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# ***Volvo Car Denmark A/S***

Vandtårnsvej 62, 1., DK-2860 Søborg

## **Annual Report for 1 January - 31 December 2021**

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CVR No 14 54 07 33

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
30/5 2022

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 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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 2022

## Executive Board

Sarka Heyna Fuchsova  
CEO

Jakob Mikael Moberg  
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

## Opinion

We have audited the Financial Statements of Volvo Car Denmark A/S for the financial year 1 January - 31 December 2021, which comprise 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 financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

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

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

# Independent Auditor's Report

audit. We also:

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

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 Management's Review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether Management's Review provides the information re-

# Independent Auditor's Report

quired under the Danish Financials Statements Act.

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

Copenhagen, 30 May 2022

**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  
Facsimile: + 45 44 73 44 06  
Website: [www.volvocars.dk](http://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  
Jakob Mikael Moberg

### **Auditors**

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
DK-2300 København S

## Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1.583.082	1.347.496	1.460.725	1.220.939	843.505
Gross profit/loss	67.797	61.483	64.196	69.898	56.870
Profit/loss before financial income and expenses	6.434	6.396	7.457	6.260	5.616
Net financials	-524	-813	-1.055	-517	-383
Net profit/loss for the year	4.489	3.957	4.821	4.368	3.871
<b>Balance sheet</b>					
Balance sheet total	518.335	404.873	365.000	249.116	230.412
Equity	29.389	48.900	44.943	44.491	60.122
Investment in property, plant and equipment	1.423	291	0	10.727	15.842
Number of employees	23	19	31	38	34
<b>Ratios</b>					
Gross margin	4,3%	4,6%	4,4%	5,7%	6,7%
Net profit/loss margin	0,3%	0,3%	0,3%	0,4%	0,5%
Solvency ratio	5,7%	12,1%	12,3%	17,9%	26,1%
Return on equity	11,5%	8,4%	10,8%	8,4%	6,7%



# 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 2021 to 185.320 , compared with 198.114 units in 2020.

The served segment, in which Volvo competes, increased with close to 30% from 29.361 units to 37.681 units.

In 2021, Volvo cars achieved a total market share of 2,97% compared with 2,50% in 2020 (excluding Faroe Island and LCV sales). This corresponds to 5,499 units, which is an increase of 11,11% from the previous year (4949 units).

Volvo's served segment share decreased in 2021 to 14,6% vs. 16,9% in 2020.

## Development in activities and economic conditions

The income statement shows a net revenue for the company of DKK 1 583.1 million which is an increase of 17 % compared to 2020. The increase can be attributed to mainly a volume increase of new vehicles from 5177 to 5350 cars as well as an increased gross revenue per car due to a more favorable mix of carlines & engines.

The company's total profit after tax in 2021 is DKK 4.5 million against DKK 3.9 million in 2020, 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.

## Capital resources

The solvency ratio was 5,7% at year-end 2021, compared with 12,1% in 2020. The decrease can be explained by last year's dividend that was agreed by the board of directors.

The solvency development 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 2021 was DKK 29,4 million against DKK 48.9 million in 2020. Liquidity at the end of 2021 was DKK 368 million

# Management's Review

## **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.

## **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 Retailer network both in terms of finances and facilities.

# Management's Review

## Goals and expectations for the coming year

The expectation for Volvo Cars in 2022 is an increased market share within the segments in which Volvo Cars operates. The target is to outperform previous years market share of 2,97% resulting in a total market share between 3% – 4%. Financially, the increased sales is expected to result in a revenue in the interval of DKK 1 600 -DKK 1 900 million and a net profit for the year 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.

## 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>

## Statement on gender composition

The company has set a target figure for the proportion of the under-represented gender on the board of directors of 35 %. At the end of 2021, 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 (p 15):

[https://investors.volvocars.com/~/\\_media/Files/V/Volvo-Cars-IR-V2/Our\\_Code\\_-\\_How\\_We\\_Act.pdf](https://investors.volvocars.com/~/_media/Files/V/Volvo-Cars-IR-V2/Our_Code_-_How_We_Act.pdf)

## 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

In 2021, two unusual circumstances should be mentioned that have impacted the automotive industry on a global and national level. Firstly, the COVID-19 pandemic has continued to be a factor, new priorities as well as new driving patterns have emerged as a consequence of working from home policies and changed travel behaviour. While an improvement compared to 2020 has been witnessed, both new car sales, parts and damage repair business have been effected. Secondly, the automotive industry has, as many other industries, been impacted by the global shortage of Semi-conductors. Volvo Car Denmark A/S has as a consequence been facing supply issues and increased customer lead times. During 2021 the financial effects from the global shortage of semi-conductors have been limited, as the company still managed to grow the volume with 173 cars.

## Subsequent events

### Ukraine

Volvo Car Denmark closely monitors the war in Ukraine. The war has resulted in increased cost of raw material, energy & freight within the car industry as a whole. The company does not see a direct impact of the war, although there certainly is impact in Europe and the global economy in general going forward.

### Price increase

Due to the increase in raw material cost Volvo Car Denmark issued a price increase of 5% for new products from 1st of April 2022. The financial impact of the price increase is expected to partly mitigate the increased product cost.

## Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
<b>Revenue</b>	1	<b>1.583.082</b>	<b>1.347.496</b>
Cost of sales		-1.515.285	-1.286.013
<b>Gross profit/loss</b>		<b>67.797</b>	<b>61.483</b>
Distribution expenses	2	-43.138	-38.245
Administrative expenses	2	-18.573	-16.835
<b>Operating profit/loss</b>		<b>6.086</b>	<b>6.403</b>
Other operating income	3	544	31
Other operating expenses	4	-196	-38
<b>Profit/loss before financial income and expenses</b>		<b>6.434</b>	<b>6.396</b>
Financial income	5	482	254
Financial expenses	6	-1.006	-1.067
<b>Profit/loss before tax</b>		<b>5.910</b>	<b>5.583</b>
Tax on profit/loss for the year	7	-1.421	-1.626
<b>Net profit/loss for the year</b>		<b>4.489</b>	<b>3.957</b>

# Balance Sheet 31 December

## Assets

	Note	2021 TDKK	2020 TDKK
Other fixtures and fittings, tools and equipment		1.579	233
Leasehold improvements		0	42
<b>Property, plant and equipment</b>	9	<b>1.579</b>	<b>275</b>
Deposits		1.178	1.011
<b>Fixed asset investments</b>	10	<b>1.178</b>	<b>1.011</b>
<b>Fixed assets</b>		<b>2.757</b>	<b>1.286</b>
<b>Inventories</b>		<b>7.975</b>	<b>4.581</b>
Trade receivables		133.099	37.127
Receivables from group enterprises		3.999	2.717
Other receivables		1.977	722
Deferred tax asset	11	296	220
<b>Receivables</b>		<b>139.371</b>	<b>40.786</b>
<b>Cash at bank and in hand</b>	12	<b>368.232</b>	<b>358.220</b>
<b>Currents assets</b>		<b>515.578</b>	<b>403.587</b>
<b>Assets</b>		<b>518.335</b>	<b>404.873</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital	13	20.000	20.000
Retained earnings		3.789	4.900
Proposed dividend for the year		5.600	24.000
<b>Equity</b>		<b>29.389</b>	<b>48.900</b>
Other provisions	14	4.588	9.226
<b>Provisions</b>		<b>4.588</b>	<b>9.226</b>
Other payables		0	1.543
Deferred income		1.982	67
<b>Long-term debt</b>	15	<b>1.982</b>	<b>1.610</b>
Trade payables		31.460	21.212
Payables to group enterprises		378.974	260.799
Corporation tax		1.445	805
Other payables	15,16	69.646	62.292
Deferred income	15,17	851	29
<b>Short-term debt</b>		<b>482.376</b>	<b>345.137</b>
<b>Debt</b>		<b>484.358</b>	<b>346.747</b>
<b>Liabilities and equity</b>		<b>518.335</b>	<b>404.873</b>
Distribution of profit	8		
Contingent assets, liabilities and other financial obligations	18		
Related parties	19		
Fee to auditors appointed at the general meeting	20		
Subsequent events	21		
Accounting Policies	22		

## 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	4.900	24.000	48.900
Ordinary dividend paid	0	0	-24.000	-24.000
Net profit/loss for the year	0	-1.111	5.600	4.489
<b>Equity at 31 December</b>	<b>20.000</b>	<b>3.789</b>	<b>5.600</b>	<b>29.389</b>



# Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	1.579.310	1.343.735
Revenue, exports	<u>3.772</u>	<u>3.761</u>
	<b><u>1.583.082</u></b>	<b><u>1.347.496</u></b>
<b>Business segments</b>		
Cars	1.421.037	1.188.466
Parts	<u>162.045</u>	<u>159.030</u>
	<b><u>1.583.082</u></b>	<b><u>1.347.496</u></b>
<b>2 Staff</b>		
Wages and Salaries	19.745	15.739
Pensions	1.452	1.241
Other social security expenses	245	398
Other staff expenses	<u>1.900</u>	<u>1.690</u>
	<b><u>23.342</u></b>	<b><u>19.068</u></b>
<b>Including remuneration to the Executive Board</b>	<b><u>5.089</u></b>	<b><u>4.317</u></b>
<b>Average number of employees</b>	<b><u>23</u></b>	<b><u>19</u></b>
Included in the remuneration to the Executive Board are TDKK 1 314 tkr (2020: TDKK 566) which is paid by a Group company.		
<b>3 Other operating income</b>		
Other income	<u>544</u>	<u>31</u>
	<b><u>544</u></b>	<b><u>31</u></b>

Volvo Car Denmark A/S has been asked by VCC to facilitate part of the administration of Polestar Denmark during its establishing phase. The department is located in Copenhagen and consists of 10 employees who are part of the company's staff. Other operating income includes the income from this department.

## Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
<b>4 Other operating expenses</b>		
Other expenses	196	38
	<u><b>196</b></u>	<u><b>38</b></u>
<p>Volvo Car Denmark A/S has been asked by VCC to facilitate part of the administration of Polestar Denmark during its establishing phase. The department is located in Copenhagen and consists of 10 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.</p>		
<b>5 Financial income</b>		
Interest received from group enterprises	385	201
Exchange adjustments	97	53
	<u><b>482</b></u>	<u><b>254</b></u>
<b>6 Financial expenses</b>		
Interest paid to group enterprises	836	973
Other financial expenses	5	7
Exchange adjustments, expenses	165	87
	<u><b>1.006</b></u>	<u><b>1.067</b></u>
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	1.497	837
Deferred tax for the year	-76	789
	<u><b>1.421</b></u>	<u><b>1.626</b></u>
<b>8 Distribution of profit</b>		
Proposed dividend for the year	5.600	24.000
Retained earnings	-1.111	-20.043
	<u><b>4.489</b></u>	<u><b>3.957</b></u>

# Notes to the Financial Statements

## 9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 January	291	725
Additions for the year	1.423	0
Disposals for the year	0	-664
Transfers for the year	61	-61
Cost at 31 December	<u>1.775</u>	<u>0</u>
Impairment losses and depreciation at 1 January	58	683
Depreciation for the year	119	0
Reversal of impairment and depreciation of sold assets	0	-664
Transfers for the year	19	-19
Impairment losses and depreciation at 31 December	<u>196</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>1.579</u></b>	<b><u>0</u></b>

## 10 Fixed asset investments

	Deposits TDKK
Cost at 1 January	1.011
Additions for the year	<u>167</u>
Cost at 31 December	<u>1.178</u>
<b>Carrying amount at 31 December</b>	<b><u>1.178</u></b>

## 11 Deferred tax asset

	2021 TDKK	2020 TDKK
Deferred tax asset at 1 January	220	1.009
Amounts recognised in the income statement for the year	<u>76</u>	<u>-789</u>
<b>Deferred tax asset at 31 December</b>	<b><u>296</u></b>	<b><u>220</u></b>

# Notes to the Financial Statements

## 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.

## 14 Other provisions

	<u>2021</u> TDKK	<u>2020</u> TDKK
Other provisions	<u>4.588</u>	<u>9.226</u>
	<u><b>4.588</b></u>	<u><b>9.226</b></u>

Other provisions consists 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.

# Notes to the Financial Statements

## 15 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:

	<u>2021</u> TDKK	<u>2020</u> TDKK
<b>Other payables</b>		
Between 1 and 5 years	0	1.543
Long-term part	0	1.543
Other short-term payables	69.646	62.292
	<b>69.646</b>	<b>63.835</b>
<b>Deferred income</b>		
Between 1 and 5 years	1.982	67
Long-term part	1.982	67
Within 1 year	0	0
Other deferred income	851	29
	<b>2.833</b>	<b>96</b>
<b>16 Other payables</b>		
Value added tax etc	66.042	56.964
A-tax etc	3.604	3.481
Other debt	0	1.847
	<b>69.646</b>	<b>62.292</b>
<b>17 Deferred income</b>		

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

## Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>18 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Rental obligations in the non-cancellation period	8.113	792
Car lease obligations	2.599	3.557
	<b>10.712</b>	<b>4.349</b>

### Other contingent liabilities

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

678	511
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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. (2020: 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

## 19 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 approximately 190.000 retail investors.

### Basis

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#### 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

Name	Place of registered office
Geely Sweden Holding AB	Lindholmsallén 8B, 417 55, Göteborg, Sweden

## Notes to the Financial Statements

	<u>2021</u> TDKK	<u>2020</u> TDKK
<b>20 Fee to auditors appointed at the general meeting</b>		
<b>Deloitte</b>		
Audit fee	429	360
Tax advisory services	127	179
Other services	<u>35</u>	<u>65</u>
	<u><b>591</b></u>	<u><b>604</b></u>

### 21 Subsequent events

#### Ukraine

Volvo Car Denmark closely monitors the war in Ukraine. The war has resulted in increased cost of raw material, energy & freight within the car industry as a whole. The company does not see a direct impact of the war, although there certainly is impact in Europe and the global economy in general going forward.

#### Price increase

Due to the increase in raw material cost Volvo Car Denmark issued a price increase of 5% for new products from 1st of April 2022. The financial impact of the price increase is expected to partly mitigate the increased product cost.



# Notes to the Financial Statements

## 22 Accounting Policies

The Annual Report of Volvo Car Denmark A/S for 2021 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 2021 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 Geely Sweden Holding AB, the Company has not prepared a cash flow statement.

### Recognition and measurement

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

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.

### Translation policies

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.

# Notes to the Financial Statements

## 22 Accounting Policies (continued)

### Income Statement

#### 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.

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.

#### Cost of sales

Cost of sales 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 expenses

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 tangible fixed assets associated with the distribution process.

#### Administrative expenses

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 tangible fixed assets used in the administration of the company.

#### Other operating income and expenses

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

#### Financial income and expenses

Other financial income consists of interest income, including interest income from receivables from subsidiaries, debt and foreign currency transactions and remuneration under the aconto tax system, etc.

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

# Notes to the Financial Statements

## 22 Accounting Policies (continued)

### Tax on profit/loss for the year

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

### 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.

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

# Notes to the Financial Statements

## 22 Accounting Policies (continued)

### **Fixed asset investments**

Fixed asset investments consist of deposits.

### **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.

### **Receivables**

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

### **Equity**

#### ***Dividend***

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

### **Provisions**

Provisions are recognised 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.

### **Deferred tax assets and liabilities**

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 asset.

### **Current tax receivables and liabilities**

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.

# Notes to the Financial Statements

## 22 Accounting Policies (continued)

### 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	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$