
Volvo Car Denmark A/S

Vandtårnsvej 62, 1., DK-2860 Søborg

Annual Report for 1 January - 31 December 2022

CVR No 14 54 07 33

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
30/05 2023

Mats Rune Svensson
Chairman of the General
Meeting



pwc

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Volvo Car Denmark A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Søborg, 30 May 2023

Executive Board

Sarka Heyna Fuchsova
CEO

Lovisa Maria Håkansson
CFO

Board of Directors

Mats Rune Svensson
Chairman

Karl Magnus Ragnmark

Sarka Heyna Fuchsova

Independent Auditor's Report

To the Shareholder of Volvo Car Denmark A/S

Report on the Financial Statements

Opinion

We have audited the financial statements of for the financial year 01.01.2022 - 31.12.22, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Management's Review

Management is responsible for Management's Review.

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

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

Independent Auditor's Report

misstated.

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

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

Report on other legal and regulatory requirements

Violation of Danish company law

In breach of Danish company law, the Company has granted a loan to a member of the Executive Board and the Board of Directors, whereby Management can incur liability. The loan and interest have been repaid to the Company in 2022 in accordance with section 215 of the Danish Companies Act.

Copenhagen, 30 May 2023

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Christian Sanderhage
State Authorized Public Accountant
mne 23347

Brian Schmit Jensen
State Authorized Public Accountant
mne 40050

Company Information

The Company

Volvo Car Denmark A/S
Vandtårnsvej 62, 1.
DK-2860 Søborg

Telephone: + 45 70 11 27 00
Website: www.volvocars.dk

CVR No: 14 54 07 33
Financial period: 1 January - 31 December
Municipality of reg. office: Gladsaxe

Board of Directors

Mats Rune Svensson, Chairman
Karl Magnus Ragnmark
Sarka Heyna Fuchsova

Executive Board

Sarka Heyna Fuchsova
Lovisa Maria Håkansson

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

| | 2022 TDKK | 2021 TDKK | 2020 TDKK | 2019 TDKK | 2018 TDKK |
|--------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Key figures | | | | | |
| Profit/loss | | | | | |
| Revenue | 1.912.277 | 1.583.082 | 1.347.496 | 1.460.725 | 1.220.939 |
| Gross profit/loss | 67.284 | 67.797 | 61.483 | 64.196 | 69.898 |
| Profit/loss before financial income and expenses | 7.248 | 6.434 | 6.396 | 7.457 | 6.260 |
| Net financials | 89 | -524 | -813 | -1.055 | -517 |
| Net profit/loss for the year | 5.675 | 4.489 | 3.957 | 4.821 | 4.368 |
| Balance sheet | | | | | |
| Balance sheet total | 530.795 | 518.335 | 404.873 | 365.000 | 249.116 |
| Equity | 29.464 | 29.389 | 48.900 | 44.943 | 44.491 |
| Investment in property, plant and equipment | 0 | 1.423 | 291 | 0 | 10.727 |
| Number of employees | 21 | 23 | 19 | 31 | 38 |
| Ratios | | | | | |
| Gross margin | 3,5% | 4,3% | 4,6% | 4,4% | 5,7% |
| Net profit/loss margin | 0,3% | 0,3% | 0,3% | 0,3% | 0,4% |
| Solvency ratio | 5,6% | 5,7% | 12,1% | 12,3% | 17,9% |
| Return on equity | 19,3% | 11,5% | 8,4% | 10,8% | 8,4% |

Management's Review

Key activities

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 2022 to 148.297, compared with 185.388 units in 2021.

The premium served segment, in which Volvo competes, decreased with close to 13% from 37.681 units to 32.859 units.

In 2022, Volvo cars achieved a total market share of 3,63% compared with 2,97% in 2021 (excluding Faroe Island and LCV sales). This corresponds to 5.389 units, which is a small decrease of 2% from the previous year (5.499 units).

Volvo's served segment share increased in 2022 to 16,4% vs. 14,6% in 2021

Development in activities and economic conditions

The income statement shows a net revenue for the Company of DKK 1.912,3 million. which is an increase of 20.8% compared to 2021. The increase is mainly driven by more cars sold in 2022 due to a better production situation in 2022 than in 2021, as well as higher revenue from spare parts.

The Company's total profit after tax in 2022 is DKK 5,7 million against DKK 4,5 million in 2021, which is acceptable in relation to the market and competition situation and can mainly be attributed to the volume increase as well as the change in carline and engine mix.

The revenue and net profit in 2022 are in line with the expectations in the annual report for 2021 where the expected revenue was estimated in the interval of DKK 1.600 - DKK 1.900 million and the expected net profit between DKK 5-6 million. The strong revenue was mainly driven by a solid carline and engine mix, as well as the price increase initiated from April 2022 to partly mitigate increased raw material costs.

Capital resources

The solvency ratio was 5,6% at year-end 2022, compared with 5,7% in 2021.

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.

Management's Review

Liquidity and working capital

The development in the Company's current assets relative to the short-term debt is satisfactory. Equity at year-end 2022 was DKK 29.5 million against DKK 29.4 million in 2021. Liquidity at the end of 2022 was DKK 459 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.

Special Risks

Market risks

The Danish government is discussing to revise the tax policy for passenger cars that was applied in the end of 2020. Overlooking the full consequences of the tax scheme change and reaction from the industry is impossible until more information is available, yet a change in the tax policy could pose a risk for the automotive industry and Volvo Car Denmark 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.

Foreign exchange 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.

Management's Review

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 and adding new products in new segments within electrified segments such as fully electric cars and Plug-in hybrids.

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 Retailer network both in terms of finances and facilities.

Goals and expectations for the coming year

2023 will be a pivotal year as we further accelerate on our electrified transformation path. We will launch our new small SUV during the year, which will take us to a new demographic, and start production of the Volvo EX90.

Furthermore, the expectation for Volvo Cars in 2023 is to continue our increase in market share within segments which Volvo Cars operate today. Financially, due to the increased battery material costs in 2022 for fully electric cars, the increase in sales is expected to result in a stable revenue and profit year over year from 2021.

The revenue for 2023 is expected in the interval of DKK 1.800 - DKK 2.100 million and a net profit is expected between DKK 5-6 million.

Research and development

The Company has no actual research and development activities. These are handled centrally within the Volvo Car Corporation

Intellectual capital resources

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.

Management's Review

Statement of corporate social responsibility

Volvo Car Denmark A/S is part of Volvo Cars' Global Sustainability strategy and by that commits to the target of being climate neutral by 2040. For the statutory statement reference is therefore made to the Group's reporting.

<https://investors.volvocars.com/en/financial-information/results-centre?page=/en/reports/annual-and-sustainability-report-2022>

The annual and sustainability report 2022 contains information related to environmental matters including the Group's activities to reduce the climate impact of its activities (pages 38-43 and pages 152-163), social and staff matters and matters relating to human rights, anti-corruption and bribery (pages 44-45 and pages 164-181).

Statement on gender composition

It is Volvo Cars' aim to have a balanced composition when it comes to gender and it is the ambition that each gender shall have a share of at least 35 per cent of the Board members, an ambition close to being reached in 2022. At the end of 2022, 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.

Statement of data ethics

Volvo Car Denmark A/S takes part in Volvo Car Groups code of conduct and by that we respect the right to privacy and take all appropriate precautions to protect personal data. We always aim to protect the personal data of our customers, employees and business partners.

For more information on our data protection policy, we refer to our Code of Conduct (page 37) and the section Data protection (page 178)

<https://investors.volvocars.com/en/financial-information/results-centre?page=/en/reports/annual-and-sustainability-report-2022>

Uncertainty relating to recognition and measurement

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

Management's Review

Unusual circumstances

2022 was a year filled with challenges for the global automotive industry. Volvo Cars faced a blend of interconnected headwinds, from rising inflation and higher interest rates to disruptions in supply chain and logistics. Prices of battery materials, especially lithium, saw a dramatic increase during the year which significantly increased production cost for fully electric cars.

Further, the war in Ukraine that started in February 2022, in combination with energy costs, underlying inflation and the ongoing impacts of COVID related lockdowns took a heavy toll on the global economy. The premium automotive industry, though less affected compared to the rest of the sector, was also caught by these headwinds.

For Volvo Cars, the prolonged supply constraints, lockdowns in China and the elevated material and logistics costs affected our performance. Despite that, we managed through the heavy turbulence and made significant progress on our volume growth by 2% and achieved our strategic ambition to become a fully electric company by September 2022 when we excluded combustion engines from our product catalogue.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

| | Note | 2022 TDKK | 2021 TDKK |
|---------------------------------------------------------|------|------------------|------------------|
| Revenue | 1 | 1.912.277 | 1.583.082 |
| Cost of sales | | -1.844.993 | -1.515.285 |
| Gross profit/loss | | 67.284 | 67.797 |
| Distribution expenses | 2 | -40.179 | -43.138 |
| Administrative expenses | 2 | -20.034 | -18.573 |
| Operating profit/loss | | 7.071 | 6.086 |
| Other operating income | 3 | 191 | 544 |
| Other operating expenses | 4 | -14 | -196 |
| Profit/loss before financial income and expenses | | 7.248 | 6.434 |
| Financial income | 5 | 1.503 | 482 |
| Financial expenses | 6 | -1.414 | -1.006 |
| Profit/loss before tax | | 7.337 | 5.910 |
| Tax on profit/loss for the year | 7 | -1.662 | -1.421 |
| Net profit/loss for the year | | 5.675 | 4.489 |

Balance Sheet 31 December

Assets

| | Note | 2022 TDKK | 2021 TDKK |
|--------------------------------------------------|------|----------------|----------------|
| Other fixtures and fittings, tools and equipment | | 1.154 | 1.579 |
| Property, plant and equipment | 8 | 1.154 | 1.579 |
| Deposits | | 1.169 | 1.178 |
| Fixed asset investments | 9 | 1.169 | 1.178 |
| Fixed assets | | 2.323 | 2.757 |
| Inventories | | 17.849 | 7.975 |
| Trade receivables | | 38.719 | 133.099 |
| Receivables from group enterprises | | 8.609 | 3.999 |
| Other receivables | | 4.406 | 1.977 |
| Deferred tax asset | 11 | 307 | 296 |
| Receivables | | 52.041 | 139.371 |
| Cash at bank and in hand | 12 | 458.582 | 368.232 |
| Currents assets | | 528.472 | 515.578 |
| Assets | | 530.795 | 518.335 |

Balance Sheet 31 December

Liabilities and equity

| | Note | 2022 TDKK | 2021 TDKK |
|----------------------------------------------------------------|-------|----------------|----------------|
| Share capital | 13 | 20.000 | 20.000 |
| Retained earnings | | 38 | 3.789 |
| Proposed dividend for the year | | 9.426 | 5.600 |
| Equity | | 29.464 | 29.389 |
| Other provisions | 15 | 11.448 | 4.588 |
| Provisions | | 11.448 | 4.588 |
| Deferred income | | 7.299 | 1.982 |
| Long-term debt | 16 | 7.299 | 1.982 |
| Trade payables | | 18.298 | 31.460 |
| Payables to group enterprises | | 389.387 | 378.974 |
| Corporation tax | | 1.621 | 1.445 |
| Other payables | 17 | 69.180 | 69.646 |
| Deferred income | 16,18 | 4.098 | 851 |
| Short-term debt | | 482.584 | 482.376 |
| Debt | | 489.883 | 484.358 |
| Liabilities and equity | | 530.795 | 518.335 |
| Receivable from shareholders and Management | 10 | | |
| Distribution of profit | 14 | | |
| Contingent assets, liabilities and other financial obligations | 19 | | |
| Related parties | 20 | | |
| Fee to auditors appointed at the general meeting | 21 | | |
| Subsequent events | 22 | | |
| Accounting Policies | 23 | | |

Statement of Changes in Equity

| | Share capital | Retained earnings | Proposed dividend for the year | Total |
|------------------------------|---------------|-------------------|--------------------------------|---------------|
| | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 January | 20.000 | 3.789 | 5.600 | 29.389 |
| Ordinary dividend paid | 0 | 0 | -5.600 | -5.600 |
| Net profit/loss for the year | 0 | -3.751 | 9.426 | 5.675 |
| Equity at 31 December | 20.000 | 38 | 9.426 | 29.464 |

Notes to the Financial Statements

| | 2022 <u>TDKK</u> | 2021 <u>TDKK</u> |
|------------------------------------------------------|-------------------------|-------------------------|
| 1 Revenue | | |
| Geographical segments | | |
| Revenue, Denmark | 1.876.504 | 1.566.839 |
| Revenue, exports | <u>35.773</u> | <u>16.243</u> |
| | <u>1.912.277</u> | <u>1.583.082</u> |
| Business segments | | |
| Cars | 1.726.839 | 1.421.037 |
| Parts | <u>185.438</u> | <u>162.045</u> |
| | <u>1.912.277</u> | <u>1.583.082</u> |
| 2 Staff | | |
| Wages and Salaries | 19.501 | 19.745 |
| Pensions | 1.510 | 1.452 |
| Other social security expenses | 333 | 245 |
| Other staff expenses | <u>1.948</u> | <u>1.900</u> |
| | <u>23.292</u> | <u>23.342</u> |
| Including remuneration to the Executive Board | <u>5.433</u> | <u>5.089</u> |
| Average number of employees | <u>21</u> | <u>23</u> |

Included in the remuneration to the Executive Board are TDKK 1.361 (2021: TDKK 1.314) which is paid by a Group company, and therefore not included as costs in the Financial Statement. The Board of Directors does not receive any remuneration.

Notes to the Financial Statements

| | 2022 TDKK | 2021 TDKK |
|---------------------------------|--------------|--------------|
| 3 Other operating income | | |
| Other income | 191 | 544 |
| | 191 | 544 |

Volvo Car Denmark A/S has been asked by VCC to facilitate part of the administration of Polestar Denmark. The department is located in Copenhagen and consists of 25 employees who are part of the Company's staff. Other operating income includes the income from this department.

4 Other operating expenses

| | | |
|----------------|-----------|------------|
| Other expenses | 14 | 196 |
| | 14 | 196 |

Volvo Car Denmark A/S has been asked by VCC to facilitate part of the administration of Polestar Denmark. The department is located in Copenhagen and consists of 25 employees who are part of the Company's staff. Other operating costs include the costs from this department.

5 Financial income

| | | |
|------------------------------------------|--------------|------------|
| Interest received from group enterprises | 1.457 | 385 |
| Other financial income | 39 | 0 |
| Exchange adjustments | 7 | 97 |
| | 1.503 | 482 |

6 Financial expenses

| | | |
|------------------------------------|--------------|--------------|
| Interest paid to group enterprises | 1.382 | 836 |
| Other financial expenses | 4 | 5 |
| Exchange adjustments, expenses | 28 | 165 |
| | 1.414 | 1.006 |

Notes to the Financial Statements

| | 2022 <u>TDKK</u> | 2021 <u>TDKK</u> |
|--------------------------------------------------------|---------------------|--------------------------------------------------------------------------|
| 7 Tax on profit/loss for the year | | |
| Current tax for the year | 1.673 | 1.497 |
| Deferred tax for the year | -11 | -76 |
| | <u>1.662</u> | <u>1.421</u> |
| 8 Property, plant and equipment | | |
| | | Other fixtures and fittings, tools and equipment <u>TDKK</u> |
| Cost at 1 January | | 1.775 |
| Disposals for the year | | <u>-61</u> |
| Cost at 31 December | | <u>1.714</u> |
| Impairment losses and depreciation at 1 January | | 196 |
| Depreciation for the year | | 425 |
| Reversal of impairment and depreciation of sold assets | | <u>-61</u> |
| Impairment losses and depreciation at 31 December | | <u>560</u> |
| Carrying amount at 31 December | | <u>1.154</u> |

Notes to the Financial Statements

9 Fixed asset investments

| | Deposits TDKK |
|---------------------------------------|---------------------|
| Cost at 1 January | 1.178 |
| Disposals for the year | -9 |
| Cost at 31 December | <u>1.169</u> |
| Carrying amount at 31 December | <u>1.169</u> |

10 Receivable from shareholders and Management

| | Management TDKK |
|-------------------------------------------------|--------------------|
| Receivable taken out and repaid during the year | <u>584</u> |

Sarka Heyna Fuchsova, who is a member of the executive board and the board of directors, had a receivable from the Company of a total of DKK 583.660 in 2022. The loans have been added with interest in accordance with current legislation according to Danish Company Act article 215 and is fully repaid in 2022.

11 Deferred tax asset

| | 2022 TDKK | 2021 TDKK |
|---------------------------------------------------------|-------------------|-------------------|
| Deferred tax asset at 1 January | 296 | 220 |
| Amounts recognised in the income statement for the year | <u>11</u> | <u>76</u> |
| Deferred tax asset at 31 December | <u>307</u> | <u>296</u> |

12 Cash at bank and in hand

This is a cashpool arrangement with owner Volvo Car Corporation.

13 Share capital

The share capital consists of 20,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

Notes to the Financial Statements

| | 2022 TDKK | 2021 TDKK |
|----------------------------------|--------------|--------------|
| 14 Distribution of profit | | |
| Proposed dividend for the year | 9.426 | 5.600 |
| Retained earnings | -3.751 | -1.111 |
| | 5.675 | 4.489 |

15 Other provisions

| | | |
|------------------|---------------|--------------|
| Other provisions | 11.448 | 4.588 |
| | 11.448 | 4.588 |

Other provisions consist of provisions made for additional discounts related to the sale of new cars. Volvo Cars Retailers have the right to apply for additional discounts after registering a car up to 60 days. To reflect this liability a provision is made based on historical data.

16 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Deferred income

| | | |
|-----------------------|---------------|--------------|
| Between 1 and 5 years | 7.299 | 1.982 |
| Long-term part | 7.299 | 1.982 |
| Within 1 year | 4.098 | 851 |
| | 11.397 | 2.833 |

17 Other payables

| | | |
|-----------------|---------------|---------------|
| Value added tax | 66.281 | 66.042 |
| A-tax etc | 2.899 | 3.604 |
| | 69.180 | 69.646 |

Notes to the Financial Statements

18 Deferred income

Deferred income consists of payments received in respect of income in subsequent years. The income is related to service agreements covering several years.

| | <u>2022</u> TDKK | <u>2021</u> TDKK |
|--------------------------------------------------------------------------|---------------------|----------------------|
| 19 Contingent assets, liabilities and other financial obligations | | |
| Rental and lease obligations | | |
| Lease obligations under operating leases. Total future lease payments: | | |
| Rental obligations in the non-cancellation period | 9.352 | 8.113 |
| Car lease obligations | <u>426</u> | <u>2.599</u> |
| | <u>9.778</u> | <u>10.712</u> |

Other contingent liabilities

The Company has a duty to recover leasehold in case of termination of contract

| | |
|-----|-----|
| 669 | 678 |
|-----|-----|

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.

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. (2021: 0 kr.)

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Volvo Car Denmark A/S is the administration company of the joint taxation. The Danish group companies are also jointly and severally liable for Danish withholding tax on dividend, royalties and interest. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

20 Related parties

Volvo Car AB (publ.), with its registered office in Gothenburg, is a publicly listed company on the Nasdaq Stockholm Stock Exchange. The largest owner, holding 82% of shares and capital, is Geely Sweden Holdings AB, owned by Shanghai Geely Zhaoyuan International Investment Co., Ltd., registered in Shanghai, China, ultimately owned by Zhejiang Geely Holding Group Ltd., registered in Hangzhou, China. The remaining 18% of the shares are held by Nordic and international institutions as well as retail investors.

Basis

Controlling interest

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

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

All transactions with related parties are conducted at arm's length.

Consolidated Financial Statements

The Company is included in the Group Annual Report of Zhejiang Geely Holding Group Ltd (largest Group) and Volvo Car AB (smallest Group).

| <u>Name</u> | <u>Place of registered office</u> |
|----------------------------------|-------------------------------------------|
| Zhejiang Geely Holding Group Ltd | Jiangling Road, Hangzhou, Zhejiang, China |
| Volvo Car AB | Assar Gabrielssons Väg, Göteborg, Sweden |

Notes to the Financial Statements

| | <u>2022</u> TDKK | <u>2021</u> TDKK |
|------------------------------------------------------------|---------------------|---------------------|
| 21 Fee to auditors appointed at the general meeting | | |
| Deloitte | | |
| Audit fee | 411 | 429 |
| Tax advisory services | 86 | 127 |
| Other services | <u>45</u> | <u>35</u> |
| | <u>542</u> | <u>591</u> |

22 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of Volvo Car Denmark A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Volvo Car AB, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Notes to the Financial Statements

23 Accounting Policies (continued)

Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

23 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

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.

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 fixtures and fittings, tools and equipment | 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.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

Notes to the Financial Statements

23 Accounting Policies (continued)

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Notes to the Financial Statements

23 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

| | |
|------------------------|--------------------------------------------------------------------------------|
| Gross margin | $\frac{\text{Gross profit} \times 100}{\text{Revenue}}$ |
| Net profit/loss margin | $\frac{\text{Net profit for the year} \times 100}{\text{Revenue}}$ |
| Solvency ratio | $\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$ |

Notes to the Financial Statements

23 Accounting Policies (continued)

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$