

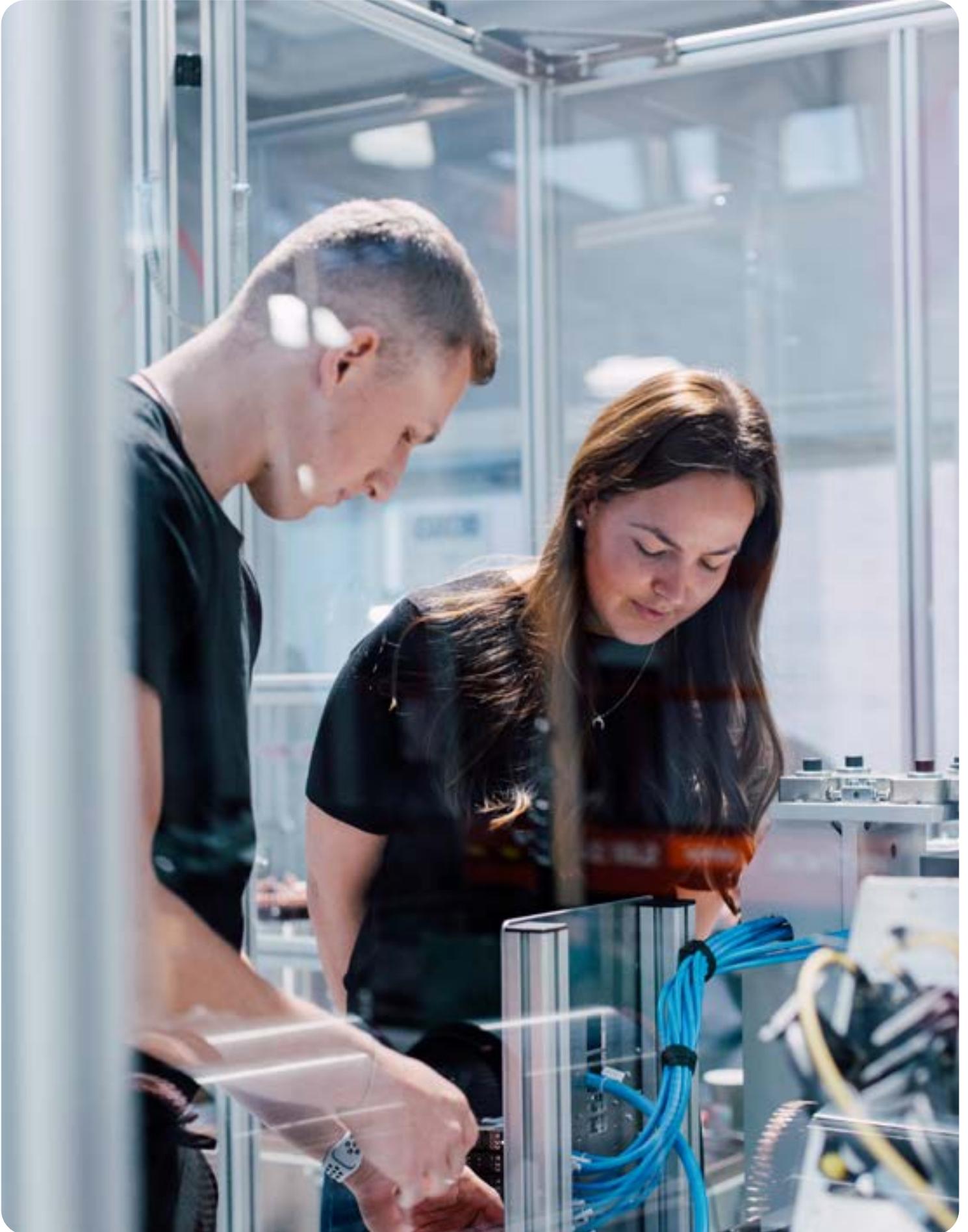
Annual and Sustainability Report 2023

Aurobay Sweden

Aurobay

Table of contents

1. Overview	5
Aurobay Sweden at a glance	5
Highlights from 2023	6
CEO comment	8
2. Our industry	10
Industry trends	11
3. Our strategic framework	12
Purpose	12
Vision, mission and values	13
Objectives 2030	14
Strategy	15
4. How we create value	16
Delivering on our strategy	17
A cross-functional effort	18
Sales and Market	20
Research and Development and Manufacturing Engineering	22
Supply Chain	24
Manufacturing	26
People	30
5. Management report	34
Board of Directors report	34
Corporate governance report	36
Enterprise risk management report	46
Board of Directors	52
Executive Management Team	56
6. Financial statements	62
Financial statements – group	62
Financial statements – parent company	68
Notes to the financial statements	73
Auditor’s report	96
7. Sustainability guidelines, facts and tables	98
Approach to sustainability reporting	98
Materiality assessment	98
Carbon footprint disclosures	100
Other sustainability disclosures	102
GRI index	104
Our history	106
Contact information	108



1. Overview

Aurobay Sweden at a glance

Aurobay Sweden is here to re-imagine motion for a brighter tomorrow – by pioneering new technologies and solutions that meet the mobility challenges of the future. We have made it our mission to develop, produce and sell world-class powertrain solutions to the global market. Aurobay Sweden will continue to create value for customers by producing highly efficient engines, and providing excellent services. Headquartered in Gothenburg, Sweden, Aurobay Sweden is

the brand name of the Swedish operations carried out by Aurobay Sweden AB (corporate identity number 556830-5964), its wholly owned subsidiary Aurobay Sweden Real Estate AB (corporate identity number 559140-6425), as well as the operations at the manufacturing plant in Zhangjiakou, China.

This report is a sustainability integrated annual report. The scope of the sustainability reporting includes all operations covered by Aurobay Sweden, as defined by the scope above.

Aurobay Sweden in figures

2

Manufacturing plants in Skövde, Sweden and Zhangjiakou, China

100

Years of innovation including heritage from former owner Volvo Cars

2,800

Average number of employees worldwide including Sales and Market, Research and Development, Manufacturing Engineering, Procurement, Manufacturing, and Digital (1,664 based in Sweden)

2021

Founding year

14,026

MSEK turnover in 2023

787,000

Engines produced in 2023

Highlights from 2023



AB Volvo contract signed for camshaft manufacturing

Aurobay Sweden and AB Volvo have signed a contract for Aurobay Sweden to manufacture camshafts for AB Volvo's heavy-duty truck engines.



Joint venture agreement signed

The Aurobay owner, Geely, has signed a joint venture agreement with Renault. The purpose is to become a global leader in developing, manufacturing, and delivering next-generation hybrid and highly efficient powertrain solutions.



International Vienna Motor Symposium

Launch of range extender solution at the International Vienna Motor Symposium.



Aachen Colloquium of Sustainable Mobility

Launch of latest 2.0 L Spark Ignition engine at the Aachen Colloquium of Sustainable Mobility.



Specialty Equipment Market Association (SEMA)

First-time exhibition of Aurobay Sweden at the Specialty Equipment Market Association (SEMA) show in Las Vegas



Publishing insights

Publication of the paper 'How to accomplish a more sustainable Internal Combustion Engine (ICE) using Life Cycle Analysis: a demo' at the SAE Energy and Propulsion Conference in the US.



Hybrid Futures launched

The 'Hybrid Futures' concept was exhibited by Aurobay Sweden and Aurobay China at the Internationale Automobil-Ausstellung (IAA).



Successful employer proposition

As part of our employer branding, Aurobay Sweden connected with 3,000 potential employees and welcomed 17 young talents to join Aurobay Sweden.



Creating excellence

Aurobay Sweden continued to cultivate great leadership throughout the organization with its Leadership Program.



Production milestone passed

Aurobay Sweden reached the milestone of producing 1,5 million engines at the Zhangjiakou plant in China (including engines from former owner Volvo Cars).



World Champion celebration

For the sixth time, Aurobay Sweden celebrated its Touring Car Racing World Championship title with its partners at Cyan Racing.



Code of Conduct trainings

To ensure that employees have the prerequisites necessary to support the company's view on how to act within numerous of conduct related areas in their daily work, trainings in the Code of Conduct and related policies have been carried out.



CEO comment

2023 was Aurobay Sweden's third year of operations. We continued to show the world that next-generation hybrid solutions are our future. We are strengthened in our belief that these solutions will play a significant role in Europe's journey towards net zero, alongside electrification and other technologies.

Showing strength

We performed well and in line with our expectations. We produced 787,000 engines, of which 162,000 were fully electric. Sales of ICE increased compared to last year. We are delighted to see increased interest in our range extender solutions, as well as the overall growing demand from our commercial vehicle customers. We are proud to have maintained a stable workload in times of global downturns and redundancies in the industry.

Exploring in sustainable business

Following the launch of our LP Miller engine in 2021, the MP Miller engine was delivered to the customer during 2023. The engine offers car drivers high performance in a hybrid solution, with better fuel efficiency and lower cost than previous engine generations.

Sales and new business

We increased our sales boost activities by participating in the Aachen Colloquium of Sustainable Mobility, as well as the Vienna Motor Symposium. These were new and positive experiences, as was the Specialty Equipment Market Association (SEMA) show in Las Vegas.

Furthermore, we signed our first spare part deal for the lifetime supply of spare parts to one of our engines. Agreements were also signed to explore industrialization of the most compact serial hybrid power unit on the market, which is one of the most innovative e-machine concepts.

By having a long-term commitment to ICE, at the same time offering a light and strong base engine, we believe that Aurobay Sweden is an attractive supplier also to the racing car segment. Our VEP HP engine can offer a cheaper way of achieving the requested power, and with better reliability. The lower operating cost also meets a seasonal budget cap for the lower Formula racing series. During the year, we delivered the first test engines to two different racing car manufacturers.

Recently, we also started to develop our very first methanol-fueled engine, and we expect to supply our first two customers with test engines during 2024. Both customers support electrification in various commercial vehicles and view the clean modular power generation as a necessary enabler for their respective customer groups.

I am experiencing interest from an increasing customer base who wants to see suppliers with a cleaner, and a potentially CO₂e-negative, engine alternative.

Driving innovation

Driving innovation is a critical success factor as we work towards our vision of re-imagining motion for a brighter tomorrow. We concluded the year with successful publication of Aurobay Sweden's research and development towards a zero-impact ICE. The paper 'How to accomplish a more sustainable Internal Combustion Engine (ICE) using Life Cycle Analysis: a demo', was presented at the SAE Energy

and Propulsion Conference in the US. The challenge for us and our chain of suppliers, however, will be to cooperate towards a quicker transition.

Fit for the future

In July, Aurobay Sweden's owner Geely and Renault signed a joint venture contract that now has resulted in us being part of a company with 17 plants and 5 Research and Development centres in Asia, the Americas and Europe. HORSE Powertrain Ltd., formed 31st May 2024, will produce around 5 million powertrains and transmissions every year and push the boundaries of innovation on the journey towards net zero. Its scale – and the recognition it will bring – will put our ambitions even more firmly on the global map of companies striving for a sustainable future.

During the first quarter of 2023, it was announced that Saudi AramCo intends to take a minority stake in the Geely Renault joint venture company, bringing investment and concept ideas, including within the area of E-fuels. This is a great step as we believe that E-fuels will play an important part in a low-carbon future. Aurobay Sweden is also part of the E-fuel Alliance.

We expect no significant changes to our organization but see huge potential in finding synergies within our new group. We are now part of a global leader in the development, manufacturing and supply of next-generation, low-emission hybrid powertrains and ICE. We will investigate new opportunities to create a long-term sustainable company. I believe that the new, large business constellation will support our joint efforts to drive positive change, through business as well as political discussions.

We believe that many different technologies are needed to reach net zero. By 2040, according to industry estimates, there will still be around 900 million hybrid and internal combustion engines on the roads. However, most OEMs are concentrating on electric powertrains leaving space for us to focus on hybrid systems and ICE innovation. Several innovative technologies are needed to minimize the lifecycle footprint of these vehicles.

Work started in the second part of the year to prepare our functions to gain the full effect of synergies across the group. Under the ownership of HORSE Powertrain Ltd., we are part of the largest stand-alone powertrain provider in the world. We expect the synergy effects, economies of scale and size to be beneficial to Aurobay Sweden. Our future is exciting.

Yours,

Michael Fleiss

CEO, Aurobay Sweden AB

2. Our industry

The call for action

With alarmingly insufficient global effort to address the climate crisis, the need for action on all levels of society has become increasingly pressing. While all industry sectors hold great responsibility in the transformation towards decarbonized value chains, the most polluting industries carry a larger share of responsibility when it comes to climate action. The transport sector accounted for a fifth of

global greenhouse gas emissions in 2022, making it the second largest polluting sector globally after the power sector. Of the total greenhouse gas emissions in the transport sector, passenger cars and vans make up about half.

We have high ambitions to be a part of the solution. Our strategic framework reflects our vision and mission, underpinned by industry trends.



Industry trends

Continued, yet slower transition towards electrification

Many regions around the globe are experiencing an increase of electric vehicles on the roads, especially in the EU. The EU, along with the UK, has decided to ban ICE powered by fossil fuels from 2035. In the US, the market share of EVs is increasing. In China, it is increasing too, but at a faster pace.

In the long term, many markets are expected to phase out vehicles powered by petrol and diesel. However, those aiming for progress within the area of electrification are currently facing difficulties to fund the investments needed, with some even going bankrupt. The funds available on the capital markets have been significantly reduced during the last year. Depending on macro-related factors, the constraint may continue.

In the EU, the shift to EV portfolios is developing slower than anticipated, and in the US, forecasted sales are not being fully realized. Additional indicators negatively influencing EV sales in Europe are the reduction of incentives in Switzerland, as well as the delayed ICE ban in the UK. In China, however, relatively large investments in EV continue.

To summarize, the picture of the overall transition to electrification is fragmented. Until now, these indicators have not impacted the global number of EV registrations.

Hybrid and ICE powertrains expected to dominate the global market

Different regions will aim to reduce their carbon footprint at different paces. Consumer demand for hybrid and traditional engines in Europe for example, is still significant. Of the 900 million hybrid and ICE vehicles expected to be on the roads by 2040 worldwide, an estimated 75% are not yet built. Innovation in hybrid and ICE technology is urgently required to drive down emissions of the future vehicle fleet.

Increased interest in alternative fuels investments

E-fuels and biofuels, including hydrogen and green methanol, are technologies that can support the next steps towards net zero. They are almost carbon neutral, highly efficient, cost effective, and can be produced using existing infrastructure. They can also support in reducing fuel price volatility.

Combustion technology is increasingly regulated

New regulations such as Euro 7 and China 7 will impose stringent demands on OEMs, requiring substantial investments and innovation. Electrification is capital intensive, and many OEMs are struggling to focus sufficiently on both combustion and electrified technologies, leading to an emerging need to balance efforts.

OEMs are restructuring their businesses

Several OEMs are separating their combustion and EV divisions. As an example, Aurobay Sweden's owner Geely and Renault are in the process of consolidating their ICE businesses to increase scale, take advantage of cost efficiencies and operational synergies, and to drive innovation.

Driving towards net zero – beyond automotive

Any sector that powers motion is expected to find sustainable and practical ways to power their products. As such, the journey towards achieving net zero emissions is anticipated to be supported by a variety of power solutions provided by companies seizing the opportunity to meet future demand.

3. Our strategic framework

The foundation of our business

Our purpose, vision, mission and values guide us in everything we do. Our objectives for 2030 are pushing us in the right direction and our strategy outlines what we need to do to get there. Altogether, this represents our strategic framework, the foundation on which we operate. Importantly, it includes our approach to challenges and opportunities related to sustainability, making sure we provide low-emission products and services by driving a sustainable business.

To stay relevant, our strategic framework is analyzed yearly. The outcome is summarized in a report and forms the basis for any necessary updates. The report includes capturing environmental, social and legal trends impacting our sustainability ambitions, targets and resource needs. Moreover, stakeholder dialogue, including input from employees, owners, legal authorities, politicians, and other industry actors, are important sources. Altogether, this is further captured in our value chain, including the areas on which we focus our sustainability work, which is outlined in the next chapter of this report.

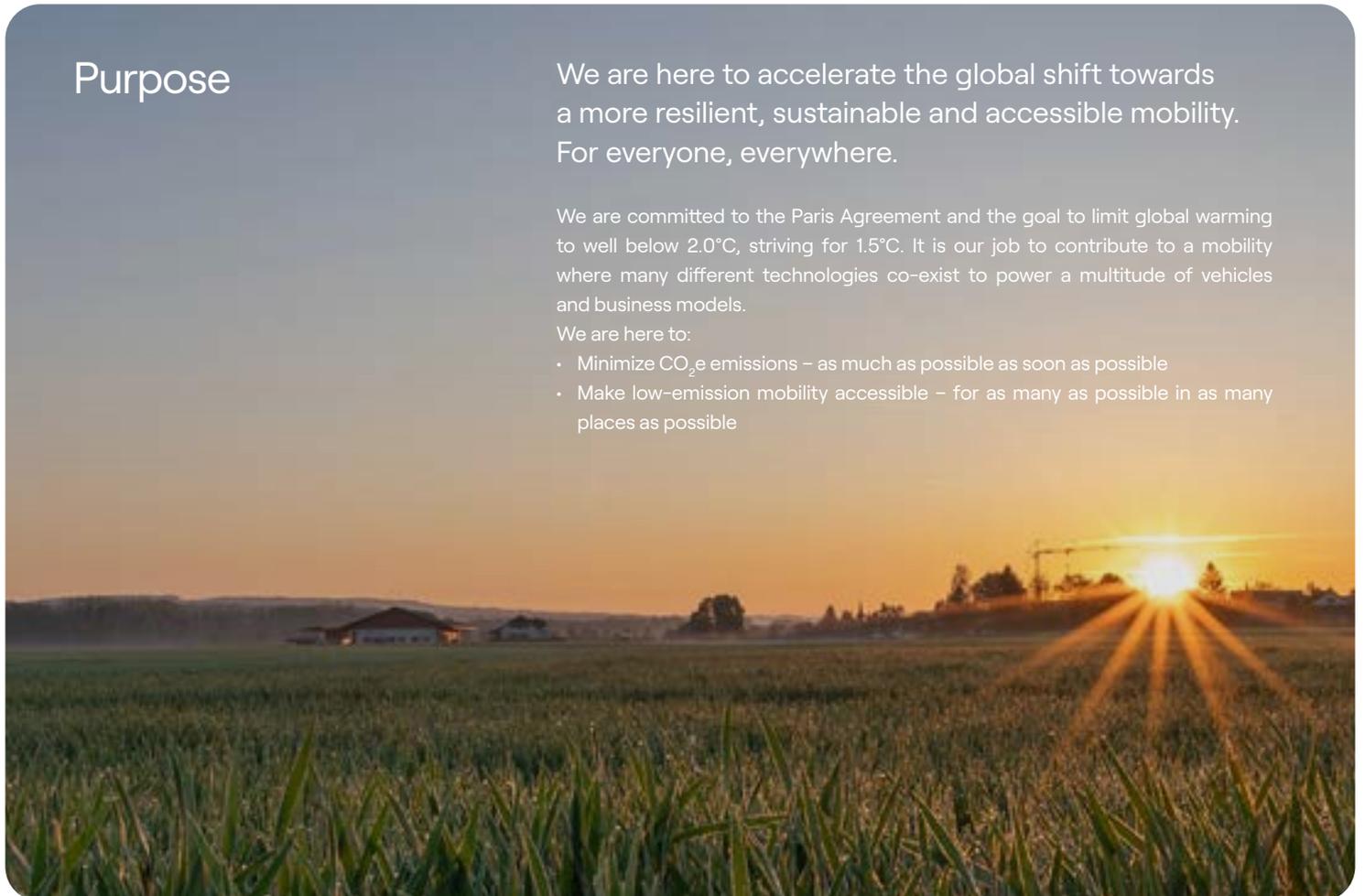
Purpose

We are here to accelerate the global shift towards a more resilient, sustainable and accessible mobility. For everyone, everywhere.

We are committed to the Paris Agreement and the goal to limit global warming to well below 2.0°C, striving for 1.5°C. It is our job to contribute to a mobility where many different technologies co-exist to power a multitude of vehicles and business models.

We are here to:

- Minimize CO₂e emissions – as much as possible as soon as possible
- Make low-emission mobility accessible – for as many as possible in as many places as possible



Vision

Re-imagining motion for a brighter tomorrow

“We commit to responsible business conduct in everything we do, through our whole value chain. In line with our values – Caring, Collaborating and Creating Excellence – we strive to lead the way in sustainable powertrain technology, with great care for people and our planet.”

Michael Fleiss, CEO, Aurobay Sweden AB

Mission

We develop and provide world-class powertrain solutions for a global market

We create value for customers by producing high-efficiency, low-emission engines, and providing excellent services – by pioneering new technologies and solutions that meet the mobility challenges of the future.

Values

Caring

We care about our people, customers, stakeholders, and environment, now and in the future.

Collaborating

We build global partnerships to meet shared objectives based on trust and accountability.

Creating excellence

We are curious and take responsibility for innovation, even under tough circumstances.

Objectives 2030

Our 2030 objectives represent a long term ambition and we made important progress during 2023.

People

Be a great place to work

We believe that being a successful company can only come from valued, motivated and proud employees. Our objective is to be acknowledged as an employer of choice and attract the best talent, including by accreditation from Great Place To Work.

Sustainability

Cutting value chain emissions by 25%

Sustainability is core to us. We have adopted a climate target of reducing value chain emissions by 25%, from raw material to end-of-use, using 2021 as baseline year. Our objectives for 2030 will support our journey towards our longer-term ambitions of reaching net zero CO₂e emissions, as well as becoming a circular business by 2040¹.

Innovation

Reinvest in improved and new business

We want to be a high-tech, innovative challenger to lead the transformation of our industry. Our objective is to drive profitability through, and reinvest in a combination of incremental, radical and disruptive innovations to advance our business and accelerate the journey towards net zero.

Growth

Growing new business

We will consistently focus on generating new streams of profitable revenue that will grow our business. Our objective is to reinvest profit to drive new business opportunities outside the core of our existing offer.

Profitability

Increased profitability

Success in all our objectives is key to fuel growth and deliver strong margins so we can reinvest in the creation of exponential future business opportunities.



¹ Our climate targets are based on the Science Based Target Initiative's (SBTi) calculation tool to align with the Paris Agreement. Read more on page 19.

Strategy

It is not a race between different solutions

We are here to accelerate the global transition of the mobility industry to carbon neutral. We believe that solutions are needed to reach net zero. We call this hybrid futures, and our strategy is designed to support it.

Reducing our impact

Reducing the future carbon footprint of the vehicle fleet is a key priority for us. We are pushing the sustainability performance of hybrid ICE further and faster. Our focus is on the complete lifecycle of our engines. We are working to reduce their environmental impact across the whole value chain, from production through tailpipe emissions to end-of-life.

E-fuels

Aurobay Sweden is part of the E-fuels Alliance. We believe E-fuels will have an important role for future heavy-duty, marine and aviation transport, where it will be difficult to meet all energy needs with electric engines. With our partners and shareholders, we are investing in technologies to ensure they can all be used with E-fuels.

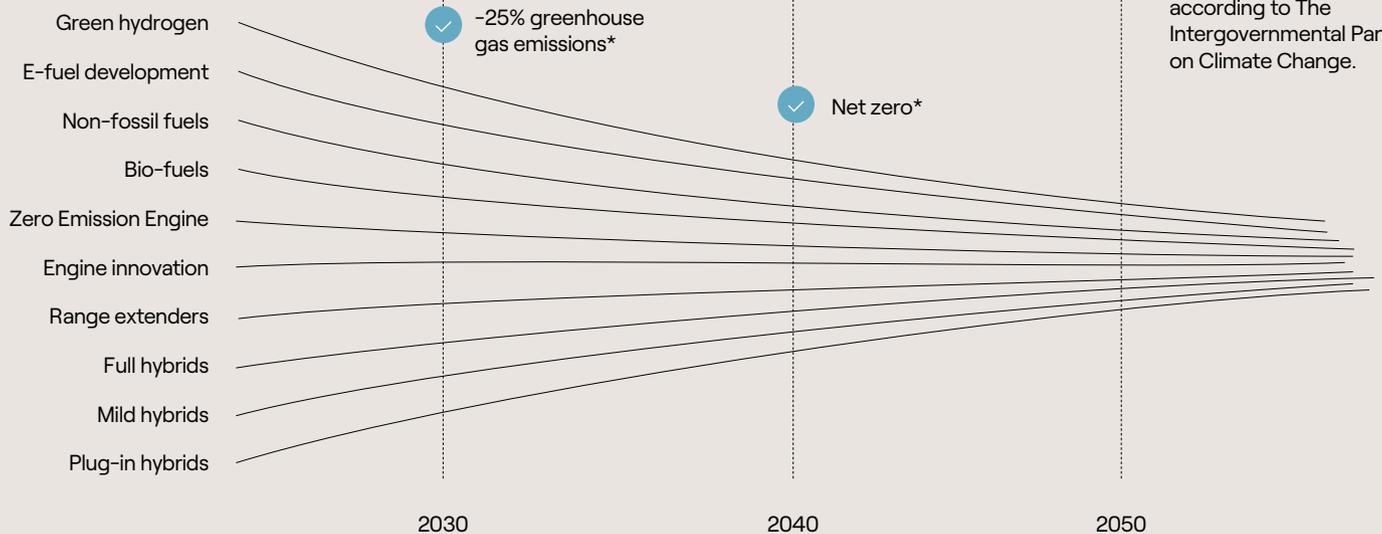
Compliant with upcoming regulations

We fully support tougher regulations as they drive innovation and reduce the environmental impact of combustion technology. Our strategy is reflecting that, and we have already developed a hybrid powertrain that goes beyond compliance with Euro 7, with an innovative exhaust-after-treatment system that reduces toxic emissions from cold starts to around zero.

Beyond automotive

Being an innovation-driven company, part of our strategy is to explore the application of the company's hybrid and low-emission technologies outside automotive. To emphasize that, we are developing a range extender to be used with battery-powered commercial vehicles.

Diverse circumstances call for diverse solutions



Paris Agreement and the European Union targets

- 2050: Global deadline to achieve net zero GHG emissions to not exceed global warming of 1.5 C according to The Intergovernmental Panel on Climate Change.

*Aurobay Sweden commitments

4. How we create value



Delivering on our strategy

Guided by our strategic framework, our operations create value throughout the whole value chain – all the way from understanding current and future customer demand to the delivery of final products and services.

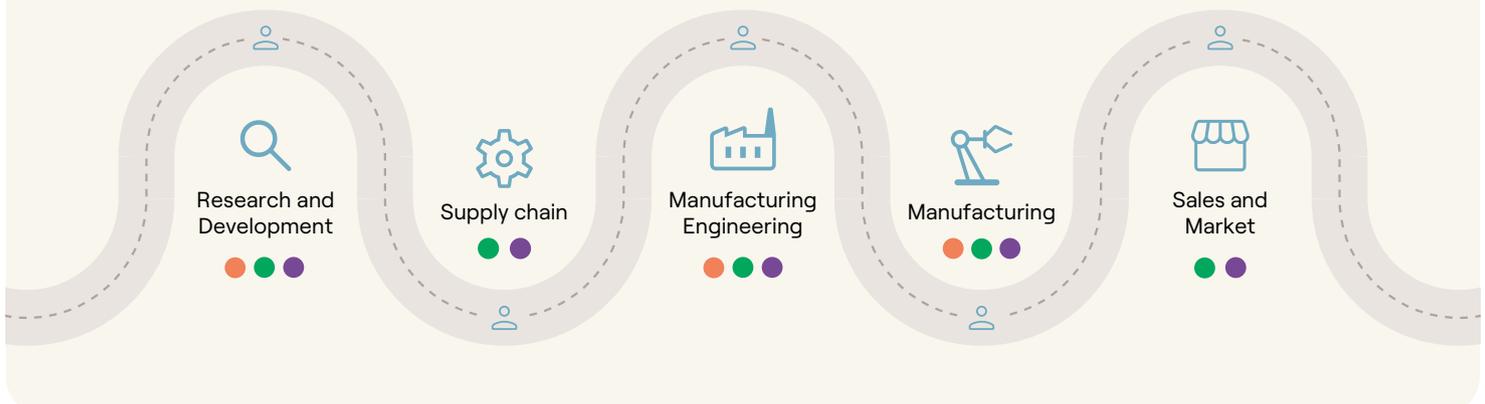
Our strategy emphasizes sustainability which influences everything we do. With our core values of Caring, Collaborating, and Creating Excellence providing strong foundations, our value chain is designed around cutting emissions, circular business and caring business conduct. The issues we consider most important for driving a sustainability focused business are:

- **Cutting emissions:** climate change (CO₂e emissions and energy use):
 - Scope 1: direct emissions from the organization
 - Scope 2: indirect emissions that occur during the production of purchased electricity, district heating, district cooling and process steam
 - Scope 3: other indirect emissions, upstream and downstream in the value chain, which arise from, among other things, purchased goods and services as well as emissions occurring in the use phase of our products
- **Circular business:** resource use and circular economy (material, water, and waste)
- **Caring business conduct:** our own workforce and employees in our value chain, e.g. employment conditions and health and safety

To summarize, our value chain reflects our approach to sustainability and ensures that we work and deliver in accordance with our strategic framework.

We are working on reducing greenhouse emissions throughout our entire value chain

- **Direct emissions from Aurobay activities**
e.g. company facilities and vehicles (scope 1)
- **Indirect emissions from upstream activities**
e.g. purchased material and services, purchased energy, inbound logistics and waste in operations (scope 2 and upstream scope 3)
- **Indirect emissions from downstream activities**
e.g. outbound logistics and use of sold products (downstream scope 3)



A cross-functional effort

Delivering our strategic framework, particularly our sustainability strategy, relies on our cross-functional approach to everything we do. Cutting emissions, driving a circular business and operating a caring business require engagement and commitment from all areas of the company and value chain. Guided by our Code of Conduct and policies on the environment, people, health and safety, we work hard to progress closer to our ambitions.



Cutting emissions

For us, cutting emissions primarily means minimizing CO₂e emissions along our whole value chain. Cutting emissions also refers to reducing other types of polluting air emissions and becoming more energy efficient.

Even though our yearly total of CO₂e emissions increased by approximately 21% (in absolute terms), less than 0.2% of these originated from our own production facilities and operations. The increase is primarily explained by higher production. However, the emission-intensive parts occur downstream the value chain in the use-phase of our products, which we currently have limited influence of, but also upstream, in our supply chain. Compared to our baseline year of 2021 however, our absolute emissions have been reduced by approximately 2.5%.

Our approach to cutting emissions is further explained below.



Circular business

We define driving a circular business as centering on sustainable resource use and ensuring that all products undergo some level of circulation by the end of their lifecycle. This includes practices such as reuse, repair, remanufacturing, recycling, repurposing, and more. Our long-term aim is to reach a state where our business activities do not deplete or degrade natural resources, nor generate any waste that is not recovered as either energy or material.

The environmental impact of our business is particularly connected to metals, specifically mining and processing. Inefficient use of resources and the generation of waste, while losing value and polluting our environment, is a fundamental problem of a linear economy. Driving a circular business that reduces waste, emissions and unsustainable resource use, is key to us.

Our approach to driving a circular business is further explained below.



Caring business conduct

We define caring business conduct as prioritizing the well-being of our own employees as well as employees in our supply chain.

We are committed to responsible business conduct in everything we do. We strive to lead the way in sustainable powertrain technology with great care for people and the planet by taking actions to increase transparency and sustainability performance in our own operations, as well as throughout our supply chain.

Our approach to conducting a caring business is further explained below.

Sustainability focus areas and targets

	CUTTING EMISSIONS	CIRCULAR BUSINESS	CARING BUSINESS CONDUCT
LONG-TERM AMBITIONS	Net zero greenhouse gas emissions by 2040	A circular value chain, with independence from primary raw materials by 2040	A responsible business with a sustainable, transparent supply chain
KEY ACTIONS	<ul style="list-style-type: none"> Transitioning to renewable energy in our plants and value chain Switching to low-emission materials in our products Minimizing use phase emissions through hybridization and compatibility with low-emission fuels 	<ul style="list-style-type: none"> Applying principles of circular product design, including a high degree of recycled and renewable materials in our products Industrializing remanufacturing capabilities Efficient use of natural resources Minimizing waste and pollution 	<ul style="list-style-type: none"> Increasing employee engagement and well-being Ensuring a safe workplace at all times Strengthening supplier sustainability requirements Increasing supply chain sustainability due diligence and transparency Improving supply chain risk management
ENABLERS	<ul style="list-style-type: none"> Collaborating closely with suppliers and stakeholders Securing necessary data and digital capabilities Growing sustainability competence and actions across the organization Applying data driven, science-based approach to our targets and actions Building an efficient sustainability governance structure Aligning our products and services with our sustainability ambitions 		

Focus area	Targets	Base year	Target year	2023 performance	Target status
Cutting emissions	Reduce value chain emissions by 25% by 2030 (absolute)	2021	2030	-2.5%	More efforts needed
	4% annual reduction of upstream scope 3 GHG emissions	2021	2030	16.5%	More efforts needed
	25% reduction in downstream scope 3 GHG emissions by 2030	2021	2030	-5.4%	More efforts needed
	50% CO ₂ e reductions in scope 1 by 2030	2021	2030	-31%	On track
	65% CO ₂ e reductions in scope 2 and 100% renewable energy by 2030	2021	2030	-95%	On track
	Reduce energy consumption/unit year over year	2021	cont.	-2%	On track
Circular business	60% recycled content by weight in product portfolio by 2030	2023	2030	~40%	On track
	4% waste reduction/unit year over year	2021	2025	-6%	On track
	Reduce water withdrawal/unit year over year	2021	cont.	-6%	On track
Caring business conduct	Average employee Winningtemp score of 8.5	2021	2025	7.2	More efforts needed
	All high-risk tier 1 suppliers screened on sustainability performance by 2025 (on-site)	2021	2025	Prerequisites ensured to drive continued performance	On track



Sales and Market

Our value chain starts and ends with the customers – from current and potential customers’ demand and expectations to product and service satisfaction. With the purpose to drive growth, revenue, and profit, at the same time meeting our sustainability related ambitions, our Sales and Market team is the aligning force. It communicates market intelli-

gence, supports upstream and downstream processes, and execution throughout the complete sales cycle. Objectives are met by developing existing and new business based on total customer offer solutions, which are designed and delivered in line with our strategic framework.



Spark ignition 2.0 liter engine

- Fuel: Petrol, E30 (HP, MP, LP), E22 (HP+), M15
- Hybridization: MHEV 48 V (HP, MP, LP), PHEV 400 V (HP+)
- Cylinders: 4



Compression ignition 2.0 liter engine

A high performance, clean and efficient 4-cylinder diesel that’s hybrid-ready and suitable for biofuels.

- Fuel: Diesel, HVO 100
- Hybridization: MHEV 48 V
- Cylinders: 4



Power Delivery Unit

An on-board electric generator created to charge or give the battery of an electric commercial vehicle an extra power boost. It extends range and generates longer uptime.

The set-up is modular to get tailor made solutions based on your packaging, fuel, charge strategy, voltage and power level requirements.





Research and Development and Manufacturing Engineering

Research and Development and Manufacturing Engineering develop technology and solutions and provide engineering services that are driven by our corporate objectives. Work covers four main business areas:

Powertrain development – develops state of the art sustainable hybrid engines for passenger cars and commercial applications focusing on:

- Complete product development capabilities from idea to industrialization.
- Manufacturing footprint suitable for global demand.
- High product modularity for cost efficient customized solutions.
- Compliance with global emission standards.
- Renewable fuel readiness, in products and technology.
- High specific power and torque base products, offering top quality and low operating cost for performance applications.

Powertrain system solutions – develops fully integrated powertrain solutions to customers within automotive and adjacent industries focusing on:

- Full-service tier 1 powertrain supplier and partner.
- Range extender solutions.
- Modular portfolio with fuel flexibility on the same platform.
- High power density engines for package efficiency.
- Robust engine design as enabler for outstanding durability.
- Innovative solution pioneer.

Engineering services – provides engineering expertise to the automotive industry focusing on:

- Full-service provider from idea phase to industrialization including concept and product development to full scale manufacturing layout.
- Global emission and homologation compliance expertise.
- Inhouse software development.
- Industry leading partnerships on alternative fuels.
- Manufacturing engineering and industrialization expertise.

Contract manufacturing – industrializes and manufactures powertrain components and systems for automotive and adjacent industries focusing on:

- Industry-lowest product carbon footprint by localized global manufacturing including sourcing and logistics, renewable energy, recycling, reuse.
- Flexible production flows.
- Complex and high precision machining and assembly operations.
- Manufacturing research and innovation.
- State-of-the-art quality assurance and continuous improvement.

Cutting emissions

We consider the growing demand for hybrid engines, coupled with the rapidly increasing share of renewable and fossil free energy in the global energy mix, as critical components for reducing our emissions in the coming years. Therefore, we have been actively investigating and addressing product hybridization and alternative fuel compatibility as keys to lower use-phase emissions:

- For us, hybridization means combining technologies using more than one major energy source to increase energy efficiency, for example gasoline and battery electric. Optimizing these synergies can create the ideal balance between energy efficiency and cost.
- Our MP Miller engine sets a new benchmark in mild-hybrid ICE technology, achieving our targeted reduction levels of 5gCO₂e/km and a larger map-area of high efficiency operation. This means lower fuel consumption across multiple load points.
- Our first range extender solution for commercial vehicles is a significant step towards making heavy-duty vehicle electrification possible. It has a lower life-cycle cost and supports last mile connectivity, especially in areas with limited high power charging infrastructure. It is estimated that about 80% of the time it runs on electricity, then when required the engine charges the battery. This operates the engine close to peak efficiency and reduces the need for dense low-utilization battery cells. And, importantly, keeps the vehicle running.

- In-house research on alternative, low-emission fuels and engineering projects is focused on creating capabilities for use of low-emission and carbon neutral fuels in our products. We are currently developing engines compatible with synthetic, carbon neutral methanol (M100) following market requests. We are also conducting research on opportunities to develop hydrogen compatible engines.
- We are investigating how we can be part of accelerating the adoption of E-fuels.
- In-house, we are developing hybrid solutions planned to start in 2024.

Circular business

To meet our targets for recycled aluminum and steel, we regularly conduct tests on engine parts containing higher proportions of recycled material to assess the impact on quality. We continuously work with our suppliers to increase the amount of recycled content and use data to monitor performance. Additionally, we are researching more sustainable materials for our products, including research in electrification aimed at reducing or eliminating the use of rare materials.





Supply Chain

Our Procurement team delivers on our sourcing strategy daily and collaborates with nearly 700 suppliers in 35 countries, across six continents. The team ensures that our supply chain is set-up and run effectively to support our corporate strategy and objectives with an increasing focus on sustainability.

Cutting emissions

Towards fossil-free energy

To reduce emissions in our supply chain, our directly contracted suppliers, current and new, are requested to aim for completely fossil-free energy consumption by 2025. Progress will be tracked in yearly and upcoming supplier sustainability assessments, and all new suppliers will be required to present a roadmap towards the target. We will continue to track our suppliers' climate action and focus on improvements with the greatest impact.

Switching to low-emission materials

Purchased goods and services make up 16.3% of our value chain emissions, making it the second largest emission category (as defined in the Greenhouse Gas (GHG) Protocol). The embedded emissions in aluminum and steel parts of our products, represent the largest share of the emissions in this category. CO₂e emissions associated with aluminum and steel primarily occur in the smelting process, as smelters often run on coal-power and use energy-intensive processes.

By switching to hydro-electric smelters, CO₂e emissions from the aluminum parts can be significantly reduced. To push our suppliers towards using low-emission materials, we have made important updates to our environmental requirements for new suppliers during early 2023, to better align with customer expectations and internal ambitions. Requirements include only delivering primary aluminum and steel parts with a carbon footprint corresponding to these materials being produced using renewable energy in the smelting process.

During 2023, an internal study was conducted on mapping third-party verified CO₂e footprints of steel and aluminum parts in one of our engine variants. The study aimed to gather primary data on upstream CO₂e performance to find opportunities for switching to low-emission alternatives for steel and aluminum components. The study investigated the largest components by mass, together accounting for over 60% of the engine weight. Two main findings:

- Data quality of upstream CO₂e emissions for several supplier value chains was improved, e.g. by providing validated third-party emission certificates (for example EPDs).
- A solution to significantly lower upstream CO₂e for a 17 kg cast aluminum part will be implemented, resulting in upstream CO₂e emissions being lowered by 8–9% per engine, depending on variant.

Circular business

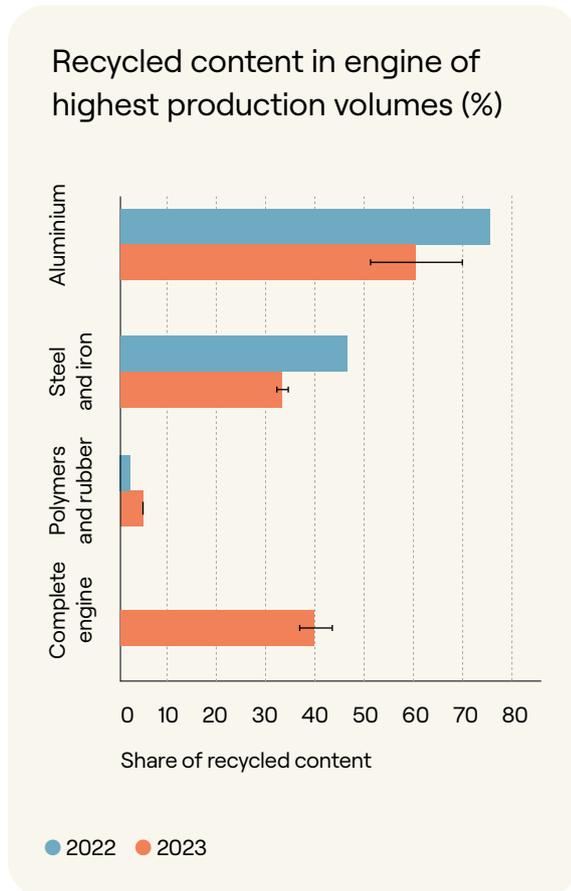
Recycled materials in our products

Taking a significant step towards our longer-term objective to be a circular business by 2040, we carried out an inventory in 2022 of our most sold gasoline engine to gather information on the level of recycled content. Since then, our data collecting methods and quality have improved, including close collaboration with specific component suppliers to acquire third-party certification such as EPDs² of upstream material CO₂e footprint. Additionally, a range of supplier requirements have been put in place for sourcing new parts, including achieving certain levels of recycled content for aluminum, steel and polymers. Requirements to report recycled content in IMDS³, as well providing information on how circular design principles are integrated into the product, have also been added.

The current recycled content levels of our most popular engine variant are encompassed in the graph below. The error bars indicate the minimum and maximum of available recycled content seen in this engine variant. It is presented as a range, as recycled content is a dynamic variable, dependent on fluctuating availability of scrap supply quantities.

² Environmental Product Declarations

³ International Material Data System



Caring business conduct

Employees in our value chain – employment conditions

The employees in our supply chain are critical to us. Through business operations and relationships, we strive towards a responsible and transparent supply chain, completely free from corruption and human rights abuse. Through our Volvo Cars heritage, we hold long-standing and collaborative relationships with many key suppliers. They play an important role in strengthening suppliers’ sustainability performance over time and gaining better insight into social and environmental challenges. Regardless of their tier level in our supply chain, we consider the health and safety and human rights of the employees to be equally important. Employees involved in mining and refining minerals in Conflict-Affected and High-Risk Areas⁴ are generally subject to higher risks of human rights abuse and unsafe working conditions. While we are not fully in control of the risks, we influence the impacts by issuing supplier requirements in our Code of Conduct for Suppliers, as well as establishing control mecha-

nisms such as audit and due diligence schemes. In short, our Code of Conduct for Suppliers supports in meeting our ambition of ensuring a responsible and transparent supply chain. We aim for screening all our high-risk tier 1 suppliers on their sustainability performance by 2025, on-site. Progress towards our ambition is reflected in numerous milestones that have been reached by 2023, including:

- Pilot audit completed.
- Supplier questionnaire on sustainability performance developed.
- Third-party sustainability audits, targeting directly contracted suppliers operating in high-risk countries, ready to be initiated during 2024.

Our Code of Conduct for Suppliers is an important instrument for addressing social and environmental risks in our supply chain, connected to employee well-being. It articulates a vision of responsible business behavior and sets forth the business principles that Aurobay Sweden requires all its suppliers to abide by in the course of their business relationship with the company. It covers areas such as human rights, working conditions, environmental care, responsible sourcing, and business ethics. All our suppliers are obliged to comply with our Code of Conduct for Suppliers and implement management systems that ensure their employees and sub-suppliers adhere to its requirements.

Suppliers’ conformance with the Code of Conduct for Suppliers and performance against a wider set of our Environmental, Social and Governance (ESG) requirements are evaluated via e.g. self-assessment questionnaires. We use a mandatory Self-Assessment Questionnaire (SAQ) in our direct material sourcing process since 2021. It covers ESG areas such as business ethics, human rights, environmental management, and responsible sourcing and was developed in a collaborative initiative by the automotive industry ‘Drive Sustainability’. All SAQ answers are validated by an external assessor and the suppliers are provided with recommendations on how to improve. The SAQ score makes a good indicator of the overall sustainability performance of our suppliers.

During 2023, the ownership of the SAQ process was transferred from our prior owner Volvo Cars to Aurobay Sweden. Existing directly contracted direct material suppliers need to complete a SAQ every second year. At the end of 2023, 256 suppliers (93.4% of our suppliers) had submitted a completed SAQ. Out of these, 91.4% are conformant with our requirements. Non-compliant suppliers are required to set up action plans, which we follow up on to secure improvement in line with our requirements.

⁴ www.cahaslist.net



Manufacturing

Our Manufacturing operations produced 787,000 engines during the year. Located in Skövde, Sweden, and Zhangjiakou, China, the plants are set up to support our corporate strategy and objectives with a focus on sustainability.

Cutting emissions

CO₂e emissions

We are very proud of our achievements so far in cutting emissions from both plants. Investments to further support this are underway.

The Skövde plant has run on renewable energy since 2017. Next year we will reduce CO₂e emissions from refrigerants by 41 tons by removing a unit. During 2024, we will initiate a study on the viability of a more flexible and environmentally-friendly verification method for engines, focusing on reducing fuel consumption and using alternative, low-emission fuels in the end-of-line process.

The Zhangjiakou plant switched to renewable electricity in 2022, which, compared to the baseline year of 2021, has resulted in notable reductions of CO₂e emissions (scope 2) from energy and facilities of 95% (89% reduction since 2022). The plant is also investigating the potential for reducing emissions further, e.g. from refrigerants.

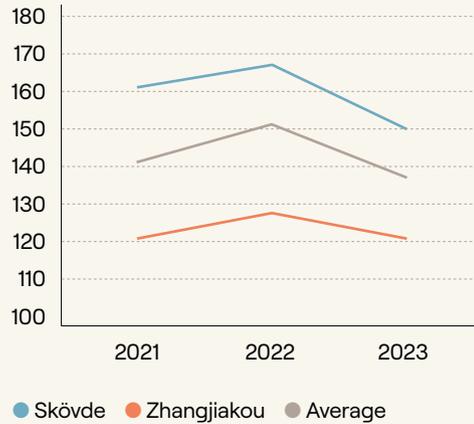
Energy use

Energy optimization has been a focus at our plants for many years. With recent sharp rises in energy prices and high volatility, particularly in Sweden, coupled with the environmental benefits of energy-efficient production, energy use and efficiency remain key priorities for us. Optimizing energy use throughout our value chain, goes hand in hand with our focus on reducing CO₂e emissions, while simultaneously having the benefit of targeting costs. By mapping energy use at our plants, including energy use per produced unit, we continue to look for opportunities to further reduce emissions and energy use.

Chasing energy optimization opportunities

While the level of energy consumption in our plants remains an important performance indicator, energy efficiency efforts do not only apply solely to our own facilities and

Energy use per produced unit (kWh)



production. Energy efficiency throughout our whole value chain, is critical for achieving meaningful impact. To mitigate the potential impacts of high energy consumption in material mining and processing, we focus on increasing the proportion of recycled aluminum and steel in our products. Using recycled metal significantly reduces energy and resource consumption compared to primary production methods.

The Skövde plant has a long history of significant investments in optimized energy use. Production facilities are already highly energy efficient, however, energy mapping will be carried out during 2024 to find potential energy efficiency improvements in the coming years.

The Zhangjiakou plant launched a project in 2023 aimed at enhancing energy efficiency throughout its operations. This initiative is expected to yield several benefits, including lowered temperatures in warehouses and control rooms to conserve energy, as well as the optimization of energy-intensive equipment. Planned energy-saving measures for 2024 include halting production completely during non-production days and adjusting lighting schemes during operational hours.

Circular business

Materials

An important step towards our journey of becoming a circular business is the industrialization of remanufacturing capabilities at our plant in Skövde, giving engines a second life. Our remanufacturing business is planned to be in full operation by 2024, with work to install production lines and other capabilities starting in 2023. Typically, a remanufactured ICE has a significantly lower carbon footprint than a conventional, new ICE, and has the same or higher quality standards as when newly produced.

Another example is an ongoing engineering project focusing on the reusing of honing oil. The project is looking into the possibility of removing water from washed honing oil and returning it to the filter system. So far, the project has made exciting progress with an estimated possibility to reuse around 70–80% of washed oil. This means big reductions in honing oil use as well as hazardous waste. The project is expected to finish in 2024.

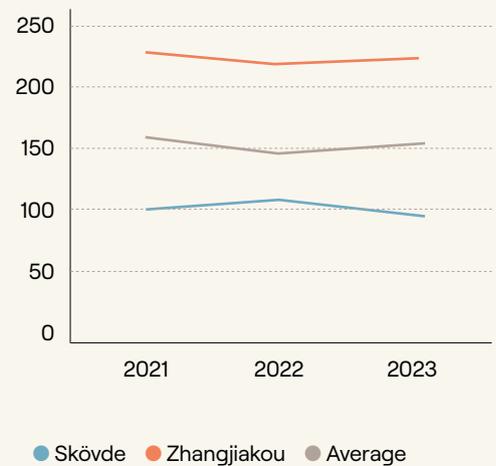
Machinery in our plants and production lines make up an important part of our material and resource use. Before initiating new projects that could require changes in machinery, we always strive to reuse or repurpose existing machinery to avoid unnecessary resource use.

Water

Efficient water management is significant for both our plants, as water scarcity could affect production and employees. However, given the varying circumstances in Sweden and China, our ambitions for water reduction are likely to differ. Target values are yet to be set for water reduction, as the reduction potential and associated cost implications are still under investigation. Water usage is pertinent throughout our value chain, particularly in the mining and processing of metals, which are inherently water-intensive activities. To tackle this challenge, akin to addressing natural resource depletion, we are increasing the proportion of recycled content in our products. Utilizing secondary aluminum and steel significantly reduces water consumption compared to primary raw materials.

While we target and follow-up water use per produced unit, we are still investigating proper ways to drive water reduction. The development of water use per produced engine in our plants between 2021–2023 comes across as relatively stable, while relative water use per engine increased slightly (2%) compared to last year. This is partly explained by change in water management for certain activities, as well as by an increase in evaporation from our cooling towers, which is correlated with weather conditions.

Water consumption per produced engine (liter/unit)



The Skövde plant engaged in one of our annual advanced engineering initiatives, focusing on recycling washing fluid. The project aimed to develop a solution for reintegrating washing water into the cutting fluid system during production. By enabling multiple recirculation before disposal, the outcome proved highly successful environmentally and economically. By implementing a new washing agent across much of the AI machining operations area, water changes have been slashed by approximately 75%. This has significantly reduced the volume of water requiring disposal and consequently minimized hazardous waste from our operations. Additionally, the project has saved costs of approximately KSEK 800 annually.

The Zhangjiakou plant implemented water-saving measures throughout the year. This includes installation of water-saving equipment, enhancing flow control in the irrigation system, and optimizing cooling water management by reusing condensate. In 2024, we plan a 'zero water footprint' project at one of our plants, identifying sources of wastewater and exploring opportunities to mitigate or eliminate the need for water treatment processes.

Waste

The bulk of waste within our value chain originates from the mining of primary raw materials. While we can only tackle this issue indirectly, we can make significant steps by prioritizing recycled aluminum and steel over primary materials. This shift can reduce waste and GHG emissions, and cut use of water use and natural resources, as well as the humanitarian impact. As a result, increasing the proportion of recycled content in our products is critical.

Looking at absolute numbers, the amount of waste generated in our plants has increased during 2023. This is explained by the larger production volumes compared to the prior two years. In 2023, waste per unit was however reduced at both our plants. While this gives a good indication of our circularity ambitions, we strive to increase material reuse over material and energy recycling and aim to eliminate waste ending up in landfill.

Waste per produced unit (kg)



The Skövde plant represents a figure of 0.01% in terms of portion of waste that went to landfill. More than half of plant waste is currently diverted from disposal, meaning it is reused or recycled as new material. Still, large amounts of waste leave the plant as hazardous waste, mainly in the form of cutting fluid. This is treated at neighboring facility in agreement with the local environmental authorities. However, four types of waste streams in the plant are now classified as by-products, meaning they are not considered as waste, and can be sold like any other product. Every time a new project, product or new machinery is introduced, efforts are made to avoid and minimize waste. Waste management achievements in 2023 include:

- Reductions of more than 97 tons CO₂e through a collaborative project with an external company, to reuse and recycle IT equipment.
- Finalization of a thesis project looking at waste streams in the plant. Results included valuable insights into environmental impact of different waste types, as well as opportunities for reducing CO₂e emissions from plastic waste.
- Other planned actions include a thesis project focused on waste oil and identifying opportunities for recycling oil back to the supplier.

The Zhangjiakou plant's waste management achievements in 2023 include:

- Waste reductions from reusing and reducing waste oil and circulating filter bags, and switching some packaging from single use to reusable.
- An opportunity to switch to returnable packaging materials instead of single use. This change is currently in progress and is expected to result in a waste reduction of nearly 90 tons, along with substantial cost savings.

Caring business conduct

Our own workforce - health and safety

Aligned with our Health and Safety Policy, we prioritize Occupational Health and Safety (OHS) as a cornerstone of employee well-being. Our Health and Safety Handbook provides comprehensive guidance to employees on mitigating risks in their daily tasks. We conduct regular safety proce-

dures to minimize OHS risks. Our primary gauge of employee safety is the Lost Time Case Rate (LTCR), indicating the effectiveness of our safety protocols. By monitoring LTCR, we identify risks and areas for improvement to enhance workplace safety and prevent injuries and accidents.

At the Skövde plant in Sweden, as well as at our headquarters in Gothenburg (including plant, office, test environments and laboratories), the LTCR was 0.31 in 2023 and 0.14 in 2022. To further support employee health and well-being, we offer all employees a yearly wellness allowance, as well as access to offers for various wellness activities.

In China, at the Zhangjiakou plant, all employees are covered by the OHS management system ISO45001, that has been in place and certified since 2020. The LTCR was 0.13 in 2023 and 0.0 in 2022.

This slight increases are partly explained by changes in reporting methodology. Every incident and deviation from our safety standards and practices are reported and managed through our OHS reporting tool.





People

Our employees are our most important asset and the foundation for everything we do. Governed by our Code of Conduct and the People Policy, and with support from all functions within Aurobay Sweden, the People and Culture team is committed to upholding a caring working environment so all our 2,800 employees feel safe, included and respected. We are committed to continuously attracting new talent, improving our workplaces, and strengthening our company culture. This includes developing employee skills and career growth, as well as offering expertise in labor laws and ensuring occupational health and safety. Our aim is to align these efforts with our corporate strategy and objectives, with a focus on sustainability.

Caring business conduct

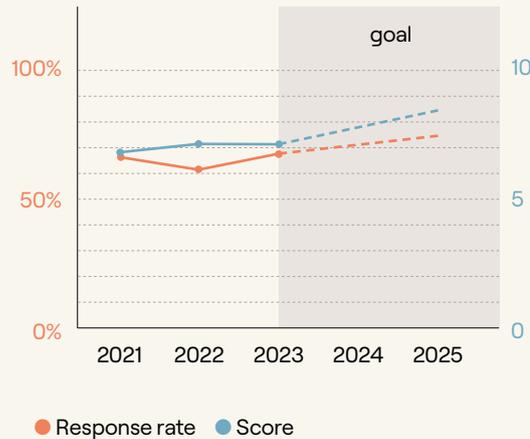
Our own workforce – employment conditions and engagement

We use several indicators to track our progress towards achieving our objective of being a great place to work. The indicators give us an overall view of our employees’ perception of the working conditions, as well as their level of engagement in the company. Currently we are using different scoring systems in Sweden and in China which is challenging in terms of reaching full comparability. Harmonization efforts are ongoing and a unite approach to bridge the differences in the coming years, is underway.

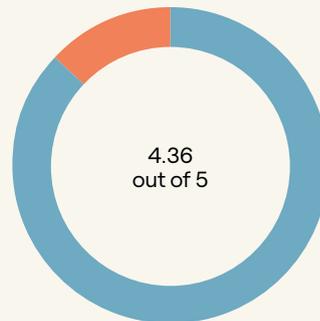
In Sweden, i.e. all employees at the Skövde plant as well as at our headquarters in Gothenburg, we measure employee well-being and engagement continuously by sending pulse surveys on a weekly basis. The surveys measure employees’ job satisfaction, engagement, overall well-being and other significant metrics that will support when taking improvement actions. In 2023 the surveys covered 67% of the employees and resulted in a score of 7.2. We are taking continuous actions to reach a response rate of 75% and a score of 8.5 by 2025. Highest possible score is 10.0.

In China, i.e. employees at the Zhangjiakou plant, well-being and engagement are measured through annual employee surveys. The questionnaire covers areas such as competence development, career opportunities, safety and work-life balance. The answers are analyzed by a third party. In 2023, the survey covered 719 employees and resulted in an average outcome of 4.36 out of 5.00. Once the score systems in Sweden and China are aligned, targets will too.

Response rate and score – Sweden



Employee engagement survey report – China









5. Management report

Board of Directors report

General information about the business

The Aurobay Sweden Group consists of the parent company Aurobay Sweden AB (corporate identity number 556830-5964), and its wholly owned subsidiary Aurobay Sweden Real Estate AB (corporate identity number 559140-6425). The company is a global supplier of complete powertrains including next-generation internal combustion engines and hybrid solutions. Headquartered in Gothenburg, Sweden, the company consists of the powertrain plant in Skövde, Sweden, as well as central functions that combine

outstanding capabilities for manufacturing, Research and Development, and digitalization with over hundred years of innovation in fuel technology and electrification and a highly skilled workforce of 1,664 employees (average 2023).

Aurobay Sweden AB is a wholly owned subsidiary of Aurobay International PTE. LTD., which is a wholly owned subsidiary of Aurobay Holding PTE. LTD.

Development of operations, profit and financial position

AMOUNTS IN KSEK

	2023	2022	2021
Group			
Net sales	14 026 194	11 092 382	11 552 569
Operating margin, %	3.51%	0.61%	3.0%
Balance sheet total	7 784 203	6 719 815	6 324 563
Return on capital employed, %	6.9%	0.9%	2.6%
Return on equity, %	20.5%	3.7%	19.1%
Equity ratio, %	54.0%	60.0%	62.0%
Parent company			
Net sales	14 033 741	11 086 682	11 544 829
Operating margin, %	2.1%	1.1%	2.6%
Balance sheet total	8 449 628	7 274 962	7 000 119
Return on capital employed, %	2.4%	2.4%	6.8%
Return on equity, %	4.8%	3.2%	14.2%
Equity ratio, %	86.0%	79.0%	56.0%

Significant events during the financial year

During the year, the company signed an agreement with AB Volvo under which the company will manufacture camshafts for AB Volvo's heavy-duty trucks.

The company's owner Geely has signed a joint-venture agreement with Renault, in which the parties have agreed to combine the companies' internal combustion powertrain businesses.

Significant events after the financial year

The company name Powertrain Engineering Sweden AB was changed to Aurobay Sweden AB during the first quarter of 2024.

Important conditions

Volvo Car Corporation accounted for almost 75% of the company's sales in 2023.

Expectations for the future

The joint-venture agreement with Renault is expected to support the companies in becoming global leaders in developing, manufacturing, and supplying next-generation hybrid as well as highly efficient powertrain solutions.

Material risks and uncertainties

See section 5. Management report / Enterprise risk management report (page 46).

Research and Development

See section 4. How we create value / Research and Development and Manufacturing Engineering (page 22).

Sustainability report

The Aurobay Sweden Annual and Sustainability Report 2023 is a sustainability integrated annual report. The scope of the sustainability reporting includes Aurobay Sweden AB (corporate identity number 556830-5964), its wholly owned subsidiary Aurobay Sweden Real Estate AB (corporate identity number 559140-6425), and the operations at the manufacturing plant in Zhangjiakou, China, referred together as Aurobay Sweden.

The sustainability reporting is integrated with the information and disclosures throughout the report, including the Corporate governance report (page 36), and the Enterprise risk management report (page 46). Sustainability related information is disclosed also in section 7. Sustainability guidelines, facts and tables (page 98). The sustainability reporting is based on inspiration from the GRI with reference to the GRI Standards as outlined in section 7. Sustainability guidelines, facts and tables / GRI index (page 104).

The company's climate target calculations are based on the Science Based Target Initiative (SBTi) calculation tool, to align with the Paris Agreement.

Proposed distribution of the company's profit

The board proposes the appropriation of non-restricted equity of SEK 4 742 986 000 as follows:

Shareholders' contribution	280 282 000
Net profit for the year	264 751 325
To be carried forward	4 197 952 675
Total	4 742 986 000

Further information regarding the group's and parent company's profit and financial position can be found in section 6. Financial statements (page 62), in which the income statements, balance sheets, statements of changes in equity, cash flow statements and related notes are presented.

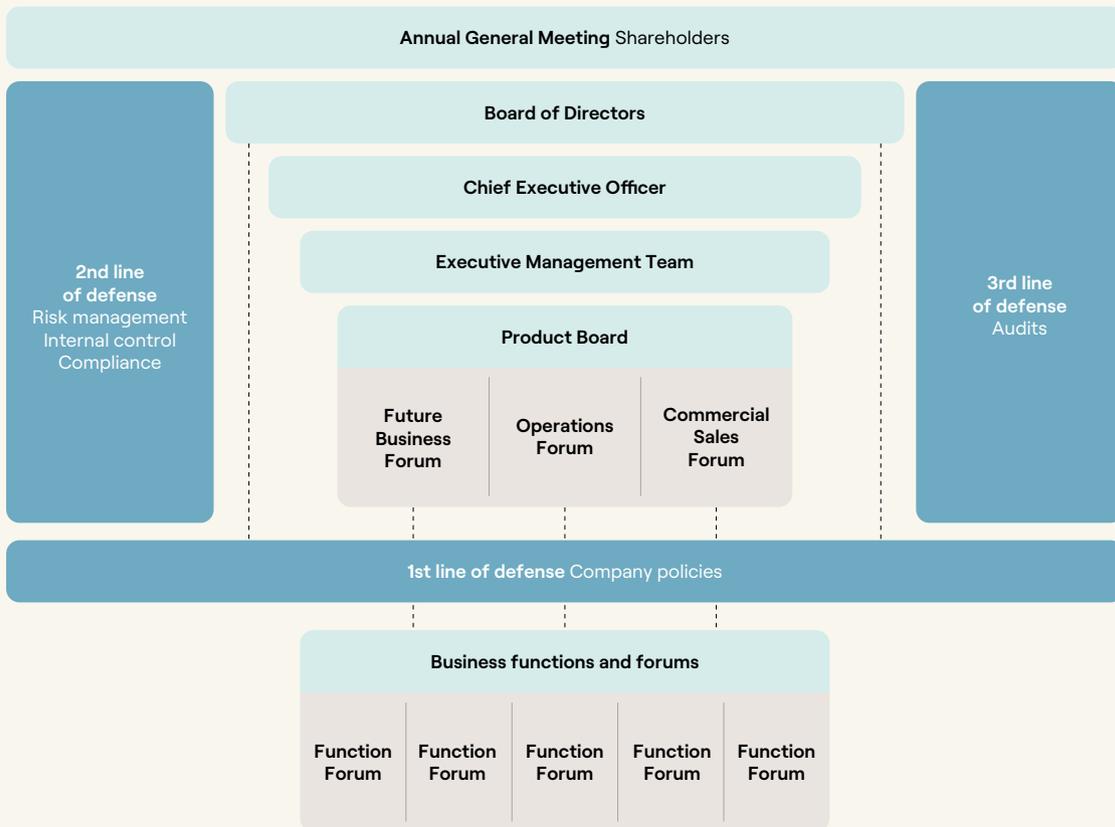
Corporate governance report

Aurobay Sweden AB is a privately held company with operations in Sweden both in Gothenburg and Skövde. It is led by Michael Fleiss, the company's Chief Executive Officer (CEO). From a governance perspective, Michael Fleiss is also responsible for the operations at the Zhangjiakou plant in China, which by legal structure is formally directed by its Board of Directors (BoD) which consists of Rui Ping Wang, Michael Fleiss and Maria Elm Olsson.

The main decision-making bodies of the company are the Annual General Meeting (AGM) – Shareholders, BoD, and the CEO. The AGM appoints the BoD, who in turn appoints the CEO, who oversees the daily operations in accordance with directives and guidelines issued by the BoD.

Corporate governance is an important aspect of ensuring that the company is managed in a sustainable, responsible, and efficient manner. By delivering on the strategy, the company's objectives, mission, and vision shall be met to create value for its external and internal stakeholders.

Organizational structure



Annual General Meeting

The AGM for 2022 was held on the 30 June 2023 in Gothenburg, Sweden. In accordance with the proposal issued by the BoD, the AGM decided:

- To accept the annual report of 2022.
- To discharge the BoD members and the CEO from liability for the financial year 2022.
- That the number of BoD members shall be at least one, at the most ten, and that a maximum of ten deputies are allowed.
- Rui Ping Wang (Chairman), Michael Fleiss (re-elected), Ingo Scholten, Tihua Huang (re-elected) and Xufeng Zhu were elected as ordinary BoD members.
- Marko Borg Peltonen and Joakim Dahlin are employee representatives appointed by the unions.

The AGM for 2023 will take place 30th June 2024 in Gothenburg, Sweden.

Auditor

The AGM 2023 decided to re-appoint Deloitte AB as the auditor for the period until the end of the AGM 2024. Niclas Åberg was appointed as the principal auditor. The auditor reports observations from the audit work to the BoD.

Board of Directors

The BoD is the company's highest decision-making body after the AGM. According to the Swedish Companies Act, the BoD is responsible for the management and organization of the company. This means that the BoD is responsible for setting objectives and strategies, ensuring procedures

and systems for evaluating the set objectives, continuously evaluating the company's performance and financial position, and evaluating the Executive Management Team (EMT). The BoD is also responsible for ensuring that the annual report is prepared in time. The BoD follows written rules of procedure, which are revised annually and adopted at the statutory BoD meeting. The rules of procedure regulate the BoD practices, and allocation of work between the BoD members and the CEO. In connection with the statutory BoD meeting, the BoD also sets out instructions for the CEO, including Financial Reporting Scheme. The BoD is further responsible for adopting company policies, as well as for ensuring compliance.

The composition of the Board of Directors

In 2023, the BoD consisted of seven ordinary BoD members – five men and two women – of which two men were employee representatives appointed by the unions. All BoD members are independent in relation to the company and its management, and in relation to the shareholders.

The Board of Directors' work in 2023

In total, the BoD held four meetings in 2023, of which two were held in Sweden and two in China. Minutes were kept for all meetings. The BoD has established rules of procedure that describe in detail the content and timing of the topics that shall be covered during the different BoD meetings throughout the year.

The company's organization

The CEO is subordinate to the BoD, and responsible for the company's general administration and daily operations. Division of duties between the BoD and the CEO is set out in the rules of procedure for the BoD, and in the instructions to the CEO. The CEO is responsible for preparing reports and compiling information from the EMT to the BoD meetings, as well as providing any other material relating to BoD meetings. According to the financial reporting instructions, the CEO is also responsible for the financial reporting of the company and shall ensure that the BoD receives sufficient information to enable the BoD to assess the company's financial position on an ongoing basis. The CEO shall, within the scope of the CEO's authority, delegate tasks among the EMT members, as the CEO finds appropriate. The scope and principles with regards to the CEO's delegation to the EMT members, are stipulated in the company's Delegation of Authorities. In 2023, the EMT consisted of 14 members including the CEO, of which eight were men and six women.

Description of the company's internal controls

The BoD responsibility for internal controls is regulated by the Swedish Companies Act. The BoD adopts company policies and other governing documents and ensures that the contents are communicated to all interested parties. This report is limited to a description of the internal controls related to the financial reporting for the financial year 2023. The objective of the company's internal controls is to ensure reliable and accurate financial reporting, that the company's financial statements are prepared in accordance with regulations and applicable accounting standards, that the company's assets are safeguarded, and to ensure compliance with other requirements.

The foundation of internal controls

The foundation of the company's internal controls includes how the BoD and the EMT allocate responsibility and authority within the organization, provide information on business objectives, and communicate the overall significance of internal controls. The CEO has delegated to the EMT members to appoint a process manager for each of the key financial processes. The process managers are responsible for reducing significant risks in the processes through appropriately designed and documented controls, which are subject to regularly follow-ups. The process managers are also responsible for ensuring that there are flowcharts, documented risk assessments, and risk- and control matrices.

Risk assessment

Risk assessment is the very foundation of and starting point for the establishment of internal controls. Risk is defined as any future event that, directly or indirectly, threatens the company's ability to deliver on the strategy to reach the objectives, mission, and vision. Risk assessment, management and reporting takes place continuously throughout the year. The Finance function assesses risk for material misstatements in the financial reporting.

Internal control

Internal control refers to the set of measures that are implemented to meet the requirements of company policies, and hence support risk reduction. The objective is to have an effective series of controls that are adapted to the business' conditions and risk tolerance. To ensure that the financial reporting gives a true picture, control activities involve multiple parties within the organization, from the BoD and the EMT, to the finance function and other employees. Financial controls in the company's business processes include approval of business transactions, reconciliations, and monthly performance monitoring. Reporting and analysis of financial outcomes are regularly submitted to the BoD and the EMT.

Information and communication

An important aspect of internal controls is to ensure effective distribution of relevant information to external and internal stakeholders. The company's Communication Policy covers the handling of financial information. The company ensures that applicable policies are available to relevant parties. The company's Internal Reporting Policy stipulates directives related to whistleblowing and directs stakeholders to the whistleblowing system located on the company's website.

Monitoring

The BoD continuously evaluates any information submitted by the CEO, which includes financial information and key issues about internal controls. Going forward, the company's ambition is to conduct self-assessments and independent tests to evaluate the effectiveness of the internal controls. This will be done at least on a yearly basis and the results will be reported by the CEO to the BoD. Proposals for action plans and improvements will be identified and implemented on an ongoing basis.



Corporate governance and sustainability

Aurobay's sustainability work covers all the ESG areas – Environment, Social and Governance. To ensure that sustainability aspects that are core to the company are known to the organization and its suppliers, the ESG related directives are communicated in the Code of Conduct which also serves as an umbrella document for the Code of Conduct for Suppliers, People Policy, Health and Safety Policy, Internal Reporting Policy, Anti-corruption Policy, and Data Protection Policy. The company's approach to sustainability is further reflected in the company's strategic framework. Overall adherence is ensured by tracking the business' activities and outcome throughout the value chain. All directed and supported by the corporate governance structure.

Environment

Policy

The company's Environmental Policy is guided by the Paris Agreement. The policy gives directives for the company's environmental work to deliver on its sustainability ambitions, while transitioning from relying on linear business principles to circular ones. The policy mainly focuses on circularity, value chain decarbonization, target setting principles, stakeholder engagement, technology support, as well as laws and regulations. The scope of the policy includes the company's operations, as well as its activities related to supply chain and downstream emissions for which the

company is accountable. To support policy adherence, the company's Environmental Management System (EMS) supports with target setting and steering towards continuous improvements, with regards to environmental impact.

Activities

With the purpose to strengthen sustainability competence within the organization, part of EMT and its members' respective management teams have participated in trainings in the Environmental Policy, sustainability governance, and operational sustainability work. Remaining part of the EMT and its management teams, as well as the rest of the organization, will be trained during 2024. Focus area for the trainings was Cutting Emissions.

Outcome

Given the progress on relevant sustainability matters, including transitioning towards fossil free energy, and optimizing energy, water, and waste management, most policy directives are concluded to be adhered to (for complete list of material topics, see page 98–99). However, scope 3 emissions saw an increase from last year, and increasingly urgent efforts are needed to decouple the products from CO₂e emissions. Hence, full adherence to the Environmental Policy is yet to be ensured.



Social – The company's own employees

Policies

The Code of Conduct outlines the overall governing principles on how the company and its employees shall act within a range of areas, including the social dimension of ESG. As such, the company's Code of Conduct serves as an umbrella for the below policies.

The People Policy is guided by international human rights standards, including the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact. The policy concerns e.g. non-discrimination and harassment, child labor, and forced labor.

The Health and Safety Policy outlines that safety should be the top priority of everything the company does, and shall be achieved through cooperation, as well as monitoring and assessment of risks. It further establishes that a safe work environment shall be achieved by engaging and encouraging employees to report deviations, as well as investigating and remediating all deviations.

The Internal Reporting Policy gives directives on how to act on suspected or noted non-compliance issues. Hence, if an employee notices any activity or conduct that may result or has resulted in a violation of the above (or other) policies, the employee is expected to report the issue according to the directives in the Internal Reporting Policy.

Activities

- All policies are available to the employees by being communicated on the intranet. To further strengthen awareness, and to support adherence to the Code of Conduct and the People Policy, all employees were requested to take mandatory online trainings during 2023.
- Further, to strengthen leaders in their role as company ambassadors, and to give them the prerequisites to en-

hance employees' performance, learning and development, a leadership program was implemented in 2022, and which continued to operate during 2023. Connected to the program, leadership dialogues are arranged four times a year, which are open to all leaders within the company.

- Moreover, a Diversity, Inclusion, Equality and Belonging (DEIB) group was founded during the year and is represented by volunteering employees from different functions of the company.

Outcome

- The mandatory Code of Conduct and People Policy trainings were completed by almost 50% of the employees during the year, and the remaining gap to reach full completion, is planned to be closed during 2024.
- Since launch in 2022, the leadership program has been completed by 47 leaders, and will continue during 2024 until a satisfactory level of participation is reached.
- Being in its founding stages, the DEIB group will continue its work during 2024 by defining further activities, potentially with support from union members.

Social – Employees in the company's value chain*Policy*

The company's Code of Conduct for Suppliers is guided by internationally recognized principles that it strongly supports. These include internationally proclaimed human rights conventions, particularly the International Bill of Human Rights, the eight core conventions of the International Labor Organization and Article 32 of the United Nations Convention on the Rights of the Child, the United Nations Declaration on the Rights of Indigenous Peoples, International Covenant on Economic, Social and Cultural Rights, as well as the United Nations Guiding Principles on Business and Human Rights. The company's Code of Conduct for Suppliers further upholds the principles laid out in the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the OECD Guidelines for Multinational Enterprises. In addition, the company supports the United Nations Global Compact Initiative, which is a strategic initiative for businesses committed to align with ten universally accepted principles in the areas of human rights, labor, environment, and anti-corruption.

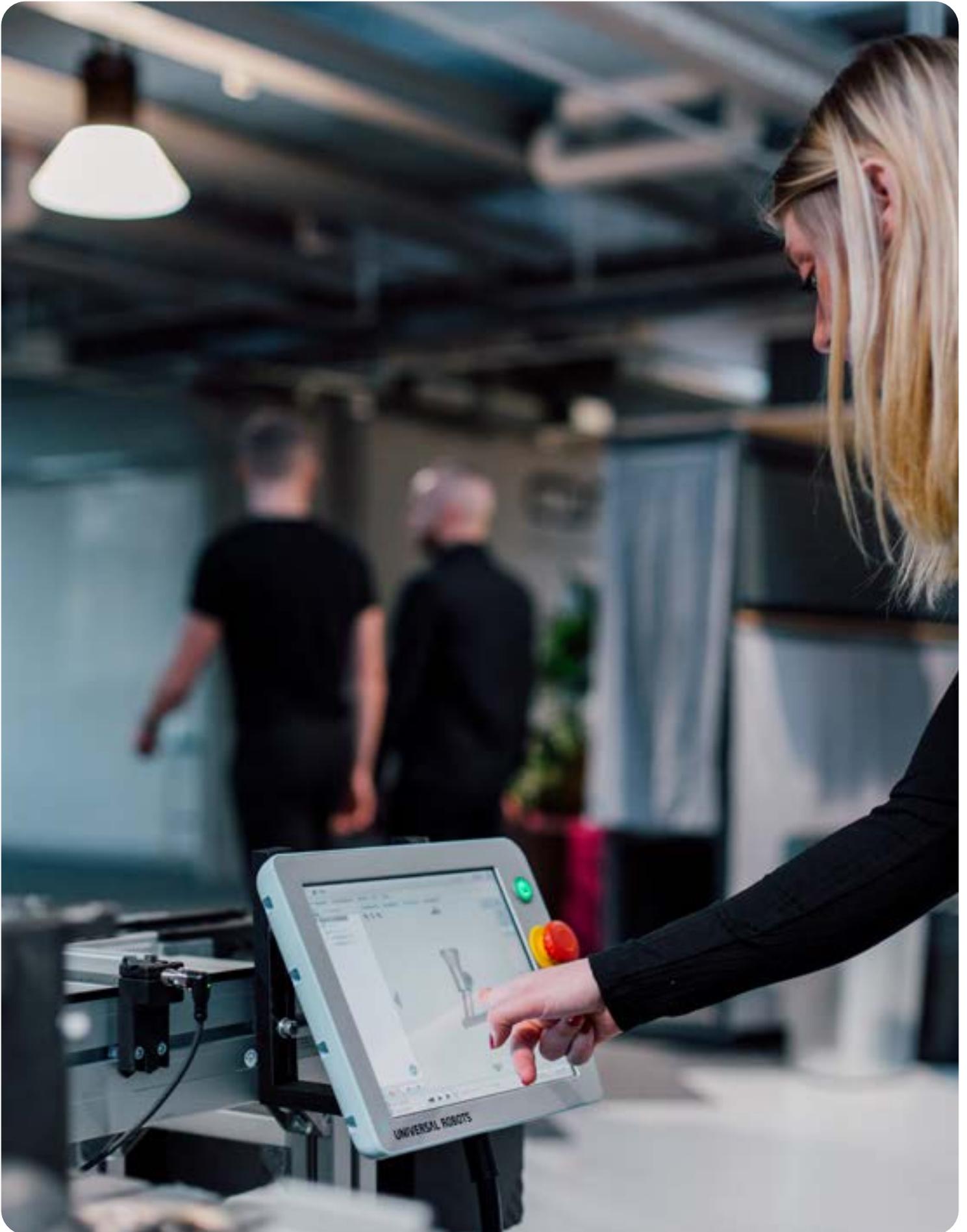
The Code of Conduct for Suppliers is the company's most important instrument for addressing social and environmental risks in its supply chain, and that are connected to the well-being of suppliers' employees. The Code of Conduct for Suppliers sets out requirements for the company's suppliers with regards to working conditions and human rights, health and safety, care for the environment, responsible sourcing of parts and raw materials, and business ethics. Business ethics cover topics such as business integrity, anti-corruption, counterfeit parts, conflict of interests, audit right, grievance mechanism, as well as cooperation and consequences of violations.

Activities

The Code of Conduct for Suppliers is reviewed continuously by the company and was last updated just before year-end.

Outcome

All our direct material suppliers have accepted the Code of Conduct for Suppliers. Adherence is followed-up via supplier self-assessments, as well as on-site supplier audits to be initiated in 2024.



Governance

Directed and supported by the corporate governance structure, the company's sustainability organization is set up with the ambition to ensure that sustainability related decisions are made on the appropriate level, and that the decisions are executed by the organization.

Policies

With regards to sustainability governance, the company has issued and communicated a few key policies to the organization to ensure all employees have the prerequisites necessary to comply to legal and regulatory requirements, and to perform their work properly.

The Code of Conduct sets the scene in terms of outlining preferred behaviors and is further drilled down to a range of area specific policies. In addition to the above mentioned ESG-related policies, the company has also issued an Anti-Corruption Policy which is part of the Code of Conduct, a Data Protection Policy, and a Cookie Policy.

The Anti-corruption Policy gives directives related to the company's prohibition of all forms of bribery and corruption, in all countries it operates. For reporting potential or identified incidents related to the policy, it refers to the Internal Reporting Policy.

The Data Protection Policy and the Cookie Policy give directives related to the safeguarding of current, former, and potential customers', employees', and business partners' privacy and others who are in contact with the company sharing personal data, in all countries the company operates.

Activities

The policies are available to the employees by being communicated on the intranet. To further strengthen awareness, and to support adherence to the Code of Conduct, of which the Anti-Corruption Policy is part, all employees were requested to take mandatory online trainings during 2023.

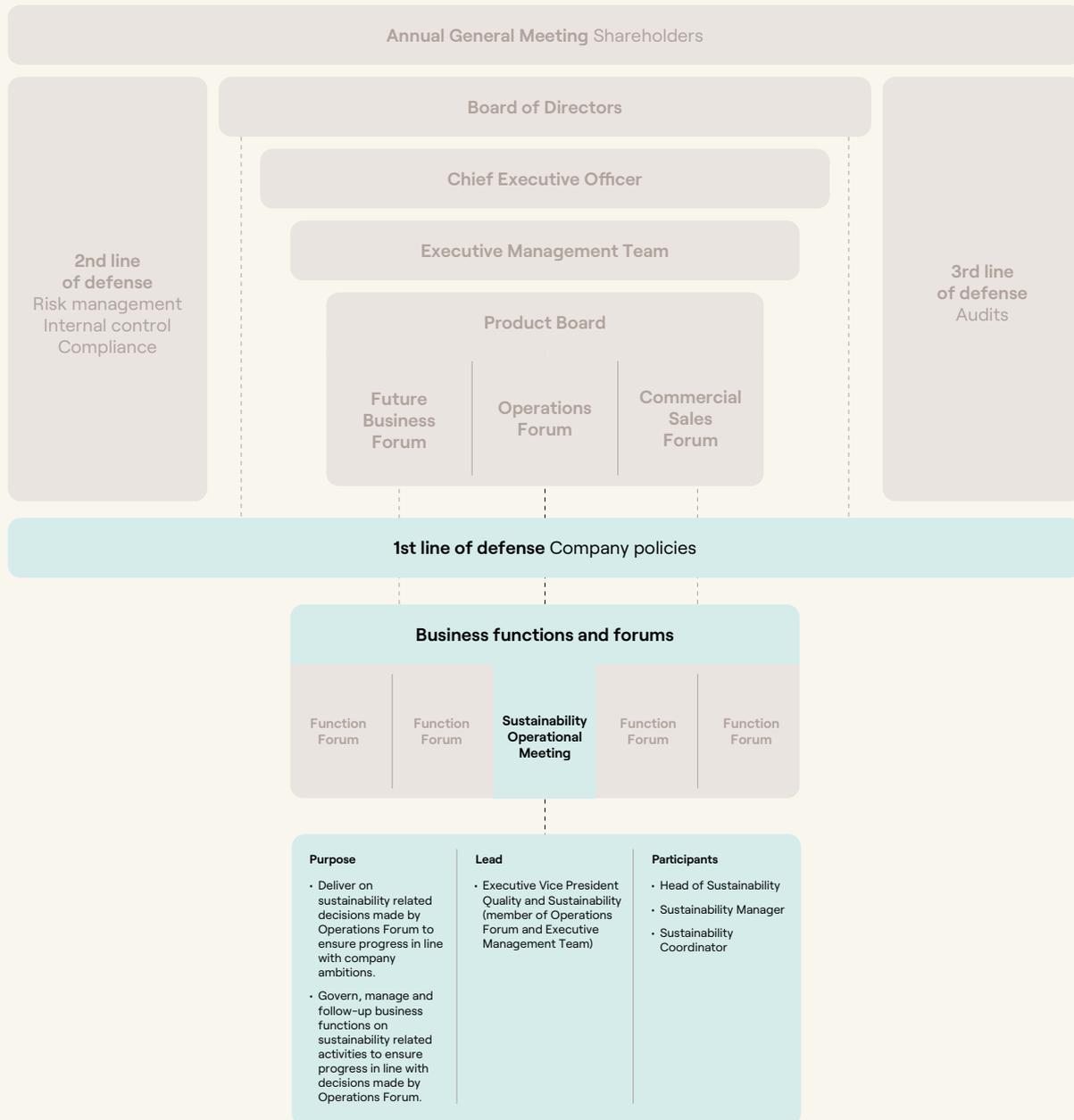
Outcome

The mandatory Code of Conduct training was completed by almost 50% of the employees during the year, and the remaining gap to reach full completion, is planned to be closed during 2024.

There were no identified incidents of bribery or corruption during 2023.



Organizational structure



Enterprise risk management report

Managing risks is critical to Aurobay Sweden's success. Risks are managed according to the company's principles of Enterprise Risk Management (ERM). These are reflected in the Risk Management and Internal Control Policy. The directives outlined in the policy are further defined in the daily working processes and instructions issued by the Executive Management Team (EMT) and the company's operations. The overall objective of ERM is to support decision-makers at all levels in the company, including the EMT as well as the BoD.

ERM governance

The ultimate responsibility for ensuring that Aurobay Sweden's risks are sufficiently managed lies with the BoD. The BoD has delegated to the CEO to ensure that the internal controls provide for an adequately managed risk landscape. The CFO is responsible for supporting the CEO in all internal control related matters including ERM, and has appointed the Internal Control (IC) department to carry out such duties.

The ERM reporting process is a key prerequisite for designing and establishing adequate internal controls. It is carried out on a yearly basis, or more frequently if required by the BoD, the CEO, or the CFO. The process is initiated by gathering risk reports from the whole organization via a cross-functional team consisting of process managers from all areas of the company. The outcome results in a consolidated risk report for the whole company from which the EMT prioritizes risks for the business to focus on. The EMT decision is reflected by updating the consolidated risk list which is communicated by the IC department to the process managers for further actions.

The company's top risks are pulled out from the EMT approved risk list and presented to the BoD. The top risks are presented in relation to the yearly filing of the statutory annual and sustainability report. With that, the yearly ERM process is closed, and forms the base for the upcoming year's ERM process and reporting.

Key risk drivers

To identify the top risks of the company, focus has been directed to the external business environment in which Aurobay Sweden and its current as well as potential customers operate. The impacting factors are summarized below as key risk drivers:

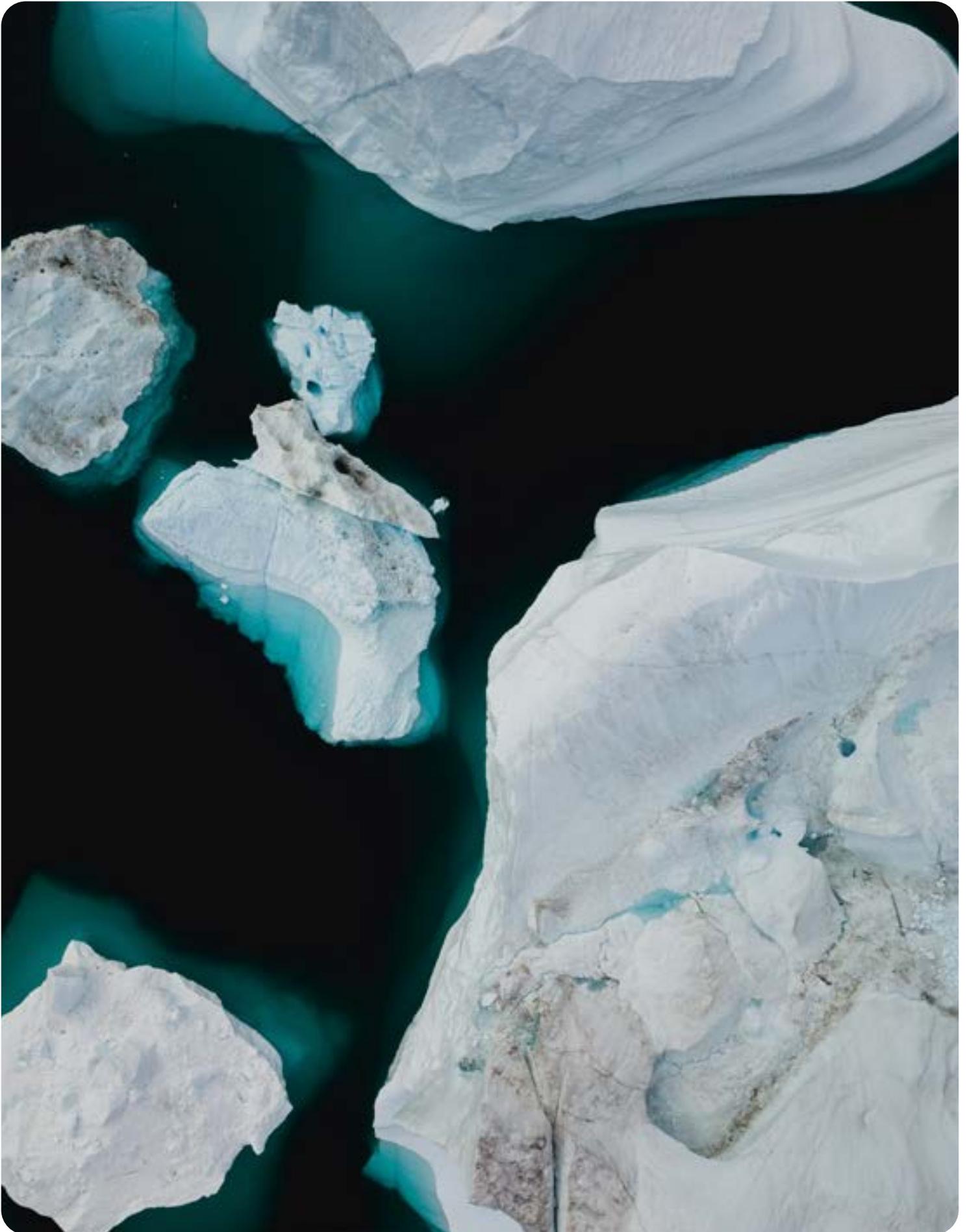
- Macro-politics and -economics
- Customer behavior and demand
- Competitive environment and technological development
- Climate change
- Legal and regulatory requirements

Top risks

Described in the table below are the identified top risks confronting Aurobay Sweden. All risks are defined and categorized according to the principles of Committee of Sponsoring Organizations of the Treadway Commission (COSO), an international and generally accepted framework for risk management and internal control.

A risk is defined as any future event that, directly or indirectly, threatens Aurobay Sweden's ability to deliver on its strategy to reach the objectives, mission and vision. The risks are categorized as below.

- **Strategic** – risks impacting strategic deliveries and fulfillment of objectives.
- **Operational** – risks impacting operational deliveries.
- **Financial** – risks impacting financial results, financial position, cash flow and/or valuation.
- **Compliance** – risks impacting the ability to comply to legal and regulatory requirements.



Strategic risks

Description	Objective areas at risk	Mitigation	Outlook
<p>Prioritization challenges</p> <p>To meet the changes in customer behavior and demand, and the high expectations in terms of buying sustainable products and services, Aurobay Sweden is continuously developing its offering. To an extent, the potential business opportunities are captured in business segments and countries that are new to Aurobay Sweden. Therefore, the risk is that strategic prioritizations and efforts made are not followed by the anticipated success.</p>	<p>People. Sustainability. Innovation. Growth. Profitability.</p>	<p>Aurobay Sweden’s governance model and strategic framework have been tailored specifically to support the needs of the company’s rapidly emerging business, in which sustainability-related objectives and actions are key. The robust steering of Aurobay Sweden is expected to strengthen its ability to continuously make the right decisions, with increased focus on the future business areas.</p>	<p>The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden’s governing model and strategic framework support the prioritization process – to ensure that the flexibility in customer behavior and demand continues to be addressed.</p>
<p>Lack of strategic competencies</p> <p>To be a player in an increasingly sustainability focused industry, Aurobay Sweden must attract and retain the competencies needed to develop, manufacture and sell sustainable products and services according to its strategic prioritizations. The competition for talent within key areas such as Research and Development is fierce. Being a relatively new brand, and by heritage still being regarded a combustion engine producer, confronts the company with the risk of not finding the right talents.</p>	<p>People. Sustainability. Innovation. Growth. Profitability.</p>	<p>Aurobay Sweden’s people strategy is designed to attract talent within areas that are critical to succeeding with its strategic prioritizations. By working intensely with employer branding, portraying Aurobay Sweden as a dedicated transformer with a sustainability-focused mindset, curiosity is expected among key talents. Satisfaction among current employees is measured continuously, providing the input necessary to ensure a continued high retention rate.</p>	<p>The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden balances its attracting and retaining efforts – to stay competitive in the continued battle for strategic competencies.</p>
<p>Too low emission-cuts</p> <p>Climate change calls for a range of actions to improve the global environmental condition. Given the relative contribution to global emissions, players in the automotive industry are key to making a difference. For Aurobay Sweden, major part of the company’s emissions occurs in the products’ use-phase. From an emission-cutting perspective, the company has less control over that specific part of the value chain. Vehicle OEMs, fuel providers and end-users all influence the total level of emissions, which contributes to the risk of Aurobay Sweden not being able to reach its emission-cutting ambitions.</p>	<p>Sustainability.</p>	<p>Aurobay Sweden’s approach to minimizing the impact from the combined level of emissions occurred in the use-phase, is to continuously investigate and address product hybridization and alternative fuels as compatibility keys.</p>	<p>The risk is expected to remain. The risk level will correspond to Aurobay Sweden’s ability to deliver solutions with high compatibility in relation to the combined use-phase emissions – to meet its emission-cutting ambitions.</p>

Operational risks

Description	Objective areas at risk	Mitigation	Outlook
<p>Supply chain disruptions</p> <p>Increased raw material cost, and costs related to labor, transportation, and energy costs, increased frequency and severity of natural disasters due to climate change or even lack of supply, might have a negative impact on suppliers' ability to continue business. Macro-politics and -economics continue to put pressure on Aurobay Sweden's suppliers. Increased raw material cost, and costs related to labor, transportation, and energy costs, or even lack of supply, might have a negative impact on suppliers' ability to continue business. To add, Aurobay Sweden confronts fluctuations in customer demand which bring potential inefficiencies to the supply chain. Therefore, the company's ability to deliver sustainable products and services timely and with the right quality, is at risk.</p>	<p>Sustainability. Growth. Profitability.</p>	<p>Aurobay Sweden is continuously monitoring the financial status of its suppliers. That is complemented with working processes designed to ensure that disruptions due to eventual supplier insolvency, are kept at a minimum. In addition, Aurobay Sweden works closely with its customers and Research and Development to prepare for and mitigate worst case scenarios to ensure continued sustainable deliveries throughout the supply chain. Risks of raw material shortages are partly addressed by increasing the share of recycled content in our products.</p>	<p>The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages its supply chain – to ensure maintained and sustainable deliveries.</p>
<p>Cybersecurity threats</p> <p>The increased tensions in the macro-political environment, have contributed to a rise in cyberattacks globally. Aurobay Sweden is no exception in terms of being subject to the risk of such attacks. This puts pressure on the company's information security, data protection and reliability of the IT environment in general. As the attacks are getting increasingly sophisticated, they might be complex to foresee. If the risk realizes, the consequences might be costly.</p>	<p>Profitability.</p>	<p>Aurobay Sweden is continuously evaluating its resilience towards cyberattacks. IT intelligence, infrastructure and security updates, testing, backups, training, and organizational support are some of the mitigating actions to minimize the risk. Insurances covering the consequences of eventual attacks are evaluated continuously. Altogether these actions are considered to minimize the occurrence and impact of eventual cyberattacks.</p>	<p>The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages its IT environment – to ensure business continuity.</p>

Financial risks

Description	Objective areas at risk	Mitigation	Outlook
<p>Currency fluctuations</p> <p>By being subject to macro-economic conditions, currency fluctuations are part of, and impact, the monetary value of transactions throughout Aurobay Sweden's value chain. Therefore, Aurobay Sweden's financial strength is put at risk.</p>	Profitability.	<p>Aurobay Sweden's overall approach to managing financial risks is outlined in the company's Finance and Tax Policy, which is further reflected in the relevant working processes. To avoid negative currency effects, Aurobay Sweden's ambition is to the largest extent possible, apply the principle of natural hedging, i.e. sell and source in the same currency.</p>	<p>The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages the means available on the financial markets, as well as through natural hedging – to ensure currency effects are balanced towards having a neutral or positive financial impact.</p>
<p>Operational inefficiencies</p> <p>Aurobay Sweden has to a large extent inherited the ways working from its former owner. Governing and operating the company according to the principles of a much larger company do not fit the smaller Aurobay Sweden. If not utilizing its resources effectively, the company is put at risk in terms of diminished competitiveness and financial strength.</p>	Profitability.	<p>Several cross-functional and functional initiatives to cut, as well as align, the inherited set-up with new ways of working, have been completed. Many initiatives are still running, and new ones are added. All with the ambition to cater for a sustainable and profitable future for Aurobay Sweden.</p>	<p>The risk is expected to remain. The risk level will correspond to how soon and to what extent Aurobay Sweden manages to realize its efficiency efforts – to ensure progress towards becoming a more agile, competitive, and profitable company.</p>
<p>Supply and price volatility</p> <p>The consequences of climate change and macro-political and -economic decisions, impact companies' financial health in several ways. Uncertainty in emission tax levels, as well as fluctuations in energy and water supply and price, are all subject to the attention of companies worldwide. The volatility poses risks to Aurobay Sweden in terms of ineffective operations and decreased profitability.</p>	Profitability.	<p>Aurobay Sweden's continued focus on reducing emissions throughout its value chain, including by finding solutions to reduce use-phase emissions, as well as running operations on renewable energy, recycling water etc., balance out part of the volatility.</p>	<p>The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages to balance its counteractions to the impacting factors – to ensure effective operations and continued profitability.</p>

Compliance risks

Description	Objective areas at risk	Mitigation	Outlook
<p>Non-compliance</p> <p>Aurobay Sweden is managing its business in accordance with a wide range of legal and regulatory requirements. With climate change, sustainability related international and national laws have increased significantly. In addition, extensive requirements related to current and upcoming certifications necessary to run business, must also be complied to. As the company grows, complexity increases and with that, the risk of being non-compliant.</p>	<p>People. Sustainability. Innovation. Growth. Profitability.</p>	<p>Aurobay Sweden has a robust policy framework in place that shall ensure the relevant compliance-related actions are implemented throughout the working processes. Adherence is ensured by the company's principles for ERM reporting, as well as support by internal and external audits from which areas for improvement are gathered and addressed.</p>	<p>The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden communicates the legal and regulatory requirements to the organization, and how well the company supports with ensuring adherence – efforts to ensure compliance throughout the company.</p>
<p>Legal disputes</p> <p>Aurobay Sweden is growing its business, and with that, the risk of legal disputes (related to e.g. warranties, product liability and intellectual property) appears.</p>	<p>People. Sustainability. Innovation. Growth. Profitability.</p>	<p>Aurobay Sweden has a robust Legal and Compliance department which supports the organization in all matters that may confront the company with the risk of legal disputes.</p>	<p>The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages its business relations including the preparation, execution and follow up of business cases – efforts to ensure that legal disputes are avoided to largest possible extent.</p>
<p>Lack of supply chain transparency</p> <p>Due to limited transparency higher up the supply chain, the risk is that directives in Aurobay Sweden's Code of Conduct, Code of Conduct for Suppliers, and from customers are not always adhered to. Primary risks are connected to the people involved in mining Tin, Tantalum, Tungsten and Gold (3TGs), also known as conflict minerals. The metals are often associated with human rights abuse, if originating from Conflict-Affected or High-Risk Areas (CAHRAs). The lack of transparency also poses risks to other areas covered by the Code of Conducts, such as anti-corruption, health and safety, and environmental protection.</p>	<p>Sustainability.</p>	<p>Aurobay Sweden works systematically with supply chain risk management by setting and following up supplier requirements on parts containing 3TGs, including requirements to only use smelters conformant with the Responsible Minerals Assurance Process (RMAP) Standards, declaration of supplier due diligence measures and disclosure of smelters in a Conflict Minerals Reporting Template (CMRT) provided by the Responsible Minerals Initiative (RMI).</p>	<p>The risk is expected to remain, but decrease over time, as Aurobay Sweden's supply chain sustainability due diligence process will undergo improvements. The ambition is to only source components containing 3TGs from supply chains with third-party validated, conflict-free smelters and refiners, and to comply to the customers', and Aurobay Sweden's Code of Conduct for Suppliers at all times. The risk level will correspond to Aurobay Sweden's ability to identify and mitigating actual and potential issues in suppliers' processes related to the mining and refinement of conflict minerals – to ensure Aurobay Sweden conducts a responsible and caring business.</p>

Board of Directors

Aurobay Sweden AB



Rui Ping Wang

Chairman of the Board

Nationality: Canadian

Rui Ping has worked at the Zhejiang Geely Auto Group Co. Ltd. in China since 2011 where she currently holds the position as Senior Vice President. Other significant engagements in Geely's group of companies are carried out also in Aurobay Holding Ltd., Aurobay Sweden AB, as well as Zhejiang Geely Powertrain Co. Ltd. Prior positions include General Manager of the powertrain business unit at Great Wall Motor Co. Ltd. in China, Researcher at the Center for Advanced Vehicle Research in Canada, as well as Senior Technical Manager at Zhengzhou Nissan Motor Co. Ltd. in China. In addition, she is the Chairman of Advanced Propulsion System (APS), China

SAE, as well as President of Specialist Committee on Powertrain of Passenger Car (SCP), CSICE. Rui Ping holds a Master's degree in Vehicle Engineering from the Concordia University in Canada, as well as a Bachelor's degree in ICE from the Xi'an Jiatong University in China.



Michael Fleiss

Board member

Board Member and Chief Executive Officer of Aurobay Sweden AB

Nationality: German and Swedish

Michael set up Aurobay Sweden AB as a unit within Volvo Cars in 2019. He has 25 years of experience in product development. He started his career at Volkswagen in Germany, before moving to Bentley Motors in the UK and then to Volvo Cars in Sweden. Michael holds a Master in Mechanical Engineering from the University of Lübeck.



Ingo Scholten
Board Member
Nationality: German

Ingo holds the position as Vice President of Alliances & Synergies at Aurobay Holding. He is an engineer by training and has led the planning and execution of key strategic projects within Geely Holding and General Motors in Asia, Europe and globally. Throughout his career, he has been responsible for numerous powertrain innovations. In 2018, he joined Geely Powertrain, where he led R&D including the next-generation engine and LeiShen hybrid system development.



Tihua Huang
Board Member
Nationality: American

Tihua has worked at Geely Holding Group since 2017. Other engagements are carried out also at Zhejiang Wisdom Puhua Financial Leasing Co. Ltd., Zhongjian Carbon (Shanghai) Management Consulting Co. Ltd., Zhejiang Jizhi Green Ethanol New Energy Technology Co. Ltd., as well as Hangzhou Green Jixing Science and Technology Co. Ltd. Prior to working at Geely Holding Group, she held positions at several U.S. law firms, including Jones Day, Cadwalader, Wickersham & Taft LLP, and Morrison Foerster LLP. Prior to that, she served as a Judicial Intern at the U.S. Court of Appeals for the Federal Circuit.



Xufeng Zhu
Board Member
Nationality: Chinese

Xufeng has worked at Geely since 2021, currently holding the position as Executive Deputy General Manager. Prior to that, he held the position as CFO of PATEO, as well as Partner at Grant Thornton. Xufeng holds a Master from the Chinese University of Hong Kong.

Employee Representatives



Joakim Dahlin

Board Member and Representative of Unionen
Nationality: Swedish

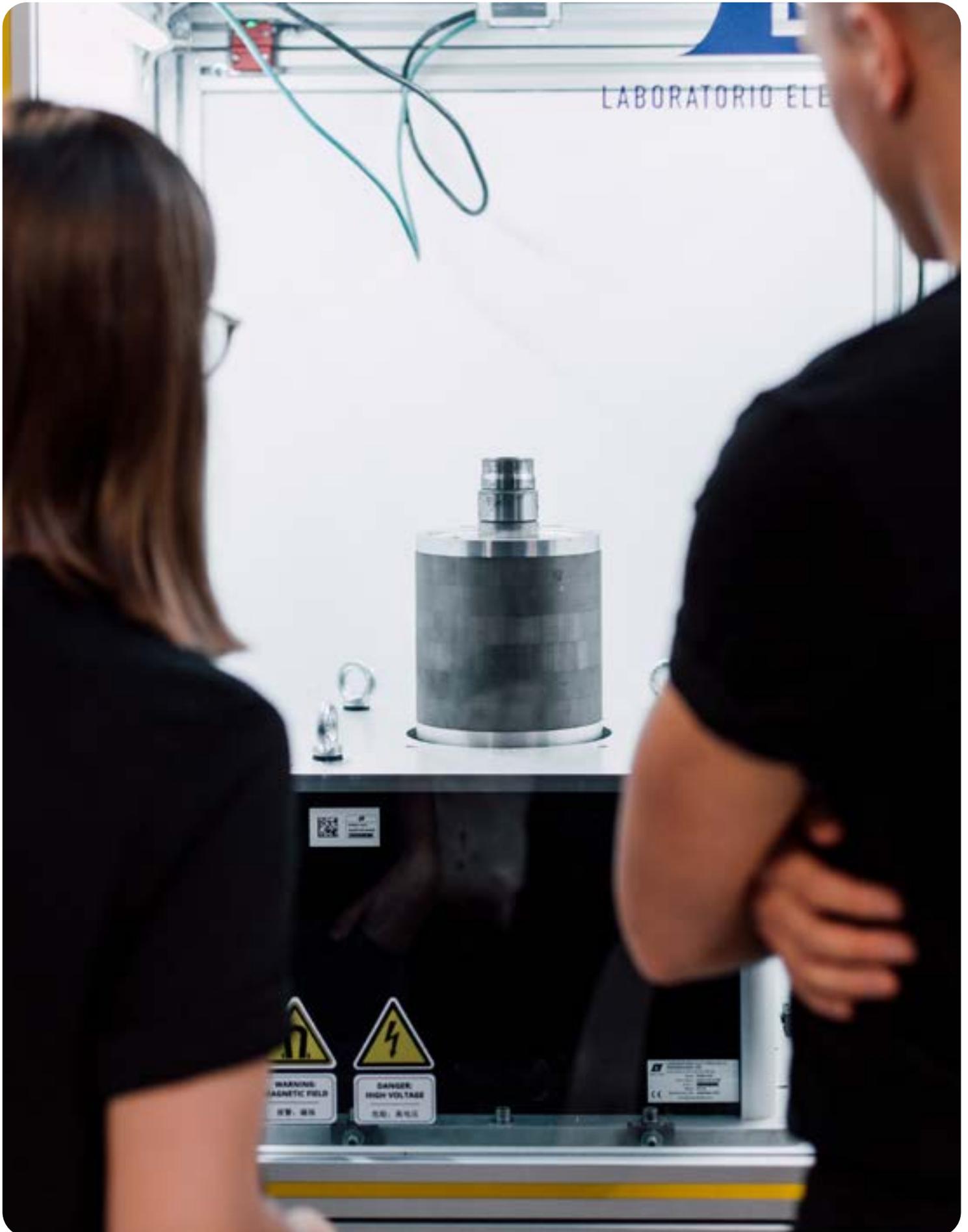
Joakim is Chairman of the Unionen Club at Aurobay Sweden AB and is a full-time union representative. He previously worked as a Productivity Engineer in projects at the Skövde engine plant.



Marko Borg Peltonen

Board Member and Representative of the
blue-collar union
Nationality: Swedish

Marko is Chairman of the blue-collar union at Aurobay Sweden AB and is a full-time union representative. He previously worked at Volvo Cars with manufacturing and machining cylinder blocks.



Executive Management Team

Aurobay Sweden AB



Michael Fleiss

Chief Executive Officer and Executive
Vice President
Sales and Market
Nationality: German and Swedish

Michael set up Aurobay Sweden AB as a unit within Volvo Cars in 2019. He has 25 years of experience in product development. He started his career at Volkswagen in Germany, before moving to Bentley Motors in the UK and then to Volvo Cars in Sweden. Michael holds a Master in Mechanical Engineering from the University of Lübeck.



Daniel Alvarsson

Executive Vice President
Manufacturing Engineering
Nationality: Swedish

Daniel came to Aurobay Sweden AB after over 20 years of leading and managing industrial projects and production operations within Volvo Cars. He holds a M.Sc. in Automation from Chalmers University of Technology in Gothenburg, and an MBA from the University of Gothenburg.



Mats Andersson

Executive Vice President
Research and Development
Nationality: Swedish

Mats held Research and Development leadership roles at Volvo Cars before joining Aurobay Sweden AB. At Volvo Cars he head up Short I6 Engine programs (2003–2007) and built up Electrical Propulsion Systems (2014–2017). He holds a Ph.D. from Chalmers University of Technology in Gothenburg and was an Associate Professor in Microelectronics there during the 1990s.



Mattias Berglund

Executive Vice President
Strategy and Alliances
Nationality: Swedish

Mattias joined Aurobay Sweden AB from Volvo Cars, where he was Manager for Powertrain Product Strategy. Mattias holds an M.Sc. in Mechanical Engineering and Industry Analysis from Chalmers University of Technology in Gothenburg and comes with more than 20 years of experience in the automotive industry.



Helene Carlson

Executive Vice President
Communications and Public Affairs
Nationality: Swedish

Helene has 20 years of strategic marketing and communications leadership experience in automotive and healthcare. Before joining Aurobay Sweden, she was Head of Communications and Investor Relations, and a member of the Executive Management Team for listed company, Opus Group AB. She holds an M.A. in Strategic Marketing Communication and Media Studies from the University of Gothenburg, and Leeds Beckett University in the UK.



Maria Elm Olsson
 Chief Financial Officer
 Nationality: Swedish

Maria is an experienced financial leader, with expertise in business planning, financial analysis and modelling, and mergers and acquisitions. Prior to joining Aurobay Sweden, Maria worked at SKF, Volvo Cars, Latour Industries AB and Capio Proximity Care. She holds a B.Sc. in Business and Economics from Kalmar University.



Per Engler
 Executive Vice President
 Corporate Functions
 Nationality: Swedish

Per joined Volvo Cars in 2017 as Head of HR Digital and Consumer Experience, before moving to Aurobay Sweden AB. Previously, he was Head of HR at Latour Industries for eight years, also serving as CEO of Specma Seals. He holds a Master in Marketing Management from Griffith University, Australia.



Bjarne Hammar
 Executive Vice President
 Manufacturing, Skövde Plant
 Nationality: Swedish

Bjarne joined Volvo Cars in 2017 before transferring to Aurobay Sweden AB. He has had several senior positions in supply chain, Research and Development and project management within Husqvarna Group, and also worked as CEO for a tech company. He holds a M.Sc. in Engineering and Finance from Chalmers University of Technology in Gothenburg.



Anette Hansson Ahl
Executive Vice President
Legal and Compliance
Nationality: Swedish

Anette has more than 25 years of experience in Swedish and international business law. Before joining Aurobay Sweden AB, she was Founding Partner and previously also Managing Director at a Stockholm-based law firm for many years. Prior to that, she worked as an in-house Legal Counsel for Hewlett Packard. Anette holds a Master of Law from both Lund University and Université Panthéon-Assas (Paris II).



Annica Johannsson
Executive Vice President
Quality and Sustainability
Nationality: Swedish

Annica moved to Aurobay Sweden AB after over 20 years of global leadership experience at Volvo Cars, in Research and Development and Quality. She holds a B.Sc. in Innovation Engineering from Halmstad University and a certification in Combustion Technology from Chalmers University of Technology.



Jonas Leo
Chief Information Officer
Nationality: Swedish

Jonas supported with driving Volvo Cars' digital transformation and online consumer experience before joining Aurobay Sweden AB, starting as Director of Enterprise Digital Transformation, and continued as CTO Volvo Online Digital, Care by Volvo. Other roles within the company included Director Global Application Services and Head of Enterprise Digital APAC. He has an M.Sc. in Mechanical Engineering.



Niclas Hjerdin

Executive Vice President (acting)

Procurement

Nationality: Swedish

Niclas has more than 20 years of experience in Swedish and international industries and business in transformational and dynamic value chains, with expertise in global procurement and supply management. Prior to joining Aurobay Sweden AB, he held senior positions at CEVT, TTS Group and SKF. He holds a Master of Business Finance and Systems Development from the University of Borås.



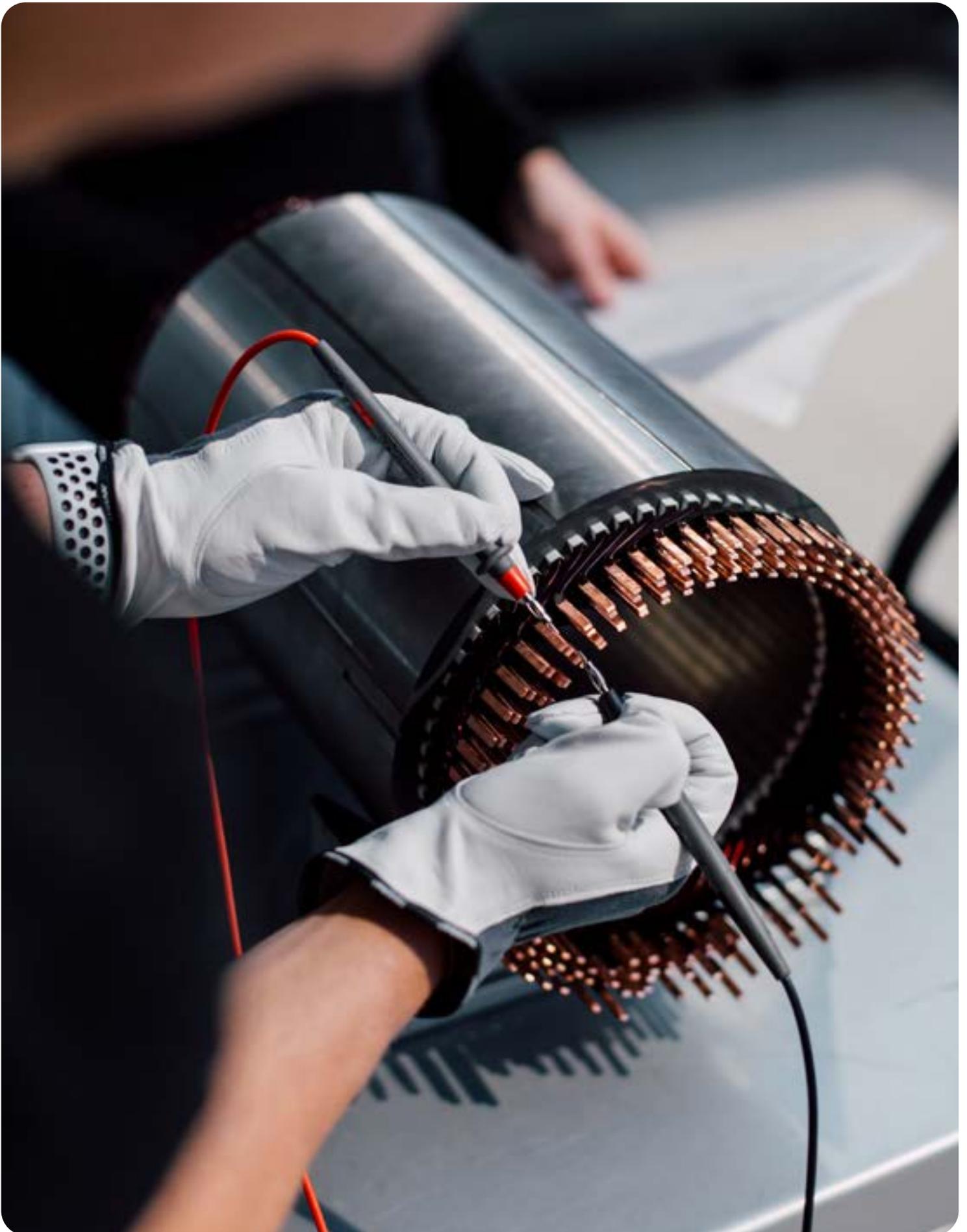
Terry Zhang

Executive Vice President

Manufacturing, Zhangjiakou Plant

Nationality: Chinese

Terry is supporting Aurobay Sweden AB's transition to the Aurobay Sweden brand. He has extensive experience in manufacturing engineering, production and project management at FIAT as well as Volvo Cars. He holds a Bachelor's Degree in Engineering and an MBA.



6. Financial statements

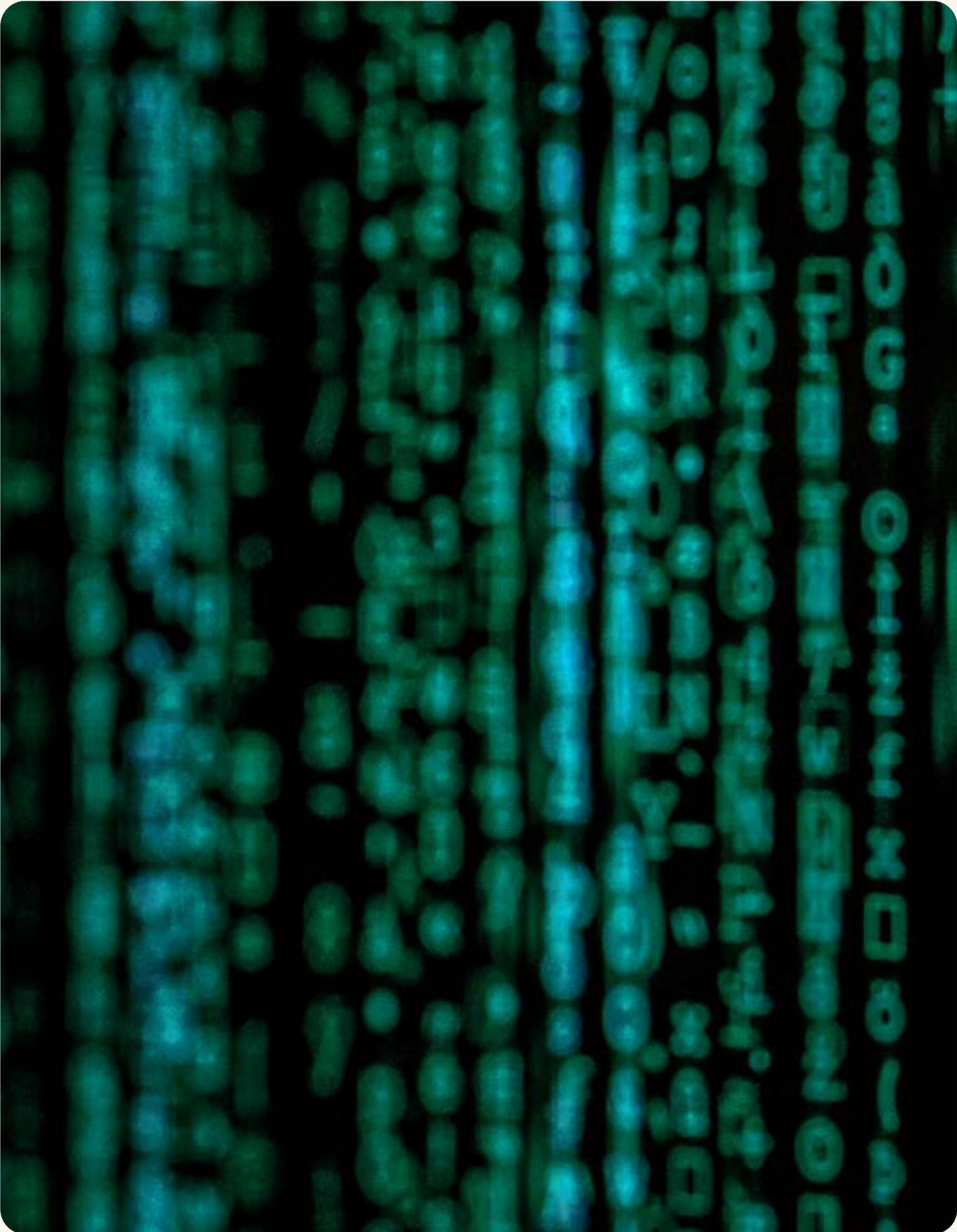
General information

The financial statements presented throughout this section include the statements for the group, as well as for the parent company. The group includes the parent company Aurobay Sweden AB (corporate identity number 556830-5964), and its wholly owned subsidiary Aurobay Sweden Real Estate AB (corporate identity number 559140-6425).

Income statements – group

AMOUNTS IN KSEK

	Note	2023-12-31	2022-12-31
Net sales	2	14 026 194	11 092 382
Cost of goods sold		-12 964 028	-10 187 294
Gross profit		1 062 166	905 088
Sales costs		-37 552	-17 711
Administration costs	3	-459 113	-553 741
Research and development costs		-283 228	-92 658
Depreciation and impairment of property, plant and equipment		-11 427	-11 476
Other operating income		307 055	81 403
Other operating expenses		-210 148	-118 505
Operating profit	4,5,6	367 753	192 400
Profit from financial items			
Interest income and similar income statement items	7	2 275	32 996
Interest expenses and similar income statement items	8	-54 776	-20 168
Profit after financial items		315 252	205 228
Tax on profit for the year	9	-67 544	-26 857
Deferred tax		4 042	-17 768
Profit for the year		251 750	160 603
Attributable to parent company's shareholders		251 750	160 603



Balance sheets – group

AMOUNTS IN KSEK	Note	2023-12-31	2022-12-31
Assets			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for development work and similar work	10	213 759	50 348
Concessions, patents, licenses, trademarks and similar rights	11	1 869	1 878
Software	12	25 231	34 470
Advances relating to intangible fixed assets	10, 13	18 900	27 929
		259 759	114 625
Property, plant and equipment			
Buildings and land	14	238 753	250 180
Expenditure relating to other party's property	15	61 300	68 711
Plant and machinery	15	1 401 238	2 141 785
Equipment, tools, fixtures and fittings	17	188 245	304 259
Ongoing new facilities and advances relating to property, plant and equipment	18	370 555	123 273
		2 260 091	2 888 208
Financial fixed assets			
Ownership interests in other companies	20	41	41
Deferred tax assets		1 163	2 895
Other non-current receivables		131	68
		1 335	3 004
Total fixed assets		2 521 185	3 005 837
Current assets			
Inventories etc.			
Raw materials and consumables		206 435	271 006
Products in progress		15 077	16 652
Finished goods and goods for resale		455 693	166 341
Advance payments to suppliers		185 640	160 153
		862 845	614 152
Current receivables			
Accounts receivable		3 134 732	1 137 539
Current tax asset		–	48 243
Other receivables		138 210	54 899
Prepaid expenses and accrued income	21	304 814	802 031
		3 577 756	2 042 712
Cash and bank balances			
Cash and bank balances		822 417	1 057 114
		822 417	1 057 114
Total current assets		5 263 018	3 713 978
Total assets		7 784 203	6 719 815

Balance sheets – group

AMOUNTS IN KSEK	Note	2023-12-31	2022-12-31
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Share capital		50	50
Development expenditure fund		232 659	50 348
		232 709	50 398
<i>Non-restricted equity</i>			
Profit brought forward		3 836 739	3 858 446
Profit for the year		251 750	160 603
		4 088 489	4 019 049
Total equity		4 321 198	4 069 447
Provisions			
Provisions for guarantees	23	244 778	201 664
Deferred tax liability		14 420	18 462
		259 198	220 126
Current liabilities			
Accounts payable		2 034 252	1 510 667
Liabilities to group companies			67 861
Current tax liability		7 073	3 190
Other liabilities		233 371	158 975
Accrued expenses and deferred income	24	929 111	689 549
		3 203 807	2 430 242
Total equity and liabilities		7 784 203	6 719 815

Statements of changes in equity – group

2023-12-31

	Share capital	Other capital contributions	Reserves	Profit brought forward incl. profit for the year	Holdings with a non-controlling interest	Total equity
Opening balance	50	-	50 348	4 019 049	-	4 069 447
Profit for the year				251 750		251 750
<i>Transfers between equity items</i>						
Transfers to development fund	-	-	182 311	-182 311	-	-
Total	-	-	182 311	-182 311	-	-
Closing balance	50		232 659	4 088 489		4 321 198

Cash flow statements – group

AMOUNTS IN KSEK	Note	2023-12-31	2022-12-31
Operating activities			
Profit after financial items		315 252	205 228
Adjustments for non-cash items		900 753	868 584
		1 216 005	1 073 812
Income tax paid		-15 418	-3 881
Cash flow from operating activities before changes in working capital		1 200 587	1 069 931
<i>Cash flow from changes in working capital</i>			
Increase(-)/Decrease(+) in inventories		-242 920	-36 719
Increase(-)/Decrease(+) in operating receivables		-1 583 349	-912 390
Increase(+)/Decrease(-) in operating liabilities		769 682	-29 164
Cash flow from operating activities		144 000	91 658
Investing activities			
Acquisitions of property, plant and equipment		-224 136	-126 515
Disposal of property, plant and equipment		-	-
Acquisitions of intangible fixed assets		-154 561	-90 923
Disposal of intangible fixed assets		-	-41
Cash flow from investing activities		-378 697	-217 479
Financing activities			
Dividend paid to parent company shareholders		-	280 282
Cash flow from financing activities		-	280 282
Cash flow for the year		-234 697	154 461
Cash and cash equivalents at the beginning of the year		1 057 114	902 653
Cash and cash equivalents at year-end	27	822 417	1 057 114

Income statements – parent company

AMOUNTS IN KSEK	Note	2023-12-31	2022-12-31
Net sales	2	14 033 741	11 086 682
Cost of goods sold		-12 964 028	-10 281 226
Gross profit		1 069 713	805 456
Sales costs		-37 552	-17 711
Administration costs	3	-459 113	-553 741
Research and development costs		-283 228	-92 658
Other operating income		307 055	81 403
Other operating expenses		-307 492	-98 402
Operating profit	4, 5, 6	289 383	124 347
Profit from financial items			
Interest income and similar income statement items	7	882	32 984
Interest expenses and similar income statement items	8	-54 776	-20 168
Profit after financial items		235 489	137 163
Appropriations			
Group contributions received		77 900	67 888
Other appropriations		19 620	-89 619
Profit before tax		333 009	115 432
Tax on profit for the year	9	-68 258	-25 986
Profit for the year		264 751	89 446

Balance sheets – parent company

AMOUNTS IN KSEK	Note	2023-12-31	2022-12-31
Assets			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for development work and similar work	10	213 759	50 348
Concessions, patents, licenses, trademarks, and similar rights	11	1 869	1 878
Software	12	25 231	34 470
Advances relating to intangible fixed assets	10, 13	18 900	27 929
		259 759	114 625
Property, plant and equipment			
Buildings and land	14	154	154
Expenditure relating to other party's property	15	61 300	68 711
Plant and machinery	16	1 401 238	2 141 785
Equipment, tools, fixtures and fittings	17	188 245	304 259
Ongoing new facilities and advances relating to property, plant and equipment	18	370 555	123 273
		2 021 492	2 638 182
Financial fixed assets			
Participations in group companies	19	1 025 008	1 025 008
Ownership interests in other companies	20	41	41
Deferred tax assets		–	1 732
Other non-current receivables		131	68
		1 025 180	1 026 849
Total fixed assets		3 306 431	3 779 656
Current assets			
Inventories etc.			
Raw materials and consumables		206 435	271 006
Products in progress		15 077	16 652
Finished goods and goods for resale		455 693	166 341
Advance payments to suppliers		185 641	160 153
		862 846	614 152
Current receivables			
Accounts receivable		3 132 851	1 137 539
Receivables from group companies		145 789	67 888
Current tax asset		–	37 509
Other receivables		128 447	39 877
Prepaid expenses and accrued income	21	292 446	795 862
		3 699 533	2 078 675
Cash and bank balances			
Cash and bank balances		580 818	927 111
		580 818	927 111
Total current assets		5 143 197	3 619 938
Total assets		8 449 628	7 399 594

Balance sheets – parent company

AMOUNTS IN KSEK	Note	2023-12-31	2022-12-31
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Share capital		50	50
Development expenditure fund		232 659	50 348
		232 709	50 398
<i>Non-restricted equity</i>			
Profit brought forward		4 478 235	4 571 100
Profit for the year		264 751	89 446
		4 742 986	4 660 546
		4 975 695	4 710 944
Untaxed reserves			
Accumulated accelerated depreciation/amortization		70 000	89 619
		70 000	89 619
Provisions			
Other provisions	23	244 778	201 664
		244 778	201 664
Current liabilities			
Accounts payable		2 011 324	1 510 667
Liabilities to group companies		–	62 610
Current tax liability		6 981	–
Other liabilities		212 509	134 621
Accrued expenses and deferred income	24	928 341	689 469
		3 159 155	2 397 367
Total equity and liabilities		8 449 628	7 399 594

Statements of changes in equity – parent company

2022-12-31	Restricted equity			Non-restricted equity			Profit brought forward incl. profit for the year	Total equity
	Share capital, Ongoing new issue	Revaluation fund	Statutory reserve for development expenditure	Share premium reserve	Fair value reserve			
Opening balance	50	–	–	–	–	4 341 166	4 341 216	
Profit for the year						89 446	89 446	
Transactions with owners								
Shareholders' contribution received						280 282	280 282	
Total	–	–	–	–	–	280 282	280 282	
Transfers between equity items								
Transfers to development fund	–	–	50 348	–	–	-50 348	–	
Total	–	–	50 348	–	–	-50 348	–	
Closing balance	50	–	50 348	–	–	4 660 546	4 710 944	

2023-12-31	Restricted equity			Non-restricted equity			Profit brought forward incl. profit for the year	Total equity
	Share capital, Ongoing new issue	Revaluation fund	Statutory reserve for development expenditure	Share premium reserve	Fair value reserve			
Opening balance	50	–	50 348	–	–	4 660 546	4 710 944	
Profit for the year						264 751	264 751	
Transfers between equity items								
Loss coverage								
Transfers to development fund	–	–	182 311	–	–	-182 311	–	
Total	–	–	182 311	–	–	-182 311	–	
Closing balance	50	–	232 659	–	–	4 742 986	4 975 695	

Cash flow statements – parent company

AMOUNTS IN KSEK	Note	2023-12-31	2022-12-31
Operating activities			
Profit after financial items		235 489	137 163
Adjustments for non-cash items		893 187	918 998
		1 128 676	1 056 161
Income tax paid		-23 768	-25 282
Cash flow from operating activities before changes in working capital		1 104 908	1 030 879
<i>Cash flow from changes in working capital</i>			
Increase(-)/Decrease(+) in inventories		-248 694	-36 720
Increase(-)/Decrease(+) in operating receivables		-1 528 826	-862 048
Increase(+)/Decrease(-) in operating liabilities		676 907	-90 401
Cash flow from operating activities		4 295	41 710
Investing activities			
Acquisitions of property, plant and equipment		-224 136	-177 980
Disposal of property, plant and equipment			67 767
Acquisitions of intangible fixed assets		-126 452	-90 923
Acquisition of financial assets			-36 565
Cash flow from investing activities		-350 588	-237 701
Financing activities			
Shareholders' contribution received		-	280 282
Cash flow from financing activities		-	280 282
Cash flow for the year		-346 293	84 291
Cash and cash equivalents at the beginning of the year		927 111	842 820
Cash and cash equivalents at year-end	27	580 818	927 111

Notes to the financial statements

Amounts in KSEK unless otherwise stated.

Note 1

Accounting principles

This annual report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general advice BFNAR 2012:1 on annual reports and group accounts (K3).

The parent company applies the same accounting policies as the group except for in the cases stated below under "Parent company accounting policies".

Assets, provisions and liabilities have been valued at their acquisition cost unless otherwise stated below.

Intangible assets

Expenditure for research and development

When recognizing development expenditure, the capitalization model is applied. This means that expenditure incurred during the development phase is recognized as an asset once all of the following conditions are met:

- It is technically feasible to complete the intangible fixed asset so that it will be available for use or sale.
- The intention is to complete the intangible fixed asset for use or sale.
- Conditions exist for using or selling the intangible fixed asset.
- It is probable that the intangible fixed asset will generate future financial benefits.
- There are necessary and adequate technical, financial, and other resources to complete the development and to use or sell the intangible fixed asset.
- The expenditure attributable to the intangible fixed asset can be calculated reliably.

Internally generated intangible fixed assets are recognized at acquisition cost less accumulated amortization and impairment.

The acquisition cost of an internally generated intangible fixed asset consists of all directly attributable expenditure (e.g. materials and payroll).

Indirect manufacturing costs that constitute more than an insignificant part of the total cost of manufacturing and that amount to more than an insignificant amount are included in the acquisition cost.

Other intangible fixed assets

Other intangible fixed assets that are acquired are recognized at acquisition cost less accumulated amortization and impairment.

Amortization

Amortization takes place on a straight-line basis over the asset's estimated useful life. Impairment is recognized as a cost in the income statement.

Internally generated intangible assets	Useful life
Capitalized expenditure for development and similar work	3–8 years

Acquired intangible assets	Useful life
Licences	10 years
Computer software	3–8 years

Property, plant and equipment

Property, plant, and equipment are recognized at their acquisition cost less accumulated depreciation and impairment. In addition to the purchase price, the acquisition cost includes expenditure directly attributable to the acquisition.

Additional expenditure

Additional expenditure that meets the asset criterion is included in the asset's recognized value. Expenditure for ongoing maintenance and repairs is recognized as a cost as it arises.

Depreciation

Depreciation occurs on a straight-line basis over the asset's estimated useful life because it reflects the expected consumption of the asset's future economic benefits. Impairment is recognized as a cost in the income statement.

	Useful life
Buildings	50 years
Expenditure relating to other party's property	
Plant and machinery	5–10 years
Equipment, tools, fixtures and fittings	2–10 years

Impairment – property, plant and equipment, and intangible fixed assets, and participations in group companies

At each balance sheet date, an assessment is made as to whether there is any indication that an asset's value is lower than its carrying amount. If such an indication exists, the asset's recoverable amount is calculated.

The recoverable amount is the higher of fair value less selling costs and value in use. When calculating value in use, the present value is calculated from the future cash flows that the asset is expected to give rise to in operating activities and when it is sold or scrapped. The discount rate used is before tax and reflects market assessments of the time value of money and the risks associated with the asset. Pre-

vious impairment is reversed only if the reasons that formed the basis for the calculation of the recoverable amount at the time of the latest impairment have changed.

Leases

Lessees

All leases are classified as financial or operating leases. A financial lease is a leasing agreement under which the risks and benefits associated with owning an asset are substantially transferred from the lessor to the lessee. An operating lease is a leasing agreement that is not a financial lease.

Operating leases

Leasing fees pursuant to operating leases, including increased initial rent but excluding expenses for services such as insurance and maintenance, are recognized as costs on a straight-line basis over the lease period.

Foreign currencies

Items in foreign currencies

Monetary items in foreign currencies are translated at the rate on the balance sheet date. Non-monetary items are not translated but are recognized at the exchange rate at the time of acquisition.

Exchange rate differences that arise when adjusting or translating monetary items are recognized in the income statement in the financial year in which they arise.

Inventories

Inventories are recognized at the lower of acquisition cost and net realizable value. Obsolescence risk is thereby taken into account. The acquisition cost is calculated according to weighted average prices. In addition to purchase expenses, the acquisition cost also includes expenses for bringing the goods to their current location and condition.

For self-produced semi-finished and finished products, the acquisition cost consists of direct manufacturing costs and indirect costs that constitute more than an insignificant part of the total cost of production. Normal capacity utilization has been taken into account in the valuation.

Remuneration to employees

Post-employment remuneration

Defined-contribution schemes

Contributions for defined-contribution schemes are recognized as an expense. Unpaid contributions are recognized as a liability.

Other non-current remuneration to employees

Liabilities relating to other non-current remuneration to employees are recognized at the present value of the obligation on the balance sheet date.

Remuneration upon termination of employment

Remuneration upon termination, to the extent that this does not provide the company with any future financial benefits, is recognized as a liability and as an expense only once the company has a legal or informal obligation to either:

- a) terminate the employment of an employee or group of employees before the normal cessation of employment, or
- b) pay remuneration upon termination by way of an offer to encourage voluntary resignation.

Remuneration upon termination is recognized only once the company has a detailed plan for the termination and has no realistic possibility of canceling this plan.

Tax

Tax on profit for the year consists of current tax and deferred tax. Current tax is the income tax for the current financial year that relates to the taxable profit for the year and the proportion of income tax for the previous financial year that has not yet been recognized. Deferred tax is income tax on the taxable profit or loss pertaining to future financial years as a consequence of previous transactions or events.

A deferred tax liability is recognized for all taxable temporary differences, however not for temporary differences arising from the initial recognition of goodwill. A deferred tax asset is recognized for deductible temporary differences and for the opportunity to utilize tax loss carry-forwards in the future. The valuation is based on how the recognized value of the corresponding asset or liability is expected to be recovered or settled. The amounts are based on the tax rates and tax rules decided as at the balance sheet date and have not been calculated at present value.

In the consolidated balance sheet, untaxed reserves are divided into deferred tax and equity.

Provisions

A provision is recognized in the balance sheet when the company has a legal or informal obligation as a result of a past event and it is likely that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

At the time of their initial recognition, provisions are valued at the best estimate of the amount which will be required to settle the obligation on the balance sheet date. Provisions are reassessed on each balance sheet date.

Contingent liabilities

A contingent liability is

- A possible obligation as a result of events occurring and whose occurrence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, which is not entirely within the company's control; or
- An existing obligation as a result of events occurring, but which is not recognized as a liability or provision as it is unlikely that an outflow of resources will be required to

settle the obligation or the amount of the liability cannot be calculated with sufficient reliability. Contingent liabilities are a catch-all term for such guarantees, financial commitments, and potential commitments that are not entered in the balance sheet.

Income

The inflow of financial benefits that the company has received or will receive for its own account is recognized as income. Income is valued at the fair value of what has been received or will be received, less discounts.

Sale of goods

Income is recognized upon the sale of goods.

Interest, royalties and dividends

Income is recognized when it is likely that the company will receive financial benefits, which are associated with the transaction, and that the income can be calculated reliably.

Interest is recognized as income according to the effective interest method.

Royalties are accrued in accordance with the financial meaning of the agreement.

Dividend is recognized when the owner's right to receive payment has been secured.

Public subsidies

A public subsidy that is not associated with requirements for future performance is recognized as income when the conditions for receiving the subsidy have been met. A public subsidy that is associated with requirements for future performance is recognized as income when the performance has been fulfilled. If the subsidy is received before the conditions for recognizing it as income have been met, the subsidy is recognized as a liability.

Consolidated financial statements

Subsidiaries

Subsidiaries are companies in which the parent company directly or indirectly holds more than 50 percent of the voting rights or otherwise has a controlling influence. A controlling influence means the right to shape a company's financial and operational strategies in order to obtain financial benefits. The recognition of business acquisitions is based on the unit approach. This means that the acquisition analysis is prepared at the time the acquirer gains a controlling influence. From this point on, the acquirer and the acquired entity are seen as one accounting entity. The application of the unit approach further means that all assets (including goodwill) and liabilities as well as income and expenses are included in their entirety, even for partially owned subsidiaries.

The acquisition cost of subsidiaries is calculated as the sum of the fair value at the time of acquisition for paid-up assets with the addition of incurred and assumed liabilities as well as issued equity instruments, expenses that are di-

rectly attributable to the business acquisition, and any additional purchase price. In the acquisition analysis, the fair value is determined, with some exceptions, at the time of acquisition of the acquired identifiable assets and assumed liabilities as well as minority interests. Minority interests are valued at fair value at the time of acquisition. From the acquisition date, the acquired company's income and expenses, identifiable assets and liabilities, as well as any goodwill or negative goodwill that has arisen are included in the consolidated accounts.

Goodwill

Group goodwill arises when the acquisition cost of the acquisition of shares in subsidiaries exceeds the value determined in the acquisition analysis of the acquired company's identifiable net assets. Goodwill is recognized at acquisition cost less accumulated amortization and any impairment.

Additional purchase price

If it is likely at the time of acquisition that the purchase price will be adjusted at a later date and the amount can be estimated reliably, the amount must be included in the calculated final acquisition cost of the acquired unit.

An adjustment of the value of the additional purchase price within twelve months from the date of acquisition affects goodwill. An adjustment more than twelve months after the acquisition date is recognized in the consolidated income statement.

Adjustment of acquisition analysis

If the prerequisites for the acquisition analysis are incomplete, this is adjusted to better reflect actual conditions at the time of acquisition. The adjustments are made retroactively within twelve months after the date of acquisition. Adjustments more than twelve months after the date of acquisition are recognized as a changed estimate and assessment.

Parent company's accounting policies

The accounting policies in the parent company are consistent with the above-mentioned accounting policies in the consolidated accounts.

Note 2 Total net sales by operating segment and geographical market

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
<i>Net sales by operating segment</i>		
Net sales, Engines	13 159 195	10 355 438
Net sales, Service	114 000	101 100
Net sales, Other	752 999	630 144
	14 026 194	11 092 382
<i>Net sales by geographical market</i>		
Sweden	9 541 508	8 406 999
Europe excl. Sweden	2 612 180	1 731 743
Countries outside Europe	1 872 506	947 940
	14 026 194	11 092 382
Parent company		
<i>Net sales by operating segment</i>		
Net sales, Engines	13 159 195	10 355 438
Net sales, Service	114 000	101 100
Net sales, Other	760 546	630 144
	14 033 741	11 086 682
<i>Net sales by geographical market</i>		
Sweden	9 549 055	8 406 999
Europe excl. Sweden	2 612 180	1 731 743
Countries outside Europe	1 872 506	947 940
	14 033 741	11 086 682

Note 3 Auditors' fees and expense allowances

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
<i>Deloitte AB/Niclas Åberg</i>		
Audit services	110	800
Audit activities in addition to audit services	100	200
Parent company		
<i>Deloitte AB/Niclas Åberg</i>		
Audit services	110	800
Audit activities in addition to audit services	100	200

Audit services refer to the inspection of the annual accounts and accounting records and of the administration by the Board of Directors and CEO, and other tasks that the company's auditors consider necessary, as well as the provision of advice or other assistance brought about by observations during such inspection or the carrying out of other such tasks.

Note 4 Employees, employee benefit expenses and remuneration to the Board of Directors and the CEO

Average number of employees	2023-12-31	Whereof men	2022-12-31	Whereof men
Parent company				
Sweden	1664	78%	1581	80%
Total in parent company	1664	0%	1581	0%
Subsidiaries				
Sweden	-	0%	-	0%
Total in subsidiaries	-	0%	-	0%
Group total	1664	78%	1581	74%

	2023-12-31	2022-12-31
	Percentage of women	Percentage of women
Parent company		
Board of Directors	28%	14%
Other senior executives	31%	43%
Group total		
Board of Directors	28%	14%
Other senior executives	31%	43%

	2023-12-31		2022-12-31	
	Salaries, wages and remuneration	Social security expenses	Salaries, wages and remuneration	Social security expenses
Parent company	1027 160	455 122	1011 926	457 694
(of which pension expenses)	1)	(126 965)	1)	(137 774)
Subsidiaries	-	-	-	-
(of which pension expenses)		(-)		(-)
Group total	1027 160	455 122	1011 926	457 694
(of which pension expenses)	2)	(126 965)	2)	(137 774)

1) Of the parent company's pension expenses, KSEK 1 241 (previous year KSEK 2 082) relates to the Board of Directors and the CEO.

2) Of the group's pension expenses, KSEK 1 241 (previous year KSEK 2 082) relates to the Board of Directors and the CEO.

Distribution of salaries and other remuneration

	2023-12-31		2022-12-31	
	<i>Board of directors and CEO</i>	<i>Other employees</i>	<i>Board of directors and CEO</i>	<i>Other employees</i>
Parent company	6 011	1 021 149	7 070	1 011 926
(of which bonuses, etc.)	(-)		(-)	
Group total	6 011	1 021 149	7 070	1 011 926
(of which bonuses, etc.)	(-)		(-)	

Terms of employment and remuneration for the Board of Directors and the CEO

The Chairman of the Board of Directors of Aurobay Sweden AB sets the salary of the company's CEO. The remuneration consists of a fixed salary as well as an annual variable bonus and individual bonus. The variable part is an annual incentive program. The CEO is covered by the ITP plan according to the collective agreement.

The CEO is subject to a notice period of 12 months.

Note 5 Depreciation and impairment of property, plant and equipment, and amortization and impairment of intangible assets

AMOUNTS IN KSEK

	2023-12-31	2022-12-31
Group		
<i>Depreciation/amortization according to plan, by asset</i>		
Capitalized expenditure for development work and similar work	-9 238	-11 675
Concessions, patents, licenses, trademarks	-9	-9
Buildings and land	-11 426	-11 475
Expenditure related to other party's property	-7 410	-7 410
Plant and machinery	-822 782	-783 150
Equipment, tools, fixtures and fittings	-10 634	-97 026
	-861 499	-910 745
	-	-
Parent company		
<i>Depreciation/amortization according to plan, by asset</i>		
Capitalized expenditure for development work and similar work	-9 238	-11 675
Concessions, patents, licenses, trademarks	-9	-9
Expenditure related to other party's property	-7 410	-7 410
Plant and machinery	-822 782	-783 150
Equipment, tools, fixtures and fittings	-10 634	-97 026
	-850 073	-899 270
	-	-

Note 6 Operating leases

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Leases in which the company is the lessee		
Group		
<i>Future minimum lease fees for non-terminable operating leases</i>		
Within one year	25 370	-
Between one and five years	9 727	-
Later than five years	-	-
	35 097	-
Lease fees expensed during the financial year	41 738	54 599
Parent company		
<i>Future minimum lease fees for non-terminable operating leases</i>		
Within one year	25 370	-
Between one and five years	9 727	-
Later than five years	-	-
	35 097	-
Lease fees expensed during the financial year	41 738	23 033

Note 7 Interest income and similar income statement items

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
Interest income	2 275	32 996
	2 275	32 996
Parent company		
Interest income	882	32 167
Foreign currency gains	-	817
	882	32 984

Note 8 Interest expenses and similar income statement items

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
Interest expenses, other	-230	-20 168
Currency losses	-54 546	-
	-54 776	-20 168
Parent company		
Interest expenses, other	-230	-20 168
Currency losses	-54 546	-
	-54 776	-20 168

Note 9 Tax on profit for the year

AMOUNTS IN KSEK	%	2023-12-31		2022-12-31
		KSEK	%	KSEK
Reconciliation of effective tax				
Group				
Profit before tax		315 252		205 228
Tax according to the current tax rate for the parent company	20.6%	-64 942	20.6%	-42 277
Other non-deductible expenses	0.3%	-880	0.0%	11
Non-taxable income	0.0%	127	0.6%	-1 201
Utilization of previous uncapitalized loss carry-forwards	-0.1%	367	0.0%	-
Tax attributable to previous years	-0.4%	1 133	0.2%	-314
Impact due to changes in tax rates and/or tax rules	-0.3%	871	0.0%	-
Examples include for example revaluation of deferred tax and change in tax credits	1.3%	-4 042	-8.7%	17 768
Other	0.1%	-178	0.4%	-844
Reported effective tax	21.4%	-67 544	13.1%	-26 857
Parent company				
Profit before tax		333 009		115 432
Tax according to the current tax rate for the parent company	20.6%	-68 600	20.6%	-23 779
Non-deductible expenses	0.3%	-880	0.0%	11
Non-taxable income	0.0%	89	1.0%	-1 201
Tax attributable to previous years	-0.3%	1 133	0.1%	-314
Other	0.0%		0.2%	-703
Reported effective tax	20.5%	-68 258	21.9%	-25 986

Note 10 Capitalized expenditure for development work

AMOUNTS IN KSEK

	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition cost</i>		
At beginning of year	50 348	50 348
Internally developed assets	182 311	–
At year-end	232 659	50 348
Parent company		
<i>Accumulated acquisition cost</i>		
At beginning of year	50 348	50 348
Internally developed assets	182 311	–
At year-end	232 659	50 348

Note 11 Concessions, patents, licenses, trademarks and similar rights

AMOUNTS IN KSEK

	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition cost</i>		
At beginning of year	1896	48
Other investments	-	1848
At year-end	1896	1896
<i>Accumulated depreciation/amortization</i>		
At beginning of year	-18	-9
Depreciation/amortization for the year	-9	-9
At year-end	-27	-18
Carrying amount at year-end	1869	1878
Parent company		
<i>Accumulated acquisition cost</i>		
At beginning of year	1896	48
Other investments	-	1848
At year-end	1896	1896
<i>Accumulated depreciation/amortization</i>		
At beginning of year	-18	-9
Depreciation/amortization for the year	-9	-9
At year-end	-27	-18
Carrying amount at year-end	1869	1878

Note 12 Software

AMOUNTS IN KSEK

	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition cost</i>		
At beginning of year	53 378	52 945
New acquisitions	–	433
At year-end	53 378	53 378
<i>Accumulated depreciation/amortization</i>		
At beginning of year	-18 908	-17 598
Depreciation/amortization for the year	-9 239	-1 310
At year-end	-28 147	-18 908
Carrying amount at year-end	25 231	34 470
Parent company		
<i>Accumulated acquisition cost</i>		
At beginning of year	53 378	52 945
New acquisitions	–	433
At year-end	53 378	53 378
<i>Accumulated depreciation/amortization</i>		
At beginning of year	-18 908	-17 598
Depreciation/amortization for the year	-9 239	-1 310
At year-end	-28 147	-18 908
Carrying amount at year-end	25 231	34 470

Note 13 Advances relating to intangible fixed assets

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
Advance at beginning of year	27 929	–
Reclassifications	–27 929	–
Advances paid during the year	18 900	27 929
Carrying amount at year-end	18 900	27 929
Parent company		
Advance at beginning of year	27 929	–
Reclassifications	–27 929	–
Advances paid during the year	18 900	27 929
Carrying amount at year-end	18 900	27 929

Note 14 Buildings and land

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition cost</i>		
At beginning of year	269 250	263 750
New acquisitions	–	5 500
At year-end	269 250	269 250
<i>Accumulated acquisition cost</i>		
At beginning of year	–19 070	–7 595
New acquisitions	–11 427	–11 475
At year-end	–30 497	–19 070
Carrying amount at year-end	238 753	250 180
Parent company		
<i>Accumulated acquisition cost</i>		
At beginning of year	154	154
At year-end	154	154
Carrying amount at year-end	154	154
Whereof land		
<i>Group</i>		
Accumulated acquisition cost	154	154
Carrying amount at year-end	154	154
<i>Parent company</i>		
Accumulated acquisition cost	154	–
Carrying amount at year-end	154	–

Note 15 Expenditure relating to other party's property

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition cost</i>		
At beginning of year	83 522	83 522
At year-end	83 522	83 522
 <i>Accumulated depreciation/amortization</i>		
At beginning of year	-14 811	-7 401
Depreciation/amortization for the year	-7 411	-7 410
At year-end	-22 222	-14 811
 Carrying amount at year-end	61 300	68 711
 Parent company		
<i>Accumulated acquisition cost</i>		
At beginning of year	83 522	83 522
At year-end	83 522	83 522
 <i>Accumulated depreciation/amortization</i>		
At beginning of year	-14 811	-7 401
Depreciation/amortization for the year	-7 411	-7 410
At year-end	-22 222	-14 811
 Carrying amount at year-end	61 300	68 711

Note 16 Plant and machinery

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition cost</i>		
At beginning of year	3 365 397	3 334 207
New acquisitions	32 899	25 293
Sales and disposals	-90 643	-13 138
Reclassifications	-	19 035
At year-end	3 307 653	3 365 397
<i>Accumulated depreciation/amortization</i>		
At beginning of year	-1 223 612	-485 017
Reversed depreciation/amortization on divestments and disposals	23 171	3 857
Depreciation/amortization for the year	-705 974	-742 452
At year-end	-1 906 415	-1 223 612
Carrying amount at year-end	1 401 238	2 141 785
Parent company		
<i>Accumulated acquisition cost</i>		
At beginning of year	3 365 397	3 334 207
New acquisitions	32 899	25 293
Sales and disposals	-90 643	-13 138
Reclassifications	-	19 035
At year-end	3 307 653	3 365 397
<i>Accumulated depreciation/amortization</i>		
At beginning of year	-1 223 612	-485 017
Reversed depreciation/amortization on divestments and disposals	23 171	3 857
Depreciation/amortization for the year	-705 974	-742 452
Carrying amount at year-end	1 401 238	2 141 785

Note 17 Equipment, tools, fixtures and fittings

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition cost</i>		
At beginning of year	555 462	526 210
New acquisitions	11 494	17 623
Sales and disposals	-110	-11 983
Reclassifications	-	23 612
At year-end	566 846	555 462
<i>Accumulated depreciation/amortization</i>		
At beginning of year	-251 203	-120 423
Reversed depreciation/amortization on divestments and disposals	44	6 944
Depreciation/amortization for the year	-127 442	-137 724
At year-end	-378 601	-251 203
Carrying amount at year-end	188 245	304 259
Parent company		
<i>Accumulated acquisition cost</i>		
At beginning of year	555 462	526 210
New acquisitions	11 494	17 623
Sales and disposals	-110	-11 983
Reclassifications	-	23 612
At year-end	566 846	555 462
<i>Accumulated depreciation/amortization</i>		
At beginning of year	-251 203	-120 423
Reversed depreciation/amortization on divestments and disposals	44	6 944
Depreciation/amortization on acquisition cost for the year	-127 442	-137 724
At year-end	-378 601	-251 203
Carrying amount at year-end	188 245	304 259

Note 18 Ongoing new facilities and advances relating to property, plant and equipment

AMOUNTS IN KSEK

	2023-12-31	2022-12-31
Group		
At beginning of year	123 273	–
Investments	247 282	123 273
Carrying amount at year-end	370 555	123 273
Parent company		
At beginning of year	123 273	–
Investments	247 282	–
Carrying amount at year-end	370 555	123 273

Note 19 Participations in group companies

AMOUNTS IN KSEK

	2023-12-31	2022-12-31
Accumulated acquisition cost		
At beginning of year	1 025 008	1 025 008
At year-end	1 025 008	1 025 008
Carrying amount at year-end	1 025 008	1 025 008

	2023-12-31		2022-12-31	
<i>Subsidiary</i>	<i>Number of shares</i>	<i>Share in %</i>	<i>Carrying amount</i>	<i>Carrying amount</i>
Aurobay Sweden Real Estate AB	100	100.0	1 025 008	1 025 008
			1 025 008	1 025 008

Note 20 Ownership interests in other companies

AMOUNTS IN KSEK

	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition cost</i>		
At beginning of year	41	41
At year-end	41	41
Carrying amount at year-end	41	41
Parent company		
<i>Accumulated acquisition cost</i>		
At beginning of year	41	41
At year-end	41	41
Carrying amount at year-end	41	41

Note 21 Prepaid expenses and accrued income

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
Accrued income	303 854	773 674
Other items	960	28 357
	304 814	802 031
Parent company		
Accrued income	291 487	773 674
Other items	960	22 188
	292 446	795 862

Note 22 Number of shares and quotient value

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Number of shares	500	500
Quotient value	100	100

Note 23 Other provisions

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
Guarantee commitments	244 778	201 664
	244 778	201 664
Parent company		
Guarantee commitments	244 778	201 664
	244 778	201 664
Group		
Carrying amount at the start of the year	201 664	135 182
Provisions for the year 1)	112 061	
Amounts claimed during the year	-45 087	66 482
Unused amounts that have been reversed during the year	-23 860	
Carrying amount at year-end	244 778	201 664
Parent company		
Carrying amount at the start of the year	201 664	135 182
Provisions for the year 1)	112 061	
Amounts claimed during the year	-45 087	66 482
Unused amounts that have been reversed during the year	-23 860	-
Carrying amount at year-end	244 778	201 664

1) Including increases in existing provisions.

Note 24 Accrued expenses and deferred income

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
Prepaid income	220 121	186 155
Accrued expenses – Research and development	22 223	31 511
Accrued expenses – Other	148 349	60 634
Accrued expenses – Personnel	538 418	411 249
	929 111	689 549
Parent company		
Prepaid income	220 121	186 155
Accrued expenses – Research and development	22 223	31 511
Accrued expenses – Other	147 579	60 554
Accrued expenses – Personnel	538 418	411 249
	928 341	689 469

Note 25 Pledged assets and contingent liabilities – group

AMOUNTS IN KSEK	2023-12-31	2022-12-31
<i>For own liabilities and provisions</i>		
<i>Other pledged assets and collateral</i>		
Customs guarantee	3 500	3 500
Contingent liabilities		
Contingent liability for land decontamination work under the factory in Skövde	90 629	93 841

Note 26 Pledged assets and contingent liabilities – parent company

AMOUNTS IN KSEK	2023-12-31	2022-12-31
<i>For own liabilities and provisions</i>		
<i>Other pledged assets and collateral</i>		
Customs guarantee	3 500	3 500

Note 27 Cash and cash equivalents

AMOUNTS IN KSEK	2023-12-31	2022-12-31
Group		
The following sub-components make up cash and cash equivalents:	822 417	1 057 114
Bank balances	822 417	1 057 114
Parent company		
The following sub-components make up cash and cash equivalents:	580 818	927 111
Bank balances	580 818	927 111

Note 28 Group information

Aurobay Sweden AB is a wholly owned subsidiary of Aurobay International PTE.Ltd., which is a wholly owned subsidiary of Aurobay Holding PTE.Ltd. Aurobay Sweden Real Estate AB is a wholly owned subsidiary of Aurobay Sweden AB.

Related party transactions	Sale of goods, services and other		Purchase of goods, services and other	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Group*	0	0	0	0
Related party transactions**	13 635 568	11 101 184	1 137 740	508 684
Joint ventures and associated companies***	0	0	0	0

	Receivables		Payables	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Group*	145 788	73 139	0	0
Related party transactions**	3 124 251	1 119 887	12 068	551 608
Joint ventures and associated companies***	0	0	0	0

* Group companies include a consolidated company within Aurobay Sweden AB.

** Related parties include companies that are part of the Geely Group that are not consolidated with Aurobay Sweden AB.

*** Joint ventures and associated companies are the companies that are jointly owned with others outside the Aurobay and Geely Group.

Summary of transactions with related parties

Sales to and purchases from related parties relate to the trade of engines and engine parts.

The Geely Group

Sales of engines to Volvo Car Corporation amounted to KSEK 9 390 000.

Note 29 Definitions of key figures

Operating margin:	Operating profit / Net sales
Balance sheet total:	Total assets
Return on capital employed:	(Operating profit + Financial income) / Average capital employed
Financial income:	Items in net financial income attributable to assets (which are included in capital employed)
Capital employed:	Total assets – Interest-free liabilities
Interest-free liabilities:	Liabilities that do not bear interest. Pension liabilities are regarded as interest-bearing.
Return on equity:	Profit after financial items / Average adjusted equity.
Equity ratio:	(Total equity + Equity portion of untaxed reserves) / Total assets

Signatures

Gothenburg

2024-06-28

Rui Ping Wang

Chairman of the Board of Directors

Michael Fleiss

Chief Executive Officer

Ingo Scholten

Xufeng Zhu

Tihua Huang

Joakim Dahlin

Marko Borg Peltonen

My audit report has been submitted

Gothenburg

2024-06-28

Niclas Åberg

Authorized Public Accountant Deloitte AB



AUDITOR'S REPORT

To the general meeting of the shareholders of Aurobay Sweden AB corporate identity number 556830-5964

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Aurobay Sweden AB for the financial year 2023-01-01 - 2023-12-31.

In our opinion, the annual accounts and consolidated 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 and the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with 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.

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. 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 Aurobay Sweden 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, Sweden.

Deloitte AB

Signature on Swedish original

Niclas Åberg
Authorized Public Accountant

7. Sustainability guidelines, facts and tables

Approach to sustainability reporting

The Aurobay Sweden Annual and Sustainability Report 2023 is a sustainability integrated annual report. The scope of the sustainability reporting includes Aurobay Sweden AB (corporate identity number 556830-5964), its wholly owned subsidiary Aurobay Sweden Real Estate AB (corporate identity number 559140-6425), and the operations at the manufacturing plant in Zhangjiakou, China, referred together as Aurobay Sweden.

The sustainability reporting is integrated with the information and disclosures throughout the report, including the Corporate governance report (page 36), and the Enterprise risk management report (page 46).

The sustainability reporting is based on inspiration from the GRI with reference to the GRI Standards. The GRI table can be found on page 104-105.

The company's calculations on greenhouse gas emissions are based on the Greenhouse gas Protocol.

Materiality assessment

Identifying our material topics

To understand how and where Aurobay Sweden's value chain impacts environment and society, we have conducted a double materiality analysis, inspired by the principles outlined in the Corporate Sustainability Reporting Directive (CSRD). This is an important first step in finding efficient ways towards creating a more sustainable value chain and business model.

Firstly, an assessment was made where past, current and future potential and actual impacts on environment and society made by the company were quantified. A lifecycle approach was taken, where upstream, downstream and direct company activities were taken into account.

Secondly, different sustainability topics that have (or can have) a material financial impact on Aurobay Sweden were assessed based on likelihood and severity.

Combined, the output of these activities acted as key input to the final conclusions of which sustainability topics should be considered material sustainability topics for Aurobay Sweden.

An important input to the double materiality assessment is the views of our key stakeholders. In 2022, Aurobay Sweden conducted a thorough stakeholder analysis where clients, owners, employees and suppliers were asked about their expectations on Aurobay Sweden's sustainability work, along with other sustainability related questions. This stakeholder information has been used as input for the materiality assessment done in 2023, in combination with new input from the Executive Management Team (EMT), as well as employees from the Central Sustainability team. The Sustainability team conducted a risk and opportunity assessment, along with an impact assessment, during 2023. This assessment was reviewed by the EMT. The final analysis was later presented to the EMT, which decided the sustainability topics to be considered material.

The material topics are similar to last year's, with the difference of water use being added to the list, while emissions to air (other than CO₂e emissions) was considered a non-material topic this year. Air emissions (such as NOx gases, CO and particulate matter) are no longer considered material, as all Aurobay Sweden's newly-produced engines fulfil the high requirements on release of pollutants set out in Euro 6d standard. Moreover, Aurobay Sweden does not own the after-treatment parts, which makes regulation of air pollutants in the use-phase out of our control. Lastly, based on stakeholder dialogue, our largest customer does not consider air pollution a top priority for us. Water use has previously not been considered a material topic for Aurobay Sweden, however, it was added following new risk assessment and materiality analysis in 2023, on the risks of drought in Zhangjiakou, China, and regional water practices.

Stakeholder input

Primary stakeholder groups	Ways of communicating about sustainability	Primary sustainability expectations
Owners	Owner directive and sustainability interviews	<ul style="list-style-type: none"> • Reduce GHG-emissions and energy efficiency • Increase circularity • Reduce water use • Reduce pollution • Good employment conditions • Ethical business
Customers	Dialogue in product development and sales Sustainability interviews	<ul style="list-style-type: none"> • Reduce GHG-emissions and energy efficiency • Increase circularity • Good employment conditions • Ethical business
Employees	Ongoing input and sustainability survey	<ul style="list-style-type: none"> • Reduce GHG-emissions • Increase circularity • Reduce pollution • Good employment conditions • Competence development
Suppliers	Ongoing dialogue and sustainability survey	<ul style="list-style-type: none"> • Reduce GHG-emissions • Increase circularity • Good employment conditions • Ethical business • Social sustainability in value chain
Governments	Permits	<ul style="list-style-type: none"> • Follow permits and legislation

Shortlisted sustainability impacts of Aurobay Sweden on the external environment and society:

- CO₂e emissions
- Employees (employment conditions and health and safety)
- Material use and waste
- Social impact in our supply chain
- Energy use
- Water use

Sustainability topics with highest (financial) impact on Aurobay Sweden:

- Stricter sustainability requirements from clients
- Stricter sustainability legislation
- Increased carbon prices

- Increased frequency of extreme weather
- Increased risks of pandemics
- Decreased water supply
- Increased energy prices and/or limited access
- Lack of material
- Lack of sustainability competence

Final list of material topics:

- Climate change (CO₂e emissions and energy use)
- Resource use and circular economy (material, water and waste)
- Our own workforce
- Employees in our value chain

Carbon footprint disclosures

We have developed our climate targets based on Science Based Target initiative's (SBTi) Corporate Net-Zero Standard, using their calculation tool to find target levels that are aligned with the Paris Agreement. All CO₂e emissions represented in this report are calculated according to the Greenhouse Gas Protocol (GHG Protocol). Aurobay Sweden has carried out carbon footprint calculations since 2021 and have focused on continuously improving the data quality and level of detail. Supplier collaboration has enabled the use of increased primary data for upstream activities, improving the accuracy of the calculations. To further improve, the methodology has been updated as we have gained more knowledge about the lifecycle of our products.

The calculations rely on primary data as well as estimations using an operational control approach. For scope 2 emissions we use a market-based approach. The climate impact has been calculated in the form of carbon dioxide equivalents, where emissions of carbon dioxide from fossil sources, methane and nitrous oxide are included in the calculations. The emissions are reported in three scopes:

- Scope 1 refers to direct emissions from the organization.
- Scope 2 refers to indirect emissions that occur during the production of purchased electricity, district heating, district cooling, and process steam.
- Scope 3 refers to other indirect emissions, upstream and downstream in the value chain, which arise from, among other things, purchased journeys, transports in the production of purchased goods and services and employees' commuting.

Scope 1 and 2 – Emissions linked to our own operations

The emissions linked to our own operations (scope 1 and 2) are a minor contributor to our total climate emissions. The increase in scope 1 partly originates from increased activity and fuel use in the test rigs at our plants. Our scope 2 emissions decreased with 89% as a result from 2023 being the first year where all Aurobay Sweden's facilities were powered by renewable electricity with guarantees of origin.

Scope 3 – Downstream emissions

Downstream scope 3 emissions constitutes around 80% of our total value chain emissions. The calculations are based on the number of engines produced each year, which cars they are installed in, what market they are sold to and an assumed lifetime length of 200,000 kilometers. A more accurate allocation of use phase emissions contributes to an increase for 2023 as well as the increased volumes produced. This year, we have included servicing and repairs of our products in the use-phase. The increase in emissions from downstream transportation and distribution is mainly due to a more detailed mapping of our value chain that better represents the actual steps of transporting the engines from our production plants to the end user.

Scope 3 – Upstream emissions

The materials we use to produce our products is our second largest contributor to climate emissions in our value chain. General emission factors are used for the calculations, together with primary carbon footprint data from our suppliers on the largest components in our products. The increase from 2022 can be explained by the increased volumes produced, as well as a more comprehensive understanding of our products when it comes to share of recycled content and the characteristics of different parts.

Carbon footprint

GHG Protocol reference	2021 (ton CO ₂ e)	2022 (ton CO ₂ e)	2023 (ton CO ₂ e)
Scope 1	4 631	2 965	3 211
Company owned vehicles	75	61	60
Energy and facilities	1 936	1 438	1 496
Fuel use in operations	2 620	1 467	1 655
Scope 2	12 645	5 699	642
Energy and facilities	12 645	5 699	642
Scope 3 upstream	384 318	304 884	447 830
Purchased goods and services	324 141	271 749	391 095
Capital goods	25 751	5 320	23 892
Fuel and energy related activities	1 405	1 086	1 333
Upstream transportation and distribution	27 496	22 227	26 017
Waste generated in operations	2 016	1 531	287
Business travel	431	521	2 835
Employee commuting	3 079	2 451	2 371
Scope 3 downstream			
Downstream transportation and distribution	26 425	20 616	61 642
Downstream leased assets			64
Use of sold products	2 037 430	1 648 418	1 891 632
End-of-life treatment of sold products	1 875	1 387	1 638
Total	2 467 325	1 983 969	2 406 660
Total excl. scope 3 downstream	40 1594	313 549	451 684
*Location based scope 2 (ton CO ₂ e)	17 015		

Other sustainability disclosures

Energy consumption				Notes
Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used	263140,34	219510,4	350320,6	Fuels (L) ACP diesel FAME (5%), alkylate gasoline, gasoline 91, 95, 98 diesel B10 SD10 undyed, diesel
Total fuel consumption within the organization from renewable sources, in joules or multiples	N/A	N/A	N/A	
Total:	i. 74099 MWh ii. 14774 MWh	i. 72046 MWh ii. 15407 MWh	i. 77061 MWh ii. 14600 MWh	Energy bills for electrical and heat. Internal meters for recycled energy
i. Electricity consumption				
ii. Heating consumption				
iii. Cooling consumption				
iv. Steam consumption				
Total:	i. 700 MWh ii. 800 MWh	N/A	N/A	Energy bills for electrical and heat. Internal meters for recycled energy
i. Electricity sold				
ii. Heating sold				
iii. Cooling sold				
iv. Steam sold				
Total energy consumption within the organization	101507 MWh	98770 MWh	105075 MWh	Bought electricity, sold energy and reused energy (1113,4 MWh)
Water withdrawal				Notes
Total water withdrawal:	i. 38,1 ML ii. 49,8 ML	i. 36,8 ML ii. 51,7 ML	i. 35,9 ML ii. 60,4 ML	i. Skövde ii. Zhangjiakou
i. Surface water				
ii. Groundwater	Total: 87,9 ML	Total: 88,5 ML	Total: 96,3 ML	Data collected from main incoming water meter. No available data on total water withdrawal from areas with water stress
iii. Seawater				
iv. Produced water				
v. Third-party water				
Waste generated				Notes
Total weight of waste generated in metric tons	10807	9872	11609	Largest share of waste are emulsions (treated at nearby plant), metals, cardboard and plastics. Data provided by waste contractor

Other sustainability disclosures continuing

Waste diverted from disposal				Notes
Total weight of waste diverted from disposal in metric tons	5903	5792	6640	Data provided by waste contractor and from scales on-site
Total weight of hazardous waste diverted from disposal in metric tons:	i. 18,7 ii. 105	i. 16,25 ii. 240	i. 16,6 ii. 36	All waste diverted from disposal off-site
i. Preparation for reuse	iii. N/A	iii. N/A	iii. N/A	
ii. Recycling iii. Other recovery operations				
c. Total weight of non-hazardous waste diverted from disposal in metric tons:	i. 107 ii. 5324	i. 94 ii. 5184	i. 714 ii. 5510	All waste diverted from disposal off-site
i. Preparation for reuse	iii. 62	iii. 5	iii. 34	
ii. Recycling iii. Other recovery operations				
Waste directed to disposal				Notes
Total weight of waste directed to disposal in metric tons	5191	4368	5304	Data provided by waste contractor and from scales on-site
Total weight of hazardous waste directed to disposal in metric tons:	i. 674,6 ii. 0,052	i. 642,8 ii. 0,06	i. 760,4 ii. 0,13	All disposed of off-site
i. Incineration (with energy recovery)	iii. 0,921	iii. 0	iii. 0	
ii. Incineration (without energy recovery)	iv. 3366	iv. 2903	iv. 3635	
iii. Landfilling iv. Other disposal operations				
Total weight of non-hazardous waste directed to disposal in metric tons:	i. 1059 ii. 29,9	i. 781,4 ii. 34,5	i. 750,3 ii. 91,7	
i. Incineration (with energy recovery)	iii. 0	iii. 0	iii. 1	
ii. Incineration (without energy recovery)	iv. 59,8	iv. 6	iv. 66,5	
iii. Landfilling iv. Other disposal operations				

GRI index

Statement of use

Aurobay Sweden AB reports the information cited in this GRI content index for the period 2023-01-01 to 2023-12-31 with reference to the GRI Standards.

GRI Standard	Disclosure	Page number
GRI 2: General Disclosures 2021	2-1 Organizational details	5
	2-2 Entities included in the organization's sustainability reporting	98
	2-5 External assurance	37, 94, 96
	2-6 Activities, value chain, and other business relationships	5, 11, 16-30
	2-9 Governance structure and composition	36-38
	2-23 Policy commitments	40-42
	2-28 Membership associations	15
	2-29 Approach to stakeholder engagement	98-99
GRI 3: Material Topics 2021	3-1 Process to determine material topics	98
	3-2 List of material topics	99

GRI index continuing

Material Topics	Disclosure	Page number
GRI 301: Materials 2016	301-2 Recycled input materials used	24–25
GRI 302: Energy 2016	302-1 Energy consumption within the organization	102
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	102
GRI 305: Emissions 2016	305-1 Direct (scope 1) GHG emissions	101
	305-2 Energy indirect (scope 2) GHG emissions	101
	305-3 Other indirect (scope 3) GHG emissions	101
	305-5 Reduction of GHG emissions	19, 100–101
GRI 306: Waste 2020	306-3 Waste generated	103
	306-4 Waste diverted from disposal	103
	306-5 Waste directed to disposal	103
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	25
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	25
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	29
	403-6 Promotion of worker health	29
	403-9 Work-related injuries	29
Other Sustainability Related Metrics		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	77, 108
	205-2 Communication and training about anti-corruption policies and procedures	44
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	44

Our history

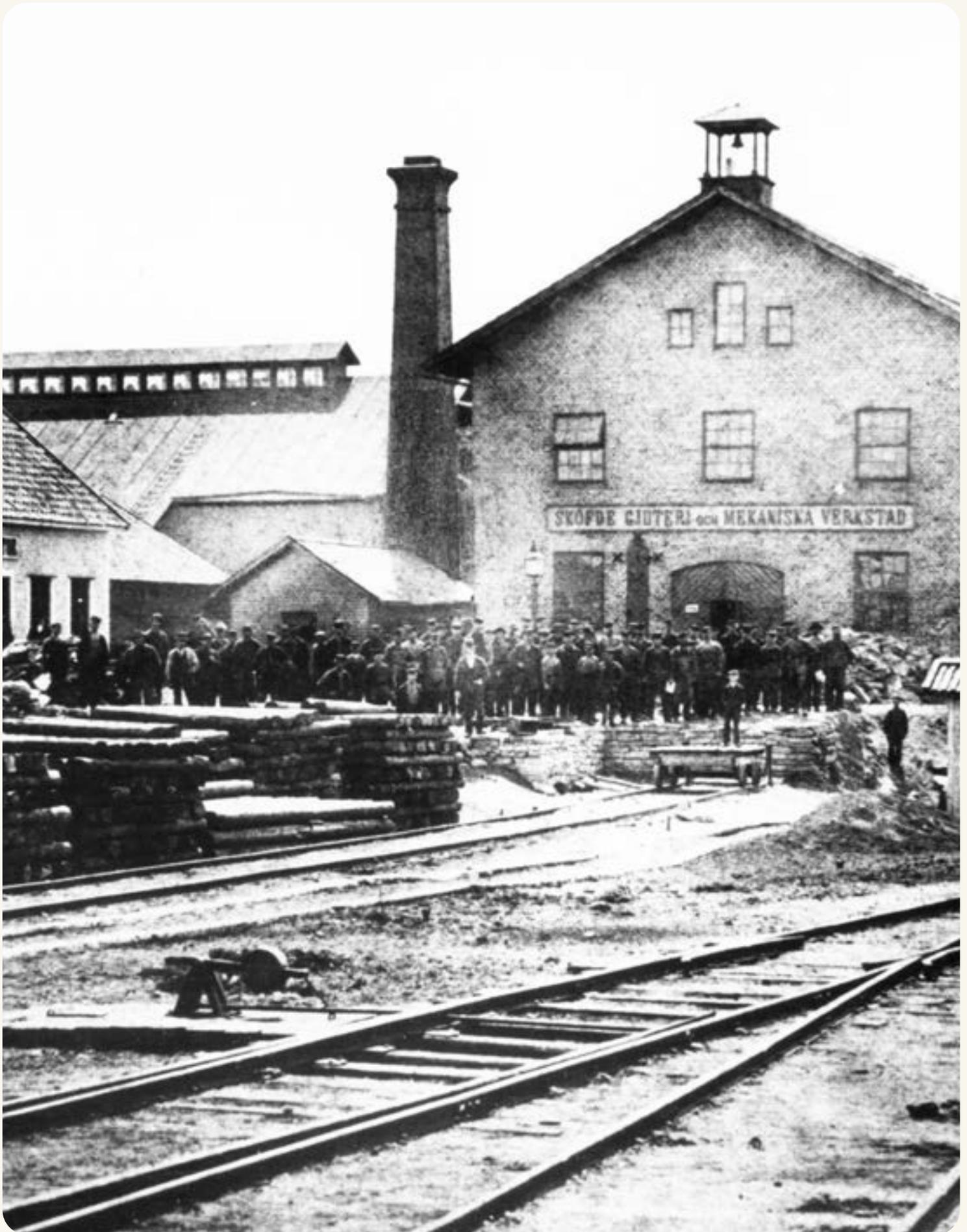
Aurobay Sweden has come a long way since its humble beginnings as a foundry manufacturing pots and pans. It all began back in 1868, before the first car was even born, when the engineer John G Grönvall opened a foundry in Skövde, Sweden. At first the business manufactured cast iron objects. But by the early 1900s, the range of products had grown and included larger objects such as turbines and steam engines. In 1907, the order came in to build an engine based on the pioneering ideas of engineers Fritz Engsell and Edvard Hubendick. They named the engine Penta – and it quickly became a success.

By 1919, the former foundry changed its name from Skövde Mekaniska Verkstad to AB Pentaverken. In 1925, Pentaverken partnered with SKF to create a Swedish automotive brand. Volvo Cars was born, with engines manufactured – of course – by Pentaverken. The rest is a part of automotive history.

Since then, the company has grown into a global business with a manufacturing footprint on two continents, in Skövde, Sweden and Zhangjiakou China. And since 2021, operating under the name Aurobay Sweden.

In July, Aurobay Sweden's owner Geely and Renault signed a joint venture contract that will result in Aurobay Sweden being part of a company with 17 plants and 5 Research and Development centres in Asia, the Americas and Europe. HORSE Powertrain Ltd., formed 31st May 2024, will produce around 5 million powertrains and transmissions every year and push the boundaries of innovation on the journey towards net zero.

Throughout its history, innovation, and the values of Caring, Collaboration and Creating Excellence have been at the heart of Aurobay Sweden. And now it will carry those values into the new group of companies. Always pushing the boundaries of innovation on the road to net zero.



Contact information

Aurobay Sweden Headquarters

Pumpgatan 1
417 55 Gothenburg
Sweden
hello@aurobay.com

Media Relations

Helene Carlson
Executive Vice President Communications
and Public Affairs
media@aurobay.com

Aurobay

Aurobay Sweden AB

Registered Office Gothenburg, Sweden

Registration no. 556830-5964

hello@aurobay.com

→ aurobay.com