253**	**230 411 909**

Balance pr. 31.12.2018

		Volvo Car Denmark A/S	
	Note	31/12 2018 kr.	31/12 2017 kr.
LIABILITIES			
Share capital	13	20 000 000	20 000 000
Retained earnings		20 122 716	20 122 335
Proposed dividend		4 368 000	20 000 000
Total equity		**44 490 716**	**60 122 335**
Provision for deferred tax	9	54 521	2 477 807
Other provisions	14	831 022	2 057 044
Provisions		**885 543**	**4 534 851**
Accounts payable		32 127 509	24 966 965
Liabilities to group companies		145 291 181	108 319 905
Income tax liability		2 738 270	787 892
Other liabilities	15	23 583 034	31 679 961
Current liabilities		**203 739 994**	**165 754 723**
Current liabilities		**203 739 994**	**165 754 723**
LIABILITIES		**249 116 253**	**230 411 909**
Non-recognised rental and leasing obligations	16		
Contingent liabilities	17		
Pledge and collateral	18		
Related parties	19		
Transactions with related parties	20		
Ownership	21		
Group relationship	22		

Changes in equity 2018

Volvo Car Denmark A/S

	Share capital kr.	Transfered profit/loss kr.	Propsed dividend for the financial year kr.	Total kr.
Balance at January 1, 2018	20 000 000	20 122 335	20 000 000	60 122 335
Dividends paid	0	0	-20 000 000	-20 000 000
Net income	0	381	4 368 000	4 368 381
Balance at December 31, 2018	**20 000 000**	**20 122 716**	**4 368 000**	**44 490 716**

Notes

1. Net revenue allocated to geographical markets

	2018 kr. Denmark	Other	Total	2017 kr. Denmark	Other	Total
Cars	1 061 178 786	0	1 061 178 786	712 071 797	0	712 071 797
Parts	156 895 964	2 864 144	159 760 108	129 220 473	2 212 285	131 432 758
	1 218 074 750	**2 864 144**	**1 220 938 894**	**841 292 271**	**2 212 285**	**843 504 556**

2. Employees and remuneration	**2018 kr.**	**2017 kr.**
Wages, salaries and other remunerations	30 254 945	27 640 453
Pension expenses	2 755 403	2 378 093
Social security expenses	442 469	306 730
Other personnel costs	1 709 951	1 265 981
	35 162 768	**31 591 257**
Average number of employees	38	34

	Remuneration 2018
Executive remuneration	3 065 885
	3 065 885

Included in the remuneration of 3 065 885 kr are 637 973 kr which are paid by a Group company.
In accordance to ÅRL 98 paragraph 3, the specification of remuneration to the Executive Board for 2017 is left out.

3. Audit fees		
Audit fees	377 190	348 788
Other assurance services	0	55 742
Tax services	71 800	46 047
Other services	260 994	108 800
	709 984	**559 377**

4. Depreciation and write downs		
Depreciation, tangible assets	3 229 841	3 457 747
Loss/gain on sale of tangible assets	-3 540 228	-4 917 201
	-310 387	**-1 459 453**

5. Other operating income
Volvo Car Denmark A/S has been asked by VCC to handle the administration of a department under VCC R&D
The department is located in Copenhagen and consist of 17 employees who are part of the company's staff.
Other operating income includes the income from this department.

6. Other operating costs
Volvo Car Denmark A/S has been asked by VCC to handle the administration of a department under VCC R&D
The department is located in Copenhagen and consist of 17 employees who are part of the company's staff.
Other operating costs include the costs from this department.
Staff costs from the department's employees are included in note 2.

	2018 kr.	**2017 kr.**
7. Other financial income		
Financial income from group companies	41 841	99 974
Other interest income	52 119	102 041
Other financial income	103 225	1 500
Price adjustments	6 295	0
	203 480	**203 514**

Notes

	2018	2017
	kr.	kr.
8. Other financial costs		
Financial costs from group companies	703 117	534 568
Other financial costs	17 918	37 339
Price adjustments	0	14 398
	721 035	**586 305**
9. Tax on profit		
Current income tax for the year	3 797 544	969 892
Deferred taxes	-2 423 287	392 336
Regulation regarding previous years	0	0
	1 374 257	**1 362 228**
Net book value of deferred taxes at January 1	2 477 807	2 085 471
Deferred tax income/expense recognised through the income statement	-2 423 287	392 336
Net book value of deferred taxed at December 31	**54 520**	**2 477 807**
10. Profit allocation		
Proposal by the board as follows:		
Net profit for the year	381	-16 128 528
Proposed dividend	4 368 000	20 000 000
	4 368 381	**3 871 472**

11. Tangible assets	**Property, plant and equipment**	**Improvement leasehold**
Aquisition cost, balance at January 1, 2018	19 029 361	682 803
Additions	10 665 865	61 171
Disposals	-22 709 408	0
Aquisition cost, balance at December 31, 2018	**6 985 818**	**743 974**
Accumulated depreciation and write downs, balance at January 1, 2018	-2 513 494	-667 261
Depreciation and write down	-3 223 242	-6 599
Disposals	4 354 357	0
Accumulated depreciation and write downs, balance at December 31, 2018	**-1 382 380**	**-673 861**
Net balance at December 31, 2018	**5 603 438**	**70 114**

12. Financial fixed assets	**Other receivables**
Balance at January 1, 2018	1 206 455
Additions	313 344
Balance at December 31, 2018	**1 519 799**
Net balance at December 31, 2018	**1 519 799**

Notes

13. Company capital

	Number of shares	Nominal value	Rated value
Share capital	20 000	1 000	20 000 000
	20 000	**1 000**	**20 000 000**

There has not been any changes in the company's capital over the past five financial years.

14. Other provisions
Other provisions are recognized as the best estimate of the costs necessary to settle the obligations towards the company's distributors per the balance sheet date.

15. Other liabilities	**31/12 2018**	**31/12 2017**
	kr.	**kr.**
VAT and taxes	19 414 646	26 289 290
Wages, A-tax, social contributions etc.	4 168 388	5 390 671
	23 583 034	**31 679 961**

16. Non-recognised rental and leasing obligations
The company has entered into the following binding agreements that are not recognized in the balance sheet:

The company has entered into a lease contract at Lyskær 5, 2730 Herlev, where the total obligation in the non-cancellation period of 6 months for the parking and 9 months for the office that amounts to 757 t.kr. (2017: 765 t.kr.).

The company has entered into a lease agreement on AC Meyers Vænge 15, 2450 Copenhagen name SV, where the total obligation in the non-cancellation period of 6 months amounts to 573 t.kr. (2017: 534 t.kr.).

The company has entered into a lease agreement with Nordania Finans A/S regarding leasing of cars, where the total obligation in the non-cancellation period of 4 months amounts to 2 823 t.kr. (2017: 0 kr.).

Warranty obligations regarding factory guarantee are recognized in the same way as in previous years, and in accordance with the group's accounting practices and are not included in the company's financial statments. Costs for this are reimbursed by the parent company.

17. Contingent liabilities
The company has a duty to recover leasehold in case of termination of contract 1 020 t.kr. (1 006 t.kr.)

18. Pledge and collateral
The company has deposited 500 t.kr. (2017: 200 t.kr.) with SKAT for collateral for balances with the tax authorities.
The debt relating to this collateral includes a registration fee of 0 kr. (2017: 1.966 t.kr.)

19. Related parties
Related party with controlling influence:
Volvo Car Corporation, Göteborg, Sverige, main shareholder

20. Transactions with related parties
Management remuneration of 637 973 kr included in note 2 has been fully paid by a Group company, why these transactions are not on market terms. Regarding all other transactions during the financial year, there has not been any transactions with related parties that were not made on market terms

21. Ownership
The company has registered the following shareholders with more than 5 % of the share capital's voting rights or face value:

Volvo Car Corporation Göteborg, Sverige, main shareholder

22. Group relationship
Name and residence of the parent company, which prepares consolidated financial statments for the largest group:
Zheijang Geely Holding Group, China

Name and residence of the smallest group:
Volvo Car Corporation Göteborg, Sverige

Accounting policies

Classifications

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act for class C (large).

Generally about recognition and measurement

Assets are recognized in the balance sheet when, as a result of an earlier event, future economic benefits are likely to accrue to the company and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when, as a result of an earlier event, the company has a legal or constructive obligation and it is probable that the future economic benefits will flow from the company and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Measurement after initial recognition takes place as described for each individual item below.

Recognition and measurement take into account predictable risks and losses that arise before the annual report is presented and which confirm or invalidate circumstances that existed at the balance sheet date.

Income is recognized in the income statement as it is earned, while costs are recognized in the amounts relating to the financial year.

Foreign currency transactions

Foreign currency transactions are initially valued at the exchange rate on the transaction date. Receivables, payable and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are valued at the exchange rate at the balance sheet date. Exchange rate differences arising between the exchange rate on the transaction date and the exchange rate on the date of payment and the balance sheet date, respectively, are recognized in the income statement as financial items. Tangible and intangible assets, inventories and other non-monetary assets purchased in foreign currencies are valued at historical rates

Income statement

Net revenue

Revenue from the sale of merchandise and finished goods is recognized in the income statement when delivery and risk transfer to the buyer have taken place. Revenue is recognized exclusive of VAT, taxes and discounts in connection with the sale and is measured at the sales value of the stipulated consideration.

Production costs

Production costs comprise the consumption of goods during the financial year, including usual inventory write-downs, and other costs incurred to achieve the net revenue for the financial year.

Distribution costs

Distribution costs include the costs of selling and distributing the company's products, including salaries to sellers, advertising costs, travel and representation costs, etc. as well as depreciation and write-downs of intangible and tangible fixed assets associated with the distribution process.

Accounting policies

Administrative costs
Administrative costs consists of cost relating to the company's administrative functions, including salaries for employees in administration and management, office expenses, write-downs of receivables and depreciation and write downs of intangible and tangible fixed assets used in the administration of the company.

Other operating income
Other operating income includes income of a secondary nature in relation to the company's main activity.

Other operating costs
Other operating costs include costs of a secondary nature in relation to the company's main activity.

Income from investments in subsidiaries
Income from investments in subsidiaries include the proportionate share of the individual subsidiaries' profit after full elimination of internal profits and losses.

Other financial income
Other financial income consists of interest income, including interest income from receivables from subsidiaries, net exchange gains on securities, debt and foreign currency transactions, amortization of financial income an remuneration under the aconto tax system, etc.

Other financial costs
Other financial costs consist of interest expenses, including interest expenses from debt to group companies, net loss on securities, debt and foreign currency transactions, amortization of financial liabilities and supplements under the aconto tax system, etc.

Tax
The tax of the year, which consists of the current tax for the year and a change in deferred tax, is recognized in the income statement with the part attributable to the profit for the year and directly on equity with the part attributable to entries directly on equity.

The company is jointly taxed with its Danishsister companies. The current Danish corporation tax is distributed among the jointly taxed companies in proportion to their taxable income (full distribution with reimbursement regarding tax losses).

Balance sheet

Tangible fixed assets
Other plants, property and equipment are measured at cost less accumulated depreciation and write down.

The cost comprises the acquisition price, costs directly related to the acquisition start-up cost for the asset until the time when the asset is ready for use. For proprietary assets, cost comprises direct and indirect costs for materials, components, subcontractors and salaries.

Indirect costs in the form of indirectly attributable personnel costs and amortization of intangible and tangible fixed assets used in the manufacturing process are recognized in the cost price based on the hourly consumption of the individual asset.

Accounting policies

The basis for depreciation is the cost price less the expected residual value after the useful life. Linear depreciation is made based on the following assessment of the expected useful lives of the assets:

Other plants, operating equipment and fixtures	5-9 years
Leasehold improvements	5 years

For leasehold improvements, the depreciation period amounts to a maximum of the contract period.
Tangible fixed assets are written down to recoverable amount, if this is lower than the carrying amount.

The amortization period and residual value are reassessed annually.

Receivables
Receivables are measured at amortized cost, which usually corresponds to nominal value, less any write-downs to meet expected losses.

Tax liability and receivable
Current tax liabilities or current tax receivable are recognized in the balance sheet as calculated tax on the year's taxable income, which is regulated for paid tax aconto.

Deferred tax
Deferred tax is recognized on all temporary differences between the accounting and tax values of assets and liabilities, where the tax value of the assets is calculated on the basis of the planned use of the individual asset.

Deferred tax assets, including the tax value of taxable loss carryforwards, are recognized in the balance sheet at the value that the asset is expected to be realized, either by off-set against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at cost, calculated according to the FIFO method, or net realizable value, where this is lower.

The cost price for merchandise comprises the purchase price plus home delivery costs.

The net realizable value of inventories is calculated as the expected sales price less completion costs and costs to be incurred to effect the sale.

Cash and bank

Cash and bank include bank deposits.

Accounting policies

Other provisions
Other provisions include expected costs for guarantee commitments.

Other provisions are recognized and measured as the best estimate of the costs required to settle the liabilities at the balance sheet date. Provisions with an expected maturity exceeding one year from the balance sheet date are measured at discounted value.

Warranty obligations include obligations to repair defects within the warranty period.

Other financial liabilities
Other financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

Operating leases

Leasing payments for operating leases are recognized on a straight-line basis in the income statement over the lease term.

Cash flow statement

The cash flow statement for the company is included in the consolidated financial statements of Geely Sweden Holding AB and can therefore, with reference to § 82 §86. 4 be omitted.