

TESLA MOTORS DENMARK APS
LOKESVEJ 8, DK-3400 HILLERØD
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2021

The Annual Report has been presented and
adopted at the Company's Annual General Meeting
on 30 June 2022



Stephan William Werkman

CVR NO. 32 78 73 47

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COMPANY DETAILS

Company	Tesla Motors Denmark ApS
	Lokesvej 8
	DK-3400 Hillerød
	CVR No.: 32 78 73 47
	Established: 15 March 2010
Board of Directors	Municipality: Copenhagen
	Financial Year: 1 January - 31 December
Auditor	Stephan William Werkman
	Vaibhav Taneja
	Kim Gaba Jensen
	PricewaterhouseCoopers Statsautoriseret
	Revisionspartnerselskab CVR nr.
	33771237
	Strandvejen 44
	Dk-2900 Hellerup

MANAGEMENT'S STATEMENT

Today the Board of Directors have discussed and approved the *Annual Report* of Tesla Motors Denmark ApS for the financial year 1 January - 31 December 2021.

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

In our opinion, the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the *Annual Report* be approved at the Annual General Meeting.

Copenhagen, 30 June 2022

Board of Directors

Stephan William Werkman

Vaibhav Taneja


Kim Gaba Jensen

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Board of Directors



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Tesla Motors Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and 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.

We have audited the Financial Statements of Tesla Motors Denmark ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared 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.

Statement on Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

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

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.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

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

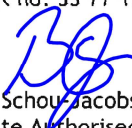
As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Hellerup, 30 June 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 37



Bo Schou Jacobsen
State Authorised Public Accountant
MNE no. mne28703

FINANCIAL HIGHLIGHTS

	2021 DKK '000	2020 DKK '000	2019 DKK '000	2018 DKK '000	2017 DKK '000
Income statement					
Net revenue	1,530,659	1,909,056	1,172,731	157,210	245,496
Gross profit/loss	93,625	84,335	79,628	55,839	71,713
Operating profit/loss of main activities	22,960	28,635	17,890	-7,180	4,043
Financial income and expenses, net	-444	-274	-445	-458	-2,325
Profit/loss for the year before tax	22,516	28,361	17,445	-7,638	1,718
Profit/loss for the year	17,494	20,305	30,361	-7,638	1,718
Balance sheet					
Total assets	416,946	972,314	543,578	106,687	237,611
Equity	110,656	93,162	72,857	42,495	38,913
Invested capital	87,677	58,166	52,903	40,873	115,573
Investment in tangible fixed assets	19,290	7,033	8,272	37,485	17,925
Key ratios					
Rate of return	31.5	51.6	38.2	-9.2	3.3
Solvency ratio	26.5	9.6	13.4	39.8	16.4
Return on equity	17.2	24.5	52.6	-18.8	11.6

In 2018, the revenue recognition accounting policies were amended. The comparative figures have not been adjusted for the change of policy for the year 2017.

The ratios follow in all material respects the recommendations of the Danish Finance Society.

The ratios stated in the list of key figures and ratios have been calculated as follows:

Invested capital:	Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities
Rate of return:	$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$
Solvency ratio:	$\frac{\text{Equity, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

MANAGEMENT COMMENTARY

Business Overview

Tesla Motors Denmark ApS (hereinafter 'the Company') is a wholly owned subsidiary of Tesla International B.V., Amsterdam, The Netherlands. The ultimate parent company is Tesla, Inc., Delaware, United States of America which is a public NASDAQ listed company (hereafter 'the Group', 'We', or 'Tesla').

The Group designs, develops, manufacture, sell and lease high-performance fully electric vehicles and energy generation and storage systems, and offer services related to our sustainable energy products.

The Company operates as a limited risk distributor and performs marketing, sales, services, and distribution activities on behalf of Tesla Motors Netherlands B.V. Currently, the Company sells the Model 3, Model S, Model X and Model Y, which are all high-performance fully electric vehicles. The Company has established its own sales and service centers and supercharger stations nationally to accelerate the widespread adoption of electric vehicles. We emphasize on the performance, attractive styling and the safety of our users and workforce in the design and manufacturing of our products, and are continuing to develop the full self-driving technology for improved safety. We strive to lower the cost of ownership for our customers through continuous efforts to reduce manufacturing costs and by offering financial services tailored to our products. Our mission to accelerate the world's transition to sustainable energy, engineering expertise, vertically integrated business model and focus on user experience differentiate us from other companies.

Development in activities and financial and economic position

The income statement of the Company for 2021 shows a result of DKK 17,494 thousand (2020: 20,305 thousand), and at 31 December 2021 the balance sheet of the Company shows equity of DKK 110,656 thousand (2020: 93,162 thousand).

Profit/loss for the year compared to expectations

The Company delivered 3,441 cars compared to 4,687 in 2020 which resulted in a decrease of the Company's operating profit.

Uncertainty relating to recognition and measurement

The following financial statement line items involve some degree of uncertainty:

- Revenue
- Deferred income

Unusual events

Please refer to the section "Future development, risks and uncertainties".

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the Company's financial position.

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 did not engage in research and development activities in 2021 or 2020. Those activities are primarily undertaken by Tesla, Inc., the ultimate parent company.

MANAGEMENT COMMENTARY

Future development, risks and uncertainties

The Company's own success remains dependent on the overall success of the vehicles at global level. The Group plans to grow manufacturing capacity as quickly as possible. Over a multi-year horizon, the Group expects to achieve 50% average annual growth in vehicle deliveries. The rate of growth will depend on its equipment capacity, operational efficiency and the capacity and stability of the supply chain. The Group's factories have been running below capacity for several quarters as supply chain became the main limiting factor, which is likely to continue through 2022. For 2022, the Company expects a profit before tax at the same level as 2021.

Future development, risks and uncertainties (continued)

Market risk and currency risk

The Company is operating in Denmark and therefore its currency risk mainly pertains to the currency positions and future transactions in Danish kroner.

Credit risk

The Company has no significant credit risk. Sales are made to customers who meet the Company's credit rating. Goods and services are sold subject to payment periods ranging from 0 to 15 days.

Liquidity risk

The Company is included in the Group Cash Pool managed by Tesla Motors Netherlands B.V. for its access to liquidity. The Group bank accounts are placed with high credit quality financial institutions.

Risks associated with the company's operations and management of these risks

The Company defines risk management as a process to identify, assess and manage risk in order to minimize the negative effects that would prevent the Company from achieving its goals, namely to create value for Tesla, Inc.

The significant risks of the Company are dependent on the risks of Tesla, Inc. and can be set out as follows:

We may experience delays in launching and ramping the production of our products and features, or we may be unable to control our manufacturing costs.

We have previously experienced and may in the future experience launch and production ramp delays for new products and features. For example, we encountered unanticipated supplier issues that led to delays during the initial ramp of our first Model X and experienced challenges with a supplier and with ramping full automation for certain of our initial Model 3 manufacturing processes. In addition, we may introduce in the future new or unique manufacturing processes and design features for our products. There is no guarantee that we will be able to successfully and timely introduce and scale such processes or features.

In particular, our future business depends in large part on increasing the production of mass-market vehicles including Model 3 and Model Y, which we are planning to achieve through multiple factories worldwide. We have relatively limited experience to date in manufacturing Model 3 and Model Y at high volumes and even less experience building and ramping vehicle production lines across multiple factories in different geographies. In order to be successful, we will need to implement, maintain and ramp efficient and cost-effective manufacturing capabilities, processes and supply chains and achieve the design tolerances, high quality and output rates we have planned at our manufacturing facilities in California, Nevada, Texas, China and Germany. We will also need to hire, train and compensate skilled employees to operate these facilities. Bottlenecks and other unexpected challenges such as those we experienced in the past may arise during our production ramps, and we must address them promptly while continuing to improve manufacturing processes and reducing costs. If we are not successful in achieving these goals, we could face delays in establishing and/or sustaining our Model 3 and Model Y ramps or be unable to meet our related cost and profitability targets.

Our future growth and success are dependent upon consumers' demand for electric vehicles and specifically our vehicles in an automotive industry that is generally competitive, cyclical and volatile.

If the market for electric vehicles in general and Tesla vehicles in particular does not develop as we expect, develops more slowly than we expect, or if demand for our vehicles decreases in our markets or our vehicles compete with each other, our business, prospects, financial condition and operating results may be harmed.

MANAGEMENT COMMENTARY

Future development, risks and uncertainties (continued)

We are still at an earlier stage of development and have limited resources and production relative to established competitors that offer internal combustion engine vehicles. In addition, electric vehicles still comprise a small percentage of overall vehicle sales. As a result, the market for our vehicles could be negatively affected by numerous factors, such as:

- Perceptions about electric vehicle features, quality, safety, performance and cost;
- Perceptions about the limited range over which electric vehicles may be driven on a single battery charge, and access to charging facilities;
- Competition, including from other types of alternative fuel vehicles, plug-in hybrid electric vehicles and high fuel-economy internal combustion engine vehicles;
- Volatility in the cost of oil and gasoline, such as wide fluctuations in crude oil prices during 2020;
- Government regulations and economic incentives; and
- Concerns about our future viability.

Finally, the target demographics for our vehicles, particularly Model 3 and Model Y, are highly competitive. Sales of vehicles in the automotive industry tend to be cyclical in many markets, which may expose us to further volatility.

Our suppliers may fail to deliver components according to schedules, prices, quality and volumes that are acceptable to us, or we may be unable to manage these components effectively.

Our products contain thousands of parts purchased globally from hundreds of suppliers, including single-source direct suppliers. This exposes us to multiple potential sources of component shortages, such as those that we experienced in 2012 and 2016 with our initial Model S and Model X ramps. Unexpected changes in business conditions, materials pricing, including inflation of raw material costs, labor issues, wars, trade policies, natural disasters such as the March 2011 earthquakes in Japan, health epidemics such as the global COVID-19 pandemic, trade and shipping disruptions, port congestions and other factors beyond our or our suppliers' control could also affect these suppliers' ability to deliver components to us or to remain solvent and operational. For example, a global shortage of semiconductors has been reported since early 2021 and has caused challenges in the manufacturing industry and impacted our supply chain and production as well. We have used alternative parts and programmed software to mitigate the challenges caused by these shortages, but there is no guarantee we may be able to continually do so as we scale production to meet our growth targets. Additionally, if our suppliers do not accurately forecast and effectively allocate production to account for changes in demand or if they are not willing to allocate sufficient production to us, it may reduce our access to components and require us to search for new suppliers. The unavailability of any component or supplier could result in production delays, idle manufacturing facilities, product design changes and loss of access to important technology and tools for producing and supporting our products, as well as impact our capacity expansion and our ability to fulfil our obligations under customer contracts. Moreover, significant increases in our production, such as for Model 3 and Model Y, or product design changes by us have required and may in the future require us to procure additional components in a short amount of time.

Our information technology systems or data, or those of our service providers or customers or users could be subject to cyber-attacks or other security incidents, which could result in data breaches, intellectual property theft, claims, litigation, regulatory investigations, significant liability, reputational damage and other adverse consequences.

We continue to expand our information technology systems as our operations grow, such as product data management, procurement, inventory management, production planning and execution, sales, service and logistics, dealer management, financial, tax and regulatory compliance systems. This includes the implementation of new internally developed systems and the deployment of such systems in the U.S. and abroad. While, we maintain information technology measures designed to protect us against intellectual property theft, data breaches, sabotage and other external or internal cyber-attacks or misappropriation, our systems and those of our service providers are potentially vulnerable to malware, ransomware, viruses, denial-of-service attacks, phishing attacks, social engineering, computer hacking, unauthorized access, exploitation of bugs, defects and vulnerabilities, breakdowns, damage, interruptions, system malfunctions, power outages, terrorism, acts of vandalism, security breaches, security incidents, inadvertent or intentional actions by employees or other third parties, and other cyber-attacks.

MANAGEMENT COMMENTARY

Future development, risks and uncertainties (continued)

To the extent any security incident results in unauthorized access or damage to or acquisition, use, corruption, loss, destruction, alteration or dissemination of our data, including intellectual property and personal information, or our products or vehicles, or for it to be believed or reported that any of these occurred, it could disrupt our business, harm our reputation, compel us to comply with applicable data breach notification laws, subject us to time consuming, distracting and expensive litigation, regulatory investigation and oversight, mandatory corrective action, require us to verify the correctness of database contents, or otherwise subject us to liability under laws, regulations and contractual obligations, including those that protect the privacy and security of personal information. This could result in increased costs to us and result in significant legal and financial exposure and/or reputational harm.

We also rely on service providers, and similar incidents relating to their information technology systems could also have a material adverse effect on our business. There have been and may continue to be significant supply chain attacks. Our service providers, including our workforce management software provider, have been subject to ransomware and other security incidents, and we cannot guarantee that our or our service providers' systems have not been breached or that they do not contain exploitable defects, bugs, or vulnerabilities that could result in a security incident, or other disruption to, our or our service providers' systems. Our ability to monitor our service providers' security measures is limited, and, in any event, malicious third parties may be able to circumvent those security measures.

Further, the implementation, maintenance, segregation and improvement of these systems require significant management time, support and cost, and there are inherent risks associated with developing, improving and expanding our core systems as well as implementing new systems and updating current systems, including disruptions to the related areas of business operation. These risks may affect our ability to manage our data and inventory, procure parts or supplies or manufacture, sell, deliver and service products, adequately protect our intellectual property or achieve and maintain compliance with, or realize available benefits under, tax laws and other applicable regulations.

Moreover, if we do not successfully implement, maintain or expand these systems as planned, our operations may be disrupted, our ability to accurately and/or timely report our financial results could be impaired and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. Moreover, our proprietary information, including intellectual property and personal information, could be compromised or misappropriated and our reputation may be adversely affected. If these systems or their functionality do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

Corporate social responsibility (CSR) report

Through our principal activities, the Company contributes to Tesla's goal to accelerate the world's transition to sustainable energy.

We adhere to Tesla Corporate guidelines which provides a framework within which the Company's directors, management and employees effectively pursue Tesla's objectives for the benefit of all stockholders. Tesla's Code of Business Conduct, Ethics and Corporate Governance Guidelines are available on Tesla's website at: <http://ir.tesla.com/corporate-governance/highlights>.

We comply with local, national, and international laws and regulations as well as the spirit thereof and we conduct our business operations with honesty and integrity.

Furthermore, Tesla's Code of Business Conduct organizes the basic attitudes necessary for people working at the Company and in society by providing a description of basic conducts. We respect our stakeholders and aim to establish a long-term mutually beneficial relationship based on mutual trust with our business partners.

MANAGEMENT COMMENTARY

Corporate social responsibility (CSR) report (continued)

The Company does not produce locally, but sources from a world-wide supply chain. In terms of supply chain, our products use thousands of purchased parts, which we source globally from hundreds of suppliers. We are committed to only sourcing responsibly produced materials. We comply with Tesla Corporate Supplier Code of Conduct, as well as the Corporate Human Rights and Conflict Minerals policy that outline Tesla's expectations to all suppliers and partners that work with us. All our contracts require suppliers to adhere to our human rights policy and environmental and safety requirements. Tesla is committed to making working conditions in Tesla's supply chain safe and humane, ensuring that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible. Tesla suppliers are required to provide evidence of the existence of policies that address social, environmental, and sustainability issues as well as responsible sourcing.

Main risks around human rights are in the supply chain at global level and related to forced labor, slavery or young workers. The ethical treatment of all people and regard for human rights is core to our mission of a sustainable future. We believe all businesses within our supply chain have a responsibility to share our respect for human rights. Our human rights policy is the formalization of our commitment to uphold and respect these rights and the values they represent.

At Tesla, we are committed to ensuring that the way we conduct our business and dealings with our suppliers reflects our values and our belief that everyone should be treated with dignity and respect. Tesla is committed to ensuring that our suppliers do not use slave or child labor or engage in human trafficking. Modern slavery, child labor and human trafficking are crimes under the laws of countries throughout the world, but unfortunately continue to exist all over the globe. Our commitment on this front is summarized in our Supplier Code of Conduct as well as in our Human Rights Policy and Responsible Materials Policy, and we continue to work to ensure that our suppliers uphold the principles in these statements. We look to the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidelines to inform our process and use feedback from our internal and external stakeholders to find ways to continually improve it.

Through our commitment to enforce our Supplier Code of Conduct, Human Rights Policy and Responsible Materials Policy, continuous training and the supplier audit and due diligence efforts, Tesla believes that there is low risk of, and have found no evidence to date of Tesla causing, contributing to or being linked to modern slavery, child labor or human trafficking in our supply chain. We continue with continuous training, supplier due diligence and supplier audits to further reduce human rights risks in our supply chain.

Our direct suppliers are required to adhere to the responsible sourcing principles of our Supplier Code of Conduct. The Code is the foundation for ensuring social and environmental responsibility and ethical conduct throughout our supply chain, no matter what industry, region, or materials. Tesla continues to identify and do business with organizations that conduct their business with principles that are consistent with the Code. Additionally, they are required to register and complete the domestic and international material compliance requirements in the International Material Data System ("IMDS") to meet European Union and other international material and environmental related regulations. This requirement is mandatory for all suppliers who deliver products or raw materials to us as part of our production process. Supplier-provided data collected via the IMDS process is the starting point for our conflict minerals due diligence efforts. In addition to the material requirements above, we also require direct suppliers to fully disclose material sourcing of certain materials as specified in supply chain purchasing contracts.

We conduct suppliers' audits as part of a world-wide program. As of the end of 2021, we had a total of 152 supplier locations go through our supplier audit at least once, representing 144 suppliers, or 10% of 2021 spend with our direct supply base. As part of these audits over 4,000 supplier employee interviews were conducted.

Employee health & safety

The health and safety of our employees is regularly monitored. Incidents at work, especially in service center is our largest risk. At our service centers and remote sites, we improve physical security by educating individuals with the basic security requirements for their building, to allow them to present the issues to their site manager for resolution and be able to escalate larger issues to the security team for

MANAGEMENT COMMENTARY

Corporate social responsibility (CSR) report (continued)

support. Regular audits take place and improvements are continuous. In Denmark we recorded 5 incidents with minor to moderate injuries in 2021, in 2020 there were 4 incidents. We will continue to conduct regular audits in our services centers and focus to reduce incidents.

Pollution prevention and control

The Company complies with all local and national laws and regulations. Through the whole life cycle of selecting, designing, constructing, operating and maintenance of our facilities and service centers, environmental specialists are part of the process to make sure all environmental requirements from external authorities as well as Tesla's internal requirements are met. Periodic auditing and follow-up are part of every step in this process.

Environmental impact from energy use

The Company's main energy use is to operate its network of superchargers throughout the country. In 2021 our supercharger electricity consumption in Denmark was 100% renewable energy. We expect the same for the coming year.

To create an entire sustainable energy ecosystem, Tesla manufactures a unique set of energy products, enabling homeowners, businesses, and utilities to manage renewable energy generation, storage, and consumption. Empowering the individual as their own utility, homeowners can adopt Tesla solar panels or Solar Roof to power their home using the sun, and store excess energy in Powerwall, which makes electricity available during peak energy use periods or a power outage. Meanwhile, utilities and businesses can use Powerpack - a scalable energy storage system that provides greater control, efficiency, and reliability across the electric grid.

With these products, we can live on electricity generated from the most sustainable energy source: the sun. As deployment continues to accelerate, we can scale the adoption of renewable energy, cost-effectively modernize our aging infrastructure, and improve the resilience of our electric grid to benefit everyone. We're doing this because the faster the world stops relying on fossil fuels and moves towards a zero-emission future, the better.

Batteries and waste management

Protecting the environment is a vital concern and a continuing commitment for Tesla. A common question we receive is: "What happens to Tesla battery packs once they reach the end of their life?" First it is important to note that battery materials are refined and put into a cell and will remain in the cell at the end of their life when they can be recycled to recover valuable materials for reuse repeatedly. In reducing the effect of batteries on the environment, first we note that battery pack life extension is the superior option to recycling for both environmental and business reasons. Before decommissioning and recycling a consumer battery pack, Tesla does everything it can to extend the useful life of each pack, including sending out over-the-air software updates to Tesla vehicles to improve battery efficiency when our engineers find new ways to do so. In addition, any battery that is no longer meeting a customer's needs can be serviced at a Tesla Service Center.

Tesla batteries are made to last many years, and therefore, we have received a limited number of them back from the field. Tesla has an established internal ecosystem to re-manufacture batteries coming from the field to our Service Centers. We actively implement circular economy principles and consider all other options before opting for battery recycling. In 2021 batteries from our operations in Denmark which can be re-manufactured are serviced at a central location in Tilburg. We have established a remanufacturing facility in Tilburg, the Netherlands, where batteries and drive- units are refurbished to minimize the need for new materials and optimize our waste value stream. The small number of batteries that needs to be recycled are primarily generated from our fleet of vehicles on the road. Recycling of all battery types in our vehicles is in compliance with local regulation. Since we have only been producing Model S (our oldest model) for approximately nine years it will likely be some time before we start receiving back vehicle batteries in larger volumes for recycling. Going forward it is our aim to recycle batteries ourselves and every Tesla battery factory will recycle batteries on-site.

MANAGEMENT COMMENTARY
Corporate social responsibility (CSR) report (continued)

Beside battery recycling waste management at Tesla plays an important part in all of our day-to-day operations and it is our mission to continually assess the way in which we manage our waste streams. Part of what we do is ensure that we reduce the volume of waste generated and dispose of all waste items in the most sustainable and economical way according to local standards.c1xx1

Direct and indirect atmospheric emissions

There are minimal direct and indirect atmospheric emissions. In comparison to petrol-fuelled cars, our cars do not produce any noise, nor do they emit any harmful gas emissions. In our carwash stations, biodegradable detergents are used, and run-off water is being pre-treated before sending it to the sewer system.

Use and protection of natural resources

An important distinction between lithium-ion batteries and fossil fuels as an energy source is that none of the materials in a lithium-ion battery are ever consumed during its lifetime. Petroleum as a fuel is pumped out of the ground, chemically converted, and then burned - releasing harmful gas emissions into the atmosphere and never covered again. On the other hand, battery materials are refined and put into a cell, and at the end of their life, all materials remain. When a battery is no longer producing enough energy for its purpose, it can be broken apart and the important mineral components can be extracted through targeted chemical recovery process. These minerals can then be refined and used again for making new batteries.

Conflict Minerals Disclosure

Ensuring Supplier Compliance Tesla is committed to sourcing responsibly and considers mining activities that fuel conflict as unacceptable. Pursuant to Tesla's human rights and conflict minerals policy, Tesla's suppliers are expected to use reasonable efforts to ensure that parts and products supplied to Tesla are "DRC conflict free", meaning that such conflict minerals do not benefit armed groups in the Democratic Republic of the Congo. "Conflict free" means such parts and supplies do not contain metals derived from "conflict minerals," which are defined as: columbite-tantalite (tantalum); cassiterite (tin); gold; wolframite (tungsten); and any derivatives of the above.

The goal of this policy is to ensure that Tesla's products do not directly or indirectly finance or benefit armed groups through mining or mineral trading in the DRC or any adjoining countries. Tesla requires its suppliers to establish policies, due diligence frameworks, and management systems consistent with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas ("OECD Guidance"). Tesla expects its suppliers to stay up to date with and to use validated conflict-free smelters and refiners assessed by the Responsible Mineral Initiative ("RMI") and similar organizations. Tesla requires all of our battery cell suppliers and sub-suppliers to conduct annual third-party audits in accordance with the latest edition of OECD Guidelines and the commitments adopted by the RMI in their Cobalt Refiner Supply Chain Due Diligence Standard. Following results from conducted audits, we engage with our suppliers to implement audit recommendations as part of a process of continuous improvement of our supply chain. The Dodd-Frank Act is similar to the EU Regulation on OTC Derivatives, CCPs and Trade Repositories (EMIR). For more information regarding Tesla's Human Rights and Conflict Minerals Policy, visit <http://www.tesla.com/about/legal>. Tesla's Conflicts Mineral Policy also includes a grievance mechanism where concerned parties may contact Tesla's Board of Directors and provide comments about Conflict Minerals and other sourcing matters.

Anti-corruption and bribery

Risks related include fiduciary risks (e.g. risk of theft) and favouritism (e.g. with suppliers). Management takes leadership in fostering a corporate culture and implementing our policies that promote ethical behaviour. To reduce potential risks and to ensure full compliance with all anti-corruption and bribery laws and regulations, Tesla has established internal controls and accounting practices. Furthermore, employees are expected to report genuine facts, concerns or suspicions they would become aware of regarding corruption, bribery, and violations of our policies at the earliest possible stage to their superiors or through an established whistle blowing process. All new employees receive the Code of Business Conduct and Ethics and the Worldwide Bribery and Anti-Competition Policy. As in prior years, also in 2021, this is required to be signed by all new employees. Furthermore, all new employees are required to take the Anti-Corruption and Anti-Bribery Training. Current employees have been required in 2021 to revisit the Code of Ethics training.

MANAGEMENT COMMENTARY

Anti-corruption and bribery (continued)

Our corporate Code of Business Conduct states that we do not tolerate bribery of or by any business partner, government agency or public authority and maintain honest and fair relationships with government agencies and public authorities. Our employees are expected to adhere to the corporate Code of Business Conduct and Ethics. Furthermore, the Company has adopted a Worldwide Bribery and Anti-Corruption Policy to provide further guidance to employees. Both policies are mandatory for new employees to acknowledge (by confirmation of compliance) during their onboarding process.

The Tesla Code of Business Conduct and Ethics also cover areas such as insider trading, competition and fair dealing, conflict of interests, gifts and donations, money laundering and suspicious activities among others. The Compliance department of Tesla monitor the compliance to the Code of Business Conduct and Ethics and the Worldwide Bribery and Anti-Competition Policy across all Tesla subsidiaries including Tesla Denmark ApS. Future action includes continuous training of existing and new employees.

Target figures and policy for the underrepresented gender

In 2021, the Company had 136 employees (2020: 97) of which 121 (2020: 91) are men and 15 (2020: 6) are women. The Company's Board of Directors consists of three members: of which 100% men and 0% women. While we acknowledge the current gender representation at the Board level, it is our ambition to focus on women when recruiting executives and expect to have a ratio of 33 % female representation by 2023. This target was set in 2020 and in the year 2021 there was no changes to the board structure.

Women are historically underrepresented in the tech and automotive industries, and we recognize we have work to do in this area. We are committed to working alongside other companies to help broaden the range of opportunities for women throughout these industries. We are taking active steps to increase our outreach to women and build an inclusive culture that supports their development and retention. By this we further increased women's representation in the Company from 6 (2020) to 15. Further increase, at all levels, remains a goal in 2022.

Policy on Data Ethics

As part of Tesla's privacy and data ethics program and in line with Tesla's Code of Business Ethics, Tesla has set some basic principles for the ethical handling of data:

Do the right thing with data

Responsible data handling is a prerequisite for innovation. We maintain data by handling data as customers expect, keeping it accurate and complete, and properly destroying it when it is no longer needed. This improves our products, earns, and keeps our customers' trust, and differentiates us in the market.

Transparent in our data practices

We are forthright about the data (including personal data) we collect and how we're using and sharing it. We do what we say.

Give customers choice

We give users clear choices about their privacy and controls that are easy to use so that they can manage their data.

Embed privacy from start to finish

Privacy is an important component for building world-class products and services, from idea to launch, and beyond. Performing privacy reviews on new or revised products, technologies (including artificial intelligence) and services ensures they fulfil users' expectations as well as our internal privacy and data ethics standards.

Safeguard data

We provide reasonable and appropriate safeguards to prevent loss, and unauthorized use or disclosure, of data, including personal data.

MANAGEMENT COMMENTARY
Transparent in our data practices (continued)

Accountability

Tesla is committed to instilling customer trust in our data practices for all Tesla products. To further that commitment, Tesla employees are asked to follow internal procedures, e.g., laid out for privacy reviews or for data privacy incidents. Additionally, to ensure that employees know and understand their responsibilities under Tesla's privacy and data ethics program, Tesla has put in place a number of trainings and resources tackling the lawful, secure and ethical handling of data (including personal data, but also other types of confidential data).

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2021 DKK '000	2020 DKK '000
NET REVENUE.....	1	1,530,659	1,909,056
Cost of sales.....		-1,392,019	-1,792,607
Other external expenses	2, 3	-45,015	-32,114
GROSS PROFIT/LOSS.....		93,625	84,335
Staff costs	4	-62,828	-48,902
Depreciation, amortization and impairment.....		-7,911	-6,730
Other operating expenses.....		74	-68
OPERATING PROFIT AND LOSS.....		22,960	28,635
Other financial expenses.....	5	-444	-274
PROFIT BEFORE TAX		22,516	28,361
Tax on profit/loss for the year.....	6	-5,022	-8,056
PROFIT FOR THE YEAR.....	7	17,494	20,305

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2021 DKK '000	2020 DKK '000
Land and buildings		2,124	1,887
Plant, machinery, tools and equipment.....		22,036	18,133
Leasehold improvements.....		15,124	10,212
Tangible fixed assets in progress and prepayment.....		2,327	0
Property, plant and equipment.....	8	41,611	30,232
Rent and other deposits.....		2,884	1,829
Financial non-current assets.....	9	2,884	1,829
NON-CURRENT ASSETS.....		44,495	32,061
Goods for resale		73,674	64,771
Inventories.....		73,674	64,771
Trade receivables		57,445	23,720
Receivables from group enterprises.....	10	213,834	816,928
Deferred tax assets.....	11	19,989	20,832
Other receivables.....		4,395	2,680
Prepayments		3,114	11,322
Receivables.....		298,777	875,482
CURRENT ASSETS		372,451	940,253
ASSETS.....		416,946	972,314

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2021 DKK '000	2020 DKK '000
Share capital.....		125	125
Retained profit.....		110,531	93,037
EQUITY		110,656	93,162
Other liabilities.....		0	4,252
Deferred income.....		59,820	37,582
Non-current liabilities	12	59,820	41,834
Prepayments received from customers.....		15,207	12,069
Trade payables.....		24,658	14,718
Payables to group enterprises.....		63,338	602,028
Corporation tax.....		3,269	11,732
Other liabilities.....	13	124,480	154,925
Deferred income.....	14	15,518	41,846
Current liabilities		246,470	837,318
LIABILITIES		306,290	879,152
EQUITY AND LIABILITIES		416,946	972,314
Contingencies etc.	15		
Assets pledged as security	16		
Related parties	17		
Stock option plan	18		
Consolidated Financial Statements	19		

EQUITY

	Share capital	Retained earnings	Total
Equity at 1 January 2021	125	93,037	93,162
Proposed distribution of profit, Note 7		17,494	17,494
Equity at 31 December 2021	125	110,531	110,656

NOTES

	2021 DKK '000	2020 DKK '000	Note
Net revenue			1
Segment details (geography)			
Denmark	1,466,789	1,849,259	
Europe (excl. Denmark)	63,870	59,797	
	1,530,659	1,909,056	
Segment details (activities)			
Automotive	1,409,903	1,816,295	
Service and Other	120,756	92,761	
	1,530,659	1,909,056	
Other external expenses			2
Other external expenses of 45,015 (2020: 32,114) thousand in 2021 relates to property rental expenses, selling and distribution expenses and other expenses.			
Fee to statutory auditor			3
Total fees: PWC			
	265	243	
	265	243	
Specification of fees:			
Statutory audit	265	243	
	265	243	
Staff costs			4
Average number of employees	136	97	
Wages and salaries	58,459	45,498	
Pensions	4,320	3,344	
Other staff costs	47	60	
	62,826	48,902	
The Board of Directors do not receive any remuneration for their work performed.			
Other financial expenses			5
Other financial expenses	444	274	
	444	274	

NOTES

	2021 DKK '000	2020 DKK '000	Note
Tax on profit/loss for the year			6
Calculated tax on taxable income of the year	4,087	9,263	
Adjustment of tax in previous years	92	1,798	
Adjustment of deferred tax	843	-3,005	
	5,022	8,056	
Proposed distribution of profit			7
Retained earnings.	17,494	20,305	
	17,494	20,305	
Property, plant and equipment			8
	Land and buildings	Plant, machinery, tools and equipment	
Cost at 1 January 2021	1,887	32,815	
Transferred	0	987	
Additions	246	8,062	
Disposals	0	-40	
Cost at 31 December 2021	2,133	41,824	
Depreciation and impairment losses at 1 January 2021	0	14,682	
Reversal of depreciation of assets disposed of	0	-40	
Depreciation for the year	9	5,146	
Depreciation and impairment losses at 31 December 2021	9	19,788	
Carrying amount at 31 December 2021	2,124	22,036	
	Leasehold improvements	Tangible fixed assets in progress and prepayment	
Cost at 1 January 2021	49,900	0	
Transferred	4,459	-5,446	
Additions	3,209	7,773	
Cost at 31 December 2021	57,568	2,327	
Depreciation and impairment losses at 1 January 2021	39,688		
Depreciation for the year	2,756		
Depreciation and impairment losses at 31 December 2021	42,444		
Carrying amount at 31 December 2021	15,124	2,327	

NOTES

			Note
Financial non-current assets			9
		Rent and other deposits	
Cost at 1 January 2021		1,829	
Additions		1,670	
Disposals		-615	
Cost at 31 December 2021		2,884	
Carrying amount at 31 December 2021		2,884	
	2021	2020	
	DKK '000	DKK '000	
Receivables from group enterprises			10
Cash pool receivables	213,812	812,032	
Trade receivables	22	4,896	
	213,834	816,928	
Deferred tax assets			11
Provision for deferred tax comprises deferred tax on tangible fixed assets, deferred income from contracts and other accruals under liabilities.			
	2021	2020	
	DKK '000	DKK '000	
Deferred tax specified:			
Fixed assets	3,737	5,348	
Deferred income from contracts	15,538	15,079	
Other accruals	714	405	
	19,989	20,832	
Deferred tax, beginning of year	20,832	17,827	
Deferred tax of the year, income statement	-843	3,005	
Deferred tax assets 31 December 2021	19,989	20,832	
It is recognized as follows:			
Deferred tax (assets)	19,989	20,832	
	19,989	20,832	

The Company's deferred tax assets are recognized in the balance sheet with 19,989 thousand. The tax asset solely relates to differences between tax legislation and accounting principles. The tax asset is recognized on the basis of expectations of positive tax surpluses over the next 2-3 years. The assessments are based on the Company's forecast for the following 2-3 years which have been prepared in accordance with the Company's normal budget procedure.

NOTES

				Note
Long-term liabilities				12
	31/12 2021 total liabilities	Repayment next year	Debt outstanding after 5 years total liabilities	31/12 2020 total liabilities
Other liabilities	0	0	0	4,252
Deferred income	75,338	15,518	3,985	79,428
	75,338	15,518	3,985	83,680
Other liabilities				13
Other liabilities consist of VAT, vehicle registration fee, salaries related payable etc.				
Deferred income				14
Deferred income recognized as liabilities consists of payments received regarding income in subsequent years.				
Contingencies etc.				15
Contingent liabilities				
At the balance sheet date, the Company has operational lease commitments concerning future rent in the amount of DKK ('000) 9,268 for the financial year 2022 and DKK ('000) 57,344 for the financial years thereafter, respectively.				
Assets pledged as security				16
None as per 31. 12.2021 or 31.12.2020.				

NOTES

Note

Related parties

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The Company's related parties include:

Controlling interest

Tesla International B.V.
Burgemeester Stramanweg 122
1101 Amsterdam Zuid-Oost
Netherlands

Ultimate parent

Tesla, Inc.
13101 Harold Green Road, Austin,
Texas, United States.

Other related parties having performed transactions with the Company

The Company's related parties having a significant influence comprise parent companies and associates as well as the companies' Board of Directors and their relatives. Related parties include also companies in which the above-mentioned group of persons has material interests.

Transactions with related parties

The Company did not carry out any transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

Stock option plan

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The ultimate parent company, Tesla, Inc., USA adopted an Equity Incentive Plan. Tesla, Inc. uses the fair value method of accounting for the stock options and restricted stock units ("RSUs") granted to employees to measure the cost of employee services received in exchange for the stock-based awards. The fair value of stock option awards with only service and/or performance conditions is estimated on the grant or offering date using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires inputs such as the risk-free interest rate, expected term and expected volatility. These inputs are subjective and generally require significant judgment. The fair value of RSUs is measured on the grant date based on the closing fair market value of our common stock. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the awards, usually the vesting period, which is generally four years for stock options and RSUs. The Stock-based compensation expense is recognised by the parent company, Tesla Inc. and not recharged to the Company.

Consolidated Financial Statements

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The Company's primary parent, Tesla International B.V., Netherlands, does not prepare consolidated financial statements. The Company's ultimate parent, which prepares consolidated financial statements into which the Company is incorporated as a subsidiary, is:

Tesla, Inc.
13101 Harold Green Road, Austin,
Texas, United States.

The consolidated financial statement can be obtained at the following address:
www.ir.tesla.com

ACCOUNTING POLICIES

The Annual Report of Tesla Motors Denmark ApS for 2021 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year.

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.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognized in the Income Statement. Net revenue is recognized exclusive of VAT, duties and less discounts related to the sale.

Automotive sales revenue includes revenues related to deliveries of new vehicles, and specific other features and services that meet the definition of a performance obligation, including access to our Supercharger network, internet connectivity, Autopilot, full self-driving and over-the-air software updates. We recognize revenue on automotive sales upon delivery to the customer, which is when the control of a vehicle transfers. Payments are typically received at the point control transfers or in accordance with payment terms customary to the business. Other features and services such as access to our Supercharger network, internet connectivity and over-the-air software updates are provisioned upon control transfer of a vehicle and recognized over time on a straight-line basis as we have a stand-ready obligation to deliver such services to the customer. We recognize revenue related to these other features and services over the performance period, which is generally the expected ownership life of the vehicle or the eight-year life of the vehicle. Revenue related to Autopilot and full self-driving features is recognized when functionality is delivered to the customer. For our obligations related to automotive sales, we estimate standalone selling price by considering costs used to develop and deliver the service, third-party pricing of similar options and other information that may be available.

At the time of revenue recognition, we reduce the transaction price and record a reserve against revenue for estimated variable consideration related to future product returns. Such estimates are based on historical experience and are immaterial in all periods presented. In addition, any fees that are paid or payable by us to a customer's lender when we arrange the financing are recognized as an offset against automotive sales revenue. Costs to obtain a contract mainly relate to commissions paid to our sales personnel for the sale of vehicles. Commissions are not paid on other obligations such as access to our Supercharger network, internet connectivity, Autopilot, full self-driving and over-the-air software updates. As our contract costs related to automotive sales are typically fulfilled within one year, the costs to obtain a contract are expensed as incurred. Amounts billed to customers related to shipping and handling are classified as automotive revenue, and we have elected to recognize the cost for freight and

ACCOUNTING POLICIES (Continued)

shipping when control over vehicles, parts, or accessories have transferred to the customer as an expense in cost of revenues. Our policy is to exclude taxes collected from a customer from the transaction price of automotive contracts.

Segment information on revenue

Information on business segments and geographical segments is based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments. The Company has no significant markets besides the Danish market. The Company's revenue is therefore not broken down by geographical segment. The Company considers Automotive and Service and other as its two business segments.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the Company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realized and unrealized gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortization of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognized in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognized in the income statement by the portion that may be attributed to the profit for the year, and is recognized directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

ACCOUNTING POLICIES (Continued)

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Land improvements, buildings	10-50 years	100%
Other plant, fixtures and equipment	3-12 years	0%
Leasehold improvements	5-12 years	0%

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognized in the income statement as other operating income or other operating expenses.

Useful life and residual values are reassessed annually.

Fixed asset investments

Deposits include rental deposits which are recognized and measured at amortized cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortization and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realizable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of finished goods and goods for resale are calculated at acquisition price with addition of transportation and similar costs.

The net realisable 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 measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Prepayments, assets

Prepayments recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognized in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

ACCOUNTING POLICIES (Continued)

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realizable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallize as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognized in the income statement, except from items recognized directly 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.

Amortized cost for short-term liabilities usually corresponds to the nominal value.

Prepayments received from customers

Prepayment received from customers consists of deferred income and customer deposits. Deferred income recognized as liabilities include payments received regarding income in subsequent years. Customers deposits are collected from customers at the time they place an order for a vehicle and at certain additional milestones up to the point of delivery. Customer deposit amounts and timing vary depending on the vehicle model. Customer deposits can be refunded or are applied to a customer's purchase balance at time of delivery.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognized in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognized in the income statement as financial income or expenses.

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.