GEELY SWEDEN HOLDINGS AB

ANNUAL REPORT 2023

With strong focus on mobility, technology development and new business models

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Geely Sweden Holdings' formal Annual Report is presented on pages 18–90, and has been audited by the Group's auditors.

This is Geely Sweden Holdings

Geely Sweden Holdings AB (Geely Sweden) serves as a holding company, managing a diverse portfolio of investments across companies mainly situated in Europe. Specializing in the mobility technology and financial sectors, Geely Sweden plays a key role in overseeing and managing these strategic investments on behalf of its shareholders.

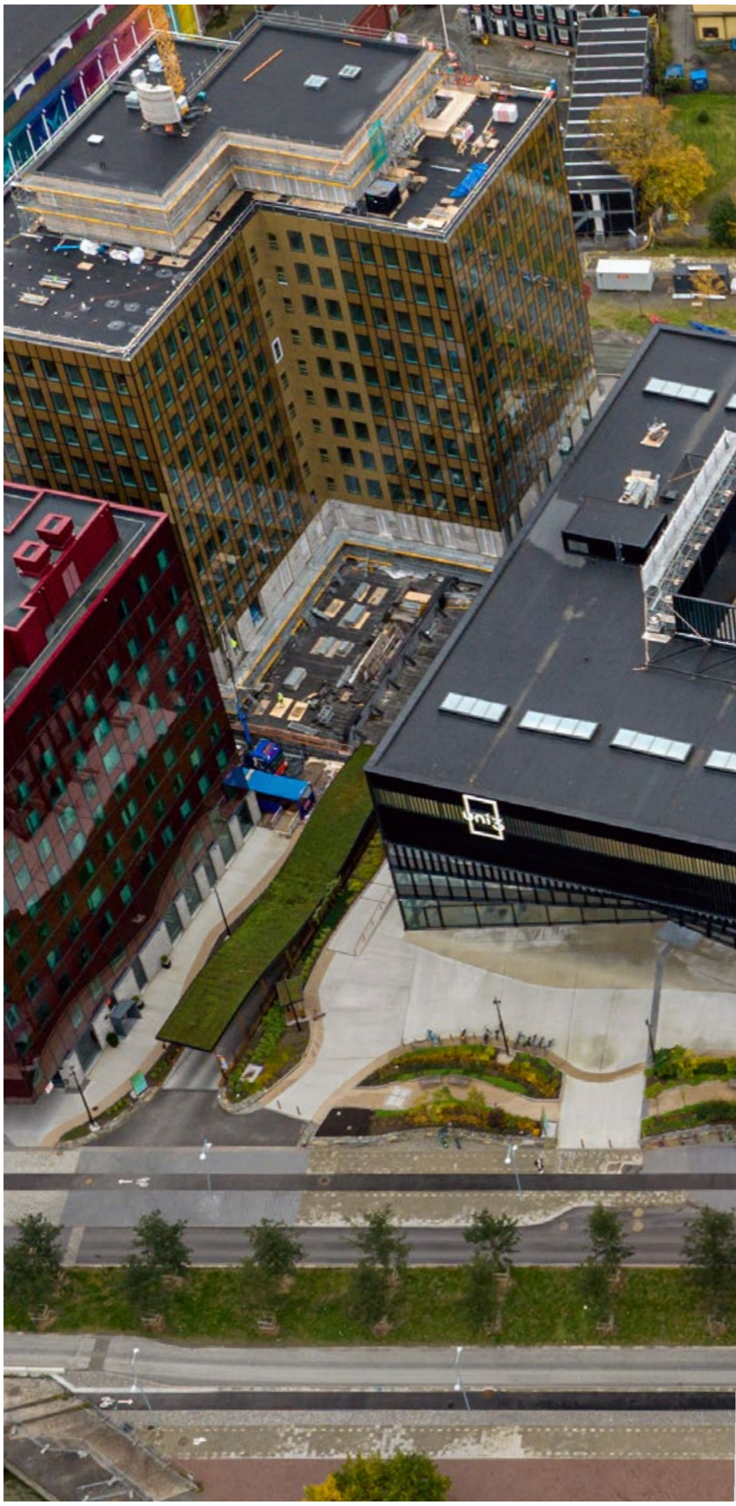
Under the umbrella of Geely Sweden, these carefully curated companies contribute to an innovative and dynamic ecosystem. Geely Sweden's ultimate ownership rests with Zhejiang Geely Holdings (Geely Holding), a prominent privately owned industrial conglomerate headquartered in Hangzhou, China. Founded in 1986 by the Chairman of the Board, Eric Li, Geely Holding has evolved into a global force, particularly making a significant impact in the automo-tive industry since its entry in 1997.

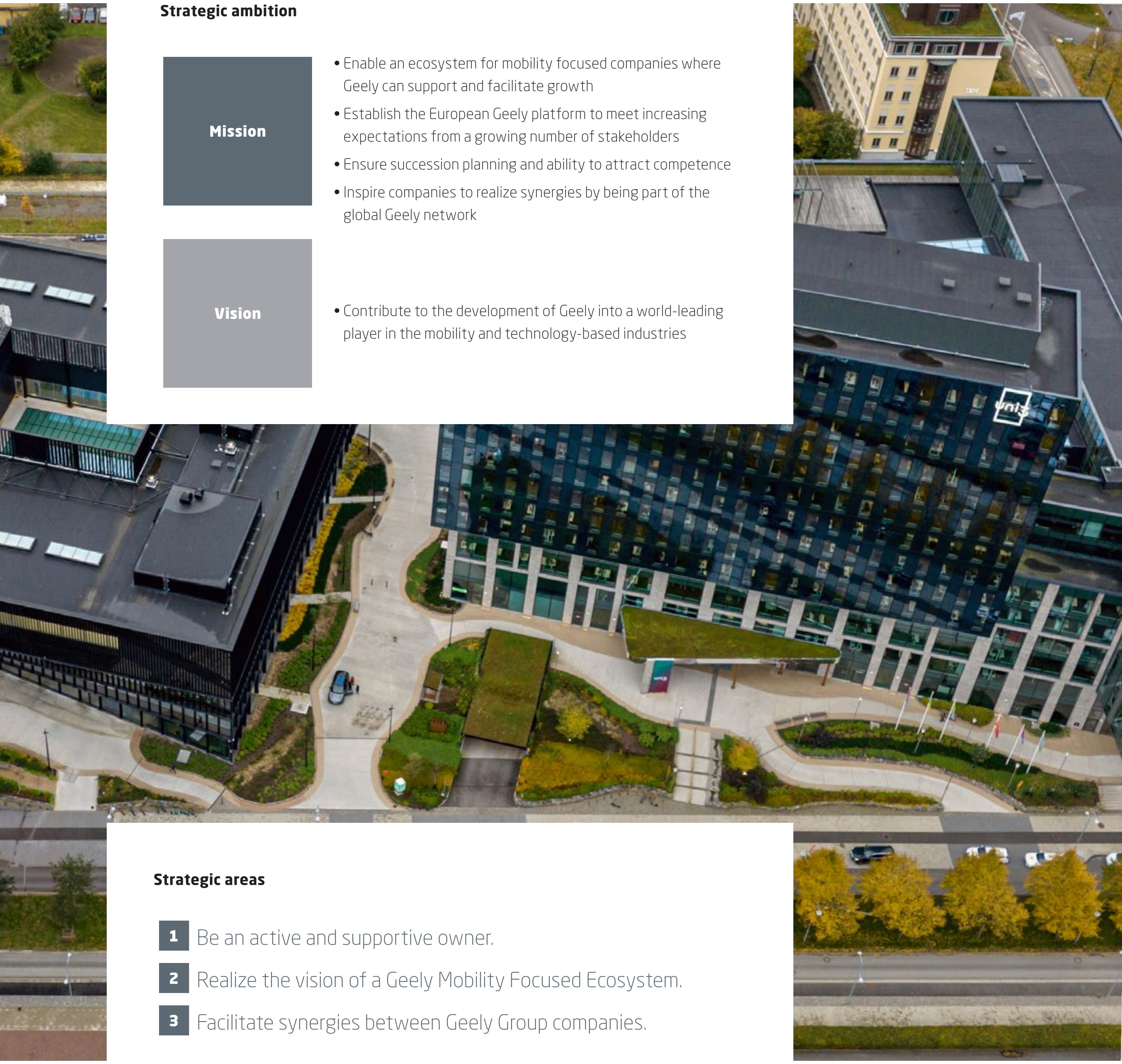
Geely Holding has demonstrated a steadfast commitment to technological innovation, talent development, and sustainable practices, transforming into a di-versified automotive investment group. With a strategic focus on clean technologies, automation, mobility services and digital connectivity, Geely Holding's influence extends across the globe.

The Group's Research and Development (R&D) and design centers, strategically located in Shanghai, Hangzhou, Ningbo, Gothenburg, Coventry, Califor-nia, and Frankfurt, have 20,000 dedicated employees and have garnered over 14,000 innovation patents. Geely Holding's world-class vehicle and powertrain manufacturing plants are strategically positioned in China, the US, the UK, Sweden, Belgium and Malaysia, with more to follow. A robust sales and service network, comprising over 4,000 branches, underscores the global reach and impact of Geely Holding.

As a significant stakeholder in leading entities such as Volvo Cars, Polestar, Proton in Malaysia, and Lotus and LEVC in the UK, Geely Holding is also a long-term investor in well-known organizations like Volvo Group, Mercedes-Benz, Aston Martin and Saxo Bank. The Group's consistent presence among the Fortune Global 500 for 12 consecutive years, ranking 225th in 2023 with assets exceeding USD 71 billion and a global workforce of over 120,000, attests to its enduring success.

For Geely Sweden, the strategic approach revolves around being an active and supportive owner, facilitating the realization of a unified Geely ecosystem across geographies. This involves providing access to Geely Holding's extensive network of industry and sector expertise, global portfolio of brands, technolo-gies, customers and suppliers, participation in strategic development projects, facilitating market entry and growth in Asia, and offering stability with a long-term perspective. Geely Sweden's operating model is designed to create synergies and enhance portfolio value, aligning with the overarching vision of Geely Holding's strategic objectives.





Strategic ambition

Mission

- Enable an ecosystem for mobility focused companies where Geely can support and facilitate growth
- Establish the European Geely platform to meet increasing expectations from a growing number of stakeholders
- Ensure succession planning and ability to attract competence
- Inspire companies to realize synergies by being part of the global Geely network

Vision

- Contribute to the development of Geely into a world-leading player in the mobility and technology-based industries

Strategic areas

1. Be an active and supportive owner.
2. Realize the vision of a Geely Mobility Focused Ecosystem.
3. Facilitate synergies between Geely Group companies.

2023 in Brief

- Volvo Cars' retail sales increased by 15% and reached 708,700 cars, a new company record, increasing revenues by 21% to the all-time high of SEK 399 billion.
- Volvo Cars presented two new models, EX30, a small SUV that takes city safety to a new level, and EM90, a fully electric premium MPV that is not just designed to be a comfortable living room on the move but also a car that provides room for life with your loved ones.
- Polestar presented a new strengthened business plan targeting positive cashflow break-even in 2025.
- Strong performance at AB Volvo reaching SEK 553 billion in revenue and the Board of Directors proposing a total dividend of SEK 18 per share.
- Saxo Bank reached a new record of more than 1.1 million clients worldwide and over EUR 100 billion in client assets.
- Geely Sweden sold 100 million shares in Volvo Cars in the secondary market in an effort to increase free float in the stock, the Geely Sweden shareholding in Volvo Cars thereby decreased to 78.6%.
- Geely Sweden settled the zero-coupon bond.

Revenue

MSEK 399,985

Operating income

MSEK 20,136

CEO's Statement

In 2023, Volvo Cars saw significant growth in revenue and expanded its production capabilities. Geely Sweden sold shares in Volvo Cars, while Polestar unveiled new products and AB Volvo continued its strong performance. The Uni3 campus in Gothenburg expanded following further construction and the Geely Sweden operational efficiency was enhanced.

Looking back at 2023, we have had an interesting year. Despite challenges from the geopolitical landscape and the lasting effects of the pandemic, our collective efforts prevailed. Volvo Cars, a standout in our portfolio, showcased innovation with the launch of the EX30 and EM90, coupled with plans for increased production capabilities in Europe. The impressive results include a significant 21% rise in full-year revenues and a noteworthy total sales volume of 708,700 units.

In the latter half of 2023, Geely Sweden sold shares in Volvo Cars to increase availability of the share in the secondary market. Polestar, in which Volvo Cars is a major stakeholder, unveiled new products. Polestar's commitment to a new profitability-focused business plan gained solid support from Volvo Cars and Geely Holding.

In 2023, AB Volvo continued its strong performance. We are very pleased with the Geely Sweden investment in AB Volvo and remain confident with its future development. Meanwhile, our Uni3 campus at Lindholmen is expanding with the construction of a sixth building, together with our joint venture partner Fastighets AB Balder. Additionally, the Group's operational efficiency was enhanced by merging two subsidiary companies into one, forming GEIC, a shared competence and service center supporting group companies in Sweden and Europe.

Looking ahead, Geely remains steadfast in its vision to evolve into a smart e-mobility technology enterprise and energy service provider with global competitiveness. Our commitment to research and development, collaborative initiatives across brands, and strategic investments underscores our journey toward a sustainable and interconnected future.

We carry forward the lessons and positives of 2023 into the current year. With confidence and ambition, we will champion collaboration and drive progress in the industries in which we operate. Exciting opportunities await us and we will continue shaping a future that reflects the essence of Geely.

Hans Oscarsson
Chief Executive Officer
Geely Sweden Holdings AB

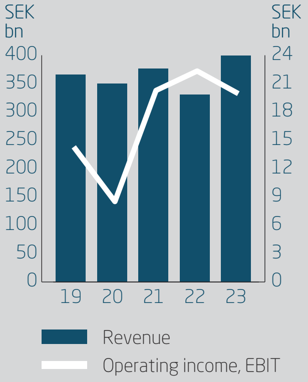
Volvo Car Group

One of the world's fastest-growing premium automotive brands

Percentage of Capital and Votes

78.6%

Revenue and operating income



Key ratios, MSEK	2023	2022	2021	2020	2019
Revenue	399,343	330,145	282,045	262,833	274,117
Operating income, EBIT	19,939	22,332	20,275	8,516	14,303
Net income	14,066	17,003	14,177	7,788	9,603
Equity ratio %	36.6	35.4	33.5	26.8	26.2
Operating and investing cashflow	-8,975	–6,059	–4,885	13,282	11,573

Volvo Cars is one of the world's fastest-growing premium automotive brands, providing its customers with the freedom to move in a personal, sustainable and safe way. Its unique structure and focused strategy make it one of the fastest transformers in the global automotive industry, with mid-decade ambitions dedicated to electrification, sustainability and digitization.

Founded and headquartered in Gothenburg, Sweden since 1927, throughout its history Volvo Cars has been a global force for automotive safety and innovation. Volvo Cars has been credited with a number of industry-leading innovations that are now standard in cars across the world, such as the three-point safety belt, the side impact protection system, side impact airbags and autonomous emergency braking.

Volvo Cars is focused on the design, engineering, manufacturing, distribution and sale of premium passenger cars, with a particular emphasis on sustainability, fully electric cars and direct consumer relations, including subscription and other new mobility services.

In 2023, Volvo Cars sold 708,700 cars in over 100 countries, of which 16% were fully electric and 22% were PHEVs.

Volvo cars are marketed and sold online in selected markets through the Volvo Cars online store and in physical stores through around 2,300 retail partners. With its global headquarters in Gothenburg (Sweden) and regional headquarters in Shanghai (China) and Mahwah (New Jersey, United States), Volvo Cars' core markets are Europe, China and the United States.

Volvo Cars has been listed on Nasdaq Stockholm since October 2021. In June 2022, Polestar, the Swedish electric performance car brand partly owned by Volvo Cars, was listed on Nasdaq New York.

Ambitions

- 2025 – 40% CO_2 reduction per car (from a 2018 baseline)
- 2025 – 50% fully electric sales
- 2026 – SEK 550-600 billion revenue
- 2026 – Above 8% EBIT margin[1)]

[1)] excl. share of income in JVs and associates

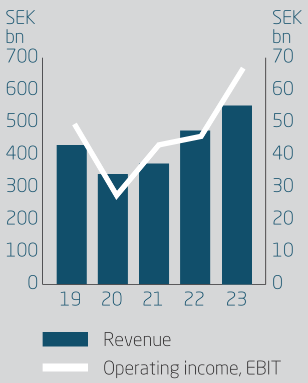
Volvo Group

A global group with strong market positions

Percentage of Capital
6.8%

Percentage of Votes
15.5%

Revenue and operating income



Key ratios, MSEK	2023	2022	2021	2020	2019
Revenue	552,764	473,479	372,216	338,446	431,980
Operating income, EBIT	66,784	45,712	43,074	27,484	49,531
Net income	49,932	32,969	33,243	20,074	36,495
Equity ratio %	26.8	26.4	27.9	29.0	27.0
Operating and investing cashflow	-169	11,758	32,158	20,669	24,857

Volvo Group offers transport and infrastructure solutions for trucks, buses, construction equipment, power solutions for marine and industrial applications, financing and services that increase customers' uptime and productivity. Founded in 1927, Volvo Group is committed to shaping the future landscape of sustainable transport and infrastructure solutions. Volvo Group headquartered in Gothenburg, Sweden, employs more than 104,000 people and serves customers in almost 190 markets. The shares are listed on Nasdaq Stockholm.

Volvo Group's products contribute to efficient transport and infrastructure solutions and maximize customer uptime. Volvo Group drives the development of electrified vehicles and machines, as well as automated solutions for the benefit of customers, society and the environment. The sale of vehicles and machines creates a population of products, thereby driving spare parts sales and service revenue.

In addition to vehicles and machines, Volvo Group's offering includes various services such as financing, insurance, rental, spare parts, repairs, preventive maintenance, service agreements and assistance. The range and flexibility of the offering enables solutions to be tailor-made to maximize customer uptime and productivity. The service business helps to balance the fluctuation in new product sales and improve profitability over the business cycle. Growing the service business is a priority.

Thanks to competitive product programs, strong dealers with extensive service networks and increasingly complete offerings, Volvo Group has established leading positions globally. Volvo Group is one of the world's largest manufacturers of heavy commercial vehicles, construction equipment, buses and heavy-duty combustion engines, and is a leading supplier of marine and industrial engines. These positions enable economies of scale to be achieved in product development, production, purchasing and financial services.

Volvo Group's brand portfolio consists of Volvo, Volvo Penta, Rokbak, Renault Trucks, Prevost, Nova Bus, Mack and Arquus. Volvo Group has alliances and joint ventures with SDLG, Milence, Eicher and Dongfeng Trucks, as well as cellcentric. By offering products and services under various brands, Volvo Group addresses many different customer and market segments in mature and growth markets.

Volvo Group Brands

VOLVO · VOLVO PENTA · ROKBAK · RENAULT TRUCKS · PREVOST · NOVABUS · MACK · ARQUUS

Joint Ventures and Strategic Alliances

SDLG · EICHER · DONGFENG Trucks · cellcentric · milence

Saxo Bank

A leading fintech specialist that helps companies and investors connect to global capital markets

Saxo Bank (Saxo) is a leading fintech specialist that connects people to investment opportunities in global capital markets. As a provider of multi-asset trading and investments, Saxo's vision is to enable people to fulfil their financial aspirations and make an impact. Saxo's user-friendly and personalized platform experience gives investors exactly what they need, when they need it – whether they want to actively trade on global markets or invest in their future.

Founded in 1992, Saxo was one of the first financial institutions to develop an online trading platform to provide private investors and traders with the same tools and market access as professional traders, large institutions and fund managers. Saxo combines an agile fintech mindset with more than 30 years of experience and a track record in global capital markets to deliver a state-of-the-art experience to clients. The Saxo Bank Group holds three banking licences and is regulated in multiple jurisdictions across Europe, Middle East and Asia. Saxo offers its more than 1.1 million clients access to global capital markets across asset classes, where they can trade over 70,000 instruments from a single account. The Saxo Bank Group also partners with more than 400 wholesale partners boosting the investment experience they can offer their clients via its open banking technology.

Headquartered in Copenhagen, Saxo's client assets total more than EUR 100 billion and the company has 2,300 financial and technology professionals in financial centers worldwide including Copenhagen, London, Singapore, Amsterdam, Shanghai, Hong Kong, Paris, Zurich, Dubai and Tokyo. Saxo Bank is designated a SIFI (systemically important financial institution) and holds an investment grade rating from S&P.

Percentage of Capital and Votes

24.9%

Key ratios, MDKK	**2023**	2022	2021	2020	2019
Operating income	4,473	4,435	4,492	4,316	2,611
Operating profit	502	956	1,048	1,087	110
Net income	260	711	755	750	40
Equity ratio %	7.1	7.9	7.9	9.4	9.5
Operating and investing cash flow	20,683	–13,339	4,630	5,122	23,941

>1.1 million
Clients worldwide

>100 billion
Client assets (EUR)

57 million
Trades realized in 2023

>30 years
Experience in the industry

Geely Europe Innovation and Collaboration

A shared competence and service center

Geely Europe Innovation & Collaboration, GEIC, serves as a shared competence and service unit within Geely Sweden, specifically tailored to enhance synergies among Geely Holdings' European subsidiaries. Its primary goal is to offer essential corporate functions crucial for company operations, focusing on reducing costs and supporting Geely's expansion and growth in Europe. GEIC provides a broad spectrum of business services, including IT, HR, finance, tax, legal and communications. Additionally, it offers property-based services, encompassing construction and real estate management.

GEIC, originally known as Geely Business Center, GBC, was established in 2021. In 2023, the company underwent a reorganization. This restructuring included integrating the operations of GBC and the Geely Innovation Centre Management, GIC, creating two new service areas in real estate and construction. Notably, the Geely Innovation Centre Management is responsible for operating Geely´s campus in Gothenburg Uni3 by Geely. Also in 2023, a joint venture was formed with Fastighets AB Balder to build and manage the sixth and final building of the Uni3 by Geely campus, which is planned to be ready for tenants during summer 2024.

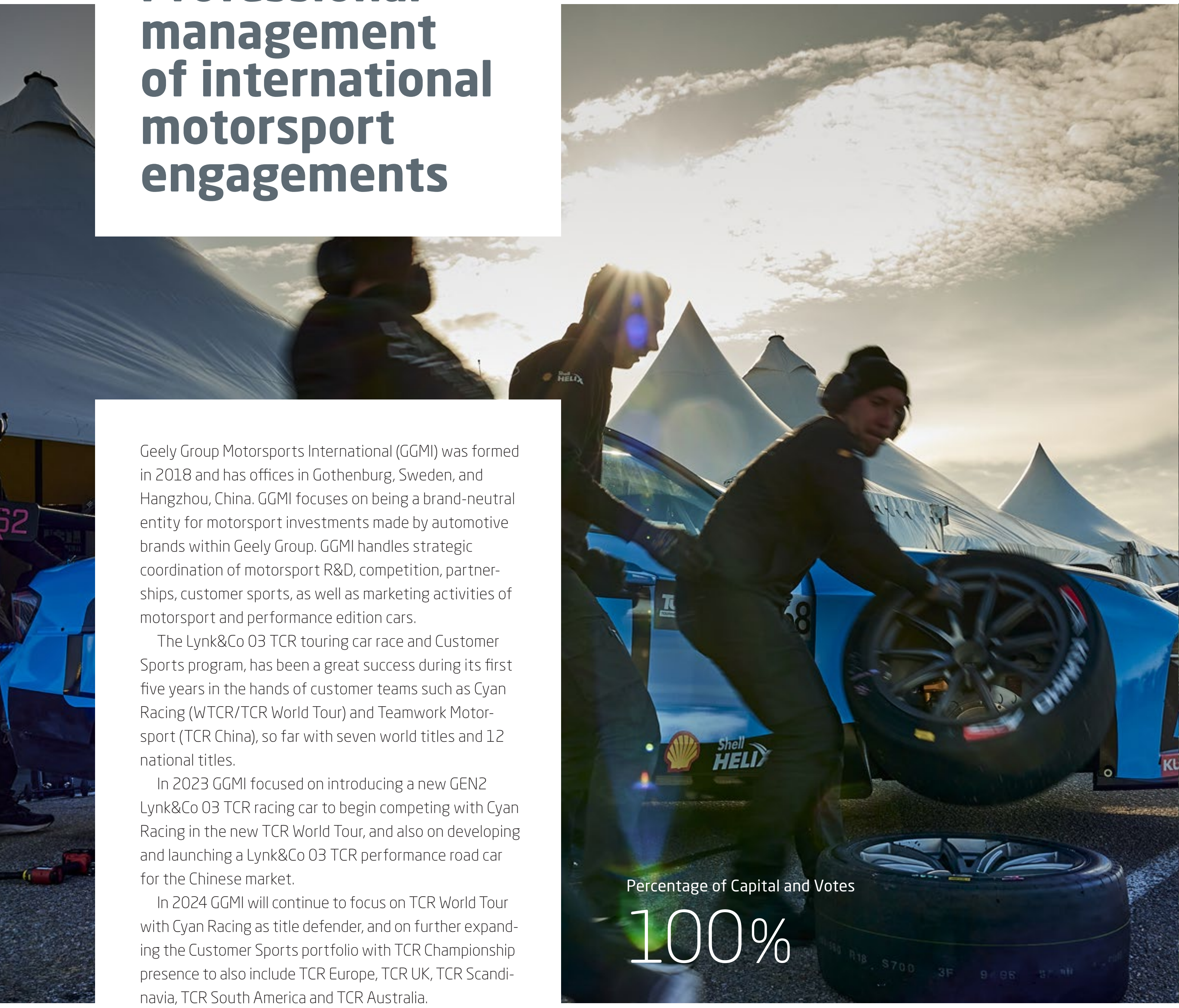
The focus for GEIC in 2023 has centered on consolidating GEIC and GIC and establishing a solid business foundation. This includes enhancing financial processes and reinforcing the commitment to evolving into a service oriented organization. GEIC is located in the main building of Uni3 by Geely in Gothenburg. The company employs around 170 employees and agency personnel.

Percentage of Capital and Votes

100%

Geely Group Motorsports International

Professional management of international motorsport engagements



Geely Group Motorsports International (GGMI) was formed in 2018 and has offices in Gothenburg, Sweden, and Hangzhou, China. GGMI focuses on being a brand-neutral entity for motorsport investments made by automotive brands within Geely Group. GGMI handles strategic coordination of motorsport R&D, competition, partnerships, customer sports, as well as marketing activities of motorsport and performance edition cars.

The Lynk&Co 03 TCR touring car race and Customer Sports program, has been a great success during its first five years in the hands of customer teams such as Cyan Racing (WTCR/TCR World Tour) and Teamwork Motorsport (TCR China), so far with seven world titles and 12 national titles.

In 2023 GGMI focused on introducing a new GEN2 Lynk&Co 03 TCR racing car to begin competing with Cyan Racing in the new TCR World Tour, and also on developing and launching a Lynk&Co 03 TCR performance road car for the Chinese market.

In 2024 GGMI will continue to focus on TCR World Tour with Cyan Racing as title defender, and on further expanding the Customer Sports portfolio with TCR Championship presence to also include TCR Europe, TCR UK, TCR Scandinavia, TCR South America and TCR Australia.

Percentage of Capital and Votes

100%

Sustainability

Geely Sweden works actively to contribute to the development of a resource saving and environmentally sound society. We acknowledge that we, as a world, need to reduce emissions and practice energy conservation while taking action to ensure sustainable development.

Geely Sweden's ambition is to create long-term value through active ownership in its portfolio companies with a sustainability focused mindset at the very core. To prosper and succeed in the long term, it will be important for Geely Sweden and our portfolio companies to adhere to and actively participate in driving the global ESG agenda and set high ambitions to benefit the communities in which we live and operate.

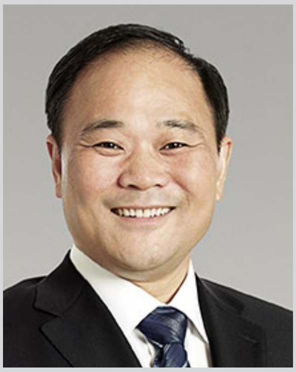
Geely Group is a partner of the leading collaborative platform Drive Sustainability, facilitated by CSR Europe, where Geely works with the other 11 Original Equipment Manufacturers – BMW Group, Daimler Truck, Ford, Honda, Jaguar Land Rover, Mercedes-Benz, Scania, Toyota, Volkswagen, Volvo Car and Volvo Group – to lead the transformation toward a circular and sustainable automotive value chain.

As an active owner, Geely Sweden has a continual dialogue with our key stakeholders – not only with portfolio company management teams, but also with fellow shareholders, employees, customers, government agencies, legislative bodies and non-governmental organizations. Our model involves encouraging stakeholders to set ambitious sustainability targets and push Geely Group companies to align their strategic development with important international standards to future-proof competitive business models. Examples of these standards include the UN Sustainable Development Goals, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights. We also work actively to ensure that portfolio companies adhere to our corporate values and ethical guidelines.

Geely Group has joined the United Nations Global Compact, giving Geely Sweden a firm vision and targets to work toward. As a signatory and participant in the UNGC initiative, Geely has committed itself to upholding the 10 principles of the Compact covering human rights, labor, the environment, and anti-corruption, as well as contributing to the 17 UN Sustainable Development Goals in its strategies and operations. To align with these commitments, Geely Group has announced that it is aiming to achieve carbon neutrality across its entire value chain by 2045. Individual businesses and brands within Geely Group have also formulated their own carbon neutrality strategies and goals with step-by-step roadmaps. For example, Volvo Cars has announced its goals of achieving carbon neutrality by 2040, climate neutral manufacturing and operations by 2025, and becoming a 100% BEV (battery electric vehicle) company by 2030 (for further information, see the Volvo Car Group Annual and Sustainability Report 2023). Polestar has announced its goal of introducing a fully carbon-neutral automotive product and eliminating carbon emissions from its supply chain and production by 2030.

Geely Sweden places great emphasis on sustainability within our own operations as well. We firmly believe in leading by example, and the primary focus within our organization is being a responsible employer that rejects all forms of discrimination and believes that diversity enhances knowledge, dynamism and the quality of our work.

Board of Directors



Eric Li (Li Shufu)

Chair
Since: 2010
Born: 1963
Education: MSc in Mechanical Engineering, BSc in Management Engineering

Other assignments
Founder and Chair of the Board of Zhejiang Geely Holding Group Co. Ltd.; Member of the Board of other entities within the Zhejiang Geely Holding Group; Chair of the Board Volvo Car AB (publ.).

Previous positions
CEO Zhejiang Geely Holding Group Co. Ltd.

Daniel Li (Li Donghui)

Member of the Board
Member of the Audit Committee
Since: 2012
Born: 1970
Education: MBA, MSc in Management Engineering

Other assignments
Member of the Board and CEO Zhejiang Geely Holding Group Co. Ltd.; Chair of the Board Lotus Group International Limited; Vice Chair of the Board Geely Automobile Holdings Ltd.; Member of the Board Volvo Car AB (publ.), Polestar Automotive Holding UK Plc, Saxo Bank A/S, Proton Holdings Berhad, YTO Express (International) Holdings Ltd, Aston Martin Lagonda Global Holdings Plc.

Previous positions
Executive Vice President and CFO of Geely Holding Group; Director certain subsidiaries in Geely: Geely Automobile Holdings Ltd., Geely Holdings Group Ltd.; Independent Director of China CYTS Tours Holding Co. Ltd.; CFO and Vice President of Liugong Machinery; Executive Director of Geely Automobile Holdings Ltd.; Managing Director and several other senior positions at Cummins; CFO and other senior positions at BMW Brilliance Automotive; Senior positions at ASIMCO Braking System, Danfoss Tianjin.

Lone Fønss Schrøder

Member of the Board
Member of the Audit Committee
Since: 2019
Born: 1960
Education: Master of Laws, MSc in Economics and Business Administration

Other assignments
Vice Chair of the Board and Chair of the Audit Committee, Volvo Car AB (publ.); Vice Chair of the Board and Chair of the Audit Committee Akastor ASA; Member of the Board Aker Solutions ASA and Aker Horizons ASA; Member of the supervisory Board INGKA Holding B.V.; Member of the Board Ikano Bank AB (IKEA Group); Member of the EMEA advisory Board of ServiceNow, Inc.

Previous positions
Several senior management positions at A.P. Moller-Maersk A/S; CEO Concordium AG; President and CEO Wallenius Lines, Member of the Board of a.m.o Handelsbanken, Saxo Bank, Vattenfall, Eukor, Yara and Queen's Gambit Growth Capital.

Hans Oscarsson

Member of the Board and CEO
Member of the Audit Committee
Since: 2019
Born: 1965
Education: MSc in Business Administration

Other assignments Chair of the Board Geely Europe Innovation and Collaboration AB and Geely Europe Innovation Centre AB; Member of the Board Geely Group Motorsports International AB.

Previous positions
CFO and SVP Finance, Volvo Car AB (publ.).

Executive Management Team

Hans Oscarsson
CEO

Per Ansgar
Finance

Stefan Lundin
Public Relations and Communications

Peter Lundin
Legal

Björn Sällström
Human Resources

Board of Directors' Report

The Group

Geely Sweden Holdings AB holds shares in its subsidiaries. Geely Sweden Holdings AB and its subsidiaries are jointly referred to as "the Group". The Group operates indirectly in the automotive industry, mainly as majority owner of Volvo Car AB (publ.). In addition the Group operates a shared competence and service center providing business services within several areas to group companies and external customers. The Group owns property and also operates the property and a motorsport company. The Group has individual holdings in Saxo Bank A/S and AB Volvo. There are seven entities in the Group whose main purpose is to hold and finance the Group investments.

Registered in Gothenburg, Geely Sweden Holdings AB is a wholly owned subsidiary of Shanghai Geely Zhaoyuan International Investment Co., Ltd., registered in Shanghai, China, with ultimate majority ownership held by Zhejiang Geely Holding Group Co., Ltd., registered in Hangzhou, China.

Industrial operation

Despite challenges from high inflation and rising interest rates in the western world and lower consumer confidence in China, the passenger car markets have grown. Part of the rise is, however, attributable to a lower comparison base due to semiconductor and component shortages during last year. Volvo Cars' global production increased by 18 per cent to a record 766,700 (648,900) cars, as availability and visibility improved in the company's supply chain. Full year retail sales were at 708,700 (615,100), an all-time high in the company's history. The orderbook remained robust, supporting the ability to maintain premium pricing over the year. Sales of BEVs increased by 70 per cent to 113,400 (66,700) units, and the Recharge cars share of total sales increased to 38 (33)per cent.

Volvo Car Group revenue increased by 21 per cent to SEK 399,343 (330,145) million. Operating income increased to SEK 19,939 (22.332) million.

Shared competence and service center

Geely Europe Innovation and Collaboration AB (GEIC), formerly known as Geely Business Center AB, was established in 2021 as a shared competence and service unit to enhance synergies between the Geely Group companies. The primary goal for GEIC is to offer capacity and capability to provide high-level business services and expertise to Geely Group companies and external customers. The shared competence and service center will enable customers to focus on their core capabilities and grow faster by outsourcing corporate functions to the center. GEIC provides business services including IT, HR, finance, tax, legal and communications. Additionally, the company offers property-based services encompassing construction and real estate management.

GEIC is located on the Uni3 by Geely campus in Gothenburg. The company has around 170 employees and agency personnel.

In 2023, the company was restructured by the integration of the operations of GEIC and Geely Innovation Centre Management AB (GIC). GIC is the company operating Uni3 by Geely, the campus. Integrating the operations of GEIC and GIC within the GEIC business has therefore created two new service areas to the shared competence and service center, real estate and construction.

Real estate

The Uni3 by Geely campus is located in Lindholmen, Gothenburg, the West Sweden innovation cluster, and the Group's Swedish investments are a significant contribution.

There are five buildings and the sixth and final is underway. In 2023 a joint venture with Fastighets AB Balder was formed, to build and manage the sixth building of the Uni3 by Geely campus. The building is planned to be ready for tenants during summer 2024.

Notably, the campus houses a co-working office, conference center and exhibition space for commercial use by external customers. A Lynk& Co showroom, offices and a design center for the brands Lynk&Co and Zeekr, make up the automotive part of the campus. The hotel brand Strawberry operates one of the buildings for its business. Other companies present at Uni3 as tenants include United Space, Toyota Material handling, SINIX, Compass Group, EcarX, GEIC and other Geely Sweden companies. The more than 100 resident companies of the campus enjoy creative environments, shops, food, gym and various other office services.

Motorsport

Geely Group Motorsports International AB (GGMI) was formed in 2018 and has offices in Gothenburg, Sweden, and Hangzhou, China. The company focuses on being a brand-neutral entity for motorsport investments made by automotive brands within the Geely Group. GGMI handles strategic coordination of motorsport R&D, competition, partnerships, customer sports, as well as marketing activities of motorsport and performance edition cars.

Individual holdings

Volvo Group

For Volvo Group, 2023 was a year with a strong increase in net sales and improved operating income, despite challenges created by geopolitical turmoil, supply chain constraints and high inflationary pressure. Cost

Geely Sweden Holdings Group

Key ratios, MSEK	**Full year 2023**	Full year 2022	Full year 2021	Full year 2020	Full year 2019
Revenue	399,985	330,674	281,974	262,890	274,149
Operating income, EBIT	20,136	22,679	20,853	8,719	13,371
Net income	14,619	17,261	17,634	7,247	9,244
EBITDA	37,657	38,825	35,895	23,183	28,919
Operating and investing cashflow	-8,411	–6,817	8,003	8,658	9,615
EBIT margin, %	5.0	6.9	7.4	3.3	4.9
EBITDA margin, %	9.4	11.7	12.7	8.8	10.5
Equity ratio, %	38.7	34.6	34.0	24.0	21.6
Net cash	4,758	7,272	16,588	–5,446	–12,665

See definitions of Key Ratios on page 80.

inflation was mitigated successfully with price management.

In 2023, net sales increased by 17% to SEK 553 (474) billion. Adjusted for currency movements, the rise in sales was 11 per cent of which vehicle sales increased by 12 per cent due to successful price management, higher deliveries and reduced backlog that had been extended since the pandemic, and service sales increased by 10 per cent as good utilization of vehicles and machines drove demand for spare parts and services.

Adjusted operating income amounted to SEK 77.6 (50.5) billion, excluding a total negative effect of SEK 10.9 (4.8) billion relating to items of a one-time character and not directly linked to the underlying business operations.

The higher adjusted operating income compared with 2022 is mainly due to successful mitigation of cost inflation with price management and a favourable brand and product mix, partly offset by raised material costs despite efficient handling of disturbances in the supply chain.

Saxo Bank

The Saxo Bank Group realised an adjusted net profit of DKK 653 million in an uncertain macroeconomic environment. Rising inflation and low volatility in financial markets resulted in lower trading and investing activity compared with 2022, while higher interest rates had a positive impact on the financial performance for 2023. Despite decreasing trading and investing activity, the net inflow of new clients continued in 2023, resulting in more than 1.1 million end clients and record high client assets of DKK 745 billion by the end of December 2023, including positive net funding from clients of DKK 74 billion.

Operating income amounted to DKK 4,473 (4,435) million, corresponding to a rise of 0.9 per cent.

Net income and financial position

Income before tax for the Group amounted to SEK 21,394 (21,478) million. Net income was SEK 14,619 (17,261) million. Cash and cash equivalents for the Group amounted to SEK 51,522 (67,409) million. Interest-bearing liabilities not including provisions for employee benefits amounted to SEK 31,935 (34,238) million. Total borrowings amounted to SEK 56,682 (63,552) million and include liabilities to credit institutions and bond liabilities. Equity share of total assets was 39 (35) per cent.

Investments

In 2023 the Group made investments in intangible assets amounting to SEK 21,657 (19,126) million. Investments in tangible assets amounted to SEK 27,205 (17,576) million.

Financing

In 2023, a EUR 700 million credit facility was extended to May 2025. In 2023, a total of EUR 361 million was amortized resulting in the credit facility balance as at December 31, 2023, equaling EUR 339 million.

Employees

In 2023, the Group employed 43,590 (44,857) full-time employees (FTE). Information on salaries and other remuneration is presented in Note 8 – Employees and remuneration.

Significant events during the year

The war in Ukraine

In February 2022 the war in Ukraine started and still in 2023 continues to have a negative impact on Europe and risks in the global economy. The war has led to accelerating increases of the cost of raw materials, energy and transportation. This has further raised inflationary pressures in the global economy and worsened already stretched global supply chains. The risk of further disruption to Russian gas flows has also risen. Given that many automotive parts suppliers rely on natural gas, a decreased supply may disrupt these supply chains.

Executive Management Team

Peter Wikström, Chief Operating Officer and Head of Business Development and Investment, has pursued new career opportunities, effective April 30, 2023.

On June 1, 2023, Per Ansgar joined Geely Sweden Holdings AB as Chief Financial Officer. Per has a long history of different finance positions in Volvo Cars Group, the most recent as Deputy Chief Financial Officer at Volvo Cars.

Zero-coupon bond

In June 2019 the Group, via Geely Sweden Financials Holding AB, issued guaranteed zero-coupon bonds to the aggregate amount of EUR 400 million due in 2024. The bonds may be redeemed either in cash or in exchange for a certain number of existing Series B shares of AB Volvo. From June to December the Group settled the zero-coupon bond. A total of 29,307,042 AB Volvo Series B shares were subject to the option of exchange. After settlement, the Group's shareholding in AB Volvo is 6.8 per cent.

Shared competence and service center

The operations of Geely Europe Innovation and Collaboration AB, previously known as Geely Business Center AB, and Geely Innovation Centre Management AB, the company operating the Uni3 by Geely campus, were merged. The shared competence and service center now manages two new service areas, real estate and construction.

Uni3 by Geely

A joint venture with Fastighets AB Balder was formed to build and manage the sixth and final building of the campus. The building is planned to be ready for tenants during summer 2024.

Divestment of Volvo Car AB (publ.) shares

In November, 100 million shares in Volvo Car AB (publ.) were sold by Geely Sweden Holdings AB in the secondary market in an effort to increase free float in the stock. Total proceeds from the sale amounted to SEK 3.7 billion. The Group's shareholding in Volvo Car AB (publ.) is 78.6 per cent after the sale of shares.

Financial support to Polestar

In November, Volvo Cars announced its support to Polestar by increasing the existing term loan facility with an additional USD 200 million on top of the already provided USD 800 million with all other terms remaining the same. Volvo Cars also extended the maturity date of the total USD 1,000 million term loan to Polestar to June 2027, which in January 2024 was further extended to the end of 2028.

In November and December, the Group, via Geely Sweden Automotive Investment AB, provided a loan facility totaling USD 250 million to Polestar Automotive Holding UK PLC. The repayment condition of the loan includes a lender debt-for-equity option under certain conditions.

The Board's work

The Board of Directors of Geely Sweden Holdings AB has four members including the CEO. There are no deputy members. All board members are elected for a one-year term. With the exception of the CEO, no board member works in an operational capacity within the Group. The General Counsel of the Group serves as secretary for the Board.

At the Annual General Meeting in 2023, Eric Li (Li Shufu) was elected Chairman of the Board.

The Board will annually adopt rules of procedure that govern the structure and content of board meetings, matters to be addressed during these meetings, the division of duties between the Board and the CEO and any other relevant issues. The CEO instructions describe his duties and reporting obligations to the Board. In 2023 the Board has held 11 meetings including the statutory meeting.

Issues addressed by the Board include strategic changes in the share portfolio, acquisition and sale of subsidiaries, the Company's risk exposure, budgets and forecasts for the subsidiaries, and financial monitoring of the business.

The Audit Committee has in 2023 held 5 meetings.

Policy for remuneration and employment for CEO

The Board has decided on a policy for remuneration for the CEO in accordance with decisions taken at the Annual General Meeting (AGM). More information is presented in Note 8 – Employees and remuneration.

Risks and uncertainties

Through its operations, the Group is exposed to various risks and uncertainties that could, in varying degrees, have a negative effect on income and financial position. These risks and uncertainties are continuously monitored by Geely Sweden Holdings to mitigate their effect on the Group's operation.

The most relevant risks and uncertainties are presented below:

Market shift and consumer behaviour in electrification transformation

As customers move toward electric vehicles, there is uncertainty on the pace of consumer acceptance, market by market. The move from internal combustion engine vehicles to electric vehicles depends on factors such as range, charging experience and pricing.

Ensuring a sustainable transformation

The global risk of climate change generates public expectation on accelerating sustainability transformation. This is a risk if the Group cannot proactively adapt business plans and the transition of its business, including the complex value chain, potentially risking negative brand reputation and loss of sales.

Battery supply chain

The battery technology shift and the increased capacity requirement combined with a volatile supply chain and potential raw material limitations is a risk to the electrification strategy.

Cyber security

With the automotive industry's continued shift toward connected cars, autonomous drive, vehicle electrification and smart mobility, cyber security has risen in importance.

Compliance risks

New or changing laws, regulations and government policies will affect our business. The number and extent of legal and regulatory requirements affecting our business are expected to increase in the future.

Financial risk

A description of financial instruments and management of financial risk is presented in Note 21 – Financial Instruments and Financial Risks.

Parent company

Income before tax for the parent company amounted to SEK 1,006 million (662). The equity ratio was 88 (96) per cent.

Significant events after the reporting period

Distribution of Polestar Automotive Holding UK PLC shares

In January 2024, Volvo Cars agreed to extend the existing convertible loan to Polestar by 18 months to the end of 2028.

On March 26, the Volvo Car AB (publ.) Annual General Meeting resolved, in accordance with the Board of Directors' proposal, to distribute 62.7 per cent of Volvo Cars' shareholding in Polestar to Volvo Cars' shareholders by way of a share split (2:1), a reduction of the share capital through redemption of shares, and an increase of the share capital through a bonus issue without issuance of new shares. The Annual General Meeting decision was pending a final formal approval from UK regulators regarding the distribution of Polestare shares to Volvo Cars' shareholders. Since the relevant approvals were received, the Board of Volvo Cars decided on April 5 on the final terms and timetable for the distribution of 62.7 per cent of its Polestar shareholding to its shareholders. The distribution and related transactions will take place during the second quarter of 2024 according to the estimated timeline. Volvo Cars will continue to account for Polestar using the equity method and change the shareholding from 48.3 to 18 per cent around May 8. Additional information relating to financial effects and the estimated timeline can be found on the investor relations page on the Volvo Cars website. Geely Sweden Holdings will hold shares in Polestar upon finalization of the Volvo Cars distribution of Polestar shares.

Executive Management Team

Per Ansgar, Chief Financial Officer (CFO) of Geely Sweden Holdings AB, was in January 2024 appointed CFO for Polestar during a transitional phase, while a new CFO is being recruited to fill this position at Polestar. Per will return as CFO for Geely Sweden Holdings AB at the end of the transitional phase. Meanwhile at Geely Sweden Holdings AB, Hans Oscarsson, Chief Executive Officer, has taken on the CFO responsibilities.

Dividend AB Volvo

In March 2024, the Annual General Meeting for AB Volvo, in accordance with the Board of Directors' proposal, resolved an ordinary dividend of SEK 7.5 per share and an extra dividend of SEK 10.5 per share which was paid to the shareholders on April 5 2024, resulting in a total dividend for the Group of SEK 2,483 million.

Disposal of AB Volvo shares

In April 2024, the Group's remaining B shares in AB Volvo were disposed.

Environment

The Group's major impact on environmental sustainability is through its portfolio companies' business activities. The Group has a longstanding commitment to be a responsible company with a clear focus on sustainable development. This commitment is, for example, described in the annual reports prepared by Volvo Cars and Volvo Group in line with international reporting guidelines set out in the Global Reporting Initiative (GRI), UN Global Compact's 10 principles and Sustainable Development Goals (SDG). Volvo Group and Volvo Cars have also committed to Task Force on Climate-Related Financial Disclosures (TCFD) and Science Based Targets going forward. All businesses have permits to regulate the environmental impact of their operations. Continuous reporting on this impact is carried out according to guidelines and requirements issued by local and national environmental authorities.

Proposed distribution of non-restricted equity:

Share premium reserve	SEK	6,509,200,000
Other contributed capital	SEK	3,693,131,899
Retained earnings carried forward	SEK	23,007,238,163
Net income for the year	SEK	1,005,576,835
At the disposal of the AGM	**SEK**	**34,215,146,897**

The Board proposes the following allocation of funds:

Carried forward	SEK	34,215,146,897
Total	**SEK**	**34,215,146,897**

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Consolidated Income Statements

SEKm	Note	2023	2022
Revenue	2	399,985	330,674
Cost of sales	3	-321,930	–269,101
Gross income		**78,055**	**61,573**
Research and development expenses	3, 15	-12,884	–11,666
Selling expenses	3	-26,066	–21,022
Administrative expenses	3	-13,106	–12,227
Other operating income and expenses	6	-288	1,526
Share of income in joint ventures and associates	13	-5,575	4,496
Operating income	4, 5, 7, 8, 9, 10, 11	**20,136**	**22,679**
Interest income and similar credits	21	2,996	961
Interest expenses and similar charges	21	-3,056	–1,349
Other financial income and expenses	12	1,348	–813
Income before tax		**21,424**	**21,478**
Income tax	14	-6,805	–4,217
Net income		**14,619**	**17,261**
Net income attributable to			
Owners of the parent company		11,230	13,028
Non-controlling interests		3,389	4,233
		14,619	**17,261**

INCOME AND RESULT

Revenue increased by 21.0 per cent to SEK 400.0 (330.7) bn, mainly supported by wholesale volumes, which increased by 16 per cent to 732.3 (631.7) thousand cars.

Gross income increased to SEK 78.0 (61.6) bn, resulting in a gross margin of 19.5 (18.6) per cent. The increase is mainly due to increased volumes, as well as favourable foreign exchange rate effect including hedges.

Operating Income (EBIT) amounted to SEK 20.1 (22.7) bn, resulting in an EBIT margin of 5.0 (6.9) per cent, the decrease primarily a result of the de-SPAC listing of Polestar in the comparative figures.

Excluding share of income in joint ventures and associates, EBIT increased to SEK 25.7 (18.2) bn, corresponding to a margin of 6.4 (5.5) per cent. The exchange rate effects including hedges had a positive effect on EBIT of SEK 1.8 bn.

Net financial items amounted to SEK 1.3 (-1.2) bn The effective tax rate increased to 31.8 (19.6) per cent, mainly due to the non tax deductible effect of the de-SPAC listing of Polestar in the comparative figures. Net income was SEK 14.6 (17.3) bn and 3.6 (5.2) per cent in relation to revenue.

Research and development spending, SEKbn	2023	2022
Research and development spending	-26.9	–22.3
Capitalised development costs	18.9	15.2
Amortisation and depreciation of research and development	-4.9	–4.6
Research and development expenses	**-12.9**	**-11.7**

Consolidated Comprehensive Income

SEKm	2023	2022
Net income	14,619	17,261
Other comprehensive income		
Items that will not be reclassified subsequently to income statement:		
Change in fair value of other long-term securities holdings	9,701	–2,951
Remeasurements of provisions for post-employment benefits	-1,815	4,560
Tax on items that will not be reclassified to income statement	424	–998
Items that may be reclassified subsequently to income statement:		
Translation difference on foreign operations	-1,711	3,870
Translation difference of hedge instruments of net investments in foreign operations	131	–710
Change in fair value of cash flow hedge related to currency and commodity price risks	1,976	2,289
Tax on items that may be reclassified to income statement	-435	–319
Other comprehensive income, net of income tax	**8,271**	**5,741**
Total comprehensive income	**22,890**	**23,002**
Total comprehensive income attributable to		
Owners of the parent company	19,901	17,105
Non-controlling interests	2,989	5,897
	22,890	**23,002**

NET FINANCIAL POSITION AND LIQUIDITY

Total cash and cash equivalents, including marketable securities, decreased to SEK 61.4 (70.8) bn. Net cash decreased to SEK 4.8 (7.3) bn. Liquidity amounted to SEK 78.6 (87.5) bn, including undrawn credit facilities of SEK 17.2 (16.7) bn.

Cash flow from operating activities was positive and amounted to SEK 41.6 (33.0) bn, mainly due to a positive EBITDA of SEK 37.6 (38.8) bn, offset by paid income tax of SEK -4.5 (-4.2) bn, together with a positive development in working capital of SEK 2.5 (6.6) bn. The Group continued to invest in the transformation into a fully electric car company and together with a loan to Polestar, cash flow from investing activities amounted to SEK –48.3 (–39.5) bn.

Cash flow from financing activities amounted to SEK -7.5 (7.7) bn, mainly related to change in marketable securities.

EQUITY

Total equity increased to SEK 160.7 (133.0) bn, resulting in an equity ratio of 38.7 (34.6) per cent. The change is mainly attributable to the positive net income of SEK 14.6 bn, a positive effect in other comprehensive income of SEK 8.3 bn, transactions with non-controlling interests of SEK 3.7 bn, together with minor effects in share-based payments. The increase is offset by dividend to the parent company shareholders with SEK -0.1 bn.

The change in other comprehensive income is related to a foreign exchange translation effect, including hedges of net investments in foreign operations of SEK -1.6 bn (net of tax). Remeasurements of provisions for post-employment benefits had a negative effect of SEK -1.4 bn (net of tax). The positive change in cash flow hedge reserve related to currency and commodity price risks amounted to SEK 1.6 bn (net of tax). The change in value of cash flow hedge is mainly due to an appreciated SEK compared to most of the major currencies. In addition, the revaluation of the investment in AB Volvo shares had a positive effect of SEK 9.7 bn.

Consolidated Balance Sheets

SEKm	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Intangible assets	15	72,175	57,064
Tangible assets	7, 16	86,595	79,784
Investment property	17	526	537
Investments in joint ventures and associates	13	19,771	21,317
Other long-term securities holdings	21	51,147	36,727
Deferred tax assets	14	10,135	9,133
Other non-current interest-bearing receivables		1,327	3,354
Derivative assets, non-current	21	2,094	1,128
Other non-current assets	4, 18	9,812	10,074
Total non-current assets		**253,582**	**219,118**
Current assets			
Inventories	19	57,058	46,954
Accounts receivable	4, 20	19,721	25,498
Current tax assets		1,016	1,772
Derivative assets, current	21	1,989	1,769
Other current assets	4, 20	20,096	17,868
Marketable securities	22	9,918	3,415
Cash and cash equivalents	22	51,522	67,409
Assets held for sale	34	—	111
Total current assets		**161,320**	**164,796**
TOTAL ASSETS		**414,902**	**383,914**
EQUITY & LIABILITIES			
Equity	23		
Equity attributable to owners of the parent company		129,615	109,108
Non-controlling interests		31,096	23,843
Total equity		**160,711**	**132,951**
Non-current liabilities			
Provisions for post-employment benefits	24	7,610	6,883
Deferred tax liabilities	14	8,293	5,384
Other non-current provisions	25	7,606	8,422
Liabilities to credit institutions	21	30,998	25,192
Bonds, non-current	21	18,087	27,315
Non-current contract liabilities to customers	26	8,148	7,144
Other non-current interest-bearing liabilities	7	4,790	4,845
Derivative liabilities, non-current	21	424	2,052
Other non-current liabilities	4, 27	6,745	4,726
Total non-current liabilities		**92,701**	**91,963**
Current liabilities			
Current provisions	25	13,118	9,051
Liabilities to credit institutions	21	937	9,046
Bonds, current	21	6,660	2,000
Current contract liabilities to customers	26	30,817	26,094
Accounts payable	4	62,314	69,108
Current tax liabilities		1,606	1,566
Other current interest-bearing liabilities	7	1,242	1,500
Derivative liabilities, current	21	1,054	1,809
Other current liabilities	28	43,742	38,791
Liabilities held for sale	34	—	35
Total current liabilities		**161,490**	**159,000**
TOTAL EQUITY & LIABILITIES		**414,902**	**383,914**

Changes in Consolidated Equity

SEKm	Share capital[1]	Share premium	Other contributed capital	Currency translation reserve	Other reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2022 (as previously reported)	**–**	**11,497**	**7,993**	**1,532**	**2,765**	**68,944**	**92,731**	**20,833**	**113,564**
Correction of prior period error[2]	—	—	—	6	—	–198	–192	–274	–466
Effect of hyperinflation[3]	—	—	—	—	—	40	40	9	49
Balance at 1 January 2022 (restated)	**–**	**11,497**	**7,993**	**1,538**	**2,765**	**68,786**	**92,579**	**20,568**	**113,147**
Net income	**–**	**–**	**–**	**–**	**–**	**13,028**	**13,028**	**4,233**	**17,261**
Other comprehensive income									
Change in fair value of other long-term securities holdings[4]	—	—	—	—	–2,951	—	–2,951	—	–2,951
Remeasurements of provisions for post-employment benefits	—	—	—	—	—	3,739	3,739	821	4,560
Translation difference on foreign operations	—	—	—	3,198	—	—	3,198	672	3,870
Translation difference of hedge instruments of net investments in foreign operations	—	—	—	–582	—	—	–582	–128	–710
Change in fair value of cash flow hedge related to currency and commodity price risks	—	—	—	—	1,724	—	1,724	565	2,289
Currency and commodity risk hedge contracts recycled to income statement	—	—	—	—	—	—	—	—	—
Tax attributable to items recognised in other comprehensive income	—	—	—	121	–353	–819	–1,051	–267	–1,317
Other comprehensive income	**–**	**–**	**–**	**2,737**	**-1,580**	**2,921**	**4,078**	**1,664**	**5,742**
Total comprehensive income				**2,737**	**-1,580**	**15,948**	**17,105**	**5,897**	**23,002**
Transactions with owners									
Capital contribution from non-controlling interests[5]	—	—	—	—	—	—	—	17	17
Transactions with non-controlling interests[5]	—	—	—	—	—	30	30	–30	—
Divestment of non-controlling interests[5]	—	—	—	—	—	–626	–626	–570	–1,196
Divestment under common control[5]	—	—	—	—	—	219	219	–1,197	–978
New issue	—	–1	—	—	—	—	–1	0	–1
Share-based payments[6]	—	—	—	—	—	20	20	4	24
Dividend to shareholders[7]	—	—	—	—	—	–218	–218	–846	–1,064
Transactions with owners	**–**	**-1**	**–**	**–**	**–**	**-575**	**-576**	**-2,622**	**-3,197**
Balance at December 31, 2022	**–**	**11,496**	**7,993**	**4,275**	**1,185**	**84,159**	**109,108**	**23,843**	**132,951**

1) Share capital amounted to SEK 100,000 (100,000).
2) For further information, see Annual report 2022, Note 10 – Government Grants
3) For further information, see Annual report 2022, Note 1 – General information for financial reporting in Geely Sweden Holdings Group.
4) For further information, see Note 21 – Financial instruments and financial risks.
5) For further information, see Note 23 – Equity and Note 8 – Participation in subsidiaries (Parent company).
6) For further information, see Note 9 – Share-based remuneration..
7) For further information, see Note 23 – Equity and Note 4 – Related party transactions.

Cont.,Changes in Consolidated Equity

SEKm	Share capital[1]	Share premium	Other contributed capital	Currency translation reserve	Other reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2023	—	**11,496**	**7,993**	**4,275**	**1,185**	**84,159**	**109,108**	**23,843**	**132,951**
Net income	**–**	**–**	**–**	**–**	**–**	**11,230**	**11,230**	**3,389**	**14,619**
Other comprehensive income									
Change in fair value of other long-term securities holdings[2]	—	—	—	—	10,871	—	10,871	—	10,871
Disposal of other long-term securities holdings[2]	—	—	—	—	-1,170	1,170	—	—	—
Remeasurements of provisions for post-employment benefits	—	—	—	—	—	-1,428	-1,428	-387	-1,815
Translation difference on foreign operations	—	—	—	-1,295	—	—	-1,295	-417	-1,711
Translation difference of hedge instruments of net investments in foreign operations	—	—	—	131	—	—	131	—	131
Change in fair value of cash flow hedge related to currency and commodity price risks	—	—	—	—	1,572	—	1,572	403	1,975
Tax attributable to items recognised in other comprehensive income	—	—	—	-21	-324	334	-11	1	-10
Other comprehensive income	**–**	**–**	**–**	**-1,185**	**10,949**	**76**	**9,840**	**-400**	**9,441**
Total comprehensive income	**–**	**–**	**–**	**-1,185**	**10,949**	**11,306**	**21,070**	**2,989**	**24,059**
Transactions with owners									
Transactions with non-controlling interests[3]	—	-222	-178	-166	-11	16	-561	4,243	3,682
Change in Group composition	—	—	—	—	—	-6	-6	-2	-8
Share-based payments[4]	—	—	—	—	—	86	86	23	109
Dividend to shareholders[5]	—	—	—	—	—	-82	-82	—	-82
Transactions with owners	**–**	**-222**	**-178**	**-166**	**-11**	**14**	**-563**	**4,264**	**3,701**
Balance at December 31, 2023	**–**	**11,274**	**7,815**	**2,924**	**12,123**	**95,479**	**129,615**	**31,096**	**160,711**

1) Share capital amounted to SEK 100,000 (100,000).
2) For further information, see Note 21 – Financial instruments and financial risks.
3) For further information, see Note 23 – Equity and Note 8 – Participation in subsidiaries (Parent company).
4) For further information, see Note 9 – Share-based remuneration..
5) For further information, see Note 23 – Equity and Note 4 – Related party transactions.

Consolidated Statement of Cash Flows

SEKm	Note	2023	2022
OPERATING ACTIVITIES			
Operating income		20,136	22,679
Depreciation and amortisation of non-current assets	10	17,521	16,146
Dividends received from joint ventures and associates		88	72
Interest and similar items received		2,634	1,058
Interest and similar items paid		-3,044	–1,903
Other financial items		148	446
Income tax paid		-4,497	–4,258
Adjustments for items not affecting cash flow	31	6,047	–7,775
		39,033	**26,465**
Movements in working capital			
Change in inventories		-11,338	–7,392
Change in accounts receivable		4,693	–1,028
Change in accounts payable		-3,031	18,839
Change in provisions		-1,914	–4,641
Change in contract liabilities to customers		8,707	5,941
Change in other working capital assets/liabilities		5,435	–5,135
Cash flow from movements in working capital		**2,552**	**6,584**
Cash flow from operating activities		**41,585**	**33,049**
INVESTING ACTIVITIES			
Investments in shares and participations	13	-1,151	–9,822
Disposals of shares and participations	32	3,515	6,871
Loans to affiliated companies		-14,503	—
Repayment of loans from affiliated companies		—	–6,108
Dividends received from investments in other long-term securities holdings		2,341	2,174
Investments in intangible assets		-20,681	–18,309
Investments in tangible assets		-18,501	–14,020
Disposal of tangible assets		645	162
Other		—	–400
Cash flow from investing activities		**-48,335**	**-39,452**
Cash flow from operating and investing activities		**-6,750**	**-6,403**
FINANCING ACTIVITIES			
Proceeds from credit institutions		3,970	28,702
Proceeds from bond issuance	21	1,500	5,260
Repayment of bond		-2,019	—
Repayment of liabilities to credit institutions		-4,853	–29,475
Repayment of interest-bearing liabilities		-1,747	–1,711
Dividend paid to shareholders and/or Non-controlling interest	4	—	–847
Investments in marketable securities	22	-10,792	–21,127
Matured marketable securities		4,115	26,157
Other[1)]		2,323	729
Cash flow from financing activities		**-7,503**	**7,688**
Cash flow for the year		**-14,253**	**1,285**
Cash and cash equivalents at beginning of year		**67,409**	**63,277**
Exchange difference on cash and cash equivalents		-1,634	2,847
Cash and cash equivalents at end of year	22	**51,522**	**67,409**

1) Other is attributable to realised result from financial instruments SEK 376 (1,058) m, change in Other non-current liabilities of SEK 545 (–329) m and change in Other non-current assets of SEK 1,402 (—) m.

Notes to the Consolidated Financial Statements

All amounts are in SEKm unless otherwise stated.
Amounts in brackets refer to the preceding year.

1 General information on financial reporting within Geely Sweden Holdings Group

Basis of preparation

The consolidated financial statements of Geely Sweden Holdings AB have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union and the Swedish Annual Accounts Act. In addition, RFR 1 Supplementary Rules for Groups has been applied, a standard issued by the Swedish Financial Reporting Board. RFR 1 specifies mandatory additions to the IFRS disclosure requirements in accordance with the Swedish Annual Accounts Act. Group companies apply the same accounting principles, irrespective of national legislation, as defined in the Group accounting directives and they have been applied consistently for all periods, unless otherwise stated.

The financial statements are based on cost, apart from certain financial instruments, provisions for pensions and other post-employment benefits which are reported at fair value. Preparation of the financial statements in accordance with IFRS requires the Company's Executive Management and the Board of Directors to make estimations and judgements that affect the value of the reported assets, liabilities, income and expenses. Estimates and judgements will impact the values of assets and liabilities. The actual outcome (value) may differ from these estimates and judgements and corrections may be necessary to make. Therefore, the estimates and judgements are reviewed on a regular basis. Changes are recognised in the period of the change and in future periods if the change affects both.

All accounting policies considered material to the Group are described in conjunction with each note. When a new accounting policy has been implemented or when there has been changes in disclosures this is described as part of the relevant note.

The estimates and judgements that are deemed to be the most important for an understanding of the Group's financial reports within each area, taking into account the degree of materiality and uncertainty, are presented as part of each applicable note.

In order to avoid duplication of information, cross-references have been made between different parts of the annual report.

New accounting principles

New accounting principles 2023

IASB has published amendments to standards that were endorsed by EU, effective after 1 January 2023. These additions have not had any material impact on the financial statements.

New accounting principles 2024

IASB has published amendments to standards that were endorsed by EU, effective after 1 January 2024. None of these are expected to have a material effect on the financial statements.

Basis of consolidation

The consolidated accounts include Geely Sweden Holdings AB and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All wholly-owned subsidiaries and certain companies owned to 50 per cent or more, are consolidated, see Note 8 – Participation in subsidiaries (parent company). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. When a subsidiary is not wholly-owned by the Group, the portion of the results and equity attributable to the non-controlling interest are presented separately in the financial statements.

Climate change

Being an automotive industry actor, the Group acknowledge the global threat of climate change and global warming, particularly the importance of our own contribution to prevent global climate action failure and fulfilment of the Paris Agreement. The Group continuously evaluates how climate change transitional and physical risks affects our business strategy and operations as sustainability is deeply integrated in our business model. We have set the ambition to become a climate neutral company by 2040 and our current climate action emission reduction targets for 2030 are in line with a well below 2-degree scenario as verified by the Science-Based Targets initiative (SBTi). A key enabler is our strategic objective to become a 100 per cent BEV company by 2030. All types of strategic decisions including investment decisions are taken in the context of fulfilling these ambitions and targets.

In preparing the consolidated financial statements the potential impact of climate change, future regulatory changes and our transition towards becoming a 100 per cent BEV company by 2030 has been, as far as possible, incorporated as part of the critical accounting estimates and judgements made in the consolidated financial statements. Areas that have been especially considered are the potential impact on the value of non-current assets, future cash flows and emission credits.

Our ambitions and targets are part of Management's business plan and climate related risks are thus also included in the identification of future cash flows to be used when calculating different assets and or cash generating units' recoverable values, including the impairment tests of goodwill and intangible assets with indefinite useful lives. Furthermore, the Group regularly assesses the useful lives of non-current, non-financial assets which also take into consideration said factors. As an effect, the useful life of our ICE related assets are aligned with our objective to become a 100 per cent BEV company by 2030. For more information on the effects of climate related risks relating to intangible and tangible assets, see Note – 15 Intangible assets and Note 16 – Tangible assets.

Changing regulations and changes in environmental policies are continuously monitored and any obligations are recognised accordingly. In respect to this, during the year the Group has recognised in revenue, income from government grants relating to emission credits earned during the period for exceeding the emission targets in certain markets. For more information, see section Emission credits in Note 2 – Revenue.

Foreign currency

The Group's Consolidated Financial Statements are presented in Swedish Krona (SEK), which is also the Parent Company's functional currency.

Assets and liabilities denominated in foreign currencies other than the functional currency are translated to the functional currency using the balance sheet closing rate. Exchange rate differences are recognised in the income statement.

Exchange rate differences on operating assets and liabilities are recognised in other operating income and expenses, while exchange rate differences arising on financial assets and liabilities are recognised in financial income and expenses.

When preparing the consolidated financial statements, items in the income statements of foreign subsidiaries are translated to SEK using monthly average exchange rates. Balance sheet items are translated into SEK using exchange rates at year-end (closing rate). Exchange rate differences arising on translation are recognised in other comprehensive income and accumulated in equity. The accumulated translation differences related to subsidiaries, joint ventures or associates are reversed to the income statement as a part of the gain/loss arising from disposal of such a company.

The main exchange rates applied are presented in the table below:

		Average rate		Close rate	
Country	Currency	**2023**	2022	**2023**	2022
China	CNY	1.50	1.50	1.42	1.51
Euro zone	EUR	11.49	10.58	11.12	11.12
United Kingdom	GBP	13.20	12.44	12.80	12.56
United States	USD	10.63	10.05	10.05	10.40
Japan	JPY	0.08	0.08	0.07	0.08

Classification of current and non-current assets and liabilities

An asset is classified as current when it is held primarily for the purpose of trading, is expected to be realised within 12 months after the balance sheet date or consists of cash or cash equivalents, provided it is not subject to any restrictions. All other assets are classified as non-current. A liability is classified as current when it is held primarily for the purpose of trading or is expected to be settled within 12 months after the balance sheet date and the Group does not have the right to defer settlement of the liability for at least 12 months after the balance sheet date. All other liabilities are classified as non-current.

When the criteria for being classified as a non-current asset held for sale are fulfilled and the asset or disposal group are of material value, the asset or disposal group and the related liabilities are recognised on a separate line in the balance sheet, see Note 34 - Assets and liabilities held for sale.

2 Revenue

ACCOUNTING PRINCIPLES

Revenue is recognised when the customer obtains control of a delivered goods or service, and thus has the ability to direct the use and obtain the benefits from the goods or services. Revenue could either be recognised at a point in time or over time depending on the applied business model. The sale of goods or services will sometimes give rise to recognition of contract liabilities to customers.

These liabilities are recognised when the Group is obligated to transfer goods or services for which consideration is already received. Contract liabilities to customers include sales generated obligations, deferred revenue from service contracts, sales with repurchase commitments and residual value guarantees as well as advance payments from customers.

Revenue from sale of goods

Revenue from sale of goods includes sales of new and used cars, sales of parts and accessories as well as contract manufacturing. Revenue from the sale of goods is recognised when the customer has gained control over the goods according to agreed contract terms. If the customer contracts include variable considerations or consideration payables the revenue recognised will be affected. If a variable consideration or a consideration payable, e.g., a volume discount or incentive programme, is paid out at a later point in time then the revenue for the good or service is recognised, the value is estimated and recognised as a contract liability.

Revenue from sale of a vehicle to a customer, where there is a residual value guarantee issued to an independent financing provider, is recognised at the time of sale, less an amount corresponding to the estimated residual value risk. The estimated residual value risk remaining in the Group is recognised as a contract liability, see Note 26 – Current and non-current contract liabilities to customers. Revenue is only recognised provided that transfer of control over the vehicle can be confirmed.

Revenue from sale of a vehicle to a customer combined with a repurchase commitment (the right or obligation (put option) to buy back the car) is recognised over the contract period as if it were an operating lease contract, see Note 7 – Leasing. This is based on the fact that the customer has not obtained the control of the vehicle. Based on historical experience a majority of customers use the put option at the end of the contract period. During the contract period the cars are recognised in the balance sheet and are depreciated to the estimated residual value, see Note 10 – Depreciation and amortisation. The useful life of the asset and the corresponding residual value is monitored closely and changed, if necessary, see Note 19 – Inventories and Note 16 – Tangible assets. Liabilities related to repurchase commitments are recognised as other non-current and other current liabilities, see Note 27 – Other non-current liabilities and Note 28 – Other current liabilities. Deferred revenue related to sale with repurchase commitments are recognised as current and non-current contract liabilities to customers, see Note 26 – Current and non-current contract liabilities to customers.

Revenue from sale of services

The Group sells services in the form of for example, maintenance contracts, extended warranties and connectivity to customers. Revenue from these sales is deferred and recognised on a straight-line basis over the contract period. The deferred revenue is recognised as contract liabilities to customers, since the customer's payment is made before the service is performed. When an extended warranty contract is included in the sales price of the car and the inclusion in the contract is assessed to be common practice in the market, such extended warranty costs is recognised as a provision. Where an extended warranty is included in the sale of a car and the offer goes beyond common practice in the market, it is instead accounted for as a separate performance obligation; a stand-alone selling price is identified, and revenue is recognised on a straight-line basis over the contract period. The stand-alone selling price is often not directly observable, why the price in general is estimated based on expected cost plus a reasonable margin.

Maintenance and extended warranty contracts can in some cases meet the definitions of both a customer contract (IFRS 15 Revenue from Contracts with Customers) and an insurance contract (IFRS 17 Insurance Contracts). Considering the terms of these contracts, the Group has applied the policy choice available to account for these as customer contracts.

Revenue from subscription, leasing and rental business

Revenue from subscription, leasing and rental business is recognised as revenue on a straight-line basis over the contract period. Revenue related to an operating lease arrangement is recognised on a straight-line basis over the leasing period.

Revenue from sale of licences

Revenue from the sale of licences is recognised at a point in time or over time, depending on whether the sold licence gives the customer a right to use or a right to access the underlying asset. The Group sells both types of licences and revenue is therefore recognised in accordance with the substance of the relevant agreement. Income from sold licences related to intellectual property (IP) and other developed technology is classified as revenue.

Emission credits

The Group recognises in revenue, income from government grants relating to emission credits earned during the period for exceeding the emission targets in certain markets when the credits can be sold or consumed in the future, and a fair value for the credits received can be determined. The earned credits are classified as inventories until they are either sold to a third-party or consumed in the Group's operations. When emission credits are sold that either did not have a determinable fair value as of their grant date or were sold at a value that exceeds the fair value on the grant date, this gain is recognised in revenue when the credits are transferred to the customer and derecognised from inventory. See Note 11 – Government grants and Note 19 – Inventories for more information.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Consideration payables

The inherent risk with regard to different forms of variable considerations in a sales transaction is the probability of a reversal of revenue in future periods. As a consequence, the Group uses either the expected value method or the most likely amount as appropriate when assessing the variable sales price. Revenue is recognised when it is highly probable that a revenue reversal in future periods will not occur. An example of this being cars sold with volume discounts based on aggregate sales over a 3–12 months period. Revenue from these sales is recognised based on the price specified in the contract, adjusted for volume discounts for the wholesales period. Estimates and judgements initially made are updated continuously at each reporting period.

Residual value guarantees

The Group is exposed to residual value risks, meaning that there is a potential loss for the Group if the future market value of a used car is lower than the guaranteed value of the car according to the contract. This potential negative effect is recognised as a contract liability, and the future market value of cars is monitored individually on a continuing basis with a special emphasis on residual value of internal combustion engine vehicles, in line with the market shifting towards electric vehicles. An estimate is made based on evaluating recent car auction values, future price deterioration due to expected change of market conditions, vehicle quality data and repair and reconditioning costs etc.

Repurchase Commitments

Cars sold with a repurchase obligation are recognised in the balance sheet as assets under operating leases or inventories depending on the contract period. During the contract period there is risk of a potential loss for the Group if the estimated value of the car is lower than the market value at the time. The potential negative effect is recognised as an increased depreciation or an impairment of the car. An estimate of the value of the car is therefore made based on recent car auction values, future price deterioration due to expected change of market conditions, vehicle quality data and repair and reconditioning costs etc. The value of the car in the balance sheet is adjusted if necessary.

Revenue recognised in relation to contract liabilities to customers

For revenue recognised in the current reporting period in relation to opening balance of contract liabilities see Note 26 – Current and non-current contract liabilities to customers. The majority of the Group´s contract liabilities are classified as current and will most likely be recognised as revenue during the coming year.

Revenue allocated to geographical regions:	**2023**	**2022**
China	73,629	71,012
US	75,173	62,070
Europe	185,450	144,588
of which Sweden[1)]	*47,582*	*45,360*
of which Germany	*24,942*	*19,015*
of which United Kingdom	*21,664*	*16,159*
Other markets	65,732	53,004
of which Japan	*7,673*	*8,339*
of which South Korea	*8,336*	*6,024*
Total	**399,985**	**330,674**

1) Includes the Contract manufacturing sales channel.

Revenue allocated to category:	2023	2022
Sales of new cars	307,549	252,747
Sales of used cars	18,505	16,405
Sales of parts and accessories	37,170	30,778
Revenue from subscription, leasing and rental business	5,463	4,473
Sales of licences and royalties	798	887
Contract manufacturing	22,357	20,288
Emissions credits	910	505
Other revenue	7,233	4,591
Total	**399,985**	**330,674**

3 Expenses by nature

	2023	2022
Material cost incl. freight, distribution and warranty	–280,301	–234,752
Personnel[1]	–44,004	–37,665
Amortisation/depreciation	–17,521	–16,146
Other	–32,160	–24,452
Total	**-373,986**	**-314,015**

1) The amounts presented as Personnel have been reduced by capitalised salary costs related to product development.

4 Related parties

ACCOUNTING PRINCIPLES

The Group has a close collaboration with its related parties. The main part of the transactions is related to sales and purchases of cars, licences of technology, contract manufacturing and purchases of components. Related parties include companies outside the Group, but within the Geely sphere of companies as well as other companies, such as associates and joint ventures. All transactions with related parties are performed at arm's length.

Significant event and agreements with Related parties during the year

- On 6 January, Volvo Cars, through one of its wholly-owned subsidiaries, Asia Euro Automobile Manufacturing (Taizhou) Co., Ltd. acquired 100 per cent of the shares in Taizhou Luqiao Jijin Automobile Manufacturing Co., Ltd. The acquired company owns land use rights and buildings related to the manufacturing plant in Luqiao, Taizhou, China. The purchase consideration amounted to SEK 2,865 m.
- In November 2022, Volvo Cars signed a facility agreement with Polestar, amounting to USD 800 million. During autumn 2023, Volvo Cars agreed to increase the existing term loan facility with additional USD 200 million, with all other terms remaining the same. Volvo Cars also extended the credit loan where any drawn funds be repaid during 2027, and in January 2024 further extended to the end of 2028, see further details in Board of Directors' report. At year end 2023, Polestar has withdrawn the full amount from the total credit facility of USD 1,000 m. The loan is interest-bearing and classified as other securities holdings. In addition, Geely Sweden Holdings AB via the subsidiary Geely Sweden Automotive Investment AB, has issued a loan agreement to lend USD 250 m to Polestar. The loan is interest-bearing and classified as other securities holdings.
- Volvo Car Corporation and Zhejiang Genius & Guru Investment Co., Ltd have entered into an agreement resulting in the loss of control of the wholly-owned subsidiary, Volvo Car Group Financial Leasing (Shanghai) Co., Ltd. Volvo Car Group has consolidated the company until 25 June when control was ceased, thereafter the company is a joint venture between Volvo Cars and Geely. Zhejiang Genius & Guru Investment Co., Ltd. acquired 45 per cent of Volvo Car Group Financial Leasing (Shanghai) Co., Ltd. through the issuance of new shares, for a total of SEK 621 m. For further information see Note 32 – Business combinations and divestments.

In addition, the shareholders have provided the company with financial support in the form of a joint credit facility based on their pro rata share, amounting to a total of CNY 1,815 m. As of 31 December, Volvo Car Group Financial Leasing (Shanghai) Co., Ltd. has withdrawn a credit amount of total CNY 1,600 m from the joint credit facility, of which the part provided by Volvo Cars amounts to CNY 880 m.

Tables of transactions with Related parties

The information presented below includes all assets and liabilities towards related parties of which SEK 20,081 (966) m are non-current assets and SEK 1,059 (—) m non-current liabilities. All other assets and liabilities are current. For further details refer to section Specification of transactions with related parties, on next page.

	Sales of goods, services and other		Purchases of goods, services and other	
	2023	2022	2023	2022
Related companies[1][2]	28,241	25,540	–33,531	–20,324
Associated companies and joint ventures[1]	2,705	1,627	–2,958	–2,701

	Receivables		Payables	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Related companies[1][2]	30,573	28,557	16,041	13,972
Associated companies and joint ventures[1]	2,545	1,377	627	466

1) Related companies are companies within the Geely sphere of companies. Joint ventures and associated companies within the Geely sphere are presented as Related companies. For joint ventures and associated companies see Note 13 – Investments in joint ventures and associates.

2) Including contract manufacturing.

Specification of significant transactions with Related parties

The Polestar Group
The Group recognised revenue from the Polestar Group of SEK 24,939 (21,837) m. The revenue was mainly related to sale of Polestar cars from the Taizhou plant, technology licences and development of technology as well as revenue related to sale of other services.

Zhangjiakou Aurobay Powertrain Manufacturing Co., Ltd
The purchase of combustion engines amounted to SEK –7,304 (–6,956) m and has mainly been recognised as cost of sales.

Powertrain Engineering Sweden AB (PES)
The total purchases from Powertrain Engineering Sweden AB amounted to SEK –13,517 (–10,930) m, mainly related to combustion engines and product development which has mainly been recognised as cost of sales.

Zhejiang Liankong Technology Co., Ltd and Zhejiang Ji Run Auto Co., Ltd
The purchase of research and development services from Zhejiang Liankong Technology Co., Ltd and Zhejiang Ji Run Auto Co., Ltd amounted to SEK –343 (–1,885) m, all purchased during the first quarter. The full amount has been capitalised as intangible assets.

Ningbo Fuhong Auto Sales Co., Ltd
Total revenue from sales of cars to Ningbo Fuhong Auto Sales Co., Ltd amounted to SEK 1,467 (1,545) m.

Ningbo Geely Automobile Research & Development Co., Ltd
The purchase of research and development services from Ningbo Geely Automobile Research & Develepment Co., Ltd amounted to SEK –1,592 (–1,358) m and has mainly been capitalised as intangible assets.

Viridi E-Mobility Technology (Ningbo) Co., Ltd
The total purchases from Viridi E-Mobility Technology (Ningbo) Co., Ltd. amounted to SEK –2,079 (–1,553) m, mainly related to batteries and has been recognised as cost of sales.

Zhejiang Geely Automobile Co.,Ltd and Shanghai Global Trading Corporation
Total purchases from Zhejiang Geely Automobile Co.,Ltd and Shanghai Global Trading Corporation amounted to SEK –3,545 m. The purchases were related to the production of the EX30.

The NOVO Energy Group
In June, Volvo Car Corporation signed a share purchase agreement with Novo Energy Production AB. The divestment was closed on 14 July 2023 and the control of Volvo Cars wholly-owned subsidiary Fastighetsbolag Sörred 15:7 AB was transferred to the acquirer, the joint venture company Novo Energy Production AB, Sweden. The divested real estate company owns the land where upon the future battery manufactury plant will be built in the area of Gothenburg, Sweden. The disposal consideration amounted to SEK 121 m. Novo Energy Group has consolidated the aquired wholly-owned subsidiary from 14 July 2023 when the joint venture Group gained control. During 2023, capital contributions amounting to SEK 815 (158) m have been paid from Volvo Cars to NOVO Energy AB.

Zhejiang Geely Holding Group Co., Ltd
A total dividend of SEK 82 (1,046) m was distributed to the shareholder Zhejiang Geely Holding Group Co., Ltd, whereof SEK 82 (218) m from Geely Sweden Holdings AB, SEK — (840) m from the 50 per cent owned subsidiary Daqing Volvo Car Manufacturing Co., Ltd, and SEK — (6) m from the 50 per cent owned subsidiary Shanghai Volvo Car Research and Development Co., Ltd.

Other transactions
The Group has issued long-term loans to Geely International (Hong Kong) Ltd of EUR 570 (698) m. The loans to Geely International (Hong Kong) Ltd are guaranteed by Zhejiang Geely Holding Group Co. Ltd. The Group has long-term loans from Geely Financial Denmark A/S of EUR 96 (47) m.

The Group does not engage in any transactions with Board members or senior executives except ordinary remunerations for services and the sharebased programme as described in Note 8 – Employees and remuneration and Note 9 – Share-based remunerations.

5 Audit fees

	2023	2022
Deloitte		
Audit fees	–60	–52
Audit-related fees	–4	–3
Tax services	–2	–2
Other services	–8	–6
Total	**–74**	**–63**
Audit fees to other audit firms	—	–1
Total	**–74**	**–64**

Audit fees involve audit of the Annual Report, interim report and the administration by the Board of Directors and the Managing Directors. The audit also includes advice and assistance as a result of the observations made in connection with the audit.

Audit-related fees refer to other assignments to ensure quality in the financial statements including consultations on reporting requirements and internal control.

Tax services include tax-related advisory.

All other work performed by the auditor is defined as **other services**.

6 Other operating income and expenses

	2023	2022
Other operating income		
Foreign exchange rate gains[1]	-1	807
Sold services	804	858
Government grants	307	231
Other	1,808	1,340
Total	**2,918**	**3,236**

	2023	2022
Other operating expenses		
Amortisation and depreciation of intangible and tangible assets	–31	–31
Foreign exchange rate loss[1]	–1,377	-2
Property tax	–147	–132
Other	–1,651	–1,546
Total	**-3,206**	**-1,711**

1) The gross foreign exchange rate gain on operating assets and liabilities amounted to SEK 482 (2,671) m. The gross foreign exchange rate loss on operating assets and liabilities amounted to SEK –1,860 (–1,866) m.

7 Leasing

ACCOUNTING POLICIES

The Group as a lessee

At the lease commencement date, a right-of-use asset and a lease liability are recognised in the balance sheet.

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and the estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received. The asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. For more information regarding deprecation see Note 10 – Depreciation and amortisation. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

In the balance sheet, right-of-use assets are presented as Tangible assets, see Note 16 – Tangible assets.

Lease liabilities

The lease liability is initially measured at an amount equal to the present value of the future lease payments under the lease contract. Lease payments included in the measurement of the lease liability comprise of fixed lease payments including in-substance fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee and payments related to options that the Group is reasonably certain to exercise. The lease payments are discounted using the interest rate implicit in the lease if this can be readily determined. In cases where the interest rate is not implicit in the lease, the Group generally has used the incremental borrowing rate. Non-lease components are included in the measurement of the lease liability for all asset classes.

In the balance sheet, lease liabilities are presented as Other non-current and current interest-bearing liabilities.

Recognition exceptions

The Group applies the recognition exemptions regarding short-term leases and leases where the underlying asset is of low value. Hence, payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less and low value assets are defined as asset classes that are typically of low value, for example small IT equipment (cellphones, laptops, computers, printers) and office furniture.

Lease expenses and payments

In the income statement, depreciation of the right-of-use asset is presented on the same line item/items with similar expenses. Interest expense on the lease liability is presented as part of finance expenses. In the statement of cash flows, amortisation on the lease liability is presented as a cash flow from financing activities.

Payments of interest as well as payments for short-term leases and leases of low value are presented as cash flow from operating activities.

The Group as a lessor

When the Group is a lessor the accounting treatment differs based on the classification into operating and finance leases. The classification is made based on the distribution of risks and rewards incidental to ownership of the lease asset. If they are transferred to the lessee, it is classified as a finance lease or if it remains with the Group, it is classified as an operating lease.

Finance leases

When accounting for finance leases, the lease asset is derecognised and a lease receivable is recognised in the amount of the net investment in the lease, corresponding to the present value of the lease payments less any unguaranteed residual values. Any initial direct costs are included in the net investment in the lease. Income is recognised over the lease term using the effective interest rate.

Operating leases

The Group recognises operating leases when cars are sold with repurchase commitments and for car subscription contracts under the brand Care by Volvo. Assets under operating lease with a maturity less or equal to 12 months are recognised as inventory, see Note 19 – Inventories. Assets with operating lease contracts with a maturity more than 12 months are recognised as assets under operating lease, see Note 16 – Tangible assets. For cars sold with repurchase commitments, the difference between the original sales price and the repurchase price is recognised in the income statement as revenue on a straight line basis over the lease term, see Note 2 – Revenue. The remaining lease revenue yet to be recognised is presented as part of current and non-current contract liabilities to customers in the balance sheet, see Note 26 – Current and non-current contract liabilities to customers. The repurchase obligation is considered to be a financial liability and is classified as non-current or current liabilities, see Note 27 – Other non-current liabilities and see Note 28 – Other current liabilities.

Sub-leases, manufacturer finance leases and sale and leaseback transactions are not considered material for the Group.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Complex contracts require the Group to make judgemental decisions when determining the lease term for contracts, especially for the leasing of buildings. Factors included in the determination of the lease term are if the Group, as a lessee, has made investments to improve the asset or tailored it for our special needs and/or the importance of the underlying asset to the Group's operations.

Lease term

When determining the lease term, management is considering all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option in addition to the non-cancellable lease term. In determining the lease term, those options are only considered if they are reasonably certain. The assessment is reviewed if a significant event or a significant change in circumstances occurs that may affect the assessment.

Discount rate

When determining the discount rate, the Group uses an applicable industrial yield curve and takes into consideration for example credit risk, adjustment for currency, lease term and economic environment.

The Group as lessee

The Group mainly leases buildings and other items such as IT-equipment and production equipment.

Right-of-use asset	Buildings and land	Machinery and equipment	Total
Acquisition cost			
Balance at 1 January 2022	9,352	985	**10,337**
Additions	889	99	**988**
Divested through business combinations	–248	–	**-248**
Divestments and disposals	–358	–166	**-524**
Reclassifications	35	–	**35**
Effect of foreign currency exchange rate differences	311	27	**338**
Balance at 31 December 2022	**9,981**	**945**	**10,926**
Additions	3,050	190	**3,240**
Divested through business combinations	–16	–92	**-108**
Divestments and disposals	–912	–357	**-1,269**
Reclassifications	–	–	**–**
Effect of foreign currency exchange rate differences	–227	–13	**-240**
Balance at 31 December 2023	**11,876**	**673**	**12,549**
Accumulated depreciation			
Balance at 1 January 2022	–2,953	–444	**-3,397**
Depreciation expense	–1,401	–179	**-1,580**
Divested through business combinations	36	–	**36**
Divestments and disposals	257	85	**342**
Reclassifications	–5	–	**-5**
Effect of foreign currency exchange rate differences	–104	–13	**-117**
Balance at 31 December 2022	**–4,170**	**-551**	**-4,721**
Depreciation expense	–1,412	–220	**-1,632**
Divested through business combinations	3	35	**38**
Divestments and disposals	493	284	**777**
Reclassifications	–	–	**–**
Effect of foreign currency exchange rate differences	103	8	**111**
Balance at 31 December 2023	**–4,983**	**–444**	**–5,427**
Net balance at 31 December 2022	**5,811**	**394**	**6,205**
Net balance at 31 December 2023	**6,983**	**229**	**7,122**

Lease liabilities	2023	2022
Non-current lease liabilities	4,786	4,845
Current lease liabilities	1,266	1,515

The maturity analysis of lease liabilities is presented as other current and non-current interest-bearing liabilities respectively in Note 21 – Financial instruments and financial risks.

Amounts recognised in income statement	2023	2022
Deprecation expenses on right-of-use assets	–1,632	–1,580
Interest expense on lease liabilities	–240	–220
Expense relating to short-term leases	–276	–177
Expense relating to leases of low value assets	–50	–58
Expense relating to variable lease payments not included in the measurement of the lease liability	–93	–44
Income from sub-leasing right-of-use assets	185	172

The total cash outflow for leases amounts to SEK 2,106 (1,907) m. The amount include payments for lease agreements recognised as liabilities, variable payments, short-term payments and payments for leases of low value.

The Group as lessor

Operating lease contracts mainly relate to vehicles sold with repurchase commitments and contracts under the name of Care by Volvo.

Operating lease contracts

The table contains a maturity analysis of lease payments and the total of undiscounted lease payments that will be received after the balance sheet date.

Future lease income of operating lease contracts, undiscounted	2023	2022
No later than 1 year	973	2,089
Later than 1 year but no later than 2 years	362	1,146
Later than 2 year but no later than 3 years	40	360
Later than 3 year but no later than 4 years	20	39
Later than 4 year but no later than 5 years	18	21
Later than 5 years	57	77
Total	**1,470**	**3,732**

Finance lease contracts

The Group has acted as a lessor in finance leasing arrangements for cars in China. During 2023, the Group lost control over Volvo Car Group Financial Leasing (Shanghai) Co., Ltd. in a common control transaction meaning that the Group no longer acts as a finance lease lessor. For further information, see Note 32 – Business combinations and divestments.

Amounts receivable under finance leases	2023	2022
No later than 1 year	–	1,109
Later than 1 year but no later than 2 years	–	1,355
Later than 2 year but no later than 3 years	–	810
Later than 3 year but no later than 4 years	–	618
Later than 4 year but no later than 5 years	–	448
Later than 5 years	–	–
Undiscounted lease payments	–	**4,340**
Less unearned finance income	–	335
Net investment in the lease	–	**4,005**

The following table presents the amounts included in income statement:

	2023	2022
Finance income on the net investment in finance leases	234	189

8 Employees and remuneration

ACCOUNTING POLICIES

Incentive programmes

The Group manages in total five different global incentive programmes, whereof two are short-term and three are long-term. In addition, the long term Polestar share-based programme was terminated during the year:

Short-term

- The Short-Term Variable Pay Programme for Senior Leaders (STVP for Senior Leaders)
- The Volvo Bonus programme

Long-term

- The Long-Term Variable Pay (LTVP) programme
- The Performance share programme (PSP)
- The Employee share matching programme (ESMP)
- The Polestar share-based programme

The design and pay-out of all programmes are subject to approval of the Board of Directors. Certain decisions related to the share-based programmes are subject to decision by the Annual General Meeting.

Short-term incentive programmes

For the short-term incentive programmes a liability is recognised if all prerequisites are met and the cost is recognised as an operating expense.

Long-term incentive programmes

Cash-settled long-term programmes

The fair value of the cash-settled programme is determined at the grant date, revalued at each balance sheet date, and is recognised as an operating expense during the vesting period and as a corresponding liability. An assessment whether the terms for allotment will be fulfilled is made continuously. Based on such assessment, the expense might be adjusted. The LTVP performance period is concluded in 2023, thereafter terminated and replaced by alternative share-based incentive programmes.

For information on share-based programmes, see Note 9 – Sharebased remuneration

Restructuring

The Group does from time-to-time engage in restructuring programmes to reduce cost and drive efficiencies. Such programmes may involve a redundancy of employees. When a detailed and formal plan of restructuring has been publicly announced, the amounts of provision are determined based on the total direct expenditure arising from the restructuring

hen the recognition criteria for provisions are met, see Note 25 – Current and other non-current provisions.

Average number of employees by region:	2023	Of whom women	2022	Of whom women
Sweden	21,808	28%	23,048	27%
Nordic countries other than Sweden	726	38%	715	40%
Belgium	5,206	14%	5,142	14%
Europe other than the Nordic countries and Belgium	1,612	39%	1,584	33%
North and South America	2,652	37%	2,229	33%
China	10,426	18%	11,006	16%
Asia other than China	1,026	24%	1,032	22%
Other countries	134	34%	101	40%
Total[1)]	**43,590**	**25%**	**44,857**	**23%**

Number of board members and senior executives[2)]	Dec 31, 2023	Of whom women	Dec 31, 2022	Of whom women
	Board members (Chief Executive Officers and senior executives)		Board members (Chief Executive Officers and senior executives)	
Parent company	4 (5)	25% (0%)	4 (5)	25% (20%)
Subsidiaries	128 (285)	25% (31%)	122 (287)	21% (31%)
Total	**132 (285)**	**21% (30%)**	**126 (292)**	**21% (31%)**

Salaries and other remuneration	2023		2022	
	Wages and salaries, other remuneration	Social security expenses (of which pension expenses)	Wages and salaries, other remuneration	Social security expenses (of which pension expenses)
Parent company	38	17 (6)	31	17 (7)
Subsidiaries	29,159	10,681 (4,851)	25,593	9,949 (4,884)
Total	**29,196**	**10,698 (4,857)**	**25,624**	**9,966 (4,891)**

1) The FTE number in 2022 and 2023 reflects temporary layoffs.

2) Senior executives are defined as key personnel within the subsidiaries.

Compensation to Board members

In accordance with the decision at the Annual General Meeting, remuneration was paid to the Board of Directors of Geely Sweden Holdings AB as specified below.

Board member	2023 Ordinary remuneration, TSEK	2022 Ordinary remuneration, TSEK
Eric Li (Li Shufu), Chairman	–	–
Daniel Li (Li Donghui)	–	–
Hans Oscarsson	–	–
L one Fønss Schrøder	500	500
Total	**500**	500

Terms of employment and remuneration to the CEO

The Board has determined the remuneration principles for the CEO. The CEO is entitled to remuneration consisting of fixed annual salary, STVP for Senior Leaders, LTVP and other benefits such as company car and insurance. The CEO has a defined benefit pension plan.

The notice period for the CEO is 12 months if the CEO resigns and 12 months in the case of termination by Geely Sweden Holdings AB. Furthermore the CEO is, in the case of termination by Geely Sweden Holdings AB, entitled to severance pay based on the fixed salary for a period of maximum 12 months.

Remuneration to Executive Management Team

The Board has determined the remuneration to the Executive Management Team (EMT). Geely Sweden Holdings AB's EM, is entitled to remuneration consisting of fixed annual salary, STVP for Senior Leaders and other benefits such as company car and insurancee.

Members of EMT employed in Sweden are covered by the ITP pension plan. For members of EMT employed outside of Sweden, pension terms and conditions vary, depending on the country of employment

Other long-term benefits

Apart from the remuneration accounted for under Incentive programmes, the CEO in Geely Sweden Holdings AB does not have any other long-term benefits.

Restructuring

As part of a global cost efficiency initiative to reduce cost and drive resource efficiencies, a redundancy programme was announced in Q2 2023. The programme impacted 567 white-collar employees in Sweden at a cost of SEK 625 m, of which the main part through voluntary termination packages. In addition, approximately 400 consultants and agency personnel were impacted. The carrying value of the restructuring provision as at 31 December 2023 is SEK 503 m, including social expenses, see Note 25 – Current and other non-current provisions.

Incentive programmes

Short-term incentive programmes

Volvo Bonus - (Volvo Cars)

The Volvo Bonus programme includes all Volvo Car employees, except those who participates in the STVP for Senior Leaders. The purpose of the Volvo Bonus is to strengthen global alignment among employees around Volvo Car Group's vision, objectives and strategies and to encourage all employees to achieve and exceed the business plan targets. The qualifier for the Volvo Bonus is that the Volvo Car Group profit target (EBIT) is reached. In order for the Volvo Bonus to be paid out at all, a minimum acceptable performance regarding EBIT needs to be met. This is called the threshold level and the remaining two levels (target and maximum) increase the bonus paid out in relation to increased performance. The pay-out is capped at 200 per cent of the so-called target bonus. Depending on the employee's position, the employee is eligible for a certain target level that can be either a fixed amount or a percentage of the employee´s annual base salary. To be eligible for pay-out, the employee must remain within Volvo Car Group at the pay-out date. The remuneration is paid in cash.

STVP for Senior Leaders - (Geely Sweden Holdings and Volvo Cars)

The STVP for Senior Leaders is an incentive programme for the CEO, EMT and certain senior executives. The purpose of the STVP for Senior Leaders is to support the corporate strategy and the transformation of Geely Sweden Holdings Group and Volvo Cars. To reach maximum pay-out a number of performance targets must be reached. Targets include Volvo Car Group profit target (EBIT), but also other targets related to quality and transformation activities. A threshold, target and maximum level is set for each performance indicator. In order for any STVP to be paid out in respect of each performance indicator, the threshold level needs to be met. If the higher target or maximum level is reached, the pay-out related to the relevant performance indicator will increase with linear pay-outs for performance between levels. The amount subject to payment for each level of performance is a percentage of the employee's annual base salary, with a cap on the maximum amount payable when reaching or exceeding the maximum level of all performance indicators. The pay-out is capped at 200 per cent of the so-called target award. The target award is a percentage of the employee's annual base salary on 31 December at the end of each performance year. To be eligible for pay-out, the employee must remain within the Group on the pay-out date. The remuneration is paid in cash.

Liability and cost

The cost for the Volvo Bonus and STVP programmes amounted to SEK 2,671 (1,229) m including social security expenses.

Long-term incentive programmes

LTVP - (Geely Sweden Holdings and Volvo Cars)

The purpose of the LTVP-programme is to (i) strengthen the alignment of key people around the Group's vision, objectives, strategies and business plan, (ii) improve the Group's ability to attract and retain key people with key competencies, and (iii) reward potential future contribution in relation to increased shareholder value. The pay-out for the LTVP-programmes depends on the development of the market value of the Group as well as satisfaction of certain financial performance factors related to profit (EBIT) and revenue growth measured over the term of the programme, as established by the Board of Directors. A threshold and a maximum level is set for each performance factor. In order for any LTVP to be paid out in respect of each performance factor, the threshold level needs to be met. If the higher maximum level is reached , the pay-out related to the relevant performance condition will increase with linear pay-outs for performance between the levels.

Depending on the participant's position they receive a LTVP bonus award equivalent to a certain percentage of their annual base salary. Each LTVP award has a vesting period of three years and is paid out in cash. The cash amount paid depends on the valuation of the Group on the vesting date, three years after grant and the achievement of financial performance factors.

The programmes are capped to a maximum of 300 per cent of the value of the award at grant. To be eligible for pay-out, the employee must remain within the Group (and not be under notice of termination) on the pay-out date.

There will be no new LTVP since it has been replaced by the PSP.

Liability and cost

The cost for the LTVP-programme amounted to SEK -7 (93) m including social security expenses. The total liability amounted to SEK 74 (122) m.

Compensation for the Executive Management Team (EMT), TSEK	2023 Salary[3]	2023 Variable pay	2023 Social security expenses (of which pension expenses)	2022 Salary[3]	2022 Variable pay	2022 Social security expenses (of which pension expenses)
Hans Oscarsson, CEO of Geely Sweden Holdings AB	3,547	3,365	3,450 (1,278)	3,436	2,856	3,214 (1,237)
Other members of EMT[4]	8,151	965	5,823 (2,959)	6,583	798	4,677 (2,358)
Total	**11,698**	**4,330**	**7,891 (3,595)**	**10,019**	**3,654**	**7,891 (3,595)**

3) Includes benefits such as healthcare and company car.
4) The EMT of Geely Sweden Holdings AB consists of five members and the CEO. The EMT includes two external consultants whose invoiced fees of SEK 2,776 (1,232) t are included in administration expenses but are not included in the table above.

9 Share-based remuneration

ACCOUNTING PRINCIPLES

Share-based long-term programmes

The fair value of the share-based programmes are based on the share price reduced by dividends connected with the share during the vesting period. Additional social expenses are reported as a liability, revalued at each balance sheet date.

The aim of these share-based programmes is to generate engagement and commitment to the organisation on a long-term basis. The PSP is entirely equity-settled while the ESMP programme contains both equity-settled and cash-settled components. For components of the programmes that are equity-settled, the total compensation expense is based on the fair value at the grant-date together with consideration of any relevant performance conditions and is recognised over the relevant service period, with a corresponding increase in equity. All share-based payment programmes with employees have a service component while one has performance components as well. The amount recognised as an expense is adjusted to consider the total number of awards for which the relevant non-market performance conditions and service conditions are expected to be met. The result is that the amount ultimately recognised is based on the actual number of awards that meet the relevant service and non-market performance conditions at the vesting date. For share-based payment transactions with non-vesting conditions, the grant-date fair value is adjusted to reflect these conditions.

For components of the ESMP that are cash-settled, the liability is valued based on the fair value of the liability and is revalued at the end of each reporting period, with any changes in fair value recognised in the income statement for the period.

Share-based incentive programmes

Performance Share Plan (PSP) - (Volvo Cars)

At the subsidiary Volvo Cars AB (Publ.) Annual General Meeting 2022, the shareholders adopted a share-based incentive programme (Performance Share Plan, PSP 2022), with a purpose to create a long-term focus amongst the participants on reaching Volvo Car Group´s long-term ambitions, as well as to facilitate recruitment and retention of employees with key competencies. Since the Board of Directors also believes that long-term share ownership is an important way to create alignment between the EMT and Volvo Car´s shareholders, it has implemented a policy setting out recommendations for certain levels of share ownership for members of the EMT. The PSP offers an opportunity for such members to increase their holdings to achieve the recommended share ownership.

A new share-based incentive programme, PSP 2023, was adopted at the Annual General Meeting 2023 and the structure of the plan corresponds to the incentive programme approved in 2022.

In both programmes, each PSP participant will at commencement of the programme, free of charge receive a conditional award of Performance Shares (a "PSP Award"). The PSP award will amount to the number of Performance Shares the value of which corresponds to a percentage of each participants gross annual base salary. The share price used to calculate the PSP Award value was the volume-weighted average price paid for the Volvo Car AB (publ.) class B share during a period of 30 trading days in connection with the commencement of the vesting period.

The number of Performance Shares allocated to the participants after expiration of the three year vesting period may amount to between 0 and 200 per cent of the PSP award, depending on the satisfaction of four performance conditions;

PSP 2022 performance conditions

- average operating margin during financial years 2022–2024 (weight 40 per cent)
- average revenue growth during financial years 2022–2024 (weight 40 per cent)
- reduction of CO_2 emissions per car sold (average CO_2 emissions per car sold in 2018 compared to the average CO_2 emissions per car sold in 2024) (weight 10 per cent)
- gender diversity (portion of non-male participants) in the STVP programme as of 31 December 2024 (weight 10 per cent)

PSP 2023 performance conditions

- average operating margin (excl share of income in JV and associates) during financial years 2023–2025 (weight 30 per cent)
- average revenue growth during financial years 2023–2025 (weight 30 per cent)
- reduction of CO_2 emissions per car sold (average CO_2 emissions per car sold in 2018 compared to the average CO_2 emissions per car sold in 2025) (weight 30 per cent)
- gender diversity (portion of non-male participants) in the STVP programme as of 31 December 2025 (weight 10 per cent)

The performance conditions for both programmes include a minimum level which must be exceeded in order for any Performance Shares to be allocated at all. Should the minimum level be exceeded but the maximum level not reached, a proportionate number of Performance Shares will be allocated.

Both PSP programmes shall comprise a maximum of 9,886,909 class B shares in Volvo Car AB (publ.) respectively.

Allocation of Performance Shares is also conditional upon the participants retaining the employment within the Volvo Car Group over the entire vesting period.

The total value of the Performance Shares at the end of the vesting period may not exceed 400 per cent of the PSP Award value and the number of Performance Shares allotted may be reduced accordingly. Should there be a decline in the price of the Volvo Car AB (publ.) class B share such that the number of Performance Shares subject to allocation exceeds the maximum number of Performance Shares, the number of Performance Shares allocated to the participants will be reduced proportionately.

The Board of Directors is entitled to reduce the number of Performance Shares subject to allocation or, wholly or partially, terminate the PSP programmes in advance if significant changes in the Group or in the market occur which, in the opinion of the Board of Directors, would result in a situation where the conditions for allocation of Performance Shares become unreasonable.

The fair value of the Volvo Car AB (publ.) class B share at grant date is calculated as the market value of the share excluding the present value of expected dividend payments for the next three years and amounted to SEK 75.26 for the PSP 2022 and to SEK 40.43 for the PSP 2023.

Liability and cost

The total cost for the PSP programmes amounted to SEK 60 (24) m of which SEK 48 (18) m is equity-settled. SEK 12 (6) m is cash-settled, of which SEK 8 (4) m is related to social security expenses. Of the total expenses, SEK 8 (5) m is related to the CEO, SEK 2 (1) m to deputy CEO B.A, SEK 3 (2) m to deputy CEO J.V and SEK 4 (4) m to other members of EMT. The total liability amounted to SEK 19 (6) m.

Employee Share Matching Plan (ESMP) - (Volvo Cars)

In 2022, the Annual General Meeting also approved implementation of a share-based incentive programme (Employee Share Matching Plan, ESMP 2022) giving all permanent employees of Volvo Car Group the opportunity to become shareholders in Volvo Car AB (publ.). The purpose of the ESMP is to create engagement, commitment and motivation for the entire permanent workforce of Volvo Car Group, excluding the members of PSP.

During 2023 the Annual General Meeting approved a new ESMP programme, ESMP 2023, similar to the one implemented during 2022. To participate in the programmes, the participants must make own investments in class B shares in Volvo Car AB (publ.) (Investment shares), up to an aggregate value for each participant at the time of the investment of no more than SEK 10 000.

For each Investment share, the participants will be entitled to allocation of one Matching Share free of charge after the expiration of the two-year vesting period.

Allocation of Matching Shares is conditional upon the participants retaining the employment within the Volvo Car Group over the entire vesting period and that the participants has retained the Investment shares purchased.

Both ESMP programmes shall comprise a maximum of 7,832,000 class B shares in Volvo Car AB (publ.) respectively. Should there be a decline in the price of the Volvo Car AB (publ.) class B share such that the number of Matching Shares subject to allocation exceeds the maximum number of Matching Shares, the number of Matching Shares allocated to the participants will be reduced proportionately.

The Board of Directors is entitled to reduce the number of Matching Shares subject to allocation or, wholly or partially, terminate the ESMP programmes in advance if significant changes in the Group or in the market occur which, in the opinion of the Board of Directors, would result in a situation where the conditions for allocation of Matching Shares become unreasonable.

The fair value of the Volvo Car AB (publ.) class B share at grant date is calculated as the market value of the share excluding the present value of expected dividend payments for the next two years. For ESMP 2022 the fair value of the share at grant date amounted to SEK 44.34, SEK 50.71, SEK 49.25 and SEK 44.14 dependent on the date the Matching Share was granted. For ESMP 2023 the fair value of the share at grant date amounted to SEK 39.96, SEK 42.72, SEK 45.32, SEK 40.14, SEK 32.56 and SEK 33.6 dependent on the date the Matching Share was granted.

When the employee receives the Matching Shares, it is normally seen as a taxable benefit. Volvo Cars has therefore decided to contribute with an additional cash sum corresponding to a general tax level for each country. The contribution is calculated on a general level and is not individually set.

Since this part of the programme meets the description of a cash-settled share-based payment transaction, a liability will be recorded and remeasured to fair value at the end of each reporting period.

Liability and cost

The total cost for the ESMP programme amounted to SEK 132 (23) m of which SEK 61 (7) m is equity-settled. SEK 71 (16) m is cash- settled, of which SEK 26 (7) m is related to social security expenses. The total liability amounted to SEK 86 (16) m.

PSP	PSP 2023	PSP 2022
Outstanding number of shares at the beginning of the year	—	1,332,017
Granted shares during the year	2,620,315	30,533
Forfeited during the year	–238,168	–153,523
Outstanding number of shares at the end of the year	**2,382,147**	**1,209,027**

ESMP	ESMP 2023	ESMP 2022
Outstanding number of shares at the beginning of the year	—	1,632,602
Granted shares during the year	1,676,604	729,532
Forfeited during the year	–35,190	–122,230
Outstanding number of shares at the end of the year	**1,641,414**	**2,239,904**

10 Depreciation and amortisation

ACCOUNTING PRINCIPLES

Amortisation methods for intangible assets

Intangible assets with finite useful lives are amortised on a straight-line basis over their respective expected useful lives. The amortisation period for contractual rights such as licences does not exceed the contract period. All intangible assets are considered to have a finite useful life, with the exception of goodwill and trademarks. Trademarks are assumed to have indefinite useful lives since the Group has the right and the intention to continue to use the trademarks for the foreseeable future, while generating net positive cash flows for the Group. An intangible asset with an indefinite useful life is not amortised. The following useful lives are applied to intangible assets with finite useful lives:

Dealer network	30 years
Software	3–8 years
Product development	3–10 years
Patents, licences and similar rights	3–10 years

Amortisation is included in cost of sales, research and development expenses as well as selling or administrative expenses depending on in what way the assets have been used. Amortisation of intangible assets related to vehicle platforms are included in Research and development expenses.

Depreciation methods for tangible assets

Tangible assets are systematically depreciated over the expected useful life of the asset. Each part of a tangible assets, with a cost that is significant in relation to the total cost of the item, is depreciated separately when the useful life for the part differs from the useful life of the other parts of the item. Land is assumed to have an indefinite useful life and is not depreciated.

Vehicles sold combined with a repurchase commitment are depreciated evenly over their respective useful lives. They are depreciated from their original acquisition cost to their expected residual value, being the estimated net realisable value, at the end of the lease term. If the market value of these vehicles is lower than the originally set residual value, the depreciation is accelerated over the remaining contract period.

Right-of-use assets where the Group is a lessee are depreciated over the lease contract period. Assets under operating leases where the Group is a lessor are depreciated over their respective useful lives. For more information on leased assets, see Note 7 – Leases.

The following useful lives are applied in the Group:

Buildings	14.5–75 years
Land improvements	30 years
Machinery	8–30 years
Equipment	3–20 years

Depreciation is included in cost of sales, research and development expenses as well as selling or administrative expenses depending on how the assets have been used.

Impairment of assets

The carrying amount of tangible and intangible assets with finite useful lives are tested whenever events or changes in circumstances indicate that the value of the asset will not be recovered. Intangible assets that have an indefinite useful life, as well as assets that are not yet available for use, are not subject for amortisation and are tested for impairment at least annually or whenever there is an indication that the value will not be recoverable. Assets may sometimes be grouped into cash-generating units for the purpose of testing impairment.

When performing an impairment test, the asset's or cash-generated unit's recoverable amount is calculated. The recoverable amount is the higher of an asset's or cash-generated unit's fair value less costs to sell and its value in use. Value in use is defined as the present value of the future cash flows expected to be derived from an asset or cash-generated unit. If the recoverable amount is lower than the carrying value, an impairment loss is recognised. Previously recognised impairment losses are reversed, with the exception of goodwill, if reasons for the previously made impairment no longer exist. An impairment loss is reversed only to the extent that the asset's or cash-generated unit's carrying amount after reversal does not exceed the carrying amount, net of amortisation, which would have been recognised if no impairment loss had been recognised.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The useful life of an intangible asset is to a large extent based on historical experience, expected application as well as other individual characteristics of the asset. The useful lives of the assets are regularly assessed and adjusted if necessary.

To test an asset or a cash-generating unit for impairment several estimates need to be performed, see section Impairment of assets as well as in Note 15 – Intangible assets, Note 16 – Tangible assets and Note 17 - Investment property.

Operating income includes depreciation and amortisation as specified below:	**2023**	**2022**
Software	–683	–470
Product development	–4,853	–4,579
Other intangible assets	–921	–786
Buildings and land improvements[1)]	–1,154	–1,137
Machinery and equipment[1)]	–7,047	–6,861
Right-of-use asset[2)]	–1,632	–1,580
Assets under operating leases	–1,232	–733
Total	**-17,522**	**-16,146**

Depreciation and amortisation according to plan by function:	**2023**	**2022**
Cost of sales[1)]	–9,029	–8,349
Research and development expenses	–6,158	–5,722
Selling expenses	–1,377	–1,028
Administrative expenses	–927	–1,016
Other income and expense	–31	–31
Total	**-17,522**	**-16,146**

1) Impairment losses of SEK –194 (–29) m have been recognised within Cost of sales.
2) Depreciation of Right-of-use assets amounted to SEK –1,632 (–1,580) m, whereof SEK –1,411 (–1,401) m is related to Buildings and land, and SEK –221 (–179) m is related to Machinery and equipment.

11 Government grants

ACCOUNTING PRINCIPLES

Government grants are recognised in the financial statements in accordance with their purpose, either as a reduction of expense or as a reduction of the carrying amount of the asset. Government grants intended to compensate for a specific expense are recognised as a cost reduction in the same period as the expense which the grant is intended to compensate has been recognised. Government grants related to acquiring assets are deducted from the carrying amount of the asset and are recognised in the income statement over the life of a depreciable asset as a reduced depreciation expense. In cases where the received government grant is not intended to compensate for any expenses or the acquisition of assets, the grant is classified by the nature of the income, either as other income or revenue. Government grants for future expenses are recognised as deferred income. For more information relating to the accounting policies for emission credits see Note 2 – Revenue.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received. Judgement includes assessing if the Group is in compliance with the prerequisites in the contract or not and if there is a potential risk of repayment if these prerequisites are breached during the contract period. As of today, the Group's assessment is that there are no government grants received where there is a risk of material repayments.

The Group receives grants from several parties, mainly from the Swedish, American, Chinese and Belgian Governments as well as from the European Union. In 2023 the government grants received amounted to SEK 395 (409) m and the government grants realised in the income statement amounted to SEK 1,267 (868) m. Grants relating to earned emission credits amounted to SEK 910 (505) m. Non-monetary government grants have been received in China, mainly in the form of rent-free office and factory premises, and in the US in the form of reduced lease fees related to office premises and the manufacturing site.

12 Other financial income and expenses

ACCOUNTING PRINCIPLES

Other financial income and expenses consist mainly of net exchange rate differences on financial assets and liabilities, fair value changes on financial assets and liabilities, expenses on credit facilities and fees on supplier financing arrangements. Information of the classification of financial instruments, see Note 21 – Financial instruments and Financial risks.

	2023	2022
Dividends received	2,341	2,174
Interest effect from the measurment of repurchase obligations	–348	–235
Net foreign exchange rate differences	–345	–1,289
Fees on supplier financing arrangements	–108	–43
Expenses for credit facilities	–123	–127
Changes in fair value through profit or loss	–51	–1,205
Other financial income	5	2
Other financial expenses	–23	–90
Total	**1,348**	**-813**

13 Investments in joint ventures and associates

ACCOUNTING PRINCIPLES

Joint ventures refer to joint arrangements whereby the Group together with one or more parties have joint control and rights to the net assets of the arrangements.

Associated companies are companies in which the Group has a significant but not controlling influence, which generally is when the Group holds between 20 and 50 per cent of the shares, but it also includes investments with less participation if significant influence is proven based on other facts and circumstances.

Investments in joint ventures and associated companies are recognised in accordance with the equity method and are initially valued at acquisition cost. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses unless it has a legal or constructive obligations in relation to the associate or joint venture.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

A critical judgement in relation to joint ventures is whether joint control exists when other facts and circumstances are taken into consideration. A critical judgement in relation to joint ventures is when the Group has a shareholding of greater than 50 per cent but based on other facts and circumstances has joint control over the investee. This could be based on but not limited to the governance structure of the joint venture, and procedures for appointment of key management and dispute resolution. The judgement that is made is whether the Group has the power to direct the activities that significantly affect the returns of the joint venture, has a right to variable returns from the joint venture, and the ability to exercise its power over the joint venture to affect the amount of its returns. Even with a greater than 50 per cent ownership in an investee, if the Group cannot direct the activities of the joint venture to significantly affect its returns from the joint venture, nor exercise its power over the joint venture to affect the amount of its returns, it is deemed a joint venture.

	2023	2022
Share of income in joint ventures	–153	573
Share of income in associates	–5,422	3,923
Total	**–5,575**	**4,496**

Share of income in joint ventures and associates is specified below:	2023	2022
Lynk & Co Investment Co., Ltd	–598	30
Polestar Automotive Holding Group	–5,427	4,151
Volvofinans Bank AB	426	431
Geely Financials Denmark A/S	53	53
Other companies	–29	–169
Total	**–5,575**	**4,496**

Investments in joint ventures and associates	31 Dec 2023	31 Dec 2022
At beginning of the year/acquired acquisition value	21,317	11,865
Share of net income	–5,575	4,496
Investment in NOVO Energy AB	815	163
Investment in E3 Fastighetsutveckling AB	95	—
Investment in Zenuity AB	3	3
Investment in Volvo Car Financial Services UK Ltd	—	185
Investment in Saxo Geely Tech Holding A/S	—	225
Investment in Polestar Automotive Holding UK PLC	—	6,101
Investment in Zhejiang Aurobay Powertrain Co., Ltd	—	1,696
Divestment of shares in Zhejiang Aurobay Powertrain Co., Ltd	—	–1,528
Reversal internal profit elimination	–389	–335
Reclassification from subsidiary to joint venture	711	—
Reclassification from joint venture to other long-term securities holdings	—	–7,998
Revaluation of earn-out rights in Polestar Automotive UK PLC	2,755	5,146
Dividends	–88	–72
Translation difference	127	1,370
Total	**19,771**	**21,317**

The Group's carrying amount on investments in joint ventures and associates:	Corp. ID no.	Country of incorporation	% interest held	31 Dec 2023	31 Dec 2022
Joint ventures					
Geely Financials Denmark A/S	38976176	Denmark	49	4,448	4,509
Saxo Geely Tech Holding A/S	15731249	Denmark	50	1,087	1,209
E3 Fastighetsutveckling AB	559409-5332	Sweden	50	94	—
NOVO Energy AB	559344-2600	Sweden	50	774	131
Volvo Trademark Holding AB	556567-0428	Sweden	50	7	10
Volvofinans Bank AB	556069-0967	Sweden	50	3,526	3,176
VH Systems AB	556820-9455	Sweden	50	35	38
Zenuity AB	559073-6871	Sweden	50	—	—
World of Volvo AB	559233-9849	Sweden	50	69	105
VCFS Germany GmbH	HRB 85091	Germany	50	4	3
VCIS Germany GmbH	HRB 86800	Germany	50	9	8
Volvo Car Financial Services UK Ltd	12718441	United Kingdom	50	795	642
Volvo Car Group Financial Leasing (Shanghai) Co., Ltd	91310115MA1K49CY8Y	China	55	726	—
GV Automobile Technology (Ningbo) Co., Ltd	91330201MA2AGKLQ8E	China	50	39	39
Lynk & Co Investment Co., Ltd	91330200MA2AF25Y7B	China	30	2,843	3,643
Associated companies					
VCC Försäljnings KB	969712-0153	Sweden	50	1	1
VCC Tjänstebilar KB	969673-1950	Sweden	50	3	5
Volvohandelns PV Försäljnings AB	556430-4748	Sweden	50	14	13
Volvohandelns PV Försäljnings KB	916839-7009	Sweden	50	3	2
Polestar Automotive Holding UK PLC	13624182	United Kingdom	48	5,286	7,775
Trio Bilservice AB	556199-1059	Sweden	33	1	1
Göteborgs Tekniska College AB	556570-6768	Sweden	26	6	6
Leiebilservice AS	879 548 632	Norway	20	1	1
Carrying amount, participation in joint ventures and associates				**19,771**	**21,317**

The share of voting power corresponds to holdings in per cent as per above. For practical reasons, some of the joint ventures and associates are included in the consolidated financial statements with a certain time lag, normally one month.

Geely Financials Denmark A/S

Geely Financials Denmark A/S is a financial holding company with main purpose to invest in shares in other companies. As of 31 December 2023, the investment in Saxo Bank A/S with 49.9 per cent, is the largest shareholding.

Lynk & Co Investment Co., Ltd

The joint venture company Lynk & Co Investment Co., Ltd is an establishment between Volvo Cars (China) Investment Co., Ltd, (30 per cent), Ningbo Geely Automobile Industry Co., Ltd. (50 per cent) and Zhejiang Geely Holding Group Co., Ltd. (20 per cent). The principal activity of the Lynk & Co Investment Co., Ltd is to engage in the manufacturing and sale of vehicles under the "Lynk & Co" brand, and support after-sale services relating thereto.

Polestar Automotive Holding Group

In 2020, the joint venture company Polestar Automotive Holding Ltd was established between the Group's wholly-owned subsidary Snita Holding B.V. (50 per cent shareholding) and PSD Investment Ltd (50 per cent shareholding). In November 2020, Snita Holding B.V. sold 0.86 per cent of its shares in Polestar Automotive Holding Ltd to PSINV AB, another subsidiary within the Group.

In March 2021, Polestar Automotive Holding Group raised external capital from long-term financial investors. The private placement was conducted through newly issued shares and diluted Volvo Cars ownership in Polestar. The valuation effects in connection with the transaction amounted to SEK 2,039 m and were recognised as income from shares in joint ventures and associates. In July 2021, PSD Investment Ltd sold 7.3 per cent of its shares to Volvo Cars, which increased Volvo Cars share in Polestar from 46.1 per cent to 49.5 per cent following an investment of SEK 2,068 m.

In June 2022, Polestar's wholly-owned subsidiary Polestar Automotive Holding UK PLC was listed on the Nasdaq Stock Exchange in New York in a de-SPAC process through a merger with the SPAC company Gores Guggenheim and Polestar Automotive Holding UK PLC became the new parent company of the Polestar Group. The transaction broadened Polestar's ownership base and in total raised approximately USD 890 m in external capital, of which Volvo Cars invested USD 11 m (SEK 113 m).

The listing transactions had several financial effects for Volvo Cars. In connection with the listing, Volvo Cars ownership was diluted due to external funds raised by Polestar in the listing process. The dilution effect amounted to SEK 4,023 m and were recognised as income in shares in joint ventures and associates.

As part of the listing process, Polestar also issued earn-out rights to its shareholders. The value of the Group's portion of the earn-out rights, which have been calculated in accordance with a Monte Carlo simulation methodology, has been accounted for as a deemed dividend from Polestar, increasing financial assets, and decreasing the carrying amount of the shares in Polestar. As of 31 December, these earn-out rights have been revalued to market value. The part of the earn-out rights value exceeding the carrying amount of Polestar is accounted for in the income statement as share of income in joint ventures and associates. The earn-out rights can be converted to common shares in Polestar Automotive Holding UK PLC after a minimum of 180 days after the listing process. The conversion is subject to the Polestar share price at Nasdaq stock exchange. There are five thresholds where the earn-outs will be converted at a price of USD 13, USD 15.50, USD 18, USD 20.50 and USD 23, respectively, with 20 per cent of the earn-out rights being converted at each threshold.

Directly after the listing, Volvo Cars invested in convertible preference shares issued by Polestar for a total value of SEK 5,988 m (USD 589 m). The convertible preference shares have been converted into common shares in Polestar Automotive Holding UK PLC.

Polestar is after the listing transactions accounted for as an associate instead of a joint venture.

In October 2022, the former parent company, Polestar Automotive Holding Ltd entered into voluntary liquadation. In November 2022, PSINV AB sold all of its shares in Polestar Holding Automotive Ltd to Snita Holding B.V. In December 2022, Polestar Automotive Holding Ltd made an interim distribution of its shareholding in Polestar Automotive Holding UK PLC to its shareholders and also sold redeemable preference shares in Polestar Automotive Holding UK PLC to Snita Holding B.V. Thereafter Snita Holding B.V. sold its entire shareholding in Polestar Automotive Holding Ltd to PSD Investment Ltd.

At year end, the Group, through its subsidiary Snita Holding B.V., have a shareholding of 48.3 per cent in Polestar Automotive Holding UK PLC, and is together with the other main owner PSD Investment Ltd, still considered to have significant influence over the Polestar Group based on, among other factors, ownership and board composition.

As of 31 December 2023, our fair value of the Polestar Group, listed on the Nasdaq Stock Exchange in New York (ticker symbol: PSNY), was SEK 23,144 (56,251) m based on the quoted market price.

Volvofinans Bank AB

Volvofinans Bank AB is a joint venture between Volvo Car Corporation and AB Volverkinvest. In Sweden, Volvofinans Bank AB is one of the the leading banks within vechicle financing services.

Other companies

In January 2022, the joint venture company NOVO Energy AB was established between Volvo Car Corporation (50 per cent) and Northvolt AB (50 per cent). The purpose of the joint venture is to develop and produce more sustainable batteries to contribute to powering the next generation of pure electric Volvo and Polestar cars.

In July 2023 the joint venture Novo Energy Group, through one of its wholly-owned subsidiary Novo Production AB aquired the wholly-owned subsidiary Fastighetsbolag Sörred 15:7 AB from Volvo Car Corporation AB. The acquired real estate company owns the land where upon the future battery manufactury plant will be built in the area of Gothenburg, Sweden. For further information, see Note 4 – Related party transactions.

In January 2023, Volvo Car Corporation and Zhejiang Genius & Guru Investment Co., Ltd signed a joint venture agreement regarding Volvo Car Group Financial Leasing (Shanghai) Co., Ltd. In June, Zhejiang Genius & Guru Investment Co., Ltd subscribed to all the newly issued shares according to the signed subscription agreement. As a result the wholly-owned subsidiary, Volvo Car Group Financial Leasing (Shanghai) Co., Ltd was reclassified to a joint venture company between Volvo Car Corporation (55 per cent) and Zhejiang Genius & Guru Investment Co., Ltd (45 per cent) and from 25 June reported in accordance with the equity method since none of the holding companies has the decision-making power over the operation. For further information, see Note 4 – Related party and Note 32 – Business combinations and divestments.

The following tables present summarised financial information for the Group's material joint ventures and associates.

	Geely Financials Denmark Group		Lynk & Co Investment Group[1]		Polestar Automotive Holding Group[2]		Volvofinans Bank AB[3]	
Summarised balance sheets	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Percentage ownership	49	49	30	30	48	48	50	50
Non-current assets	74,699	105,314	25,580	21,739	21,692	18,826	40,728	37,800
Cash and cash equivalents	7,965	5,426	4,200	2,858	7,738	10,095	3,285	3,530
Other current assets	58,190	31,041	39,494	20,135	16,402	11,904	4,827	4,649
Total assets	**140,824**	**141,781**	**69,274**	**44,732**	**45,832**	**40,825**	**48,840**	**45,979**
Equity[4)5)]	15,694	15,947	9,310	12,101	–8,694	–1,096	6,300	5,601
Non-current financial liabilities	124,937	125,664	4,705	1,869	14,814	890	38,131	36,537
Non-current liabilities[4]	—	—	4,647	3,913	4,317	7,354	964	1,140
Current financial liabilities	—	—	3,896	1,998	21,419	14,214	—	—
Current liabilities	193	170	46,716	24,851	13,976	19,463	3,445	2,701
Total equity and liabilities	**140,824**	**141,781**	**69,274**	**44,732**	**45,832**	**40,825**	**48,840**	**45,979**

	Geely Financials Denmark Group		Lynk & Co Investment Group[1]		Polestar Automotive Holding Group[2]		Volvofinans Bank AB[3]	
Summarised income statements	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Revenue	—	—	52,941	37,966	25,580	24,723	5,879	5,340
Depreciation and amortisation	—	—	– 4,862	–4,177	–1,410	–1,452	–8	–10
Interest income	6,049	2,912	136	68	292	50	—	—
Interest expense	-2,934	-781	–387	–117	–2,131	–735	—	—
Profit/loss from continuing operations	358	632	1,957	33	–7,714	–4,416	655	460
Profit (loss) for the year	**358**	**632**	**1,957**	**33**	**-7,714**	**–4,416**	**655**	**460**
Other comprehensive income for the year	**-9**	**38**	**-43**	**27**	**-112**	**81**	**—**	**—**
Total comprehensive income for the year	**349**	**670**	**1,914**	**60**	**-7,826**	**–4,335**	**655**	**460**
Dividends received from joint ventures and associates during the year	—	—	—	—	—	—	77	65

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint ventures and associates.

	Geely Financials Denmark Group		Lynk & Co Investment Group 1)		Polestar Automotive Holding Group 2)		Volvofinans Bank AB 3)	
Reconciliation of summarised financial information	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Net asset of the joint venture and associate	9,567	9,232	9,310	12,101	–8,694	–1,096	6,300	5,601
Proportion of the Group's ownership, %	49	49	30	30	48	48	50	50
Goodwill	—	—	—	—	—	—	376	376
Adjustments for differences in accounting principles	—	—	—	—	386	—	—	—
Adjustments for common control transaction	29	29	51	11	20	20	—	—
Elimination of intra-group profit	–365	–365						
Polestar listing	—	—	—	—	8,970	8,970	—	—
Revaluation of earn-outs rights	—	—	—	—	125	–173	—	—
Equity-settled share-based payments	—	—	—	—	–78	–41	—	—
Capital injection from investors other than the Group	6	9	—	—	–764	–764	—	—
Transactions with non-controlling interests	-83	—	—	—	—	—	—	—
Net foreign exchange rate effect	173	313	–1	2	827	292	—	—
Carrying amount of the Group's interest in joint ventures and associates	**4,448**	**4,509**	**2,843**	**3,643**	**5,286**	**7,775**	**3,526**	**3,176**

1) The Group's equity share in Lynk & Co Investment Group is included with a time lag of a month, and a forecast for December.
2) The Group's equity share in Polestar Automotive Holding Group is included with a time lag of a quarter and a forecast for the last quarter.
3) The Group's equity share in Volvofinans Bank AB is included with a time lag of a quarter.
4) Equity and non-current liabilities are adjusted with the portion of untaxed reserves where appropriate.
5) The Geely Financials Denmark Group equity includes non-controlling interests of SEK 6,127 (6,715) m.

Significant restrictions

For the Chinese joint venture companies, there are some restrictions on the the Group's ability to access cash.

14 Taxes

ACCOUNTING PRINCIPLES

Income taxes

The Group's tax expense consists of current tax including withholding tax on i.a. licence sales to China and deferred tax. Taxes are recognised in the income statement except when the underlying transaction is recognised directly in equity or other comprehensive income, whereupon related taxation is also recognised in equity or other comprehensive income.

Current tax is tax that must be paid or will be received for the current year. Current tax also includes adjustments to current tax attributable to previous periods. Deferred tax is calculated according to the balance sheet method for all temporary differences, with the exception of goodwill, that arise between the tax value and the carrying amount of assets and liabilities.

Deferred tax assets and liabilities are measured at the nominal amount and at the tax rates that are expected to be applied when the asset is realised or the liability is settled, using the tax rates and tax rules that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised to the extent it is probable that they will be utilised in the future. Deferred tax assets and deferred tax liabilities are offset when they are attributable to the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis and the affected company has a legally adopted right to offset tax assets against tax liabilities.

Tax laws in Sweden and in certain other countries allow companies to defer tax payments through allocation to untaxed reserves. These items are treated as temporary differences in the consolidated balance sheet where the untaxed reserves are divided between deferred tax liability and equity. In the consolidated income statement an allocation to, or withdrawal from, untaxed reserves is divided between deferred taxes and net income for the year.

In May 2023, the IASB amended IAS 12 in response to the OECD's Pillar Two rules. The amendment to IAS 12 includes a mandatory temporary exception to not recognise or disclose information about deferred tax assets and liabilities related to the OECD Pillar Two rules which the Group has applied. Information regarding the initial assessment of the Groups exposure to the enacted but not yet effective legislation is presented in the note.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Deferred tax assets

The recognition of deferred tax assets requires assumptions to be made with regard to the level of future taxable income and the timing of recovery of deferred tax assets. These assumptions take into consideration forecasted taxable income. The measurement of deferred tax assets is subject to uncertainty and the actual result may diverge from judgements due to future changes in business climate, altered tax laws etc. An assessment is made at each closing date of the likelihood that the deferred tax asset will be utilised. If needed the carrying amount of the deferred tax asset will be altered. The judgements that have been made may affect net income both positively and negatively.

Income tax recognised in income statement	**2023**	2022
Current income tax for the year	–4,569	–3,287
Current income tax for previous years	–206	179
Deferred taxes	–1,504	–677
Withholding taxes[1)]	–597	–561
Other taxes	71	129
Total	**–6,805**	**–4,217**

1) Withholding tax on i.a. royalty and licence sales, mainly to China.

Reconciliation between current tax rate in Sweden and effective tax rate	**2023**	2022
Income before tax for the year	21,424	21,478
Tax according to applicable Swedish tax rate, 20.6% (20.6%)	–4,413	–4,425
Operating income/costs, non-taxable	149	189
Withholding taxes	–597	–561
Other taxes, non-taxable	71	129
Share of income in joint ventures, already taxed	–861	1,106
Capital gains or losses, non-taxable	–722	–8
Effect of different tax rates	–30	–290
Tax effect on deferred tax due to change of tax rate	–14	–27
Non-recognised deferred tax asset on tax losses carry forward	–182	–42
Remeasurements of previously non-recognised deferred tax on tax losses	21	246
Revaluation of previously non-valued losses and other temporary differences	–172	–177
Other	–50	–357
Total	**–6,805**	**–4,217**

Income tax recognised in other comprehensive income	**2023**	2022
Deferred tax		
Tax effects on cash flow hedge reserve	408	466
Tax effect of remeasurement of provisions for post-employment benefits	–424	998
Tax effects on translation difference of hedge instruments of net investments in foreign operations	27	–147
Total	**11**	**1,317**

Specification of deferred tax assets	31 Dec 2023	31 Dec 2022
Goodwill arising from the purchase of the net assets of a business	67	103
Provision for employee benefits	1,047	828
Unutilised tax loss carry-forwards	7,325	6,978
Accruals	7,197	6,260
Reserve for unrealised income in inventory	1,938	1,633
Provision for warranty	1,475	1,355
Fair value of financial instruments	—	5
Other temporary differences[1)]	3,048	2,960
Total deferred tax assets	**22,097**	**20,122**
Netting of assets/liabilities[1)]	–11,962	–10,253
Total deferred tax assets, net	**10,135**	**9,869**

Specification of deferred tax liabilities	31 Dec 2023	31 Dec 2022
Fixed assets[1)]	16,578	13,471
Untaxed reserves	42	52
Auto lease portfolio	2,872	2,650
Fair value of financial instruments	546	—
Other temporary differences	217	181
Total deferred tax liabilities	**20,255**	**16,354**
Netting of assets/liabilities[1)]	–11,957	–10,253
Total deferred tax liabilities, net	**8,293**	**6,101**

1) Comparative figures have been restated due to application of the amendments to IAS 12 Income taxes. Application of these amendments does not have a material effect on the Group.

Deferred tax assets and deferred tax liabilitites are offset when the item relates to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Deferred tax assets are only recognised in countries where the Group expects to be able to generate corresponding taxable income in the future to benefit from tax reductions.

Significant tax loss carry-forwards are related to countries with long or undefinite periods of utilisation, mainly Sweden. Of the total SEK 7,325 (6,976) m recognised deferred tax assets related to tax loss carry-forwards, SEK 6,804 (6,150) m relates to Sweden with indefinite periods of utilisation. SEK 378 (239) m relates to China where tax loss carry-forwards are expected to be utilised before expiration date. The assessement is that the Group will be able to generate sufficient income in the coming years to also utilise the remaining part of the recognised amounts.

Deferred tax that may arise on distribution of remaining unrestricted earnings of foreign subsidiaries has not been booked, hence they can be distributed free of tax or the Group may consider them permanently reinvested in the subsidiaries.

The Group had total unrecognised deferred tax assets of SEK 2,616 (2,111) m related to tax losses carry forwards and withholding tax credits. These were not recognised due to the uncertainty of future taxable income.

On 13 December 2023, the government of Sweden, where the parent company is incorporated, enacted the Pillar Two income taxes legislation (Swe Lag (2023:875) om tilläggsskatt) effective from 1 January 2024.

The Group is in the process of assessing the potential exposure arising from Pillar Two legislation. The assessment so far is based on the latest available country-by-country reporting for 2022. Based on this assessment, the Group has identified potential exposure to Pillar Two income taxes on profits earned in a few countries. The potential exposure is expected to come from the constituent entities (mainly operating subsidiaries) in these jurisdictions.

However, based on the initial assessments made so far, the expectation is that, besides the additional administration, the new regulations will have limited impact on the Group and that any tax due to the new regulations will be non-material from a group perspective.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

Changes in deferred tax assets and liabilities during the reporting period	31 Dec 2023	31 Dec 2022
Net book value of deferred taxes at 1 January	3,768	5,420
Deferred tax income/expense recognised through income statement	–1,504	–677
Change in deferred taxes recognised directly in other comprehensive income	–11	–1,317
Change in deferred taxes due to application of the amendments to IAS 12 Income taxes	–19	19
Exchange rate impact	–392	323
Net book value of deferred taxes at 31 December	**1,842**	**3,768**

Deferred tax assets regarding tax loss carry-forwards are reported to the extent that realisation of the related tax benefit through future taxable profits is probable also when considering the period during which these can be utilised, as described below.

As of 31 December, 2023, the recognised tax loss carry-forwards amounted to SEK 35,153 (33,203) m. The tax value of these tax loss carry-forwards is reported as an asset. The final years in which the recognised loss carry-forwards can be utilised are shown in the following table.

Tax-loss carry-forwards; year of expiration	31 Dec 2023	31 Dec 2022
Due date		
2024	—	—
2025	4	—
2026	—	82
2027	882	937
2028	600	—
2029–	33,667	32,184
Total	**35,153**	**33,203**

15 Intangible assets

ACCOUNTING PRINCIPLES

An intangible asset is recognised when it is identifiable, the Group controls the asset, it is expected and probable to generate future economic benefits and the cost can be measured reliably. Intangible assets consist of internally developed products, licences and patents, trademarks, goodwill, dealer network and investments in IT-systems and software.

Both acquired and internally generated intangible assets are recognised at acquisition cost, less accumulated amortisation and any impairment loss, with the exception of goodwill and trademark Borrowing costs are sometimes included in the acquisition cost of an asset it it takes more than 12 months to get it ready for its intended use or sale. Goodwill and trademark are recognised at fair value at the date of the acquisition less any accumulated impairment losses.

Subsequent expenditure on intangible assets increases the cost only if it gives rise to future economic benefit. All other subsequent expenditures are expensed in the period in which they are incurred.

Product development

The Group's research and development activities are divided into a concept phase and a product development phase. Costs incurred during the concept phase are normally research costs for developing new products at an early stage, where the outcome of the project is still uncertain and where for example different options and alternatives are still evaluated. Research costs during the concept phase are expensed as incurred.

When a research and development project has developed to the extent that there is a definable future product that is assessed to generate future economic benefits, the project is considered to be in the development phase. Costs for development of new products, production systems and software are recognised as an asset if certain conditions are met. The cost of an internally generated intangible asset comprises of all expenditures that can be directly attributed to the development phase and that serve to create, produce and prepare the asset for use. All other development costs are expensed as incurred.

Development costs incurred by the Group that are contractually shared with other parties and where the Group remains in control of a share of the developed product, either through a licence or through ownership of patents, are recognised as intangible assets, reflecting the relevant proportion of the Group interests.

The Group incurs development costs on behalf of other parties. In cases where the developed technology is sold and therefore not controlled by the Group, the costs are expensed as cost of sales at the time of the sale. These costs are also used to measure development progress for revenue recognition for the sold technology, licences or Intellectual Property. See Note 2 – Revenue for further information.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful lives. Management regularly reassesses the useful life of all significant assets. When the useful life of an intangible asset is reduced, amortisation is accelerated and increased in future periods to reflect the reduction of time over which the Group will derive benefits from the asset. A shorter estimated useful life is not always an indicator of impairment, as impairment is characterised by a change in the expected cash flows to be derived from the asset.

In the assessment of useful life, climate-related risks have been considered, mainly impacting capitalised costs related to product development for internal combustion engines in line the Group's plans to be fully electric by 2030.

The carrying amount of intangible assets with finite useful lives are tested whenever events or changes in circumstances indicate that the value of the asset will not be recovered. Intangible assets with indefinite useful lives, i.e. trademark, goodwill, and other intangible assets not yet ready for use, are tested for impairment at least annually or when there is an indication that the value will not be recoverable.

An impairment test is made by calculating the asset or assets recoverable amount. If the recoverable amount is less than the carrying value, the asset is written down to its recoverable value. The recoverable value is the higher value comparing an asset's or a cash-generating unit's fair value, less costs to sell, and the value in use. Value in use is defined as the the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The estimated future cash flows are based on assumptions that represent management's best estimate of the economic conditions for the remaining useful life of the asset, an estimate based on internal business plans and forecasts. The business plans refer to expectations regarding future market share, the market growth, the Group's expected performance in this environment as well as the products' profitability.

Previously recognised impairment losses are reversed, with the exception of goodwill, if the reasons for the previously made impairment losses no longer exist. An impairment loss is reversed only to the extent that the asset's or cash-generating unit's carrying amount after reversal does not exceed the carrying amount, net of amortisation, which would have been recognised if no impairment loss had been recognised.

	Product development[1]	Software	Assets under construction	Trademark and goodwill[2]	Other intangible assets[3]	Total
Acquisition cost						
Balance at 1 January 2022	51,241	4,158	13,158	4,451	8,296	**81,304**
Additions	847	2,988	15,275	—	16	**19,126**
Divested through business combinations	—	–131	—	–95	–103	**–329**
Divestments and disposals	–9,107	–73	—	–6	–41	**–9,227**
Reclassifications	1,832	–925	–714	—	7	**200**
Effect of foreign currency exchange rate differences	—	2	6	—	111	**119**
Balance at 31 December 2022	**44,813**	**6,018**	**27,725**	**4,350**	**8,286**	**91,192**
Additions	1,688	58	19,883	—	28	**21,657**
Divested through business combinations	—	–4	–1	–76	—	**–81**
Divestments and disposals	–1,478	–41	—	–36	—	**–1,555**
Reclassifications	6,416	1,979	–10,104	—	1,851	**142**
Effect of foreign currency exchange rate differences	2	30	–37	—	–113	**–118**
Balance at 31 December 2023	**51,441**	**8,040**	**37,466**	**4,238**	**10,052**	**111,237**
Accumulated amortisation and impairment						
Balance at 1 January 2022	–30,368	–2,315	—	–6	–4,867	**–37,556**
Amortisation expense	–4,579	–470	—	—	–786	**–5,834**
Divested through business combinations	—	83	—	—	63	**146**
Divestments and disposals	9,282	46	—	6	9	**9,343**
Reclassifications	—	–84	—	—	–64	**–148**
Effect of foreign currency exchange rate differences	—	20	—	—	–98	**–79**
Balance at 31 December 2022	**–25,665**	**–2,720**	**–**	**–**	**–5,743**	**–34,128**
Amortisation expense	–4,853	–683	—	—	–921	**–6,457**
Divested through business combinations	—	1	—	—	—	**1**
Divestments and disposals	1,451	23	—	—	—	**1,474**
Reclassifications	—	–48	—	—	8	**–40**
Effect of foreign currency exchange rate differences	-1	–34	—	—	123	**88**
Balance at 31 December 2023	**–29,068**	**–3,461**	**–**	**–**	**–6,533**	**–39,062**
Net balance at 31 December 2022	**19,148**	**3,298**	**27,725**	**4,350**	**2,543**	**57,064**
Net balance at 31 December 2023	**22,373**	**4,579**	**37,466**	**4,238**	**3,519**	**72,175**

1) The Group has capitalised borrowing costs related to product development of SEK 1,055 (418) m. A capitalisation rate of 3.4 (2.4) per cent was used to determine the amount of borrowing costs eligible for capitalisation.
2) Of the total Net balance at 31 December 2023, Goodwill amounted to SEK 640 (752) m.
3) Other intangible assets refers to licences, dealer network and patents.

Since the majority of the intangible assets with indefinite useful lives in Geely Sweden Holdings (99.9 per cent) are derived from Volvo Car Group, impairment tests have been carried out at Volvo Car Group level.

Impairment testing of assets are done by grouping assets per platform. Intangible assets with an indefinite useful life are not allocated to the platform but are instead tested at the operating level of Volvo Car Group. Management's business plan for 2024–2027 is used as a basis for the calculation. In the model, the Group is expected to maintain stable efficiency over time and the estimates for the cash flows following the end of the planning period are based on the same growth rate and cash flow as for the last year in the calculation onwards in perpetuity. The business plan is an integral part of the Group's financial planning process and represents management's best estimate of the economic conditions that will exist during the asset's remaining lifetime. The business plan process is based on the historic and current financial performance and financial position of the company, i.e., assumptions for margin development, fixed cost and new investments are based on current year financials and balanced towards what is containable given the projection of exogenous factors. Exogenous factors as industry and segment volumes, exchange rates, raw material etc. are based on external assessments from analyst companies and banks. A sensitivity test has been performed whether a negative adjustment of one percentage point to the margin or in the discount rate would affect the result of the impairment test. The discount rate before tax was 12.4 (12.3) per cent. In 2023, the discounted cash flows including the sensitivity analysis performed, exceede the carrying amount and thus no impairment loss was recognised as a result of this test.

For further information – see note 16 Intangible assets in Volvo Car Group Annual and Sustainability Report 2023.

16 Tangible assets

ACCOUNTING PRINCIPLES

A tangible asset is recognised when it is controlled by the Group, it is expected to generate future economic benefits and is measurable. Tangible assets are recognised at acquisition cost, less accumulated depreciation and potential impairment loss. The cost of the asset includes expenditures that can be directly attributed to the acquisition and bringing the asset in place for its intended use. Borrowing costs are sometimes included in the acquisition cost of an asset if it takes more than 12 months to get it ready for its intended use or sale.

Repair and maintenance expenditures are recognised in the income statement during the period in which they incur.

	Buildings and land1) 2) 5) 6)	Machinery and equipment1) 2)	Construction in progress5)	Right-of-use assets3)	Assets under operating leases 4)	Total
Acquisition cost						
Balance at 1 January 2022	27,050	110,103	5,199	10,337	8,594	**161,283**
Additions	1,367	2,879	5,207	988	7,135	**17,576**
Divested through business combinations	–595	–3,793	–30	–248	–30	**-4,696**
Divestments and disposals	–351	–2,541	–46	–524	–24	**-3,486**
Reclassifications	937	5,151	–2,747	35	–3,582	**-206**
Effect of foreign currency exchange rate differences	1,315	2,852	230	338	281	**5,016**
Balance at 31 December 2022	**29,723**	**114,651**	**7,813**	**10,926**	**12,374**	**175,487**
Additions	2,620	4,526	9,178	3,240	7,641	**27,205**
Divested through business combinations	–4	–2	—	–108	—	**-114**
Divestments and disposals	–398	–7,307	–87	–1,269	–143	**-9,204**
Reclassifications	1,143	2,450	–3,764	—	–6,570	**-6,741**
Effect of foreign currency exchange rate differences	–464	–1,421	–385	–240	–120	**-2,630**
Balance at 31 December 2023	**32,620**	**112,897**	**12,755**	**12,549**	**13,182**	**184,003**
Accumulated depreciation and impairment						
Balance at 1 January 2022	–11,304	–71,565	—	–3,397	–623	**-86,889**
Depreciation expense	–1,128	–6,865	—	–1,580	–733	**-10,306**
Divested through business combinations	198	1,101	—	36	7	**1,342**
Divestments and disposals	324	1,994	—	342	2	**2,662**
Reclassifications	–130	–1,061	—	–5	556	**-640**
Effect of foreign currency exchange rate differences	–409	–1,325	—	–117	–21	**-1,872**
Balance at 31 December 2022	**-12,449**	**-77,721**	—	**-4,721**	**-812**	**-95,703**
Depreciation expense	–1,143	–7,046	—	–1,632	–1,232	**-11,053**
Divested through business combinations	1	1	—	38	—	**40**
Divestments and disposals	131	6,118	—	777	41	**7,067**
Reclassifications	—	50	—	—	1,171	**1,221**
Effect of foreign currency exchange rate differences	141	750	—	111	18	**1,020**
Balance at 31 December 2023	**-13,319**	**-77,848**	—	**-5,427**	**-814**	**-97,408**
Net balance at 31 December 2022	**17,274**	**36,930**	**7,813**	**6,205**	**11,562**	**79,784**
Net balance at 31 December 2023	**19,301**	**35,049**	**12,755**	**7,122**	**12,368**	**86,595**

1) Includes impairment losses of SEK –195 (–29) m.
2) The Group has no mortgages in Buildings and land or Machinery and equipment. For further information regarding pledged assets, see Note 29 – Pledged assets.
3) For information regarding Right-of-use assets, see Note 7 – Leasing.
4) Assets under operating leases mainly relate to vehicles sold with repurchase commitments and contracts under the name Care by Volvo.
5) SEK — (–92) of the recognised acquisition cost, equaling net value, has been reclassified to assets held for sale. For more information, see Note 34 – Assets and liabilities held for sale.
6) SEK — (–540) of the recognised acquisition cost has been reclassified to investment property. For more information, see Note 17 – Investment property.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Tangible assets are depreciated on a straight-line basis over their estimated useful lives. Management regularly reassesses the useful life and residual value of all significant assets. When the useful life of a tangible asset is reduced, depreciation is accelerated and increased in future periods to reflect the reduction of time over which the Group will derive benefits from the assets. A shorter estimated useful life is not always an indicator of impairment, as impairment is characterised by a change in the expected cash flows to be derived from the asset. In the assessment of useful life and residual value, climate-related risks have been considered, mainly impacting assets related to the production of internal combustion engines in line with the Group's plans to be fully electric in 2030.

The carrying amounts of non-current tangible assets are tested for impairment if there are indicators of a decline in value with regards to future economic benefits related to the asset. Impairment is recognised if the carrying value of the asset exceeds the recoverable amount. The recoverable amount is the higher of the net selling price and its value in use. For these calculations, certain estimations must be made with regards to future cash flows, required return on investments and other adequate assumptions. The estimated future cash flows are based on assumptions that represent management's best estimate of the economic conditions that will exist during the asset's remaining useful life and are based on internal business plans and forecasts. Future cash flows are determined on the basis of long-term planning, valid at the date of preparation of the impairment test and approved by Management. The planning is based on expectations regarding future market share, the market growth as well as the products' profitability.

For more information - see note 17 Tangible assets in the Volvo Car Group Annual and Sustainability Report 2023.

17 Investment property

ACCOUNTING PRINCIPLES

Investment property is property leased to tenants according to operational lease agreements with the Group being the lessee . Investment property is recognised at acquisition cost, less accumulated depreciation and potential impairment loss. Value-adding additional expenditures are capitalised. All other additional expenditures are recognised in the income statement in the period in which they incur. Repair and maintenance expenditures are recognised in the income statement in the period they incur.

Investment property rental income is recognised in the income statement according to the rental contract terms.

The criteria used to distinguish investment property from owner occupied property is based on useage but also whether ancillary services are significant. When the services provided are more significant the property is classifed as owner occupied property.

	Property owned by the Group
Acquisition cost	
Balance at 1 January 2022	–
Reclassifications	540
Balance at 31 December 2022	**540**
Balance at 31 December 2023	**540**
Accumulated depreciation and impairment	
Balance at 1 January 2022	–
Depreciation expense	–3
Balance at 31 December 2022	**–3**
Depreciation expense	–11
Balance at 31 December 2023	**–14**
Net balance at 31 December 2022	**537**
Net balance at 31 December 2023	**526**

Investment property – impact on profit for the period	2023	2022
Rental income	29	2
Direct costs of investment property that generated rental income during the period (operating and maintenance costs, real estate taxes and ground rents)	–2	–2
Direct costs of investment property that did not generate rental income during the period	–	–

Information on investment property fair value

Accumulated fair value	Dec 31 2023	Dec 31 2022
At beginning of the year	550	–
At end of the year	550	550

There are no restrictions relating to income or proceeds from disposal nor any significant contractual obligations.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Investment property is depreciated on a straight-line basis over the estimated useful life. Management regularly reassesses the useful lives of the assets. If circumstances change so that the estimated useful lives have to be revised, it could mean additional depreciation in future periods.

In case of any indication of long-term decline of the investment property fair value, an impairment assessment is conducted. An impairment is recognised when the book value of the asset exceeds the asset fair value. The fair valuation is carried out by an external, independent real estate appraiser with relevant and professional qualifications. The appraiser has knowledge about the location and category of the property subject to the fair valuation.

18 Other non-current assets

	31 Dec 2023	31 Dec 2022
Restricted cash	397	292
Endowment insurance for pensions	357	352
Rental deposition	82	90
Other non-current assets	11,489	9,339
Total	**12,325**	**10,073**

19 Inventories

ACCOUNTING PRINCIPLES

Inventories consist of raw material, consumables and supplies, emission credits, semi-manufactured goods, work in progress, finished goods and goods for resale. Assets held under operating lease, with a maturity less or equal to 12 months, are also recognised as inventory. Inventories are measured at the lower of cost and net realisable value. Cost of inventories comprise of all costs of purchase, production charges and other expenditures incurred in bringing the inventories to their present location and condition. The initial value of emission credit inventories is based on the fair value on the date they are earned.

The cost of inventories of similar assets is established using the first-in, first-out method (FIFO). Net realisable value is calculated as the selling price in the ordinary course of business, less estimated costs of completion and selling costs. For groups of similar products, a Group valuation method is applied. Physical stock counts are carried out annually or more often where appropriate in order to verify the records.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Inventories are measured at the lower of cost and their net realisable value. Net realisable value is based on the most reliable evidence of the amount Volvo Car Group expects to realise from vehicles and components on future sales trends or needs, for components, and takes into account items that are wholly or partially obsolete.

A future unexpected decline in market conditions could result in an adjustment in future expected sales, requirements and in estimated selling prices assumptions, which may require an adjustment to the carrying amount of inventories.

	31 Dec 2023	31 Dec 2022
Raw materials and consumables	135	135
Work in progress	11,598	13,502
Current assets held under operating lease	5,228	3,474
Finished goods and goods for resale	38,977	29,338
Emissions credits	1,120	505
Total	**57,058**	**46,954**
Of which value adjustment reserve:	–793	–554

The cost of inventories recognised as an expense and included in cost of sales amounted to SEK 307,684 (257,747) m. Current assets held under operating lease refers to a sale of vehicles combined with a repurchase commitment with a maturity less or equal to 12 months.

20 Accounts receivable and other current assets

ACCOUNTING PRINCIPLES

Accounts receivables are recognised at amortised cost. An allowance for expected credit loss is recognised when the receivable is initially recognised. The recognised allowance for credit losses consists of incurred as well as of expected credit losses. A credit loss has been incurred when there has been an event that has triggered the customers inability to pay. The expected credit loss allowance is based on a multiplier consisting of average historical write-offs and forward-looking macroeconomic data. In these cases, there has not yet been any events incurred showing any inability to pay.

If it has been determined that an accounts receivable is uncollectible, it will be written off and removed. It usually means that collection has been unsuccessful and an entity has no reasonable expectations of recovering the contractual cash flows on the receivable in its entirety or a portion thereof.

	31 Dec 2023	31 Dec 2022
Accounts receivable, non-group companies	12,702	8,890
Accounts receivable, related companies	7,020	16,608
VAT receivables	4,949	3,196
Prepaid expenses and accrued income	9,713	5,970
Other financial receivables	754	376
Restricted cash	752	736
Other receivables[1]	3,928	7,589
Total[2]	**39,818**	**43,365**

1) Whereof interest-bearing receivables amounted to SEK 47 (4,260) m.
2) SEK 0 (16) m of recognised other current assets have been reclassified to assets held for sale. For more information, see Note 34 - Assets and liabilities held for sale.

Accounts receivable amounted to SEK 19,721 (25,498) m including a credit loss allowance of SEK 126 (128) m of which SEK 31 (43) m is related to allowance for expected credit losses. As of 31 December 2023 the total credit loss allowance amounted to 0.65 (0.50) per cent of total accounts receivable.

The size and geographical spread of the accounts receivable are closely linked to the distribution of the Group's sales. Apart from receivables and accrued income against Polestar, the accounts receivable and other current assets do not contain any significant concentration of credit risk to individual customers or markets.

Change in loss allowance for accounts receivable is as follows:	2023	2022
Balance at 1 January	128	127
Additions	30	40
Reversals	–25	–28
Write-offs	–6	–14
Translation difference	–1	3
Balance at 31 December	**126**	**128**

Aging analysis of accounts receivable and accounts receivables from related companies	Not due	1-30 days overdue	30-90 days overdue	>90 days overdue	Total
2023					
Accounts receivable gross	18,029	737	317	765	19,847
Loss allowance	–92	–	–4	–30	–126
Accounts receivable net	**17,937**	**737**	**313**	**735**	**19,721**
2022					
Accounts receivable gross	24,502	488	–121	757	25,626
Loss allowance	–93	–	–4	–31	–128
Accounts receivable net	**24,409**	**488**	**-125**	**726**	**25,498**

21 Financial instruments and financial risks

ACCOUNTING PRINCIPLES

Financial instruments recognition and derecognition

Financial instruments are any form of contract that gives rise to a financial asset in one party and a financial liability or equity instrument in another party. Financial assets and liabilities are recognised in the balance sheet when the Group becomes a party to the contractual terms and conditions, namely at the transaction date.

Financial assets are initially recognised at fair value plus transaction costs, except for financial assets carried at fair value through profit or loss. In this case transaction costs are expensed in the income statement.

Financial liabilities are initially recognised at fair value less transaction costs, except for those financial liabilities carried at fair value through profit or loss. For these liabilities transaction costs are expensed in the income statement.

Derivatives with positive fair values, the accumulated unrealised gains, are recognised as non-current or current derivative assets. Derivatives with negative fair values, the accumulated unrealised losses, are recognised as non-current or current derivative liabilities.

A financial asset or a portion of a financial asset is derecognised from the balance sheet upon expiry, when it has been settled or when all significant risks and benefits linked to the asset have been transferred to a third party. In those cases where the Group concludes that all significant risks and rewards have not been transferred, the portion of the financial assets corresponding to the Groups' continuous involvement continues to be recognised. A financial liability or a portion of a financial liability is derecognised when the obligation in the contract has been settled, cancelled, or expired.

Classification of financial assets and liabilities

The Group applies different business models for financial instruments. Financial assets and liabilities are measured at amortised cost or fair value depending on their initial classification at recognition.

Financial assets and liabilities carried at amortised cost

The business model for financial assets under this classification to hold the financial assets in order to collect contractual cash flows. This classification includes financial assets with contractual cash flows that are solely payment of principal and interest. Financial assets carried at amortised cost include accounts receivables, cash and cash equivalents, time deposits and other financial assets.

Accounts receivables are recognised at the amount expected to be received including allowance for expected credit loss, see Note 20 – Account receivables and other current assets.
Customer invoices are sometimes subject to factoring with a third party, such as a bank or other financial institution. This enables the Group to receive payment for its receivables within a few days after invoicing and thus be able to release liquidity at an earlier stage than would otherwise have been the case. If criteria for removal from the balance sheet in factoring arrangements are not met, the receivables in the balance sheet remain with the company.

Financial liabilities carried at amortised cost encompasses issued bonds, liabilities to credit institutions, accounts payable and other financial liabilities.

Realised and unrealised gains and losses of these instruments are recognised as operating income or finance net in the income statement, depending on the nature of the underlying contracts.

Financial assets and liabilities carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss encompasses derivatives that are not designated for hedge accounting, interest-bearing securities, convertible loans receivables and equity instruments. Derivatives includes forward contracts, options and swaps. Interest-bearing securities encompasses commercial paper, for further information see Note 22 – Marketable securities and cash and cash equivalents. Convertible loans receivables and equity instruments are presented as Other long-term securities holdings. The convertible loan receivable includes a conversion option, which provides the holder with a possibility to convert the loan balance into equity instruments, as shares in the company. Equity instruments includes holdings in listed and unlisted equity instruments, as well as unlisted warrants and so called earn-out rights. For further information about issued warrants related to the share-based incentive programme see Note 9– Share-based remuneration.

Financial liabilities at fair value through profit or loss encompasses derivatives that are not designated for hedge accounting and financial liabilities that are designated hedging instruments, namely for fair value hedge.

Realised and unrealised gains and losses from fluctuation in fair value of these instruments are recognised as operating income or finance net in the income statement, depending on the nature of the underlying contracts.

Financial assets and liabilities carried at fair value through profit or loss – designated hedging instruments

Financial instruments under the following classification are derivatives when they are designated as hedging instruments. Derivatives includes forward contracts and swaps. Unrealised gains and losses from fluctuations in the fair value of these instruments are recognised in other comprehensive income and accumulated in other reserves in equity until the underlying transactions occur. The accumulated gain or loss on these hedging instruments is then recycled to the income statement and is recognised in operating income.

Financial Instruments measurement

Fair value is defined as the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Amortised cost is calculated using the effective interest rate method, where any premiums or discounts and directly attributable costs and revenue are capitalised over the contract period. Measurement of financial instruments at fair value is based on prevailing market quotations by estimating future cash flows using the relevant forward curve and discounting with the relevant discount curve for the respective derivative and currency. Currency options are measured using the Garman-Kohlhagen model, an adaptation of Black-Scholes model. Unlisted warrants and earn-out rights are measured by using the Black-Scholes model and Monte Carlo simulation respectively.

The fair value of a financial asset or liability reflects non performance risk including the counterparty's credit risk for an asset and the Group's own credit risk for a liability. Derivatives with positive fair value and interest-bearing securities are adjusted with the Default Probability derived from the Credit Default Swap curve per counterparty. The same adjustment is made for the derivatives with negative fair value with the Groups' own credit risk using the Default Probability of Volvo Car AB (publ.) credit default swaps. The convertible loans are adjusted for default probability, using the difference between current market spreads (derived from comparable/benchmark securities of similar time to maturity and credit risk profile) and outstanding loan deals credit spreads.

The measurement of the financial instruments is divided into three levels depending on the market information available for fair value measurement:

- Level 1: Instruments are measured based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Instruments are measured based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly such as quotations or indirectly such as derived from quotations.
- Level 3: Instruments are measured based on unobservable inputs for the asset or liability.

The measurement levels are presented in the table financial instruments by category and measurement level in this note.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting for financial instruments includes performing certain estimates and judgements:

- **Equity instruments – recognition of fair value changes:** When measuring the unlisted warrants and earn-out rights the most relevant judgement to be made is whether the Group will fulfil the vesting criteria and when they would do so, assessing the risk-free interest rate and the volatility of the underlying share price. The main investment in listed equity instruments is in AB Volvo shares. The Group initially choose to recognise fair value changes in other comprehensive income as the holdings in AB Volvo is a long-term strategic holding.

The table below presents financial instruments by category and measurement level.

		31 December 2023		31 December 2022	
	Measure-ment level	Carrying value	Fair value	Carrying value	Fair value
Financial assets carried at fair value through profit or loss					
Other long-term securities holdings[1)2)]	1, 2, 3	14,579	14,579	4,353	4,353
Derivatives for hedging of currency risk	2	411	411	315	315
Derivatives for hedging of interest rate risk	2	4	4	—	—
Interest-bearing securities[3)]	2	50	50	1,760	1,760
		15,044	**15,044**	**6,428**	**6,428**
Financial assets carried at fair value through other comprehensive income					
Other long-term securities holding[4)]	1	36,568	36,568	32,374	32,374
Derivatives for hedging of currency risk	2	3,557	3,557	2,149	2,149
Derivatives for hedging of commodity price risk	2	110	110	434	434
		40,235	**40,235**	**34,957**	**34,957**
Financial assets carried at amortised cost					
Accounts receivables	—	19,721	19,721	25,366	25,366
Other non-current and current financial assets	—	15,335	15,335	21,645	21,645
Time deposits[5)]	—	16,533	16,533	26,204	26,204
Cash and cash equivalents	—	44,857	44,857	42,860	42,860
		96,446	**96,446**	**116,075**	**116,075**
Financial liabilities carried at fair value through profit or loss					
Derivatives for hedging of currency risk	2	56	56	1,244	1,244
Derivatives for hedging of interest rate risk	2	297	297	599	599
		353	**353**	**1,843**	**1,843**
Financial liabilities carried at fair value through other comprehensive income					
Derivatives for hedging of currency risk	2	865	865	1,816	1,816
Derivatives for hedging of commodity price risk	2	261	261	202	202
		1,126	**1,126**	**2,018**	**2,018**
Financial liabilities carried at amortised cost					
Accounts payable	—	62,314	62,314	69,109	69,109
Non-current and current bonds and liabilities to credit institutions[6)]	—	56,682	56,241	63,553	62,133
Other non-current and current liabilities	—	17,237	15,733	15,332	15,332
		136,233	**135,792**	**147,994**	**146,574**

1) Whereof convertible loans receivables to the Polestar Group at level 2 amounted to SEK 12,783 (—) m, the value of the conversion option is nil.
2) Including holdings in equity instruments amounted to SEK 1,796 (4,353)m, whereof SEK 166 (252) m are measured at level 1 category and SEK 1,630 (4,101) m are measured at level 3 category. At level 3 category equity instruments includes earn-out rights in Polestar Group amounted to SEK 577 (3,225) m and unlisted warrants and earn-out rights in Luminar Technologies Inc (Luminar) amounted to SEK 42 (108) m.
3) Whereof SEK —(450) m are reported as marketable securities in the balance sheet and SEK 50 (1,310) m are reported as cash and cash equivalents. For further information see in Note 22 – Marketable securities and cash and cash equivalent.
4) Fair value change for the year amounts to SEK 10,871 m, disposal of shares have occurred and SEK 1,170 m have thus been reported as movement within equity.
5) Whereof SEK 9,918 (2,965) m are reported as marketable securities in the balance sheet and SEK 6,615 (23,239) m are reported as cash and cash equivalents. For further information see in Note 22 – Marketable securities and cash and cash equivalent.
6) The carrying amount of the bonds and liabilities to credit institutions including a fair value adjustment amounting to SEK –46 (–287) m, which relates to the fair value hedging.

The table below presents the nominal amounts and fair value of outstanding derivative instruments.

	31 December 2023		31 December 2022	
	Nominal amount	Fair value	Nominal amount	Fair value
Derivatives for hedging of currency risk related to financial assets and liabilities				
Foreign exchange swaps and forward contracts				
– receivable position	18,660	411	16,977	293
– payable position	6,506	–47	2,522	–1,238
Subtotal		**364**		**–945**
Derivatives for hedging of currency risk in future commercial cash flows				
Foreign exchange swaps and forward contracts				
– receivable position	71,061	3,557	52,809	2,136
– payable position	23,099	–865	36,150	–1,815
Currency options				
– receivable position	—	—	749	34
– payable position	1,693	–9	1,161	–7
Subtotal		**2,683**		**348**
Derivatives for hedging of interest rate risk				
Interest rate swaps				
– receivable position	1,112	4	—	—
– payable position	13,905	–297	11,672	–599
Subtotal		**-293**		**-599**
Derivatives for hedging of commodity price risk				
Forward contracts				
– receivable position	1,234	110	1,327	434
– payable position	2,280	–261	940	–202
Subtotal		**-151**		**232**
Total		**2,603**		**–964**

The table below illustrates gains and losses, interest income and expenses that have affected the income statement divided per category of financial instruments.

	2023			2022		
	Gains/ Losses	Interest income	Interest expenses	Gains/ Losses	Interest income	Interest expenses
Recognised in operating income						
Financial assets and liabilities carried at fair value through profit or loss– designated hedging instruments						
Derivatives for hedging currency risk and commodity price risk	–1,288	—	—	–3,914	—	—
Financial assets and liabilities carried at fair value through profit or loss						
Derivatives for hedging currency risk	29	—	—	96	—	—
Financial assets and liabilities carried at amortised cost						
Accounts receivable and accounts payable	–1,527	—	—	1,012	—	—
Impact on operating income	**–2,786**	**–**	**–**	**–2,806**	**–**	**–**
Recognised in net finance net						
Financial assets and liabilities carrried at fair value through profit or loss						
Other long-term securities holdings[1)]	–154	626	—	–877	—	—
Interest-bearing securities	29	14	—	–24	12	—
Derivatives for hedging of currency risk and interest rate risk	744	–51	–1,346	689	—	54
Financial assets and liabilities carried at amortised cost						
Cash and cash equivalents and time deposits	–714	1,902	–19	1,482	698	–19
Financial assets and liabilities[2)]	–369	801	–2,568	–3,759	142	–845
Impact on net financial items	**–273**	**2,791**	**–3,933**	**–2,489**	**852**	**–810**

1) The total fair value change of all holdings in Luminar amounted to SEK –152 (–822) m. For further information about issued warrants related to share-based incentive programme see Note 9 – Share-based remuneration.
2) Including the financial liabilities designated for fair value hedge, amounted to SEK –241 (287) m.

HEDGE ACCOUNTING

Hedge accounting is applied when derivative instruments are included in a documented hedge relationship. For hedge accounting to be applied, a direct connection between the hedging instrument and the hedged item is required. At the inception of the hedge, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management strategy and objective for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedge

Hedge accounting is applied for a specified part of a financial liability, recognised at amortised cost. The criteria for applying fair value hedge accounting, that is the designation should eliminate the significant accounting mismatch of having a fixed rate liability carried at amortised cost and a related derivative contract, such as an interest rate swap which is recognised at fair value through profit or loss.

The carrying value of the hedged item, namely a specified part of a foreign currency fixed rate issued bond is initially recognised at amortised cost. Subsequent changes related to the hedged risks are reflected in the carrying amount of the liability as a fair value adjustment with the offsetting entry going to the income statement. Changes in fair value adjustment of the hedged item and the hedging instrument are both recognised in the income statement and the accounting mismatch is therefore eliminated. Gains and losses related to the interest rate swaps used in hedging fixed rate borrowings and the changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within other financial income and expenses.

Prospective effectiveness testing is performed at inception of the hedging relationship and monitored regularly. The test is performed by comparing the changes in fair values and the critical terms, which are nominal amount, cash flows and time of maturity, of the hedging instrument and the hedged item. If critical terms match and the credit risk of the counterparty has not changed significantly, the hedge relationship is highly effective.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is accrued to the income statement over the contracts' remaining period to maturity. Ineffectiveness has affected net income for 2023.

Net investment hedge

Hedging of net investments in foreign operations refers to hedges held to reduce the effect of changes in the value of a net investment in a foreign operation due to changes in foreign exchange rates. Net investments in foreign operations consists of the value of the Groups share of the net assets of the foreign subsidiary. The Group hedges the currency risk associated with the translation of the net assets including goodwill in foreign subsidiaries with functional currency EUR and USD.

The Group designates EUR 920 m of the EUR debt and USD 117 m of the USD debt as hedging instruments to reduce the translation exposure on net investments in EUR and USD. The hedge reserve with regards to net investment in foreign operations is recorded in other comprehensive

In the table below presents the fair value hedges by maturity date.

	2023						
					Carrying amount		
31 December 2023 Maturity date	Nominal amount	Fair value, hedged item	Fair value, derivatives	Ineffectiveness reflected in income statement	Financial assets	Financial liabilities	Variable benchmark
2024	400	12	–12	0	–	–12	Euribor 3m
2025	400	32	–31	1	4	–35	Euribor 3m
2027	250	–49	52	3	61	–9	Euribor 3m
2028	200	51	–58	–7	–	–58	Euribor 3m
Total		**46**	**–49**	**-3**	**65**	**–114**	

	2022						
					Carrying amount		
31 December 2022 Maturity date	Nominal amount	Fair value, hedged item	Fair value, derivatives	Ineffectiveness reflected in income statement	Financial assets	Financial liabilities	Variable benchmark
2024	200	33	–34	–1	–	–34	Euribor 3m
2025	300	68	–66	2	–	–66	Euribor 3m
2027	100	47	–47	–	–	–47	Euribor 3m
2028	200	139	–151	–12	–	–151	Euribor 3m
Total		**287**	**–298**	**-11**	**–**	**–298**	

In the table below the outstandig derivatives within hedge accounting are presented.

	Financial assets	Financial liabilities	Net	Tax	Hedge reserve after tax	Recycled from other compre-hensive income	Ineffectiveness reflected in income statement
31 December 2023							
Cash flow hedge							
– Currency risk	3,557	–865	2,692	–554	2,138	505	—
– Electricity price risk	46	–76	–30	6	–24	–263	—
– Raw material price risk	64	–185	–121	25	–96	86	—
Subtotal	**3,667**	**–1,126**	**2,541**	**–523**	**2,018**	**328**	—
Net investments hedge							
– Currency risk	—	–1,093	–1,093	225	–868	73	—
Total	**3,667**	**–2,219**	**1,448**	**–298**	**1,150**	**401**	
Fair value hedge							
– Interest rate risk	65	–114	–49	—	—	—	–3

	Financial assets	Financial liability	Net	Tax	Hedge reserve after tax	Recycled from other compre-hensive income	Ineffectiveness reflected in income statement
31 December 2022							
Cash flow hedge							
– Currency risk	2,149	–1,816	333	–67	266	1,682	—
– Electricity price risk	373	–38	335	–69	266	–102	—
– Raw material price risk	61	–164	–103	21	–82	–23	—
Subtotal	**2,583**	**–2,018**	**565**	**–115**	**450**	**1,557**	**–**
Net investments hedge							
– Currency risk	—	–1,224	–1,224	252	–972	11	—
Total	**2,583**	**–3,242**	**–659**	**137**	**–522**	**1,568**	**–**
Fair value hedge							
– Interest rate risk	—	–298	–298	—	—	—	–11

income and accumulated in currency translation reserve in equity. In the event of a divestment, the accumulated hedge effect is transferred from the hedge reserve in equity to the income statement as part of the financial income or expenses. No ineffectiveness has affected net income for 2023.

Cash flow hedge

Cash flow hedging refers to the hedging of highly probable forecasted commercial transactions in foreign currencies, expected to occur at various dates during the next 48 months, against currency rate risks. Hedge accounting is also applied for expected future commodity consumption against commodity price risk. To hedge the exposure, the Group uses forward contracts as well as option and swap contracts. In cash flow hedge accounting the changes in fair value of the hedging instruments are recognised in other comprehensive income and accumulated in other reserves in equity. These reserves are recycled to the income statement in the same period as when the hedged forecast transaction affects the income statement. The effect from realised cash flow hedges is classified as Revenue and Cost of sales, respectively, depending on the underlying substance of the transaction.

Prospective effectiveness testing is performed at inception of the hedge. The test is performed by comparing the critical terms, which are nominal amount, timing and foreign currency or commodity, of the hedging instrument and the hedged item. If critical terms match and the credit risk of the counterparty has not changed significantly, the hedge relationship is highly effective.

The hedging relationship is regularly tested, if critical terms match, up until its maturity date. If the identified relationships are no longer deemed effective, the fluctuation in fair value on the hedging instrument from the last period the instrument was considered effective is recognised in the income statement. If the hedged transaction is no longer expected to occur, the hedge's accumulated changes in value are immediately transferred from equity through other comprehensive income to the income statement and are included in other operating income and expenses.

No ineffectiveness has affected net income for 2023.

FINANCIAL RISKS

In its operations, the Group is exposed to various types of financial risks such as currency risk, funding and liquidity risk, interest rate risk, commodity price risk and credit risk.

The Group's treasury function is responsible for managing and controlling these financial risks, ensuring that appropriate financing is in place through capital market transactions, loans and committed credit facilities and is responsible for managing the Group's liquidity.

The management of financial risks is governed by the Group's Financial Policy Framework which is approved by the Board of Directors (BoD) and is subject to review every second year or when otherwise required. The policy mandates the minimisation of the effects from fluctuating financial markets on the Group's financial earnings. Policy compliance is reported to the CFO on a monthly basis. Policy compliance is also a part of the general treasury reporting to the BoD. There is an alert function in place safeguarding mandate limits on a daily basis.

Currency risk

Currency exposure arises as the Group produces cars in various countries, it arises from procurement and the mix of sales currencies. Relative changes in currency rates have a direct impact on the the Group's operating income, finance net, balance sheet and cash flow statement.

The currency risk is related to:

- Expected future cash flows from sales and purchases made in foreign currencies (transaction risk)
- Changes in value of assets and liabilities denominated in foreign currencies (translation risk)
- Net investments in foreign operations (translation risk)

Transaction exposure risk

The Group's Financial Policy Framework

The currency transaction exposure risk arises from cash flows in functional currencies, namely other currencies than the presentation currency of the the Group, which is Swedish krona. Sales in combination with purchases made in other currencies than Swedish krona determine the transaction exposure of the Group.

The Financial Policy Framework states, regarding currency transaction risk management, that up to 80 per cent of the future expected cash flows in the coming 24 months and up to 60 per cent of the future expected cash flows in the coming 25 to 48 months can be hedged with adequate financial instruments, such as currency options, forward contracts, foreign exchange swaps or combined instruments with maturities matching expected timing of cash flows. Hedging strategies using financial instruments for long-term exposures (over 48 months) require approval by the BoD. The management of currency risk within the above stipulated intervals is delegated by the Board of Directors to Group Treasury via the CFO.

For currency risk management purposes, transaction exposure is expressed in terms of Cash Flow at Risk (CFaR), which is the maximum loss at a 95 per cent confidence level in one year. The CFaR is based on the cash flow forecast, currency exchange rates, market volatility and correlations.

The hedging mandates are proposed by Group Treasury and approved by the CFO and are expressed as a strategic hedge level of CFaR. The strategy allows for mandates to deviate from a benchmark. The deviation mandate is given as a tactical mandate in terms of timing. The hedging mandates are revised at least quarterly.

Status at year end

The total currency inflow and outflow for the Group was distributed according to below table:

	Inflow, %		Outflow, %	
	2023	2022	**2023**	2022
CNY	25	30	35	38
EUR	26	21	37	34
GBP	6	6	1	1
JPY	2	3	3	4
USD	21	22	20	19
Other	20	18	4	4

Forward contracts, currency options and foreign currency swaps are used to hedge the currency risk in expected future cash flows from sales and purchases made in foreign currencies. Hedging of the currency risk in the Chinese industrial entities can be made onshore in China.

The CFaR at year end for the cash flows over a one year horison for the Group, excluding hedges, was approximately SEK 9,461 (6,498) m. The table below shows the percentage of the forecasted cash flows that were hedged (expressed both in nominal terms and in CFaR).

	0-12 months		13-24 months		25-48 months	
	2023	2022	**2023**	2022	**2023**	2022
Nominal hedge, %	35	42	12	15	4	3
CFaR hedge %	36	50	24	25	9	8

The table below presents cash flow hedge volumes by maturity for the 10 largest exposure currencies, nominal amounts in millions, local currency[1)]

Maturity	BRL	CAD	CNH	EUR	GBP	KRW	MXN	PLN	TRY	USD	Total fair value of derivatives2)
Average hedge rate	—	7.90	1.48	11.19	12.76	0.008	0.63	2.57	—	10.57	
1–12 months	—	–311	5,950	837	–1,223	–122,797	–300	–700	—	–1,849	671
13–24 months	—	–60	—	171	–429	—	—	—	—	–985	999
25–36 months	—	—	—	—	—	—	—	—	—	–960	652
37–48 months	—	—	—	—	—	—	—	—	—	–550	361

1) The average duration of the portfolio was 13 (12) months.
2) As of 31 December 2023 the fair value of the outstanding derivatives for hedging of currency price risk in future commercial cash flows amounted to SEK 2,683 (348) m.

Translation exposure risk

The Group's Financial Policy Framework

Translation risk in the Group relates to the translation of net investments in foreign operations and translation risk of assets and liabilities in foreign currencies related to the operations. Translation risk of assets and liabilities in foreign currencies related to the operations, as accounts receivable, accounts payable and warranty provisions, will generate an impact on the operating income. Translation of financial assets and liabilities are reflected in the finance net.

The translation of net investments in foreign operations can generate a positive or negative impact recognised in other comprehensive income. The translation risk in foreign operations is hedged either by matching the currency composition of debt with the currency composition of assets or via financial derivatives.

Total translation effect of investments in foreign operations was SEK –1,709 (3,870) m, the effect is recognised in other comprehensive income. A ten per cent change in the Swedish krona against major currencies has a net impact on the net investments in the other comprehensive income of approximately SEK 6,339 (5,590) m. Part of the investments in operations in the Eurozone and Americas are hedged with debt instruments. The residual translation risk is part of the strategic risk management and is not hedged with financial instruments.

Status at year end

The table below shows the translation exposure of net investments in foreign operations as of 31 December 2023.

Currency	Investments in foreign operations
CNY	24,165
EUR	28,962
USD	4,867
BRL	1,145
JPY	796
MYR	431
Other	3,023
Total	**63,389**

Funding and liquidity risk management

Capital Structure

The Group aims to have an optimal capital structure at all times. The capital structure is continuously analysed, and various options are evaluated. The Group shall have a strong balance sheet and aims to maintain an equity ratio of about 30 per cent; where the definition of the equity ratio is equity in relation to total assets. The equity ratio by end of the year is 38.7 (34.6) per cent, whereof shareholders' equity amounted to SEK 160,711 (132,951) m.

The Group aims to achieve an Investment Grade rating over time and the capital structure will be optimised to support this; the Group's current external rating by Moodys is Ba1 and BB+ by Standard & Poor's.

Funding risk management

The Group's Financial Policy Framework

Funding risk is the risk that the Group does not have access to adequate financing on acceptable terms at any given point.

All draw down on new loans is evaluated against future liquidity needs and investment plans. The Group should for the coming 12 months, at any given time, have available committed financing for investments and maturing loans. To limit the risk of refinancing, debt maturing over the next 12 months should not exceed 25 per cent of total debt.

Status at year end

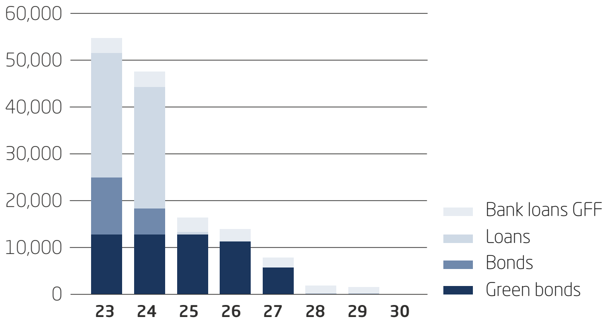
As of 31 December 2023 the outstanding debt of bonds and liabilities to credit institutions, excluding lease contracts and transaction costs, in the Group was SEK 56,851 (64,118) m. The remaining credit duration of outstanding debt was 1.9 (2.5) years. At year end, debt maturing over the next 12 months amounted to 14 per cent of total debt.

Outstanding debt is presented in the below table.

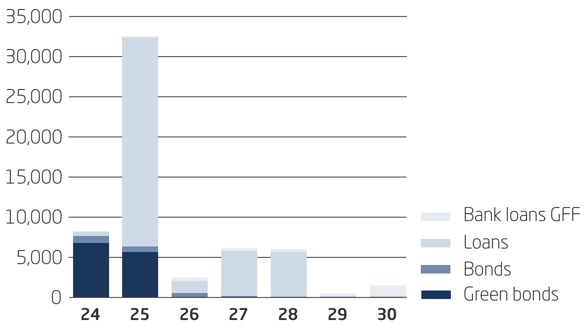
Funding	Currency	Nominal amount in local currency (million)	SEKm
Bank loan	USD	117	1,173
Bank loan	SEK	1,354	1,354
Bank loan	EUR	2,339	26,015
Bank loan GFF[1)]	SEK	1,000	1,000
Bank loan GFF[1)]	EUR	200	2,225
Bonds	EUR	1,100	12,236
Green bonds	SEK	1,500	1,500
Green bonds	EUR	1,000	11,124
Other	PLN	35	91
Other	TRY	390	133
Total			**56,851**

1) Loans agreed to solely finance eligible projects in accordance with the Green Financing Framework.

Outstanding bonds and liabilites to credit institutions (at successive year end)
SEKm



Bonds and liabilities to credit institutions – amortisation schedule
SEKm



In February 2023, the Group issued a SEK 1,500 m green bond. The bond issuance was divided into fixed and floating rate tranches of SEK 650 m and SEK 850 m respectively. Moreover, in November 2023, a drawdown of EUR 200 m was made under an existing bilateral credit facility entered into in 2022 and maturing in 2030. In February 2023, the Group repaid a bond, issued in February 2019, of SEK 2,000 m. By the end of 2023 the group settled the "zero-interest rate exchangeable bond", issued in May 2019 of nominal EUR 400 m.

A new bilateral 10-year credit facility agreement of EUR 250 m was entered into in late 2023, with the purpose to finance investments that meet the eligibility criteria set out in the Green Financing Framework. The credit facility is undrawn as per end of 2023.

In relation to all external financing, there are information undertakings and covenants according to Loan Market Association (LMA) and capital market standards. These are monitored and calculated quarterly to fulfil the terms and conditions stated in the financial agreements. Covenants are based on standard measurements such as EBITDA and Net debt. As of 31 December 2023 there is substantial headroom in the fulfilment of all covenants.

Liquidity risk management

The Group's Financial Policy Framework

Liquidity risk is the risk that the Group is unable to meet ongoing financial obligations on time. In order to meet seasonal volatility in cash requirements, the Group shall always have committed credit facilities or cash and marketable securities available corresponding to 15 per cent or more of revenue. The rolling 12 month cash flow forecasts are the basis for the risk assessment of liquidity risk management.

Undrawn committed credit facilities	31 Dec 2023	31 Dec 2022
Expiring within one year	–	2,223
Expiring after one year but within five years	14,461	14,451
Expiring after five years	2,781	–
Total	**17,242**	**16,674**

Status at year end

As of 31 December 2023, the Group's cash and cash equivalent, marketable securities and committed credit facilities amounted to SEK 78,681 (87,498) m, approximately 20 (27) per cent of revenue. The liquidity of the Group is strong considering the maturity profile of the external debt, the balance of cash and cash equivalents, marketable securities and available credit facilities from banks.

Interest rate risk management

Changes in interest rates will impact the Group's finance net and the value of financial assets and liabilities. The return on cash and cash equivalents and marketable securities, as well as the cost for liabilities to credit institutions and issued bonds are impacted by changes in interest rates. The exposure can be either direct from interest-bearing debt or indirect through leasing or other financing arrangements.

The Group's Financial Policy Framework

According to the policy, the interest rate risk in the Group's net debt position has a benchmark duration of 12 months. The policy allows for a deviation of –9/+12 months from the benchmark. The interest rate mandate is proposed by Group Treasury and approved by the CFO. The hedging mandate shall be revised at least quarterly.

Status at year end

As of 31 December 2023 the Group's interest-bearing assets consisted of cash at bank, time deposits and interest-bearing securities. The average interest fixing term on these assets was one (one) month. The average interest fixing term on debt was 13 (18) months. At year-end the duration of the net debt position was 10 (17) months. The average cost of borrowing was 5.47 (2.56) per cent.

To manage interest rate risk, the Group uses interest rate swaps.

The table below shows the estimated effect of a parallel shift of the interest curves up or down by one per cent (100 basis points) on all exposed external loans and interest rate swaps.

Interest rate sensitivity, effect on Finance Net	2023	2022
Market rate +1%	–419	–426
Market rate –1%	420	431

The impact from cash and cash equivalents and marketable securities is immaterial as the fixed interest period of the asset portfolio is short as it is dominated by cash at bank.

Benchmark rate reform

The interest rate benchmark reform refers to the transition from the existing, traditional interest rate benchmark – Interbank Offered Rates (IBOR) – to new risk-free benchmarks.

The Group is currently exposed to external interest rate risk in EUR, SEK and USD from the EURIBOR, STIBOR and SOFR benchmarks respectively.

For EUR and SEK there is no expected change (risk of conversion) in the related floating benchmarks in the short to medium term and thus cash flow risk is not affected. The related benchmarks are currently not scheduled for termination and will therefore continue to dictate interest cash flows for floating financial assets, financial liabilities and derivatives in these currencies. Nonetheless, a switch to ESTR (EUR) and SWESTR (SEK) denominated risk-free floatingbenchmarks will be a feature of the future financial landscape and may affect financial assets, financial liabilites and derivative instruments. Suitable instruments are already available to cater for these new benchmarks and can be implemented when the need arises. The Group expects continued 100 per cent effectiveness of related hedges and no net interest impact.

Commodity price risk management

Commodity price risk is the risk that the cost of materials could increase as a result of rising commodity prices in the global markets. Changes in commodity prices impact The Group's cash flow and earnings.
Strategic commodity price risk arises from the procurement mix of commodities and is primarily managed through contracts with suppliers using clauses or similar constructions and fixed prices with suppliers.

The Group's Financial Policy Framework

Forecasted cash flows for the purchasing of commodities for the coming 48 months can be hedged up to 70 per cent with adequate financial instruments. The hedging mandates are proposed by Group Treasury and approved by the CFO. Hedging mandates shall be revised at least quarterly.

Status at year end

Raw materials

The Group manages the risk of changes in raw material prices in highly probable forecasted consumption with futures and forwards contracts. In 2023, the Group incurred costs for raw materials of approximately SEK 24,355 (33,544) m. A ten per cent change in the prices of raw materials has an impact on operating income of approximately SEK 1,736 (2,002) m.

The following table presents the maturity structure of the Group's financial assets and liabilities. The figures shown are contractual undiscounted cash flows which the Group is liable to pay or eligible to receive.

	31 December 2023				31 December 2022			
	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years
Assets								
Other long-term securities holdings[1]	—	—	13,420	—	—	—	3,333	—
Non-current derivative assets	—	—	2,094	—	—	—	1,128	—
Other non-current assets	—	—	9,674	330	—	—	12,615	179
Total non-current financial assets	**–**	**–**	**25,188**	**330**	**–**	**–**	**17,076**	**179**
Accounts receivable[2]	18,824	898	—	—	24,536	830	—	—
Current derivative assets	483	1,505	—	—	722	1,048	—	—
Other current assets	3,919	1,371	—	—	6,912	2,660	—	—
Marketable securities	278	9,640	—	—	3,415	—	—	—
Cash and cash equivalents	51,521	—	—	—	67,409	—	—	—
Total current financial assets	**75,025**	**13,473**	**0**	**0**	**102,274**	**4,538**	—	—
Total financial assets	**75,025**	**13,473**	**25,188**	**330**	**102,274**	**4,538**	**17,076**	**179**
Liabilities								
Bonds, non-current	—	—	18,087	—	—	—	21,952	5,363
Liabilities to credit institutions, non-current	—	—	29,296	1,801	—	—	24,196	996
Non-current derivative liabilities	—	—	424	—	—	—	1,901	151
Other non-current interest-bearing liabilities	—	—	3,598	1,191	—	—	3,587	1,258
Other non-current liabilities	—	—	6,639	105	—	—	4,723	3
Total non-current financial liabilities	—	—	**58,044**	**3,097**	**–**	**–**	**56,359**	**7,771**
Bonds, current	—	6,660	—	—	2,000	—	—	—
Liabilities to credit institutions, current	214	722	—	—	14	9,032	—	—
Accounts payable	59,918	2,397	—	—	63,925	5,184	—	—
Current derivative liabilities	518	537	—	—	656	1,153	—	—
Other current interest-bearing liabilities	350	892	—	—	386	1,114	—	—
Other current liabilities	5,776	4,714	—	—	4,155	6,451	—	—
Total current financial liabilities	**66,776**	**15,922**	**–**	**–**	**71,136**	**22,934**	**–**	**–**
Total financial liabilities	**66,776**	**15,922**	**58,044**	**3,097**	**71,136**	**22,934**	**56,359**	**7,771**

1) Aging of the Other long-term securities holdings are not covering holdings in listed and unlisted equity instruments, such as holdings in other entities.
2) For aging analysis of accounts receivable see Note 20 – Accounts receivable and other current assets.

Electricity

The Group manages the changes in prices for electricity by using forward contracts. The hedging is performed for electricity usage in the European factories and is managed under an advisory contract. The highly probable forecast transactions in electricity purchase volume for the coming 48 months are hedged.

A ten per cent change in the electricity spot price has an impact on the income statement of SEK 41 (94) m.

Credit risk management

The Group's credit risk can be divided into financial credit risk and commercial credit risk. These risks are described in the following sections.

Financial counterparty credit risk

The Group's Financial Policy Framework

Credit risk on financial transactions is the risk that the Group will incur losses as a result of non-payment by counterparties related to the Group's bank accounts, interest-bearing securities, time deposits or derivative transactions. Investments should meet the requirements of low credit risk, high liquidity and the exposure with any single counterparty is limited. All external counterparties used for investments and derivative transactions shall have credit rating of minimum A- (S&P or equivalent rating) and ISDA agreements are required for counterparties with which derivative contracts are traded. Limits are established according to counterparty credit rating and limit usage is monitored for the Group's treasury counterparties and deposits are diversified between relationship banks. Subsidiary bank balances are diversified in order to limit credit risk.

The above does not apply for the counterparty credit risk for related parties where the Group is exposed to risk in its convertible loan receivable. This risk is monitored on a monthly basis and the market value of this loan is adjusted accordingly.

Status at year end

As of 31 December 2023, the maximum amount exposed to financial credit risk amounts to SEK 75,791 (73,721) m. This encompasses cash and cash equivalents SEK 51,521 (67,409), marketable securities SEK 9,918 (3,415) m, convertible loan receivable SEK 12,783 (—) m and derivative assets SEK 4,082 (2,897) m. The maximum amount exposed to credit risk for financial instruments is best represented by their fair values, see table Financial instruments by category and measurement level in this note.

The Group applies the general model for assessing impairment reserve regarding time deposits recognised at amortised cost. The assessment is based on the counterparty´s credit rating, on the estimated exposure at default, probability of default and on the loss given default. The impairment assessment in relation to time deposits is considered immaterial.

Derivative contracts are subject to master netting agreements (ISDA), no collateral has been received or posted. The table below shows derivatives covered by master netting agreements (ISDA).

Net position for derivative instruments	Gross	Offset in Balance sheet	Net in Balance sheet	Master netting agreements	Net position
31 December 2023					
Derivative assets	4,096	—	4,096	–1,227	2,868
Derivative liabilities	1,391	—	1,391	–1,227	164
31 December 2022					
Derivative assets	2,855	—	2,855	–1,710	1,145
Derivative liabilities	3,758	—	3,758	–1,710	2,048

Market risk

The value of the shares in AB Volvo is continuously affected by market risk. As a consequence of its strategic value fair value, changes are recognised in other comprehensive income.

Commercial credit risk

The commercial credit risk arises from accounts receivables. For the risk in customer and dealer financing, the objective is to have a sound and balanced credit portfolio and to engage in credit monitoring by means of detailed procedures which include follow-up and repossession. In cases where the credit risk is considered unsatisfactory a letter of credit or other instruments are used. The maximum amount exposed to commercial credit risk is the carrying amount of accounts receivables, see table for Financial instruments by category and measurement level in this note. For quantification of credit risk in accounts receivable refer to Note 20 – Accounts receivable and other current assets.

Equity instruments

Status of the year

The earn-out rights and unlisted warrants will accrue to the Group if a number of criteria have been met during a specific time period in the future. The simulation of the the Group's earn-out rights in the Polestar Group is based on a volatility of 70.0 per cent and a risk-free interest rate of 3.9 per cent. The volatility was varied in the range of +/–10 percentage points resulting in a valuation range of SEK 371–767 m. Furthermore, the drift of the risk-free interest rate was varied in the range of +/–2 percentage points, resulting in a valuation range of SEK 540–614 m in the base case volatility scenario.

For the the Groups' unlisted warrants Luminar, the volatility of the underlying share price has been determined at 87.0 per cent. The assessed risk-free interest rate have been determined at 5.0 per cent and 4.3 per cent for the different maturity.

The table below shows the sensitivity analysis for unlisted warrants in Luminar.

	Likelihood of triggering event				
Volatility	-10%	-5%	0%	5%	10%
-10%	33	35	38	40	42
-5%	34	37	40	42	44
87%	36	39	42	44	46
5%	38	40	44	46	49
10%	39	42	46	48	51

22 Marketable securities and cash and cash equivalents

ACCOUNTING PRINCIPLES

Marketable securities
Marketable securities are highly liquid interest-bearing securities that are considered easily convertible to cash. In Group, marketable securities comprise of commercial paper and time deposits with a term of more than three months and less than one year from acquisition date.

Cash and cash equivalents
Cash and cash equivalents comprise of cash at banks and time deposits as well as short-term interest-bearing securities that are considered easily convertible to cash in the form of commercial paper with a maturity of three months from the date of acquisition.

Marketable securities	31 Dec 2023	31 Dec 2022
Time deposits in banks	9,918	2,965
Commercial paper	–	450
Total	**9,918**	**3,415**

Cash and cash equivalents	31 Dec 2023	31 Dec 2022
Cash at banks	44,857	42,860
Time deposits in banks	6,615	23,239
Commercial paper	50	1,310
Total	**51,522**	**67,409**

Cash and Cash equivalents includes SEK 4,261 (5,711) m where limitations exist, mainly liquid funds in certain countries where exchange controls or other legal restrictions apply. It is not possible to immediately use the liquid funds in other parts of the Group, however there is normally no limitation for use in the Group's operation in the respective country.

23 Equity

ACCOUNTING PRINCIPLES

Equity
An equity instrument is any contract that constitutes a residual interest in the net assets of an entity.

Share-based payments
Equity-settled share-based payments in connection with employee incentive plans are recognised in equity. See Note 9 – Share-based remuneration.

Group contributions and unconditional shareholders' contributions
Distributed group contributions to the main owner are recognised in equity, along with the tax effect. Group contributions received from the main owner and the tax effect on these contributions are recognised in equity in accordance with the principles for shareholders' contributions.

Unconditional shareholders' contributions received from the main owner are recognised in equity.

The share capital consists of 100,000 common shares with a par value of SEK 1. Each share carries one vote, and entitles the holder to a dividend that is determined in due course. All issued shares are fully paid for.

The share premium relates to issue in kind attributable to Zhejiang Geely Holding Group Co., Ltd's acquisition in year 2010. The share premium also includes capital received (reduced by transaction costs) in excess of par value of issued capital in the subsidiary Volvo Car AB (publ.).

Other contributed capital consists of an unconditional shareholders' contribution from Shanghai Geely Zhaoyuan International Investment Co., Ltd.

The currency translation reserve comprises exchange rate differences of hedge instruments of net investments in foreign operations and exchange rate differences resulting from the translation of financial statements of foreign operations that have prepared their financial statements in a currency other than the Group's reporting currency. The parent company and the Group present their financial reports in SEK.

The other reserve consists of the change in fair value of cash flow hedging instruments in cases where hedge accounting is applied and the change in fair value of other long-term securitites holdings (holdings in AB Volvo shares). For further incomation, see Note 21 - Financial instruments and financial risks.

Retained earnings comprises net income for the year and preceding years as well as remeasurements of post-employment benefits and equity-settled share-based payments. Retained earnings also include the effects of business combinations under common control within the Geely group, transactions with non-controlling interests and dividend to shareholders.

Non-controlling interests mainly refers to the share of equity that belongs to Zhejiang Geely Holding Group Co., Ltd without a controlling influence. The Group holds 50 per cent of the equity in the following companies; Daqing Volvo Car Manufacturing Co., Ltd, Shanghai Volvo Car Research and Development Co., Ltd and up until end of January 2022, Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd and has the decision-making power over the operation. In the consolidated financial statements, these companies are classified as subsidiaries and fully consolidated with a non-controlling interest of 50 per cent.

In January 2022, the Group divested its 50 per cent shareholding in Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd, resulting in a divestment of non-controlling interest of SEK – 1,245 m. For further information, see Note 8 – Participation in subsidiaries (Parent company).

In year 2022, the non-controlling interest decreased due to dividend paid of SEK — (840) m from Daqing Volvo Car Manufacturing Co., Ltd, SEK — (6) m from Shanghai Volvo Car Reasearch and Development Co., Ltd to its shareholder Zhejiang Geely Holding Group Co., Ltd.

In July 2022, the Group acquired the 21 per cent non-controlling interest in PSINV AB, resulting in a divestment of non-controlling interest of SEK –37 m. In December 2022, 13.5 per cent non-controlling interest in Zenseact AB was acquired by the Group, resulting in a divestment of non-controlling interest of SEK –432 m.

During year 2022 the non-controlling interest increased through a capital contribution to HaleyTek AB of SEK — (17) m from ECARX Technology Co., Ltd.

In November 2023, the Group decreased its shareholding in Volvo Car AB (publ.) following sale of shares resulting in an increase of non-controlling interests from 18.0 per cent to 21.35 per cent, SEK 26,980 (20,510) m.

At year end 2023, non-controlling interests amounted to SEK 31,096 (23.843) m. Summarised financial information on subsidiaries with non-controlling interest is presented in Note 8 – Participation in subsidiaries (Parent company).

Total equity consists of the equity attributable to the owners of the parent company and non-controlling interests. At year-end 2023, the total equity amounted to SEK 160,711 (132,951) m.

24 Post-employment benefits

ACCOUNTING PRINCIPLES

Pension benefits

The Group has various schemes for post-employment benefits, mainly relating to pension plans. Other benefits can in some locations include disability, life insurance and health benefits. Pension plans are classified either as defined contribution plans or defined benefit plans. The Group has both defined contribution plans and defined benefit plans for qualifying employees in some subsidiaries and the largest plans are in Sweden and Belgium.

Under a defined contribution plan, the Group pays fixed contributions into a separate external legal entity and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The contributions are recognised as employee benefit expenses in the income statement when earned by the employee. Some defined contribution plans combine the promise to make periodic payments with a promise of a guaranteed minimum return on investments. Such plans are accounted for as defined benefit plans.

A defined benefit plan is a pension plan that defines the amount of post-employment benefits an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. For funded defined benefits plans, plan assets have been separated, with the majority invested in pension foundations. The net pension provision or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

The calculation of the present value of defined benefit pension obligations is performed according to the Projected Unit Credit method. The calculation is performed by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds, or when these are not available, government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The most important actuarial assumptions are stated below.

Actuarial gains and losses arising from changes in actuarial assumptions and adjustments based on experience are charged or credited to other consolidated comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement when the settlement occurs.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Therecognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits and (b) when the entity recognises costs for a restructuring that involves payment of termination benefits.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The value of defined benefit obligations is determined through actuarial calculations performed by independent actuaries. The calculations are based on different assumptions and estimates, for instance with regards to the discount rate, future salary increases, inflation, mortality rates and demographic conditions. Changes in these assumptions affect the calculated value of the post-employee benefits obligations. The discount rate, which is the most critical assumption, is based on market return on high-quality corporate or government bonds that are denominated in the currency in which the benefits will be paid and with maturities corresponding to the related pension liability. A decrease in the discount rate increases the present value of post-employee benefits obligations while an increase in the discount rate has the opposite effect.

Description of the substantial pension schemes within the Group is presented below.

Sweden

In Sweden, the Group has seven retirement plans of which four are funded. The largest plan overall is the Swedish ITP 2 plan which is a collectively agreed pension plan for white collar employees. ITP 2 is a final salary-based plan. The Group's defined benefit plans are secured in three ways: as a provision in the balance sheet, assets held in separate pension funds or funded through insurance payments. The "funded through insurance payments" plans are defined benefit plans accounted for as defined contribution plans. In Sweden, these plans are secured with the mutual insurance company Alecta.

The portion secured through insurance with Alecta refers to a defined benefit plan that comprises several employers and is reported according to a pronouncement by the Swedish Financial Reporting Board, UFR 10. For 2023, the Group did not have access to the information to report its proportionate share of the plan's obligations, assets under management and cost, that would make it possible to report this plan as a defined benefit plan. The Group estimates payments of premiums of about SEK 167 m to Alecta in 2024. The Group's share of the total saving premiums for ITP2 in Alecta as at 31 December 2023 amounted to 0.33 (0.29) per cent and the Group's share of the total number of active policy holders amounted to 1.45 (1.43) per cent.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial methods and assumptions, which do not conform to IAS 19. The collective funding ratio is normally allowed to vary between 125 and 175 per cent. If the consolidation level falls short or exceeds the normal interval one measure may be to increase the contract price for new subscriptions and expanding existing benefits or introduce premium reductions. At year end 2023, the consolidation level amounted to 157 (172) per cent.

In case local legal requirements exist, funded or unfunded plans are credit insured with an external party.

Belgium

In Belgium, the Group has three retirement – indemnity plans which are all funded. All three are based on the Collective Labour Agreement applicable to the company. The pension plan for white collar employees and the closed plan for blue collar employees who were in service before 2009 are defined benefit plans. The benefits are based on the final salary and seniority within the company. The pension plan for blue collars who are in service as from 2009 is a cash balance plan. The pension obligations are secured through a transfer of the required funds to a separate pension fund. The funding of the obligations under these defined benefit and cash balance plans is fully externalised through a number of pension funds and through insurance contracts.

In Belgium, the Group also has early retirement arrangements (termination benefits – bridge plans) as well as seniority premiums (other long-term benefits). The early retirement arrangements are unfunded and the seniority premiums are funded.

Summary of provision for post-employment benefits

The provision for post-employment benefits have been recognised in the balance sheet as follows:

	31 Dec 2023	31 Dec 2022
Post-employment benefits	7,610	6,883
Other provisions (Note 25)	341	352
Closing balance	**7,951**	**7,235**

The tables below show the Group's provision for post-employment benefits, the assumptions used to calculate the value of these provisions and the plan assets related to these provisions, as well as the amounts recognised in the income statement. The Group's reported pension provision amounts to SEK 7,951 (7,235) m in total, which includes endowment insurances and similar undertakings amounting to SEK 341 (352) m in respect of defined premium pension plans in Sweden.

	Total	of which Sweden	of which Belgium	Total	of which Sweden	of which Belgium
Financial year ending on	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2022	31 Dec 2022	31 Dec 2022
Amounts recognised in the statement of financial position						
Defined benefit obligation	25,116	18,220	4,092	22,221	15,341	4,049
Fair value of plan assets	17,506	11,918	3,594	15,338	9,913	3,432
Funded status	**7,610**	**6,302**	**498**	**6,883**	**5,428**	**617**
Net provision (asset) as recorded in the balance sheets	**7,610**	**6,302**	**498**	**6,883**	**5,428**	**617**
Principal actuarial assumptions						
Weighted average assumptions to determine benefit obligations						
Discount rate, %	3.57	3.45	3.50	4.07	3.95	4.12
Rate of salary increase, %	3.34	3.40	3.16	3.34	3.40	3.16
Rate of price inflation, %	2.06	2.00	2.00	2.08	2.00	2.00
Rate of pension indexation, %	2.06	2.00	N/A	2.07	2.00	N/A

The actuarial assumptions are the most significant assumptions applied when calculating the value of a defined benefit pension plan. The Group determines the discount rate based on AA-rated corporate bonds and mortgage bonds that match the duration of the obligations. If no such corporate bonds and mortgage bonds are available, government bonds are used.

Inflation assumptions are based on a combination of central banks targets, implicit market expectations and long-term analyst forecasts.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for Sweden are based on the DUS23 (white collar) mortality study, and the DUS23 (white collar) mortality table is generational. Mortality assumptions in Belgium are not as significant, since there are lump sum payments .

The actuarial assumptions are reviewed annually by the Group and modified when deemed appropriate to do so.

Financial year ending on	Total 31 Dec 2023	of which Sweden 31 Dec 2023	of which Belgium 31 Dec 2023	Total 31 Dec 2022	of which Sweden 31 Dec 2022	of which Belgium 31 Dec 2022
Change in defined benefit obligation						
Defined benefit obligation at end of prior year	22,221	15,341	4,049	28,167	19,891	4,266
Service cost	464	260	150	747	518	166
Interest expense	887	598	158	512	394	46
Cash flows	–893	–409	–306	–753	–357	–138
Remeasurements	2,437	2,430	39	–6,965	–5,105	–606
Effect of changes in foreign exchange rates	–	–	2	513	–	315
Defined benefit obligation at end of year	**25,116**	**18,220**	**4,092**	**22,221**	**15,341**	**4,049**
Change in fair value of plan assets						
Fair value of plan assets at end of prior year	15,338	9,913	3,432	16,206	9,760	3,379
Interest income	648	411	137	303	205	38
Cash flows	874	1,000	–46	882	1,000	62
Remeasurements	643	594	73	–2,443	–1,052	–308
Effect of changes in foreign exchange rates	3	–	–2	390	–	261
Fair value of plan assets at end of year	**17,506**	**11,918**	**3,594**	**15,338**	**9,913**	**3,432**
Components of defined pension cost						
Service cost	464	260	150	747	518	166
Net interest cost	239	187	20	209	189	7
Remeasurements of Other long-term benefits	–10	–	–10	41	–	41
Administrative expenses and taxes	28	–	25	24	–	21
Total pension cost for defined benefit plans	**721**	**447**	**185**	**1,021**	**707**	**235**
Pension cost for defined contribution plans	4,114	3,277	378	3,768	3,041	342
Total pension cost recognised in P&L	**4,835**	**3,724**	**563**	**4,789**	**3,748**	**577**
Remeasurements (recognised in other comprehensive income)	1,815	1,836	–19	–4,560	–4,053	–337
Effect of changes in demographic assumptions	113	148	–	378	379	–
Effect of changes in financial assumptions	2,317	2,024	205	–8,079	–5,638	–1,066
Effect of experience adjustments	18	257	–156	695	154	420
Return on plan assets (excluding interest income)	–633	–593	–68	2,446	1,052	309
Total defined benefit cost recognised in P&L and OCI	**2,536**	**2,283**	**166**	**–3,539**	**–3,346**	**-102**

Financial year ending on	Total 31 Dec 2023	of which Sweden 31 Dec 2023	of which Belgium 31 Dec 2023	Total 31 Dec 2022	of which Sweden 31 Dec 2022	of which Belgium 31 Dec 2022
Net defined benefit provision (asset) reconciliation						
Net defined benefit provision (asset)	6,883	5,428	617	11,961	10,131	887
Defined benefit cost included in the income statement	721	447	185	1,021	707	235
Total remeasurements included in OCI	1,815	1,836	–19	–4,560	–4,053	–337
Cash flows	–1,805	–1,409	–289	–1,661	–1,357	–222
Employer contributions	–1,296	–1,000	–255	–1,225	–1,000	–184
Employer direct benefit payments	–509	–409	–34	–436	–357	–38
Effect of changes in foreign exchange rates	–4	—	4	122	—	54
Net defined benefit provision (asset) as of end of year	**7,610**	**6,302**	**498**	**6,883**	**5,428**	**617**
Defined benefit obligation by participant status						
Actives	12,249	8,252	3,364	11,189	7,174	3,325
Vested deferreds	5,645	4,219	573	4,928	3,533	532
Retirees	7,222	5,749	155	6,104	4,634	192
Total	**25,116**	**18,220**	**4,092**	**22,221**	**15,341**	**4,049**

Plan assets

			Of which with a quoted market price	
Fair value of plan assets	**2023**	2022	**2023**	2022
Cash and cash equivalents	466	331	375	113
Equity instruments	1,474	1,034	952	664
Debt instruments	7,412	7,000	6,532	6,429
Real estate	690	577	82	13
Investment funds	5,463	4,306	5,423	4,306
Other	2,001	2,090	66	30
Total	**17,506**	**15,338**	**13,430**	**11,555**

Responsibility for the management of several pension plans rest with the Group and therefore pension trusts have been set up in different countries. The assets are held by long-term employee benefit trusts that are legally separated from the Group.

The assets are available to fund employee benefits only. Sweden, Belgium and United Kingdom have the largest pension trusts. The assets of the pension trusts are managed in accordance with a capital preservation strategy where the risk exposure is adjusted accordingly. The investment strategies are long-term and the distribution of assets ensures that investment portfolios are well diversified. The capital is managed in accordance with the investment policies of each pension trust. Continuous monitoring is performed by the trustees to ensure that capital is allocated and managed according to the investment policies. In Sweden the minimum funding level is decided by PRI Pensionsgaranti.

The actual return on plan assets amounts to SEK 1,291 (–2,140)m.

Risks

There are mainly three categories of risks related to defined benefit obligations and pension plans. The first category relates to risks affecting the actual pension payments. Increased longevity and inflation of salary and pensions are the principal risks that may increase the future pension payments and hence, increase the pension obligation. The second category relates to investment return. Pension plan assets are invested in a variety of financial instruments and are exposed to market fluctuations. Poor investment return may reduce the value of investments and render them insufficient to cover future pension payments. The final category relates to the discount rate used for measuring the obligation and the plan assets. The discount rate used for measuring the present value of the obligation may fluctuate which impacts the valuation of the defined benefit obligation. The discount rate also impacts the value of the interest income and expense that is reported in the financial items and the service cost. The risk related to pension obligations, i.e. mortality exposure, discount rate and inflation, are monitored on an ongoing basis.

Sensitivity analysis on defined benefit obligation	Sweden	Belgium
Discount rate +0.5%	–1,575	–157
Discount rate –0.5%	1,769	171
Inflation rate +0.5 %	1,769	112
Inflation rate –0.5%	–1,575	–105

The weighted average duration of the obligation is 16.2 years for Sweden and 8.3 years for Belgium.

25 Current and other non-current provisions

ACCOUNTING PRINCIPLES

Provisions

Provisions are recognised in the balance sheet when a legal or constructive obligation exists as a result of a past event, it is deemed more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are typically settled within 2–3 years.

Warranties

Warranty provisions include the Group's cost of satisfying the customers with specific contractual warranties, as well as other costs not covered by standard contractual commitments. All warranty provisions are recognised at the sale of the vehicles or spare parts. The initial calculations of the reserves are based on historical warranty statistics considering known quality improvements, costs for remedy of defaults etc. The warranty provision booked at point of sale is adjusted as campaign decisions for specific quality problems are made. On a quarterly basis the provisions are adjusted to reflect latest available data such as actual spend, exchange rates, discount rates etc. The provisions are reduced by virtually certain warranty reimbursements from suppliers. Generally, warranty provisions are settled within 2–4 years, provisions for battery warranties are typically settled within 8 years.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Provisions

The amount recognised as provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are regularly reviewed and adjusted as further information becomes available or circumstances change. If the effect of the time value of money is material, non-current provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate reflecting current market assessments of the time value of money. The discount rate does not reflect such risks that are taken into consideration in the estimated future cash flow. Revisions of estimated cash flows, both amount and likelihood, are recognised as operating cost. Changes to present value due to the passage of time and revisions of discount rates to reflect prevailing current market conditions are recognised as a financial cost.

There is always a risk for changing governmental regulations and changes in environmental policies affecting our business as well as accounting estimates and judgements related to climate regulation. Based on our performance to date, current product and volume plans and current knowledge of global emissions regulations, the Group does not foresee any significant financial risks or judgmental accounting issues short to mid-term related to not meeting global, regional or national CO_2 emissions regulations.

Warranties

The recognition and measurement of provisions for product warranties is generally connected with estimates. Estimated costs for product warranties are charged to cost of sales when the products are sold. Estimated warranty costs include contractual warranty, warranty campaigns (recalls and buy-backs) and coverage in excess of contractual warranty or campaigns, which is accepted as a matter of policy or normal practice in order to maintain a good business relation with the customer. Warranty provisions are estimated based on historical claims statistics and the warranty period. Quality index improvements based on historical patterns have been reflected in all categories of warranty. Refunds from suppliers that decrease the Group's warranty costs are recognised to the extent these are considered to be virtually certain, based on historical experience. Supplier recovery provisions amount to SEK 2,040 (1,853) m.

	Warranties	Other provisions[1]	Total
Balance at 1 January 2022	**11,087**	**6,167**	**17,254**
Provided for during the year	9,378	5,414	**14,792**
Utilised during the year	–6,917	–5,630	**-12,547**
Reversal of unutilised amounts	–2,796	–171	**-2,967**
Translation differences and other	742	199	**941**
Balance at 31 December 2022	**11,494**	**5,979**	**17,473**
Of which current	4,224	4,827	**9,051**
Of which non-current	7,270	1,152	**8,422**

	Warranties	Other provisions[1)]	Total
Balance at 1 January 2023	**11,494**	**5,979**	**17,473**
Provided for during the year	11,571	10,411	**21,982**
Utilised during the year	–9,104	–6,687	**-15,791**
Reversal of unutilised amounts	–2,539	–33	**-2,572**
Translation differences and other	–300	–68	**-368**
Balance at 31 December 2023	**11,122**	**9,602**	**20,724**
Of which current	4,617	8,500	**13,117**
Of which non-current	6,505	1,102	**7,607**

1) Other provisions include personnel related provisions of SEK 3,068 (1,792) m.

26 Current and non-current contract liabilities to customers

ACCOUNTING PRINCIPLES

Contract liabilities to customers are obligations related to contracts with customers. The amounts include transactions where the Group either;

- Has an obligation to transfer goods or services to the customer for which the Group has received consideration, or an amount of consideration is due, from the customer. This applies to sales with repurchase commitment, recognised as an operating lease, sales related to extended service as well as advance payments from customers.
- Has transferred goods or services to the customer but a variable consideration or a consideration payable, such as a discount, is not yet to be paid out or settled by the Group.

The contract liability is derecognised, and revenue is recognised, when the good or service is transferred to the customer and the performance obligation is satisfied. The contract liability is derecognised against cash and cash equivalent when it pays out or settles the variable consideration or consideration payable. For more information relating to the interaction between revenue and contract liabilities, see Note 2 – Revenue.

	Sales generated obligations	Residual value guarantees	Deferred revenue - extended service business	Deferred revenue - sale with repurchase commitment	Advance payments from customers	Total
Balance at 1 January 2022	**14,075**	**4,928**	**5,954**	**1,535**	**3,404**	**29,896**
Provided for during the year	44,977	1,045	7,175	1,272	101,438	**155,907**
Utilised during the year	–42,965	–2,492	–6,030	–1,403	–101,965	**–154,855**
Translation differences and other	946	617	525	8	194	**2,290**
Balance at 31 December 2022	**17,033**	**4,098**	**7,624**	**1,412**	**3,071**	**33,238**
Of which current	17,033	2,166	2,620	1,205	3,070	**26,094**
Of which non-current	—	1,932	5,004	207	1	**7,144**
Balance at 1 January 2023	**17,033**	**4,098**	**7,624**	**1,412**	**3,071**	**33,238**
Provided for during the year	58,187	2,502	7,368	4,520	103,828	**176,405**
Utilised during the year	–53,013	–2,565	–5,395	–3,920	–104,859	**–169,752**
Translation differences and other	–504	–93	–150	–8	–171	**–926**
Balance at 31 December 2023	**21,703**	**3,942**	**9,447**	**2,004**	**1,869**	**38,965**
Of which current	21,703	2,255	3,239	1,751	1,869	**30,817**
Of which non-current	—	1,687	6,208	253	—	**8,148**

Sales generated obligations

Sales generated obligations refer to all variable marketing programmes not effectuated on the balance sheet date, including discounts.

Residual value guarantees

On some markets, the Group offers residual value guarantees to customers, who in most cases are financial institutions. These arrangements guarantee the customer a specific value for the car when it is sold at a future point in time, the Group will compensate the customer with the difference between the future selling price of the car and this guaranteed residual value. Estimated losses are recognised at the point of sale as a contract liability and gains are only recognised when realised at the end of the contract when the car is sold by the customer.

Deferred revenue – extended service business

On some markets, the Group offers service contracts to customers, normally referred to as Extended Service Business where the customer signs up for regular services paid for upfront.

Deferred revenue – sale with repurchase commitment

Deferred revenue – sale with repurchase commitment, is recognised as an operating lease contract, where the revenue is recognised over the contract period.

Advance payments from customers

Advance payments from customers refer to payments related to customer contracts where the Group has received a payment in advance of transfer of control over the product or service.

27 Other non-current liabilities

	31 Dec 2023	31 Dec 2022
Liabilities related to repurchase commitments	1,659	695
Other liabilities[1)2)]	5,086	4,031
Total	**6,745**	**4,726**

1) The internal profit elimination related to sale of licences and technology to Polestar amounted to SEK 2,117 (2,365) m.
2) SEK 1,359 m of recognised Other non-current liabilities have been reclassified from Other current liabilities referring to liabilities to the related parties Geely Financials Denmark A/S and Shanghai Geely Zhaoyuan International Investment Co. Ltd.. For more information, see Note 8 - Other current liabilities.

28 Other current liabilities

	31 Dec 2023	31 Dec 2022
Accrued expenses and prepaid income[1)]	22,240	18,624
Liabilities related to repurchase commitments	6,599	6,042
Personnel related liabilities[1)]	6,378	6,770
VAT liabilities	5,228	3,431
Other liabilities[2)]	3,297	3,926
Total	**43,742**	**38,793**

1) SEK — (15) m of recognised Other current liabilities have been reclassified to liabilities held for sale. For more information, see Note 34 - Assets and liabilities held for sale.
2) Liabilities previously recognised as Other current liabilities have been reclassified to Other non-current liabilities referring to liabilities to the related parties Geely Financials Denmark A/S and Shanghai Geely Zhaoyuan International Investment Co. Ltd.. For more information, see Note 27 – Other non-current liabilities.

29 Pledged assets

	31 Dec 2023	31 Dec 2022
Shares in subsidiaries[1)]	154	93
Restricted cash	1,148	1,028
Inventory	466	332
Floating charges	73	108
Other pledged assets	385	399
Total	**2,227**	**1,960**

1) Geely Sweden Holdings AB has pledged the shares in the subsidiary Geely Sweden Financials AB for external bank loans. The value of the share pledge on consolidated group level has been assessed at SEK 154 (93) m.

30 Contingent liabilities

ACCOUNTING PRINCIPLES

When a possible obligation does not meet the criteria for recognition as a liability it may be disclosed as a contingent liability. These possible obligations derive from past events and their existence will be confirmed only when one or several uncertain future events, which are not entirely within the Group's control, take place or fail to take place. A contingent liability could also exist for a present obligation, due to a past event, where an outflow of resources is less likely (<50 per cent) or when the amount of the obligation cannot be reliably measured.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Legal proceedings

Companies within the Group may at times be involved in legal proceedings, such proceedings may cover a range of different matters in various jurisdictions. These include, but are not limited to, commercial disputes such as alleged breach of contract, insufficient supplies of goods or services, product liability, patent infringement or infringement of other intangible rights. The various matters raised are often of a difficult and complex nature and often legally complicated, it is therefore difficult to predict the final outcome of such matters. Companies within the Group work closely with legal advisors and other experts in the various matters in each jurisdiction. A provision is made when it is determined that an adverse outcome is more likely than not and the amount of the loss can be reliably estimated. In instances where these criteria are not met, a contingent liability has been disclosed provided the risk qualifies as such a liability.

Other processes

The Group is as well, like other global companies, from time to time involved in processes of varying scope and in various stages with regards to for instance import duties and transfer prices. These processes are evaluated regularly and provisions are made when it is more likely than not that additional fees must be paid and the outcome can be reliably estimated. If it is not probable that the additional fees will be paid but the risk is more than remote, such amounts are disclosed as contingent liabilities.

	31 Dec 2023	31 Dec 2022
Guarantees to insurance company FPG	254	224
Legal claims	6	—
Other claims[1]	78	21
Guarantee commitments	336	411
Other contingent liabilities[2]	135	466
Total	**809**	**1,122**

1) In addition to the contingent liabilities related to other claims there is also tax related contingent asset amounting to SEK — (71) m.
2) Apart from the above contingent liabilities, there are other commitments and guarantees that are not recognised since the likelihood of an outflow of resources is very low.

31 Cash flow statements

	2023	2022
Adjustments for other non-cash items:		
Capital gains/losses on sale of tangible and intangible assets	1,267	1,142
Share of income in joint ventures and associates	5,575	–4,496
Interest effect from the measurement of repurchase obligations	–348	–235
Provision for variable pay	2,544	1,196
Other provisions	1,832	1,137
Deferred revenue	–666	–864
Reclassification of residual value guarantee	–1,700	–2,687
Inventory impairment	238	–159
Elimination of intra-group profit	292	235
IFRS16 adjustments	–2,451	–1,594
Assets held for sale	—	–972
Other non-cash items	–536	–478
Total	**6,047**	**–7,775**

		Cash flows	Non-cash changes				
Change in net cash	1 Jan 2022		Reclassifi-cations	Foreign exchange movement	Fair value changes	Other non-cash changes	31 Dec 2022
Cash and cash equivalents	63,277	1,284	—	2,848	—	—	67,409
Marketable securities	7,996	–5,030	—	473	–24	—	3,415
Liabilities to credit institutions, non-current	–26,492	3,139	179	–1,863	—	–154	–25,192
Bonds, non-current[1]	–22,378	–5,260	1,998	–1,944	—	269	–27,315
Bonds, current[1]	—	—	–1,998	—	—	–2	–2,000
Liabilities to credit institutions, current	–5,815	–2,408	–179	–628	—	–17	–9,047
Net cash	**16,588**	**–8,275**	**–**	**–1,115**	**–24**	**96**	**7,271**

Change in net cash	1 Jan 2023						31 Dec 2023
Cash and cash equivalents	67,409	–14,253	—	–1,634	—	—	51,522
Marketable securities	3,415	6,677	—	–203	29	—	9,918
Liabilities to credit institutions, non-current	–25,192	1,517	–7,559	–84	—	320	–30,998
Bonds, non-current[1]	–27,315	–1,481	6,751	–72	—	4,030	–18,087
Bonds, current[1]	–2,000	2,000	–6,751	100	—	–9	–6,660
Other interest-bearing non-current liabilities	—	—	—	—	—	—	—
Liabilities to credit institutions, current	–9,047	–627	7,559	17	—	1,161	–937
Net cash	**7,271**	**–6,167**	**–**	**–1,876**	**29**	**5,502**	**4,758**

1) The bonds are presented above at amortised cost. The fair value risk of the EUR-denominated bonds is hedged and the bonds with fixed interest payments have been swapped into floating interest payments. Part of the bonds is therefore measured at fair value through the income statement and the remaining part is measured at amortised cost. On 31 December 2023, the fair value component amounted to SEK –46 (–287) m.

32 Business combinations and divestments

ACCOUNTING PRINCIPLES

In a business combination the Group measures all acquired identifiable assets and liabilities at fair value. Any surplus amount from the purchase price, possible non-controlling interest and fair value of previously held equity interests at the acquisition date compared to the Group's share of acquired net assets is recognised as goodwill. Any deficit amount (bargain purchase), so called negative goodwill, is directly recognised as income in the income statement. In step acquisitions, a business combination occurs only on the date control is achieved. Transactions with non-controlling interest are recognised within equity as long as control of the subsidiary is retained.

All acquisition-related transaction costs are expensed. Companies acquired are consolidated as of the date of acquisition. Companies that have been divested are included in the consolidated financial statements up to and including the date of the divestment.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

One area of critical judgement relevant to the Group is the one of common control, a situation where there is an acquisition or divestment between parties under common control.

This means the acquired or divested company has the same ultimate parent as the acquiring or divesting company respectively. IFRS 3 Business Combinations is silent on the subject of acquisitions under common control and the Group has therefore made a policy choice when it comes to handle common control transactions. The Group has elected to apply predecessor accounting, meaning that the acquirer consolidates the predecessors respective carrying values for assets and liabilities. These are the carrying values that are related to the acquired entity from the consolidated financial statements of the highest entity that has common control, and for which consolidated financial statements are prepared. Any difference between the cost of the combination or the costs of the divestment (i.e. the fair value of the consideration paid or received) and the carrying values for assets and liabilities are recognised directly in equity within retained earnings.

Divestment under common control

Volvo Car Group Financial Leasing (Shanghai) Co., Ltd.

On 18 January 2023, Volvo Car Corporation and Zhejiang Genius & Guru Investment Co., Ltd signed a joint venture agreement regarding Volvo Car Group Financial Leasing (Shanghai) Co., Ltd.

On the same date a subscription agreement had been signed between the parties whereby Zhejiang Genius & Guru Investment Co., Ltd subscribed to all the newly issued shares representing 45 per cent of the shareholdings. Volvo Car Group Financial Leasing (Shanghai) Co., Ltd is engaged in financial leasing. The divestment is between parties under common control, see section Critical accounting estimates and judgements.

The Group has consolidated the wholly-owned subsidiary until 25 June 2023 when control was ceased. The disposal consideration received amounted to SEK 0 m and at the time of disposal, cash and cash equivalents over which control was lost amounted to SEK 178 m. The carrying value of assets and liabilities as at the date of the divestment were SEK 774 m. Deficit of consideration received recognised in equity amounted to SEK 0 m. In the consolidated balance sheets, the subsidiary's assets and liabilities have been derecognised, and replaced by an investment in joint venture. See Note 13 – Investments in joint ventures and associates. The investment retained in Volvo Car Group Financial Leasing (Shanghai) Co., Ltd was recognised at its fair value at the date when control was lost.

The difference between fair value and carring value of the investment was recognised directly in equity, due to the common control transaction. The remeasured value at the date control was lost, is regarded as the cost on initial recognition of the investment in the joint venture.

The total cost of divestment and carrying values have been determined provisionally, thus, the divestment analyses may be subject to adjustment during a twelve months period.

Divestment of business

Geely Innovation Centre 6 AB

In December 2022 Geely Europe Innovation Centre AB signed a joint venture agreement with Fastighets AB Balder regarding Geely Innovation Centre 6 AB to become a subsidiary of the jointly owned company E3 Fastighetsutveckling AB. The Group has consolidated the wholly-owned subsidiary Geely Innovation Centre 6 AB until January 13 2023 when the company was divested. The disposal consideration received amounted to SEK 95 m. The carrying value of net assets disposed, was as at the date of divestment, SEK 3 m. The surplus of consideration received, recognised in income statement amounted to SEK 92 m. At the time of disposal, cash and cash equivalents amounted to SEK 0 m.
The company has been classified as assets and liabilities held for sale until the day of divestment.
The total disposal consideration and carrying values have been adopted in January 2024.

	2023
Disposal price	
Consideration received	95
Total disposal consideration	**95**
Disposed assets and liabilities at carrying value	
Tangible assets	92
Current tax assets	3
Other current assets	46
Cash and cash equivalents	-
Trade payables	-19
Other current liabilities	-119
Total carrying value of net assets disposed	**3**
Capital result from disposal	**92**
Cash effect from disposal	
Consideration received	95
Participation in joint venture	-95
Loan to divested company	-30
Settlement of intercompany balances	41
Change in cash and cash equivalents due to divestment	**11**

Adoption of preliminary divestment analysis

A divestment analysis is preliminary until adopted which must take place within twelve months from the divestment. The preliminary divestment analysis previously recognised for Volvo Car Bern AG, Upplands Motor Personvagnar AB, Upplands Motor Mark KB as well as the Uppsala retail business were adopted in 2023. The Uppsala retail business resulted in a SEK 81 m reduction of the gain on sale of operations.

33 Segment reporting

ACCOUNTING PRINCIPLES

An operating segment is defined as a part of the Group for which separate financial information is available and is evaluated regularly by the chief operating decision-maker or decision-making body. A majority of the Group's revenue comes from industrial operations, more specifically the revenue generated by Volvo Car Group. Industrial operations include all activities related to the development, design, manufacturing, assembly and sale of vehicles, as well as the sale of related parts and accessories. In relation to all other operation, industrial operations is the absolute dominant one. The Group is therefore considered to have one operating segment.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

As stated in the Board of Directors Report, the business is divided into three segments. The majority of the business is carried out in the industrial operations segment and therefore the Group has not prepared any segment reporting.

For further information on the geographic spread of revenue, see Note 2 – Revenue. The geographic spread of non-current assets is presented below.

	Sweden	China	Rest of the World
Dec 31, 2023			
Non-current assets	68%	12%	20%
Dec 31, 2022			
Non-current assets	71%	12%	17%

34 Assets and liabilities held for sale

ACCOUNTING PRINCIPLES

For a non-current asset or disposal group to be classified as held for sale, it needs to be available for immediate sale in its present condition and the sale transaction must be highly probable. For the sale to be considered as highly probable, management needs to be committed to a plan and be in the process to locate a buyer. The sales price has to be reasonable in relation to its current fair value and the sale to be completed within one year from the date of reclassification, considered likely.

When the criteria for being classified as a non-current asset or a disposal group held for sale are fulfilled, the asset or disposal group is presented separately in the balance sheet. The related liabilities of a non-current asset or disposal group are also recognised separately in the balance sheet. The asset or disposal group is recognised at the lower end of its carrying amount and fair value after deduction of selling expenses.

As of December 31, 2022, assets and liabilities related to the real estate company Geely Innovation Centre 6 AB were classified as held for sale with a net value of SEK 76 m. The proceeds from the sales were expected to exceed the carrying amount of the net assets in Geely Innovation Centre 6 AB. As of December 31, 2022, there were no indications of impairment. The sale of Geely Innovation Centre 6 AB was completed on January 13, 2023 and the buyer was E3 Fastighetsutveckling AB. See Note 32 – Business combinations and divestments for further information.

The major categories of assets and liabilities classified as held for sale were:

	2022
Tangible assets	92
Current tax assets	3
Other current assets	16
Total assets	**111**
Accounts payable	19
Other current liabilities	16
Total liabilities	**35**

Definitions of Performance Measures

Performance measures disclosed in the Annual Report are those that are deemed to provide the most true and fair as well as relevant view of the Group's financial performance for a reader of the Annual Report.

Gross margin
Gross margin is gross income as a percentage of revenue and represents the percentage of total revenue that the Group retains after deducting direct costs associated with producing the goods and services sold.

EBIT
EBIT refers to earnings before interest and taxes. EBIT is synonymous with operating income, which measures the profit the Group generates from its operations.

EBIT margin
EBIT margin is EBIT as a percentage of revenue and measures the Group's operating efficiency.

EBITDA
EBITDA represents earnings before interest, taxes, depreciations and amortisation, and is another measure of operating performance. It measures the profit the Group generates from its operations excluding the effect of previous periods capitalisation levels.

EBITDA margin
EBITDA margin is EBITDA as a percentage of revenue.

Equity ratio
Total equity divided by total assets, as a measurement of the Group's long-term solvency and financial leverage.

Net cash
Net cash is an indicator of the Group's ability to meet its financial obligations. It is represented by liabilities to credit institutions, bonds and other interest-bearing non-current liabilities.

Liquidity
Liquidity consists of cash and cash equivalents, undrawn credit facilities and marketable securities.

Revenue
Revenue is the sales price for goods or services net of discounts and certain variable marketing expenses.

RECONCILIATION TABLES OF PERFORMANCE MEASURES

Gross Margin	2023	2022
Gross income in % of revenue	**19.5**	**18.6**

EBIT Margin	**2023**	2022
Operating income (EBIT) in % of revenue	**5.0**	**6.9**

EBITDA/EBITDA Margin	2023	2022
Operating income	20,136	22,679
Depreciation and amortisation of non-current assets	17,521	16,146
EBITDA	**37,657**	**38,825**
EBITDA in % of revenue	**9.4**	**11.7**

Equity ratio	Dec 31, 2023	Dec 31, 2022
Total equity	160,711	132,951
Total assets	414,902	383,914
Equity in % total assets	**38.7**	**34.6**

Net cash	Dec 31, 2023	Dec 31, 2022
Cash and cash equivalents	51,522	67,409
Marketable securities	9,918	3,415
Liabilities to credit institutions (non-current)	-30,998	–25,192
Bonds (non-current)[1)]	-18,087	–27,315
Other interest-bearing liabilities[2)]	—	—
Liabilities to credit institutions (current)	-937	–9,046
Bonds (current)[1)]	-6,660	–2,000
Net cash[2)]	**4,758**	**7,272**

1) The fair value risk of the EUR-denominated bonds is hedged and the bonds with fixed interest payments have been swapped into floating interest payments. Part of the bonds is therefore measured at fair value through the income statement and the remaining part is measured at amortised cost. On 31 December 2023, the fair value component amounted to SEK -46 (940) m.
2) The net cash calculation excludes current SEK –1,266 (–1,500) m and non-current SEK –4,786 (-4,845) m financial liabilities related to IFRS 16.

Liquidity	Dec 31, 2023	Dec 31, 2022
Cash and cash equivalents	51,522	67,409
Marketable securities	9,918	3,415
Undrawn credit facilities	17,242	16,674
Liquidity	**78,682**	**87,498**

Income Statements and Comprehensive Income – Parent Company

SEKm	Note	2023	2022
Administrative expenses	4	-73	–81
Operating income	3, 5	**-73**	**-81**
Result from participation in subsidiaries	3, 8	741	156
Interest income and similar credits	3	467	145
Interest expenses and similar charges	3	-69	-39
Other financial income and expenses	6	-60	481
Income before tax		**1,006**	**662**
Income tax	7	—	—
Net income		**1,006**	**662**

Other comprehensive income and Net income are consistent since there are no items in other comprehensive income.

Balance Sheets – Parent Company

SEKm	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Participation in subsidiaries	8	21,290	21,891
Investments in joint ventures and associates[1]		1,251	1,251
Deferred tax assets	7	–	–
Receivables from group companies	3	14,498	2,573
Other non-current receivables		2	–
Total non-current assets		**37,041**	**25,715**
Current assets			
Receivables from group companies	3	1,123	8,332
Other current assets		14	5
Accrued income and prepaid expenses		3	2
Cash and cash equivalents		651	583
Total current assets		**1,791**	**8,922**
TOTAL ASSETS		**38,832**	**34,637**
EQUITY & LIABILITIES			
Equity			
Restricted equity			
Share capital (100,000 shares with par value of SEK		–	–
		–	**–**
Non-restricted equity			
Share premium reserve		6,509	6,509
Other contributed capital		3,693	3,693
Retained earnings		23,007	22,427
Net income		1,006	662
		34,215	**33,291**
Total equity		**34,215**	**33,291**
Non-current liabilities			
Liabilities to group companies	3	2,960	124
Liabilities to associated companies	3	1,059	–
Other non-current liabilities		2	–
Total non-current liabilities		**4,021**	**124**
Current liabilities			
Accounts payable		–	2
Liabilities to group companies	3	521	658
Liabilities to associated companies	3	40	529
Other current liabilities		5	4
Accrued expenses and prepaid income		30	29
Total current liabilities		**596**	**1,222**
TOTAL EQUITY & LIABILITIES		**38,832**	**34,637**

1) For further information, see Note 13 – Investments in joint ventures and associates in the consolidated financial statements.

Changes in Equity – Parent Company

	Restricted equity	Non-restricted equity			
SEKm	Share capital[1)]	Share premium reserve	Other contributed capital	Retained earnings	**Total**
Balance at January 1, 2022	**–**	**6,509**	**3,693**	**22,645**	**32,847**
Net income for the year				**662**	**662**
Transactions with owners					
Dividend	–	–	–	-218	-218
Transactions with owners	**–**	**–**	**–**	**-218**	**-218**
Balance at December 31, 2022	**–**	**6,509**	**3,693**	**23,089**	**33,291**
Net income for the year				**1,006**	**1,006**
Transactions with owners					
Dividend	–	–	–	-82	**-82**
Transactions with owners	**–**	**–**	**–**	**-82**	**-82**
Balance at December 31, 2023	**–**	**6,509**	**3,693**	**24,013**	**34,215**

1) Share capital amounts to SEK 100,000 (100,000).

Statement of Cash Flows – Parent Company

SEKm	Note	2023	2022
OPERATING ACTIVITIES			
Operating income		-73	–81
Interest received		467	145
Interest paid		-69	–39
Other financial items		-56	54
		269	**79**
Movements in working capital			
Change in receivables group companies	3	-1,811	–1,531
Change in liabilities group companies	3	-151	251
Change in liabilities associated companies	3	33	—
Change in current receivables		-10	–5
Change in current liabilities		3	11
Cash flow from movements in working capital		**-1,936**	**-1,274**
Cash flow from operating activities		**-1,667**	**-1,195**
INVESTING ACTIVITIES			
Investment in subsidiaries		—	–14
Investment in joint ventures and associates		—	–225
Divestment of subsidiaries		3,682	4,581
Cash flow from investing activities		**3,682**	**4,342**
Cash flow from operating and investing activities		**2,015**	**3,147**
FINANCING ACTIVITIES			
Change in non-current receivables group companies	3	-2,660	–778
Change in non-current liabilities group companies	3	89	–2,560
Change in non-current liabilities associated companies	3	537	—
Cash flow from financing activities		**-2,034**	**-3,338**
Cash flow for the year		**-19**	**-191**
Cash and cash equivalents at beginning of year		**583**	**716**
Change in cash and cash equivalents due to change in exchange rates		87	58
Cash and cash equivalents at end of year		**651**	**583**

Notes to The Parent Company Financial Statements

All amounts are in SEKm unless otherwise stated.
Amounts in brackets refer to the preceding year.

1 Significant accounting principles

Basis of preparation

The parent company has prepared its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2, Accounting for Legal entities. According to RFR 2, the parent company shall apply all the international financial Reporting standards endorsed by the EU as far as this is possible within the framework of the Swedish Annual Accounts Act. Changes in RFR 2 applicable to the fiscal year beginning January 1, 2021, have had no material impact on the financial statements of the parent company.

Accounting principles considered material to the Group are described in conjunction with each presented note in the consolidated financial statements. The main deviations between the accounting policies applied by the Group and the parent company are described below.

Shares and participations in Group companies

Shares and participations in Group companies are recognised at cost in the parent company's balance sheet and test for impairment is performed annually. Dividends are recognised in the income statement. All shares and participations are related to business operations and profit and loss from these are reported within operating income.

Transaction costs directly attributable to acquisitions of shares and participations in Group companies are accounted for as an increase in the carrying amount.

Group contributions made to subsidiaries are reported as an increase of investments in these subsidiaries. A review is at the same time made to conclude whether or not there is an impairment risk with regards to the same shares of the subsidiaries having received the group contribution. Tax effect of these group contributions are recognised in the income statement. Group contributions made to parent company are recognised in equity, along with the tax effect. Received group contributions from subsidiaries are recognised as financial income. Tax effect on received group contributions are recognised in the income statement. Received group contributions from parent company are recorded in equity, along with the tax effect.

Made shareholders' contributions are recognised in shares in subsidiaries and as such they are subject to impairment testing.

Financial guarantees

The parent company applies the exception in the application of IFRS 9 which concerns accounting and measurement of financial contracts of guarantee in favour of subsidiaries and associated companies. The parent company recognises the financial contracts of guarantee as contingent liabilities.

Income taxes

Deferred tax liability on untaxed reserves are included in untaxed reserves in the parent company.

Equity

In accordance with the Swedish Annual Accounts Act, equity is split between restricted and non-restricted equity.

2 Critical accounting estimates and judgements

Preparation of the financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2 requires the company's Executive management and Board of Directors to make estimates and judgements as well as to make assumptions that affect application of the accounting policies and the reported assets, liabilities, income and expenses. Critical accounting estimates and judgements applied by the Group are described in conjunction with applicable note in the consolidated financial statements. None of these critical accounting estimates are applicable to the parent company. Shares and participations in Group companies recognised at cost in the parent company are being tested for impairment annually or if an indication of impairment exists.

3 Related parties

During the year, the parent company entered into the following transactions with related parties:

	Sales of goods, services and other		Purchase of goods, services and other	
	2023	2022	**2023**	2022
Companies within the Group	96%	*94%*	100%	*95%*

	2023	2022
Interest income from subsidiaries	442	142
Interest expenses to subsidiaries	-28	-33
Interest expenses to other group companies	-41	-6

	Receivables		Payables	
	Dec 31, 2023	Dec 31, 2022	**Dec 31, 2023**	Dec 31, 2022
Companies within the Group	15,621	*10,905*	4,580	*1,311*
whereof current	*1,123*	*8,332*	*560*	*1,187*

Business transactions between the parent company and related parties all arise in the normal course of business and are conducted on the basis of arm's length principles.

A dividend of SEK 164 (436) m from the subsidiary Geely Sweden Investment AB was received. A capital adequacy guarantee was issued for the subsidiary Geely Sweden Financials Holding AB (publ.) and a shareholders' contribution of SEK 2,531 m was paid. The capital adequacy guarantee on behalf of the subsidiary is guaranteed by the ultimate parent company, Zhejiang Geely Holding Group Co. Ltd.. Following the impairment assessment of shares in subsidiaries, the carrying value of the subsidiary Geely Sweden Financials Holding AB (publ.) was subject to write-down of SEK 2,326 m. Group contribution of in total SEK 83 m was received from the subsidiaries Geely Sweden Financials AB, Geely Sweden Financials Holding (publ.), Geely Europe Innovation and Collaboration AB and Geely Group Motorsports International AB. One hundred million shares in the subsidiary Volvo Car AB (publ.), were divested to a capital gain of SEK 2,820 m.

There have not been any transactions with Board Members or senior executives except ordinary remunerations for services. For further information regarding remunerations, see Note 8 – Employees and remuneration in the consolidated financial statements.

4 Audit fees

TSEK	2023	2022
Deloitte		
Audit fees	-764	–720
Audit-related fees	-75	–168
Total	**-839**	**-888**

Audit fees involve audit of the Annual Report, financial accounts and the administration by the Board of Directors and the Managing Directors. The audit also includes advice and assistance as a result of the observations made in connection with the audit.

Audit-related fees refer to other assignments to ensure quality in the financial statements including consultations on reporting requirements and internal control.

All other work performed by the auditor is defined as other services.

5 Remuneration to the board of directors

Information on remuneration to Board members by gender is shown in Note 8 – Employees and remuneration, in the consolidated statements.

6 Other financial income and expenses

	2023	2022
Net foreign exchange rate differences	-60	481
Total	**-60**	**481**

7 Taxes

Income tax recognised in income statement	**2023**	2022
Tax for the year	–	–
Total	**–**	**–**
Information regarding current year tax expense compared to tax expense based on the applicable Swedish tax rate		
Income before tax for the year	1,006	662
Tax according to applicable Swedish tax rate, 20.6% (20.6%)	-207	-136
Costs, non-deductable	-479	-60
Tax effect of interest net	82	22
Tax effect of group contributions paid recognised as shares in subsidiaries	3	84
Tax effect of group contributions received from subsidiaries	-17	–
Non-taxable dividends	34	90
Non-taxable income	581	–
Current year loss not recognised as a deferred tax asset	3	–
Total	**–**	**–**

Deferred tax assets are only recognised to the extent there are taxable temporary differences or other factors that convincingly indicate there will be sufficient future taxable profit. Tax loss-carry forward has an indefinite period of utilisation.

8 Participation in subsidiaries

	Dec 31, 2023	Dec 31, 2022
At beginning of the year/acquired acquisition value	**21,891**	**26,023**
Acqusitions	42	–
Divestments	-862	-4,581
Shareholders' contributions/group contributions provided	2,545	449
Write-downs	-2,326	–
Total	**21,290**	**21,891**

Directly owned subsidiaries at the end of the reporting period are presented in below table. Indirectly owned subsidiaries are included in each subsidiary's annual report.

Geely Sweden Holding AB's investments in subsidiaries:	Corp. ID no.	Registered office	No. of shares	% interest held	Book value Dec 31, 2023	Book value Dec 31, 2022
Volvo Car AB (publ.)1)	556810-8988	Gothenburg/Sweden	2,343,396,227	78.6	20,210	21,072
Geely Sweden Automotive Investment AB2)	559263-3035	Stockholm/Sweden	50000	100	59	45
Geely Europe Innovation and Collaboration AB3)	559094-6454	Gothenburg/Sweden	500	100	18	18
Geely Europe Innovation Centre AB	559166-5699	Gothenburg/Sweden	100,000	100	118	118
Geely Financials International Ltd.	67898527-000-06-17-4	Hong Kong/China	1,000,000	100	9	9
Geely Group Motorsports International AB	559190-6895	Gothenburg/Sweden	10,000	100	31	31
Geely Sweden Financials Holding AB (publ.)	559179-7799	Gothenburg/Sweden	500	100	213	8
Geely Sweden Financials AB	559168-2157	Gothenburg/Sweden	500	100	25	25
Geely Sweden Finance AB (publ.)	559171-4950	Gothenburg/Sweden	501	100	8	8
Geely Sweden Investment AB	559150-4781	Gothenburg/Sweden	10,000	100	557	557
GSHAB 2 AB	559263-3043	Stockholm/Sweden	50,000	100	42	–
Total					**21,290**	**21,891**

1) For additional information on participation in the subsidiary Volvo Car AB (publ.) See Note 23 – Equity in the consolidated financial statements.
2) Prior name: GSHAB 1 AB
3) Prior name: Geely Business Center AB

The share of voting power corresponds to holdings in per cent as per above. The countries where the subsidiaries are registered are also where their main operations are carried out.

Significant restrictions

For some subsidiaries there are restrictions on the Group's ability to access or use cash from these subsidiaries, for more information on cash that is not available or with other limitations, see Note 22 – Marketable securities and cash and cash equivalents in the consolidated financial statements.

Change in the Group's ownership interest in a subsidiary

Geely Financials Denmark A/S is a former wholly owned subsidiary in the Group. In September 2018, Geely Financials Denmark A/S acquired 52 per cent of the shares in the Saxo Bank Group. During the fourth quarter 2018, an agreement was signed with Geely Group Ltd., a related party outside the Group, in which 5 per cent of the shares in Geely Financials Denmark A/S was sold together with an option to acquire an additional 46 per cent. Based on the divestment, the option, and other contractual conditions, the Group deems that there is no controlling interest, which is why Geely Financials Denmark A/S, including Saxo Bank A/S, is no longer consolidated within the Group as of September 12, 2018.

In August 2019, the ownership in Saxo Bank A/S was reduced from 52 per cent to 50.9 per cent following a capital contribution.

In April 2020, Geely Group Ltd exercised its option to acquire an additional 46 per cent of the shares in Geely Financials Denmark A/S. After the transaction, Geely Group Ltd owns 51 per cent of Geely Financials Denmark A/S.

In June 2023, Geely Financials Denmark A/S divested 1 per cent of its shareholding in Saxo Bank A/S. After the sale, Geely Financials Denmark A/S holds 49.9 per cent of the shares in Saxo Bank A/S.

In November 2023, the shareholding in Volvo Car AB (publ.) decreased from 82 per cent to 78.6 per cent following the sale of 100 million shares.

Details of non-wholly owned subsidiaries that have material non-controlling interests

On June 25, 2015 the Group, through one of its wholly owned subsidiaries, Volvo Cars (China) Investment Co., Ltd, acquired an additional 20 per cent in the Group's Chinese joint venture companies. In the consolidated financial statements, these joint venture companies are classified as subsidiaries and fully consolidated with a non-controlling interest of 50 per cent since the Group has the decision-making power over the operations.

Additionally, Daqing Volvo Car Manufacturing Co., Ltd has acquired 100 per cent of the shares in Volvo Car (Asia Pacific) Investment Holding Co., Ltd which holds 100 per cent of Zhongjia Automobile Manufacturing (Chengdu) Co., Ltd and Shanghai Zhawo Auto Sales Co., Ltd.

On 31 January 2022, Volvo Cars (China) Investment Co., Ltd divested its shareholding in the 50 per cent owned subsidiary Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd and consequently the non-controlling interest ceased.

On 1 September 2021, ECARX Technology Co., Ltd, a related company with the same ultimate shareholder as Volvo Car Group, but outside the Geely sphere of companies, acquired 40 per cent of the shareholding in the wholly-owned subsidiary HaleyTek AB. HaleyTek AB is still classified as a subsidiary and is fully consolidated with a non-controlling interest of 40 per cent since Volvo Car Group has the power of control.

On 31 December 2022, Volvo Car Corporation acquired the non-controlling interest of 13.5 per cent in Zenseact AB, and consequently the non-controlling interest ceased.

On 29 October 2021, Volvo Car AB (publ.) listed the company's shares on Nasdaq Stockholm. The principal owner is Geely Sweden Holdings AB, with, at the time, 82 per cent of the shares (votes and capital). The shareholding has thereafter decreased to 78.6 per cent following sale of shares in November 2023. In the consolidated financial statements, Volvo Car AB (publ.) is classified as a subsidiary and fully consolidated with a non-controlling interest of 21.4 per cent.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests.

	Registered office	% non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
Legal entity:		**Dec 31, 2023**	Dec 31, 2022	**Dec 31, 2023**	Dec 31, 2022	**Dec 31, 2023**	Dec 31, 2022
Daqing Volvo Car Manufacturing Co., Ltd.[1)]	China	50	50	1,068	1,441	3,753	2,908
Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd.[1)]	China	–	–	–	62	–	–
Shanghai Volvo Car Research and Development Co., Ltd.[1)]	China	50	50	3	–	114	118
HaleyTek AB	Sweden	40	40	-58	–52	247	305
Zenseact AB	Sweden	–	–	–	–25	–	–
Volvo Car AB (publ.)	Sweden	21.4	18	2,813	2,804	26,980	20,510
Total non-controlling interests				**3,826**	**4,230**	**31,094**	**23,841**

1) 50 per cent is held by Zhejiang Geely Holding Group Co., Ltd, the ultimate parent company of the Group.

9 Pledged assets

	Dec 31, 2023	Dec 31, 2022
Shares in subsidiaries[1)]	25	25
Total	**25**	**25**

1) Pledged shares in Geely Sweden Financials AB as security for external bank loans.

10 Contingent liabilities

	Dec 31, 2023	Dec 31, 2022
Guarantee commitments[1)]	27,035	32,274
Total	**27,035**	**32,274**

1) The above is including a guarantee commitment related to the external loans in the subsidiary Geely Sweden Financials AB. The total loan amount is SEK 25,916 (29,867) m. The risk of having to fulfill this guarantee commitment is deemed as very low.

Proposed Distribution of Non-Restricted Equity

The parent company

The following funds are at the disposal of Annual General Meeting (AGM):

Share premium reserve	SEK	6,509,200,000
Other contributed capital	SEK	3,693,131,899
Retained earnings brought forward	SEK	23,007,238,163
Net income for the year	SEK	1,005,576,835
At the disposal of the AGM	**SEK**	**34,215,146,897**

The Board proposes the following allocations of funds:

Carried forward	SEK	34,215,146,897
Total	**SEK**	**34,215,146,897**

The Board of Directors and the CEO hereby affirm that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and provide a true and fair view of the Group's financial position and earnings.

The Annual Report has been prepared in accordance with generally accepted accounting principles and provides a fair and true view of the parent company's financial position and earnings. The Board of Directors report for the Group and the parent company provides a true and fair overview of the development of the operations, financial position and earnings of the Group and parent company and describes material risks and uncertainty factors facing the parent company and the companies included in the Group.

Gothenburg , 2024

Eric Li (Li Shufu)
Chairman of the Board

Hans Oscarsson
Board member and CEO

Lone Fønss Schrøder
Board member

Daniel Li (Li Donghui)
Board member

Our audit report was submitted on , 2024
Deloitte AB

Jan Nilsson
Authorized Public Accountant

Auditor's Report

This auditor's report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

To the general meeting of the shareholders of Geely Sweden Holdings AB corporate identity number 556810-9010

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Geely Sweden Holdings AB for the financial year 2023-01-01–2023-12-31. The annual accounts and consolidated accounts of the company are included on pages 18–90 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annaul accounts and consolidated accounts and is found on pages 1–17. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, 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 opinions. 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 the company's internal control relevant to our 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 the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether

any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group´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 annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. 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 a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Geely Sweden Holdings AB for the financial year 2023-01-01–2023-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group´s financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Gothenburg, 2024
Deloitte AB

Signature on Swedish original

Jan Nilsson
Authorized Public Accountant

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