



ANNUAL REPORT 2020

VOLVO CAR DENMARK A/S



Approved at the company's annual general meeting
May 31th 2021
Chairman

Name: Mats Rune Svensson

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

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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

Sarka Heyna Fuchsova

Management

Sarka Heyna Fuchsova, CEO

Jakob Moberg, 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 financial year January 1, 2020 – December 31, 2020 for Volvo Car Denmark A/S.

The annual report is 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, 2020 and the result of the company's activities for the financial year January 1, 2020 – 31 December, 2020.

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, 2021

Management

Sarka Heyna Fuchsova
CEO

Jakob Moberg
CFO

Board of Directors

Mats Rune Svensson
Chairman

Karl Magnus Ragnmark

Sarka Heyna Fuchsova

To the shareholder of VOLVO CAR DENMARK A/S

Opinion

We have audited the financial statements of VOLVO CAR DENMARK A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity 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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 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 judgment 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, 31.05.2021

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

| Millions kr. | 2020 | 2019 | 2018 | 2017 | 2016 |
|--------------|------|------|------|------|------|
|--------------|------|------|------|------|------|

Key figures

| | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|
| Net revenue | 1 347,5 | 1 460,7 | 1 220,9 | 843,5 | 701,4 |
| Gross income | 61,5 | 64,2 | 69,9 | 56,9 | 51,2 |
| Operating income | 6,4 | 7,5 | 6,3 | 5,6 | 4,8 |
| Net financial loss | -0,8 | -1,1 | -0,5 | -0,4 | -0,4 |
| Net profit of the year | 4,0 | 4,8 | 4,4 | 3,9 | 3,4 |

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Balance | 404,9 | 365,0 | 249,1 | 230,4 | 171,5 |
| Investments in property, plant, and equipment | - | 10,7 | 10,7 | 15,8 | 17,8 |
| Equity | 48,9 | 20,1 | 44,5 | 60,1 | 56,3 |

Financial ratio

| | | | | | |
|------------------|-------|-------|-------|-------|-------|
| Gross margin | 4,6% | 4,4% | 5,7% | 6,7% | 7,3% |
| Net margin | 0,3% | 0,3% | 0,4% | 0,5% | 0,5% |
| Return on equity | 8,1% | 0,0% | 9,8% | 6,6% | 5,9% |
| Solvency | 12,1% | 12,3% | 17,9% | 26,1% | 32,8% |

Key figures and financial ratios are defined and calculated in accordance with CFA Society Denmark's Recommendations & Ratios.

Key figures

Calculation

Key figures definition

Gross margin (%)

$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$

The company's operating leverage.

Net margin (%)

$\frac{\text{Profit for the year} \times 100}{\text{Net revenue}}$

The company's operating profitability.

Return on equity (%)

$\frac{\text{Profit for the year} \times 100}{\text{Total assets}}$

The company's return on the equity that the owners have invested in the company.

Solvency ratio (%)

$\frac{\text{Equity} \times 100}{\text{Total assets}}$

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 in 2020 to 198,114 units, compared with 225,589 units in 2019.

The served segment, in which Volvo competes, decreased with 2% from 29,952 units to 29,361 units which is less than the total market.

In 2020, Volvo cars achieved a total market share of 2,50% compared with 2.46 % in 2019 (excluding Faroe Island and LCV sales). This corresponds to 4 949 units, which is a decrease of -10,65% from the previous year (5 539 units).

Volvo's served segment share saw a slight decline in 2020 with 14,90 % versus 14,97 % last year.

Development in activities and economic conditions

The income statement shows a net revenue for the company of DKK 1 347.5 million which is a decrease of 8 % compared to 2019. The decline can be attributed to consequences of the COVID-19 pandemic, with fewer cars sold compared to 2019 as well as lower revenue from spare parts.

The company's total profit after tax in 2020 is DKK 3.9 million against DKK 4.8 million in 2019, which is acceptable in relation to the market and competition situation.

Capital resources

The solvency ratio was 12,1% at year-end 2020, compared with 12,3 % in 2019.

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 2020 was DKK 48.9 million against DKK 45 million in 2019. Liquidity at the end of 2020 was DKK 358 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 the last 5 years. 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 with emphasis on electrified segments such as Plug-in hybrids and fully electric cars.

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 expectations for the coming year

The expectation for Volvo's sales is an increased market share within the segments in which Volvo operates. With a total market that is being impacted by Covid-19 restrictions as well as supply constraints due to semi-conductors Volvo's goal for 2021 is in the range of 5500 to 6000 cars.

Research and development

The company has no actual research and development activities. These are handled centrally within the 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 corporate social responsibility

Volvo Car Denmark A/S is part of Volvo Car Group's commitments to corporate social responsibility. As such, we work towards contributing to a better society and protecting people and our planet by creating partnerships for sustainable development and promoting traffic safety in the car industry together with local and international organisations. We also encourage responsible business practices throughout our value chain by promoting ethical leadership and human rights.

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 2020, reference is therefore made to the Group's reporting.

https://investors.volvocars.com/annualreport2020/assets/pdf/VCG_ENG_2020_web_20210317.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 was closed to being achieved in 2020. At the end of 2020, the board of directors consists of two men and one woman.

Since the company has less than 50 employees, no special policy has been set for the under-represented gender in the other management teams. Of the company's total 24 employees 8 are women and 16 are men. To achieve a more balanced age and gender representation we seek to gain a large selection of candidates in all recruitment processes with candidates representing a wide spectrum of gender, age & ethnicity. We are committed to achieving a balanced working environment with employees with different background, capabilities, and competencies.

Uncertainty regarding recognition and measurement

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

Unusual circumstances

Unusual circumstances in 2020 has been the impact on a global and national level of the COVID-19 pandemic. Automotive sales have plummeted in many markets and Denmark has not been unharmed as a consequence of lockdowns and economic instability. Moreover, new driving patterns have emerged because of working from home policy's and changed travel behaviour. As a result, both new car sales, parts and damage repair business have been affected.

Special risks

Market risks

The Danish government has updated the tax policy for passenger cars in the end of 2020 and consequently changed the competitiveness of Volvo and competition's products. Overlooking the full consequences of the tax scheme change and reaction from the industry are still unclear and could pose a risk for the automotive industry in the short to mid-term. In the mid to long term Volvo expects to have an attractive product offering in line with the Danish tax scheme policy for cars and have a competitive advantage.

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

No other subsequent events have occurred

Income statement 2020

| | | Volvo Car Denmark A/S | |
|--------------------------------|---------|-----------------------|---------------------|
| | Note | 2020 tkr. | 2019 tkr. |
| Net revenue | 1 | 1 347 496 | 1 460 725 |
| Production costs | | <u>-1 286 016</u> | <u>-1 396 529</u> |
| Gross income | | 61 481 | 64 196 |
| Distribution costs | 2, 3, 4 | -38 245 | -42 572 |
| Administrative costs | 2, 3, 4 | -16 834 | -16 312 |
| Other operating income | 5 | 31 | 21 826 |
| Other operating costs | 6 | <u>-37</u> | <u>-19 681</u> |
| Operating income | | 6 395 | 7 457 |
| Other financial income | 7 | 254 | 51 |
| Other financial costs | 8 | <u>-1 067</u> | <u>-1 106</u> |
| Income before tax | | 5 582 | 6 402 |
| Income tax | 9 | <u>-1 626</u> | <u>-1 581</u> |
| Net profit for the year | 10 | <u>3 957</u> | <u>4 821</u> |

Balance sheet 31.12.2020

| | | Volvo Car Denmark A/S | |
|-------------------------------------|------|-----------------------|----------------|
| | Note | 2020 tkr. | 2019 tkr. |
| ASSETS | | | |
| Fixed assets | | | |
| Property, plant and equipment | | 233 | 0 |
| Improvement leasehold | | 43 | 50 |
| Tangible fixed assets | 11 | <u>276</u> | <u>50</u> |
| Other receivables | | 1 011 | 836 |
| Financial fixed assets | 12 | <u>1 011</u> | <u>836</u> |
| Fixed assets | | <u>1 287</u> | <u>886</u> |
| Current assets | | | |
| Manufactured goods and commodities | | 4 581 | 22 755 |
| Inventories | | <u>4 581</u> | <u>22 755</u> |
| Receivables from sales and services | | 37 127 | 40 716 |
| Receivables from group companies | | 2 717 | 3 632 |
| Deferred tax assets | | 220 | 1 010 |
| Other receivables | | 722 | 1 341 |
| Receivables | | <u>40 785</u> | <u>46 699</u> |
| Cash and bank | 13 | <u>358 220</u> | <u>294 660</u> |
| Current assets | | <u>403 586</u> | <u>364 114</u> |
| ASSETS | | <u>404 873</u> | <u>365 000</u> |

Balance sheet 31.12.2020

| | | Volvo Car Denmark A/S | |
|---|------|-----------------------|----------------|
| | Note | 2020 tkr. | 2019 tkr. |
| LIABILITIES | | | |
| Share capital | 14 | 20 000 | 20 000 |
| Retained earnings | | 4 900 | 24 943 |
| Proposed dividend | | 24 000 | 0 |
| Total equity | | 48 900 | 44 943 |
| Other provisions | 15 | 9 226 | 3 134 |
| Provisions | | 9 226 | 3 134 |
| Other non-current liabilities | | 1 543 | 508 |
| | | 1 543 | 508 |
| Accounts payable | | 21 308 | 29 913 |
| Liabilities to group companies | | 260 799 | 242 425 |
| Income tax liability | | 805 | 2 380 |
| Other liabilities | 16 | 62 292 | 41 697 |
| Current liabilities | | 345 204 | 316 415 |
| Current liabilities | | 345 204 | 316 414 |
| LIABILITIES | | 404 873 | 365 000 |
| Non-recognised rental and leasing obligations | 17 | | |
| Contingent liabilities | 18 | | |
| Pledges and collateral | 19 | | |
| Ownership and controlling influence | 20 | | |
| Related party transactions | 21 | | |

Changes in equity 2020

| | Share capital kr. | Transferred profit/loss kr. | Proposed dividend for the financial year kr. | Total kr. |
|-------------------------------------|----------------------|-----------------------------------|---|---------------|
| Balance at January 1, 2020 | 20 000 | 24 943 | 0 | 44 943 |
| Net income | 0 | -20 043 | 24 000 | 3 957 |
| Balance at December 31, 2020 | 20 000 | 4 900 | 24 000 | 48 900 |

Notes

1. Net revenue allocated to geographical markets

| | 2020 | | | 2019 | | |
|-------|------------------|--------------|------------------|------------------|--------------|------------------|
| | Denmark | Other | Total | Denmark | Other | Total |
| Cars | 1 188 466 | 0 | 1 188 466 | 1 279 322 | 0 | 1 279 322 |
| Parts | 155 269 | 3 761 | 159 030 | 178 295 | 3 108 | 181 403 |
| | <u>1 343 735</u> | <u>3 761</u> | <u>1 347 496</u> | <u>1 457 617</u> | <u>3 108</u> | <u>1 460 725</u> |

2. Employees and remuneration

| | 2020 | 2019 |
|--|---------------|---------------|
| | tkr. | tkr. |
| Wages, salaries, and other remunerations | 15 738 | 29 966 |
| Pension expenses | 1 241 | 2 130 |
| Social security expenses | 398 | 492 |
| Other personell costs | 1 690 | 2 172 |
| | <u>19 067</u> | <u>34 761</u> |
| Average number of employees | <u>19</u> | <u>31</u> |

Remuneration

| | 2020 | 2019 |
|------------------------|--------------|--------------|
| Executive remuneration | 4 317 | 3 570 |
| | <u>4 317</u> | <u>3 570</u> |

3. Audit fees

| | 2020 | 2019 |
|----------------|------------|------------|
| Audit fees | 360 | 278 |
| Tax services | 179 | 85 |
| Other services | 65 | 336 |
| | <u>604</u> | <u>699</u> |

4. Depreciation and write downs

| | 2020 | 2019 |
|--------------------------------------|-----------|-----------|
| Depreciation, tangible assets | 66 | 252 |
| Loss/gain on sale of tangible assets | 0 | -235 |
| | <u>66</u> | <u>17</u> |

5. Other operating income

Volvo Car Denmark A/S has historically handled the administration of a department organizing under Volvo Car Corporation's (VCC) central R&D function in Sweden. The department has been located in Copenhagen and consisted of 20 employees who were part of the company's staff. Volvo Car Corporation did however decide in Q1 2019 that they intended to close the R&D Copenhagen office located in Sydhavnen. By September 30th 2019 the office was closed and all employees related to this office terminated.

Other operating income includes a small income that is related to this department.

6. Other operating costs

Volvo Car Denmark A/S has historically handled the administration of a department organizing under Volvo Car Corporation's (VCC) central R&D function in Sweden. The department has been located in Copenhagen and consisted of 20 employees who were part of the company's staff. Volvo Car Corporation did however decide in Q1 2019 that they intended to close the R&D Copenhagen office located in Sydhavnen. By September 30th 2019 the office was closed and all employees related to this office terminated.

Other operating cost includes a small cost that is related to this department.

| | 2020 | 2019 |
|---|--------------|---------------|
| | tkr. | tkr. |
| 7. Financial income | | |
| Financial income from group companies | 201 | 7 |
| Other financial income | 0 | 1 |
| Price adjustments | 53 | 43 |
| | <u>254</u> | <u>51</u> |
| 8. Financial costs | | |
| Financial costs from group companies | 973 | 994 |
| Other financial costs | 7 | 24 |
| Price adjustments | 87 | 88 |
| | <u>1 067</u> | <u>1 106</u> |
| 9. Tax on profit | | |
| Current income tax for the year | 837 | 2 562 |
| Deferred taxes | 789 | -1 064 |
| Regulation regarding previous years | 0 | 83 |
| | <u>1 626</u> | <u>1 581</u> |
| Net book value of deferred taxes at January 1 | -1 009 | 55 |
| Deferred tax income/expense recognised through the income statement | 789 | -1 064 |
| Net book value of deferred taxed at December 31 | <u>-220</u> | <u>-1 009</u> |
| 10. Profit allocation | | |
| Proposal by the board as follows: | | |
| Net profit for the year | -20 043 | 4 821 |
| Proposed dividend | 24 000 | 0 |
| | <u>3 957</u> | <u>4 821</u> |

| 11. Tangible assets | 2020 | 2019 |
|--|-------------------|-----------------|
| | tkr. | tkr. |
| Property, plant, and equipment | | |
| Acquisition cost, balance at January 1 | 0 | 6 986 |
| Additions | 291 | 0 |
| Disposals | 0 | -6 986 |
| Acquisition cost, balance at December 31 | <u>0</u> | <u>0</u> |
| Accumulated depreciation and write downs, balance at January 1 | 0 | -1 382 |
| Depreciation and write down | -58 | -243 |
| Disposals | 0 | 1 625 |
| Accumulated depreciation and write downs, balance at December 31 | <u>0</u> | <u>0</u> |
| Net balance at December 31 | <u>233</u> | <u>0</u> |

| | | |
|--|------------------|------------------|
| Improvement leasehold | | |
| Acquisition cost, balance at January 1 | 725 | 744 |
| Additions | 0 | 0 |
| Disposals | 0 | -19 |
| Acquisition cost, balance at December 31 | <u>725</u> | <u>725</u> |
| Accumulated depreciation and write downs, balance at January 1 | -675 | -674 |
| Depreciation and write down | -8 | -10 |
| Disposals | 0 | 9 |
| Accumulated depreciation and write downs, balance at December 31 | <u>-683</u> | <u>-675</u> |
| Net balance at December 31 | <u>43</u> | <u>50</u> |

12. Financial fixed assets

Other receivables

| | | |
|-----------------------------------|---------------------|-------------------|
| Balance at January 1 | 836 | 1 520 |
| Additions/disposals | 175 | -684 |
| Balance at December 31 | <u>1 011</u> | <u>836</u> |
| Net balance at December 31 | <u>1 011</u> | <u>836</u> |

13. Cash and bank

This is a cash pool arrangement with owner Volvo Car Corporation.

14. Company capital

| | Number of shares | Nominal value | Rated value (tkr) |
|---------------|-------------------------|----------------------|------------------------------|
| Share capital | <u>20 000</u> | <u>1 000</u> | <u>20 000</u> |
| | <u>20 000</u> | <u>1 000</u> | <u>20 000</u> |

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

15. 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.

| 16. Other liabilities | 2020 | 2019 |
|---|---------------|---------------|
| | tkr. | tkr. |
| VAT and taxes | 56 964 | 38 280 |
| Wages, A-tax, social contributions etc. | 3 481 | 2 548 |
| Other liabilities | 1 847 | 869 |
| | 62 292 | 41 697 |

17. Non-recognized rental and leasing obligations

The company has entered into the following binding agreements:

The company has entered into a lease contract at Lyskær 5, 2730 Herlev, where the total obligation in the non-cancellation period amounts to 792 t.kr. (2019: 772 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 month amounts to 3 557 t.kr. (2019: 2 246 t.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 statements. Costs for this are reimbursed by the parent company.

18. Contingent liabilities

The company has a duty to recover leasehold in case of termination of contract 511 t.kr. (2019: 336 t.kr.)

19. Pledges and collateral

The company has deposited 500 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. (2019: 0 kr.)

20. Ownership and controlling influence

Related parties with controlling influence:

- Volvo Personvagnar AB, Assar Gabrielssons Väg, 405 31 Göteborg, Sweden
- Volvo Car AB, Assar Gabrielssons Väg, 405 31 Göteborg, Sweden
- Geely Sweden Holdings AB, Lindholmsallén 8B, 417 55 Göteborg, Sweden
- Shanghai Geely Zhaoyuan International Investment Co. Ltd, Shanghai China
- Zhejiang Geely Holding Group Co. Ltd, Jiangling Road, Hangzhou, Zhejiang, China
- Li Shufu

Volvo Car AB (publ.), with its registered office in Gothenburg, is majority owned (97.8 per cent) by Geely Sweden Holdings AB, a subsidiary of Shanghai Geely Zhaoyuan International Investment Co., Ltd., registered in Shanghai, China, with ultimate majority ownership held by Zhejiang Geely Holding Group Co., Ltd, registered in Hangzhou, China. Volvo Car AB (publ.) holds shares in its subsidiary Volvo Car Corporation and provides the Group with certain financing solutions and other services. Volvo Car AB (publ.) indirectly, through Volvo Car Corporation and its subsidiaries, operates in the automotive industry. In excess of engaging in development, manufacturing, marketing and sales of cars, the company also offers subscriptions of cars and other related mobility services for transport of people and goods. Volvo Car Group and its global operations are referred to as "Volvo Cars" or "Volvo Car Group"

21. Related party transactions

During the financial year, there has not been any transactions with related parties that were not made on market terms.

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 consider 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.

Administrative costs

Administrative costs consist 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.

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 and 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 Danish sister 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.

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 based on 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 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.

Other provisions

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.

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 §86.4 be omitted.