

Tesla Motors Denmark ApS

CVR no. 32 78 73 47

Financial Statements for the period 1 January to 31 December 2015 (no. 6)

Company's address
Bredgade 35
1260 Copenhagen
Denmark

The financial statements were presented and
approved at the annual general meeting
of the company of the Company on 5 July 2016.

Chairman, Stephan Werkman

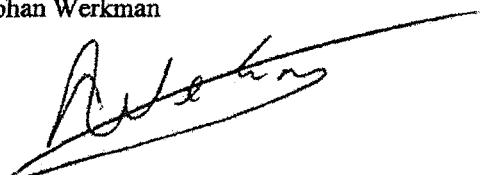
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Table of Contents

Statement by the Executive Board	2
Independent auditor's report.....	3
Company Details.....	5
Key Figures and Ratios.....	6
Management's review	7
Financial statements 1 January – 31 December.....	8
Accounting policies	8
Income Statement	12
Balance sheet Assets as at 31 December 2015	13
Balance sheet Equity & Liabilities as at 31 December 2015	14
Notes to the balance sheet	15
Notes to the balance sheet	16
Notes to the balance sheet	17

Statement by the Executive Board

The Executive Board has today discussed and approved the Annual Report of Tesla Motors Denmark ApS for the financial year 1 January – 31 December 2015.

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


It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

In our opinion, the Management's review includes a fair review of the development in the Company's operations and financial conditions, the results for the year and the Company's financial position.

We recommend that the Annual Report be approved at the annual general meeting.

Copenhagen, 5 July

Executive Board



Todd Andrew Maron

Susan Jean Repo

Stephan Werkman

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Copenhagen, 5 July

Executive Board



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Stephan Werkman

Independent auditor's report

To the Shareholder of Tesla Motors Denmark ApS

Independent auditor's report on the financial statements

We have audited the Financial Statements of Tesla Motors Denmark ApS for the financial year 1 January – 31 December 2015, which comprise summary of significant accounting policies, income statement, balance sheet and notes. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with 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.

Auditor's Responsibility

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditor's report

Report on other legal and regulatory requirements

Other matter

Contrary to statutory requirements, the Company keeps accounting records abroad and, consequently, Management may incur liability.

Statement on Management's Review

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

Hellerup, 5 July 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Bo Schou-Jacobsen
State Authorised Public Accountant



Kim Danstrup
State Authorised Public Accountant

Company Details

Company

Tesla Motors Denmark ApS
Bredgade 35
DK - 1260 Copenhagen
Denmark

CVR no.: 32 78 73 47
Financial year: 1 January – 31 December
Incorporated: 15 March 2010
Registered Office: Copenhagen

Executive Board

Todd Andrew Maron
Susan Jean Repo
Stephan Werkman

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK - 2900 Hellerup
Denmark

Key Figures and Ratios

	2011	2012	2013	2014	2015
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Income statement					
Gross profit/loss	3,016	3,848	6,917	17,897	52,481
Profit before financial income and expenses	24	44	502	106	11,785
Financial income and expenses	(10)	(34)	(14)	(74)	(3,182)
Profit/loss for the year	9	3	366	(133)	5,200
Balance sheet					
Balance sheet total	5,181	8,030	89,923	123,578	848,362
Equity	245	248	614	482	5,682

Ratios					
Profit margin	0.1%	0.0%	0.5%	0.0%	0.3%
Rate of return	6.8%	2.7%	293.0%	(106.0)%	4,159.9%
Solvency ratio	2.6%	1.6%	0.8%	1.4%	1.5%
Return on equity	3.6%	1.4%	147.6%	(21.6)%	1,079.2%

Management's review

Principal activity

The object of the Company is distribution, sale and service of electronic vehicles and equipment along with merchandise as well as any other business incidental thereto.

Development in the year

The income statement of the Company for 2015 shows a positive result of DKK 5,200,000 (2014: (-133,000)), and at 31 December 2015 the balance sheet of the Company shows equity of DKK 5,682,000 (2014: 482,000). The number of cars sold has been increased from 463 in 2014 to 2,814 in 2015.

Subsequent events

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

Significant risks and uncertainties

The significant risks of the Company can be set out as follows:

- We may be unable to increase production and deliveries of Model S in line with our plans, both of which could harm our business and prospects.
- We may experience significant delays or other complications in the design, manufacture, launch and production ramp of our next generation car - Model X, as well as future vehicles such as Model 3, which could harm our brand, business, prospects, financial condition and operating results.
- Our long-term success will be dependent upon our ability to design, build and achieve market acceptance of new vehicle models, specifically Model S and new vehicle models such as Model X and Model 3.
- If our vehicles or vehicles that contain our powertrains fail to perform as expected, or if we suffer product recalls, our ability to develop, market and sell our electric vehicles could be harmed.
- Our future growth is dependent upon consumer willingness to adopt electric vehicles and government incentives.

Environmental and personnel-related information

Protecting the environment is a vital concern and a continuing commitment for Tesla. Similarly, the health and safety of our employees is regularly monitored. Regular audits take place and improvements are continuous.

Knowledge resources

The knowledge and development activities are managed in the (ultimate) parent company and primarily take place there. The knowledge activities comprise continued development of the staff in order to maintain a high quality level among the employees.

Research and development activities

The Company engaged no research and development in 2015. Those activities are primarily undertaken by Tesla Motors Inc., the ultimate parent company.

Outlook

The year 2015 was a year of significant growth, especially towards year-end 2015, in anticipation of the upcoming changes in tax legislation starting from January 1, 2016. As a consequence, vehicle sales expectations for the first half year of 2016 are low, but after that we expect again increases of sales, supported by the introduction of Model X. Our service and sales organization will stabilize and as such we do not foresee significant investments and or increases in employees in the near future.

Financial statements 1 January – 31 December

Accounting policies

The annual report of Tesla Motors Denmark ApS is presented in accordance with the provisions of the Danish Financial Statements Act for medium sized enterprises in reporting class C.

The Annual Report for 2015 is presented in DKK.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized.

Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

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

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow from 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.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Foreign currency translation

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rate at the balance sheet date and the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statements as financial income or financial expenses.

Cash flow statement

In accordance with § 86 section 4 the Company applies for the exemption from preparing the cash flow statement and refers to the consolidated cash flow statement as provided in the consolidated financial statements for Tesla Motors Inc. in USA (Teslamotors.com).

Income statement

Revenue

Revenue from the sale of goods for resale and services are recognized in the income statement when delivery and transfer of risk has been made before year end.

Revenue is recognized exclusive of VAT and net of discounts relating to sales.

Resale value guarantee (RVG assets and liabilities)

Tesla offers a resale value guarantee program to customers who purchase a Model S and finance their vehicle through one of our commercial banking partners. Under this program, Model S customers have the option of selling their vehicle back to us during the period from 36 to 39 months after delivery for a specified value determined at time of purchase. Because we offer a resale value guarantee, we account for these transactions as operating leases. Accordingly, we recognize revenue attributable to the lease on a straight-

line basis over the guarantee period to revenue. Similarly, we capitalize the cost of the leased vehicle and depreciate its value, less expected salvage value, over the estimated useful life (8 years).

At the end of the guarantee period, which is the earlier of 36 to 39 months or the pay-off date of the initial loan, the resale value guarantee and deferred revenue balances are settled to revenue and the net book value of the leased vehicle is expensed to costs of sales if our customer retains ownership of the car.

Costs of goods sold

Costs of goods sold comprises the raw materials and consumables consumed to achieve revenue for the year.

Other external costs

Other external costs comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and interest expense, costs relating to finance leases, payables and transactions in foreign currencies, amortization of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

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

Balance Sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment and leasehold improvement are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	5 years
Residual value guarantee vehicle assets	8 years

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognized in the income statement as other operating income or other operating costs, respectively.

Lease contracts

Lease contracts relating to tangible fixed assets where the company bears all material risks and benefits attached to the ownership (finance lease) are recognized as assets in the balance sheet. The assets are at the

initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Finance lease assets are depreciated similarly to the company's other tangible fixed assets.

The capitalized residual lease liability is recognized in the balance sheet as a liability and the interest portion of the lease payment is recognized in the income statement over the term of the contract.

All other lease contracts are considered to be operating leases. Payments related to operating leases and other rental agreements are recognized in the income statement over the term of the contract. The company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

Security deposits

Deposits are recognized at cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortization.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Inventories

Inventories are measured at cost using the FIFO method. If the net realizable value is lower than cost, write-down is provided to the lower value. The cost is calculated at acquisition price with addition of transportation and similar costs.

The net realizable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are recognized in the balance sheet at amortized cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Accruals

Accruals recognized as assets include costs incurred relating to the subsequent financial year.

Corporation tax and deferred tax

Current tax payable and receivable is recognized on the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognized at the expected value of their utilization within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Deferred net assets are measured at net realizable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallize as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement and in equity.

Liabilities

Financial liabilities are recognized at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortized cost equal to the capitalized value when using the effective interest, the difference between the proceeds and the nominal value being recognized in the income statement over the term of loan.

Other liabilities which include debt to suppliers and group entities and other debt are measured at amortized cost which usually corresponds to the nominal value.

Accruals recognized as liabilities include payments received regarding income in subsequent years.

The capitalized residual lease liability on finance lease contracts is also recognized as financial liabilities.

Deferred Income

Deferred income comprises payments received in respect of income in subsequent years as well as rebates received regarding contracts stretching over numerous accounting periods. Deferred income mainly relates to supercharger-access, connectivity updates and operating lease prepayments from customers related to the resale value guarantee program.

Key figures

Profit margin	$\frac{\text{Profit after tax}}{\text{Revenue}}$
Rate of return	$\frac{\text{Movement of Retained Earnings}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Profit after tax} + \text{Depreciation}}{\text{Total assets}}$
Return on equity	$\frac{\text{Profit after tax}}{\text{Equity}}$

Income Statement

		2015	2014
	Note	DKK'000	DKK'000
Gross Profit		52,481	17,897
Staff Costs	1	(33,097)	(15,944)
Depreciation and Impairment of property, plant and equipment	3	(7,599)	(1,847)
Profit before financial income and expenses		11,785	106
Financial income		16	-
Financial Costs		(3,197)	(74)
Profit before tax		8,603	32
Tax on profit for the year	2	(3,404)	(165)
Profit for the year		5,200	(133)
Proposed distribution of profit			
Retained earnings		5,200	(133)

Balance sheet Assets as at 31 December 2015

		2015	2014
Assets	Note	DKK'000	DKK'000
Other fixtures and fittings, tools & equipment		21,802	7,542
Leasehold improvements		19,344	16,924
RVG vehicle assets		138,473	-
Property, plant equipment	3	179,619	24,466
Security deposits		1,649	1,635
Investments	4	1,649	1,635
Total Non-Current Assets		181,268	26,101
Goods for resale		44,722	13,891
Inventories		44,722	13,891
Trade receivables		134,231	23,562
Receivables from group entities	5	6,931	9,891
Deferred tax asset	6	21,714	1,128
Prepayments		99	324
Receivables		162,975	34,905
Cash at bank		459,397	48,681
Cash at bank		459,397	48,681
Total Current Assets		667,094	97,477
Total Assets		848,362	123,578

Balance sheet Equity & Liabilities as at 31 December 2015

		2015	2014
	Note	DKK'000	DKK'000
Equity & Liabilities			
Share capital		125	125
Retained earnings		5,557	357
Equity	7	<u>5,682</u>	<u>482</u>
Long Term Debt – RVG vehicles		107,961	-
Deferred Income (<i>Long term</i>)		73,632	3,541
Long Term Debt	8	<u>181,593</u>	<u>3,541</u>
Prepayments received by customers		15,077	10,745
Trade payables		14,223	4,132
Payables to group companies	9	353,317	70,560
Corporation tax		23,989	1,092
Other payables		196,204	28,326
Deferred Income (<i>Short term</i>)		58,277	4,699
Short Debt		<u>661,087</u>	<u>119,554</u>
Total Debt		<u>842,680</u>	<u>123,096</u>
Total Equity & Liabilities		<u>848,362</u>	<u>123,578</u>
Contingent assets, liabilities and other financial obligations	10		
Share based-compensation	11		
Group structure and ownership	12		

Notes to the balance sheet

	2015	2014
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	29,553	14,882
Pensions	1,866	747
Other staff costs	1,678	315
	33,097	15,944

The executive board does not receive any remuneration for their work performed.

During the 2015 financial year, the average number of staff employed, converted into full-time equivalents, amounted to 53 people (2014: 31 people).

2. Tax on profit for the year

Current tax for the year	23,989	1,104
Deferred tax for the year	(20,585)	-940
Adjustment of tax concerning previous years	-	1
	3,404	165

3. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	RVG vehicle assets	Total
Amount at 1 January 2015	8,428	18,514	-	26,942
Additions for the year	15,532	7,289	139,931	162,752
Amount at 31 December 2015	23,960	25,803	139,931	189,694
Impairment losses and depreciation at 1 January 2015	(886)	(1,590)	-	(2,476)
Depreciation for the year	(1,272)	(4,869)	(1,458)	(7,599)
Impairment losses and depreciation at 31 December 2015	(2,158)	(6,459)	(1,458)	(10,075)
Carrying amount at 31 December 2015	21,802	19,344	138,473	179,619

RVG vehicle assets with a total amount of 138,473 DKK are treated as leasing assets, and not owned by the Company.

Notes to the balance sheet

	2015	2014
	DKK'000	DKK'000

4. Security Deposits

At 1 January 2015	1,635	1,345
Additions for the year	14	290
Security deposits	1,649	1,635

5. Receivables from group entities

The receivables from group companies are all due within one year and will be repaid on demand. No interest is charged on accounts payable to group companies, due to the fact that these are the result of normal trading activities.

6. Deferred tax assets

Movement schedule

Deferred tax at 1 January 2015	1,128
Additions for the year	20,586

Carrying amount at 31 December 2015

21,714

Deferred tax consist of the following

Property, Plant & Equipment	(32,343)	(218)
Deferred Income	53,432	3,880
Other	624	(2,534)
Deferred tax asset	21,713	1,128

7. Equity

	Share capital and fittings	Retained earnings	Total
Equity at 1 January 2015	125	357	482
Profit for the year	-	5,200	5,200
Equity at 31 December 2015	125	5,557	5,682

The share capital consists of 1,250 shares of a nominal value of DKK 100. No shares carry any special rights. There have been no changes in the share capital since the establishment of the company.

8. Long term debt

The long term liabilities of RVG vehicles are according the resale value guarantee program.

The deferred income relates to the deferred income on vehicles that have been sold. Part of the sales price of a vehicle sold consists of future customer services such as free use of Supercharger and data connectivity. All long term debt consist of liabilities shorter than 5 years.

Notes to the balance sheet

9. Payables to group entities

The liabilities to group companies are all due within one year and will be repaid on demand. No interest is charged on accounts payable to group companies, due to the fact that these are the result of normal trading activities.

10. Contingent assets, liabilities and other financial obligations

Contractual obligations

At the balance sheet date, the company has lease obligations concerning rent for an amount of DKK 12,000 (2014: DKK 28,000).

Contingent liabilities

There are not contingent liabilities other than what is normal in the line of business.

11. Equity incentive plan

The ultimate parent company, Tesla Motors, Inc. in USA adopted the 2003 Equity Incentive Plan. This Plan provides for the granting of stock options, RSUs and stock purchase rights to our employees. Options granted under the Plan may be either incentive options or nonqualified stock options. Generally, the stock options and RSUs vest over four years and are exercisable over a period not to exceed the contractual term of ten years from the date the stock options are granted. Continued vesting typically terminates when the employment or consulting relationship ends.

Tesla Motors Inc. in USA recognize the expenses of the equity incentive plan and does not charge the Company for these expenses. As a result, the Company does not recognize any costs for this equity investment plan.

12. Group structure

Consolidated financial statements

The Company's primary parent, Tesla Motors Netherlands BV, the Netherlands, does not prepare consolidated financial statements. The Company's ultimate parent, which prepares consolidated financial statements into which the Company is incorporate as a subsidiary, is Tesla Motors Inc., 3500 Deer Creek Road, Palo Alto CA 94304, USA.

The Group Annual Report of Tesla Motors Inc., 3500 DEER Creek Road, Palo Alto CA 94304, USA may be obtained at the following address:

www.teslamotors.com