

V O L V O



*For life. To give people
freedom to move in a personal,
sustainable and safe way.*

VOLVO CAR GROUP

INTERIM REPORT FOURTH QUARTER AND FULL YEAR 2023

OCTOBER–DECEMBER 2023

FULL YEAR 2023



- Retail sales increased by 7% and reached 199.6 (186.1) thousand cars.
- Revenue increased by 4% to SEK 109.4 (105.2) bn, driven by higher volume, foreign exchange and slightly offset by contract manufacturing.
- Operating income (EBIT) was SEK 5.4 (3.4) bn, supported by volume, lower costs for raw materials as well as sales mix and pricing, and negatively impacted by foreign exchange rate effects. EBIT excluding share of income in JVs and associates was SEK 6.7 (3.9) bn.
- EBIT margin was 4.9 (3.3)%. EBIT margin excluding share of income in JVs and associates was 6.1 (3.7)%.
- Basic earnings per share was SEK 1.04 (0.82).
- Operating and investing cash flow was SEK 6.0 (8.6) bn.
- Volvo Cars revealed the fully electric Volvo EM90, further expanding its portfolio.
- Volvo Cars and the European Investment Bank (EIB) signed credit facility agreements of EUR 250 m to develop a new all-electric vehicle platform.

UPDATES AFTER THE PERIOD

- Volvo Cars is evaluating a potential adjustment to its shareholding in Polestar and will no longer provide further funding to Polestar. Volvo Cars will, however, extend the repayment period for the existing convertible loan by 18 months to the end of 2028. Volvo Cars' and Polestar's operational collaboration continues to the benefit of both companies.
- In January 2024 Volvo Cars and the European Investment Bank (EIB) signed credit facility agreements of EUR 170 m, which together with the agreement signed in Q4 2023 taking the total to EUR 420 m.
- Winfried Vahland left the Board of Directors to assume a board of directorship in Polestar.

- Retail sales increased by 15% and reached 708.7 (615.1) thousand cars, a new company record.
- Revenue increased by 21% to all-time high SEK 399.3 (330.1) bn, mainly driven by higher volume, as well as positive foreign exchange.
- Operating income (EBIT) was SEK 19.9 (22.3) bn, mainly driven by volume development, but also positive exchange rate effects. 2022 comparative figures were positively affected by the de-SPAC listing of Polestar with net effect SEK of 5.9 bn. EBIT excluding share of income in JVs and associates was at all-time high SEK 25.6 (17.9) bn.
- EBIT margin was 5.0 (6.8)%. EBIT margin excluding share of income in JVs and associates was 6.4 (5.4)%.
- Basic earnings per share was SEK 4.38 (5.23).
- Average lifecycle CO₂ emissions per vehicle were reduced by 20% compared with the 2018 level, tracking towards the 2025 ambition.
- At the time of publication of the interim report, the Board of Directors has not made a decision regarding a proposal for a potential dividend for the financial year 2023. The Board of Directors will return with a proposal regarding the dividend at the latest in connection with the call to the 2024 annual general meeting.

FORWARD LOOKING

- For 2024, Volvo Cars expect a higher year-over-year growth rate in retail sales than in 2023, provided there are no major disruptions. Supported by our newly launched cars we are expecting to considerably increase the share of fully electric cars versus 2023.

VOLVO CAR GROUP

| SEKbn unless otherwise stated | 3 Months | | | 12 Months | | |
|--|-----------------|-----------------|----|-----------|-------|-----|
| | Oct–Dec 2023 | Oct–Dec 2022 | Δ% | 2023 | 2022 | Δ% |
| Retail sales, k units ¹⁾ | 199.6 | 186.1 | 7 | 708.7 | 615.1 | 15 |
| Revenue | 109.4 | 105.2 | 4 | 399.3 | 330.1 | 21 |
| Research and development expenses ²⁾ | -3.7 | -2.5 | 46 | -12.9 | -11.5 | 12 |
| Operating income (EBIT) ³⁾ | 5.4 | 3.4 | 56 | 19.9 | 22.3 | -11 |
| EBIT excl. share of income in JVs and associates ³⁾ | 6.7 | 3.9 | 72 | 25.6 | 17.9 | 43 |
| Net income ²⁾ | 3.3 | 2.9 | 17 | 14.1 | 17.0 | -17 |
| Basic earnings per share, SEK ²⁾ | 1.04 | 0.82 | 27 | 4.38 | 5.23 | -16 |
| EBITDA ³⁾ | 10.3 | 7.5 | 37 | 37.4 | 38.4 | -3 |
| Cash flow from operating activities ²⁾ | 18.1 | 17.1 | 6 | 42.9 | 33.6 | 28 |
| Cash flow from investing activities ²⁾ | -12.1 | -8.5 | 42 | -51.8 | -39.7 | 31 |
| Gross margin, % ³⁾ | 20.9 | 16.0 | 31 | 19.4 | 18.3 | 6 |
| EBIT margin, % ³⁾ | 4.9 | 3.3 | 50 | 5.0 | 6.8 | -26 |
| EBIT margin excl. share of income in JVs and associates, % ³⁾ | 6.1 | 3.7 | 65 | 6.4 | 5.4 | 18 |
| EBITDA margin, % ³⁾ | 9.4 | 7.1 | 32 | 9.4 | 11.6 | -20 |

1) Non-financial operating metric.

2) IFRS measure.

3) Non-IFRS measure (alternative performance measure), see Alternative performance measures on page 31.



Volvo Cars delivers best core operating performance in 97-year history, while accelerating next-generation technology development



Dear shareholders and members of our wider Volvo Cars community,

2023 was a key milestone in our transformation journey for Volvo Cars. We delivered a record-breaking year on many levels, reporting the highest retail sales, revenues and profits in our company's 97-year history. We also took several significant steps forward in our ongoing transformation, while navigating a complex external environment. In doing so, we've built a solid foundation for 2024 and the years ahead.

In line with our guidance at the beginning of the year, we delivered a solid double-digit growth in retail sales in 2023. Global sales rose by 15 per cent to a record 708,716 cars versus 2022. This performance demonstrates the strength of our premium product portfolio that offers both fully electric cars as well as an extensive range of hybrid models that will continue to help us bridge the transition into full electrification. The strength of our brand, coupled with our values around safety and sustainability, continues to resonate strongly with our customers. In addition, the continued stabilisation in our supply chain and improved production output further boosted our performance.

We continue to move steadily towards our goals. We sold 113,419 fully electric cars (EVs) in 2023, an increase of 70 per cent versus 2022. EVs represented 16 per cent of our total global sales volume and we increased our global EV market share by 34 per cent.

It is also worth noting that our EV share is based mainly on only two fully electric premium models (the C40 and XC40) and does not yet reflect the full potential of our new EX30 small SUV, EX90 large SUV or EM90 MPV, all of which will hit the roads in earnest during 2024. It is, however, one of the highest fully electric car shares among all legacy premium car makers.

Especially in Europe and the US, our electrified portfolio of both fully electric and plug-in hybrid models proved to be highly popular. In Europe, electrified cars represented almost 60 per cent of our total sales, while the corresponding figure in the US was almost 30 per cent. Heading into 2024, we expect that trend to continue. Our strong EV and hybrid portfolio across multiple sizes and models provides us a strong bridge towards our longer-term ambitions in core computing technology that will provide the platform to utilise the substantial benefits that AI will enable.

Strong EV margin improvement

We were the first traditional car maker to be transparent about our EV margins. During the second half of 2023, we saw gross margins on our EVs increase fourfold to 13 per cent, as we had predicted and communicated. High lithium prices heavily affected our margins in 2022, but we saw a clear uptick in the underlying profitability of these cars from the second half of 2023 as lower raw material prices, mainly led by lithium, and the effects of increased pricing materialised. We also benefited from cost efficiencies from our own investments.

While there's still a gap in gross margins on our EVs compared to some of our combustion engine (ICE) cars, the gap is closing. Our new EX30 is set to deliver gross margins of 15–20 per cent and takes us a long way towards that goal. We also expect the upcoming EX90 and EM90 to contribute strongly to closing the gap between EV and ICE margins.

Although there has been some market scepticism in recent times about the broader prospects for electric car demand in 2024, we have no doubts that fully electric cars and the AI and data capture benefits they bring are the future, and our numbers demonstrate as much. It is important to remember that there are two categories in the automotive industry – the mass market and the premium segment.

Many of the broader EV industry trends that affect the higher-volume and lower-priced mass market do not transfer to the premium segment, where many customers have their own home charging and therefore rely less on public charging infrastructure. In addition, our recent agreement with Tesla in the USA and Canada that allows our customers to use Tesla's high-speed charging infrastructure further bolsters our position in the EV market in that region. We con-

tinue to operate in and are focused on the premium electric segment globally. In addition, many mass-market EV cars are simply electric and do not use core computing architectures, meaning they cannot access many of the benefits of AI and data capture.

It is also important to reflect on the changing regulatory environment. While we plan to be fully electric by 2030, the EU and many other markets aim to ban new ICE cars by 2035 and we already see several big cities ban ICE cars completely. This means that residual values on EVs will improve in coming years, while residuals for ICE cars will start to weaken as customer demand for such cars will dampen far sooner than 2035. In addition, by 2030 electric cars will not just be more accessible, there will also be much more charging infrastructure, battery density will increase and offer more range, and developments in charging architecture will deliver faster charging speeds. This combination of lower battery costs per kW/h, improved charging infrastructure and rapid charging capability will deliver significant benefits towards full scale EV adoption.

We also must remember that Volvo Cars is not a pure play EV company. While we make that transition towards 2030, we still have an extensive range of highly profitable plug-in and mild hybrid models that will remain important for customers who are not yet ready to go 100 per cent electric or where charging infrastructure needs more time to fully develop. Our hybrid models represented a significant majority of our total global sales in 2023 and will remain a key element in our portfolio for many years to come.

We will continue to refresh this popular line-up of plug-in hybrids, providing those customers with meaningful upgrades. These are important investments as they strengthen the bridge towards full electrification. Together with our EVs, this creates a broad, attractive and very strong portfolio for today's global marketplace. We believe the trust we have built with our ICE and hybrid customers will transfer steadily towards our EVs.

2024: key milestone in our journey and another big year

2024 will be the year in which we continue to boost our product portfolio and accelerate our transformation with improved EV margins. Our new electric models will be more profitable and help us close the gap in margins between electric and ICE cars. They will also significantly expand our range, enable us to increase market share and take us into new demographics and market segments that we have not been active in before. The EX30, EX90 and EM90 will all be in mass production mode by the first half of this year.

In fact, at the end of the fourth quarter, the first customers already took delivery of their new EX30. This year we're focused on quickly ramping up production of this car and already now thousands of cars are in transit thanks to this ramp-up process and the resilience of our supply chain. We are determined to meet the strong customer demand, which has exceeded our expectations, and we're working hard to add EX30 production to our Ghent plant in Belgium as soon as possible. This will shorten delivery times to our European customers and minimise import tariffs resulting from geopolitical changes.

Technology leadership in software/AI, connectivity and data

In 2024 we will take a significant technology leap with the introduction of our next-generation fully electric platform upon which our new EX90 is built. As one of the first cars packed with core computing technology, the software-defined EX90 represents a significant paradigm shift for our company, and the tremendous abilities that can be achieved with AI and machine learning technologies. It is a car that brings next-generation safety, connectivity, data and software all together in one product, and its 5G connection to the Volvo cloud allows for functionality to improve over time. The EX90 reaffirms our position as an industry leader in the move towards high computational silicon and in-house software that can harness the potential of the AI revolution.

With a ground-breaking sensor set that includes state-of-the-art lidar technology, coupled to our in-house developed perception and sensor fusion software and new strides in active safety, the EX90 is designed to be the safest Volvo car we have ever built and a testament to our global engineering capabilities. It will also be our first car with bi-directional energy capabilities. This enables customers to charge when power is more sustainable and cheaper, to contribute to a more balanced grid by having their car act as a 'virtual power plant,' or power their own home when power is less sustainable, more expensive or simply not available.

Being at the forefront of development does not come without its challenges, but the success of being an early mover in the adoption of meaningful new technologies can bring tremendous benefits. No one ever became a pioneer without facing some adversity and solving complex problems. I am confident that the leap our EX90 represents will not only provide customers with a premium, safe and technology-enhanced experience, but it also allows us to harness the use of data and energy in entirely new ways that will be ground-breaking for our industry.

Our fully electric EM90 MPV, which we revealed in China in November, has also started production. Like the EX90, the EM90 is an important car for China and shows how serious we are about succeeding in that market and taking market share. Our long-term strategy and approach to China are clear. We are a premium player and retain strong pricing power. We have world class hybrid models that sell very well in China, while the market for premium EVs is maturing alongside our own transition to fully electric. And with the EX90 and EM90 targeting the upper premium segment, we will be well positioned for future profitable growth in the premium EV segment.

We are confident that this mix of products – our existing, updated and new cars – will boost our growth for 2024, as well as significantly increase our share of fully electric cars versus 2023. In terms of total 2024 retail deliveries, we aim for a higher year-over-year growth rate than in 2023 (which showed significant growth of 15 per cent). We have a clear path towards market share growth in the premium sector of the automotive industry. December 2023 was our 16th month of continuous growth, and this was without significant EX30 sales. With that car now in production, we're ready to structurally deliver solid and consecutive year-over-year growth, with increased gross EV margins as indicated.

Record financial performance in 2023

The new sales record in 2023 was also reflected in our revenues and profits. Revenues rose by 21 per cent to an all-time high of SEK 399.3 billion for the full year 2023, demonstrating our ability to maintain premium pricing throughout the year. The solid demand for our cars is also reflected in our order book, which has remained robust despite market turbulence.

Gross margins on our fully electric cars improved in the second half, increasing fourfold to 13 per cent in the fourth quarter, helped by falling lithium prices and effects from increased pricing and cost savings. The cost optimisation and resource efficiency programme we launched in the spring helped us to set a more efficient and sustainable cost base while continuing to attract world-class talent.

We will continue to focus on addressing structural costs in our supply chain, focused on logistics and material costs, and will do so over a multi-year perspective.

All this resulted in a record-high underlying operating profit of SEK 25.6 billion excluding joint ventures and associates, an increase of 43 per cent compared to 2022. Our corresponding margin came in at 6.4 per cent, compared to a margin of 5.4 per cent last year.

Throughout the year we also made progress in reducing our CO₂ footprint per car. By the end of 2023, overall CO₂ emissions per car were 20 per cent lower compared with our 2018 benchmark, supporting our ambition of a 40 per cent CO₂ reduction per car by 2025.

We also continued our transformation journey in other areas. Our new EVs need additional manufacturing capacity to bring them to market. That's why we are investing in a new electric car plant in Slovakia to provide that extra capacity. This factory will be designed to use the latest industry 4:0 technologies and digital infrastructure, coupled to a lower operational cost base this will help deliver significant savings in production costs per car.

We continue to strengthen our in-house software development capabilities around the world with new facilities in Poland, Singapore, India and Sweden, and we established a new business unit called Volvo Cars Energy Solutions which will use our technology know-how and purchasing leverage to offer home and industrial energy solutions, including energy management and storage.

We also transformed the UK market from a traditional wholesale business to a direct consumer-facing one. The work we have done together with our retail partners shows this is the right step and we will continue to optimise the customer journey, designed around increased direct customer engagement, offer flexibility and price transparency.

In short, we delivered a strong 2023 and laid important and robust foundations for our ongoing transformation going into 2024.

A decisive transformation phase

We're now entering a decisive phase in our transformation. Not only will we continue to roll out and ramp up production of the three fully electric cars in 2024, cars that will deliver better EV margins and take us into completely new demo-

graphics and segments, but we're also significantly ramping up our other investments that will help us become a leader in next-generation mobility.

This first phase of our transformation towards 2030, which is the period up until 2025, is where we'll make the necessary structural and strategic investments that lay the technical foundation for future success and relevance in the global auto industry: electrification, software, core computing architectures, advanced connectivity, data capture and analytics, mega casting, next generation e-motor and battery technology, smart cabin technology, and a new advanced manufacturing facility.

To achieve this, we need to invest. This means a temporary rise in investment levels. However, investments in new technologies and state of the art production facilities will drive significant cost efficiencies in our next generation of fully electric cars. Already now, the model year 2024 fully electric XC40 and C40 have e-motors that are developed in-house by our talented Volvo Cars colleagues. This has led to significant improvements in the range and efficiency of these cars, compared to previous versions. Our investment strategy is well considered and our execution towards our strategic goals is improving rapidly as demonstrated in our 2023 results.

We have a strong balance sheet supporting the transformative investments, with a liquidity position of SEK 75 bn as of year-end 2023, and during the investment phase in 2024–25 we expect the free cash flow generation to be relatively neutral.

From 2026 and onwards, we not only expect the level of investments to decline but for us to start reaping the benefits of this strategy with higher growth and profitability as communicated in our IPO. We will also at this point generate a strong positive free cash flow. As we accelerate our transformation, we'll put even more emphasis on driving profitable growth over time and prioritising value over volume. We will double down on internal efficiency, ensure robust capital allocation across our business and capitalise on our investments.

Polestar update

Polestar is entering the next exciting phase of its journey with a strengthened business plan and cost actions, added experience to its executive management team and Board of Directors, as well as the imminent rollout of Polestar 3 and Polestar 4. This combination positions Polestar well for future growth.

As we move into the next phase of our transformation, including deploying large-scale investments in the creation and adoption of new technologies and future-fit production facilities, our focus is on developing Volvo Cars and concentrating our resources on our own ambitious journey.

We are therefore evaluating a potential adjustment to Volvo Cars' shareholding in Polestar, including a distribution of shares to Volvo Cars' shareholders. This may result in Geely Sweden Holdings becoming a significant new shareholder.

Geely will continue to provide full operational and financial support to Polestar going forward, and as a result Volvo Cars will no longer provide further funding to Polestar. We will, however, extend the repayment period for the existing convertible loan by 18 months to the end of 2028. This will be subject to relevant approvals and further information will be provided in due course.

Volvo Cars' and Polestar's strong operational collaboration across R&D, manufacturing, after sales and commercial will continue to the benefit of both companies.

Clarified ambitions

As we approach the middle of this decade, we want to be more precise with our ambitions and have decided to clarify these. We stand firm on our strategy around electrification and technological leadership, one of the most ambitious in the industry. Yet by clarifying our ambitions that were set out during our IPO with sharpened metrics, it improves transparency and allows us to better follow up on our progress.

We remain firm on our ambition to report an EBIT margin above 8 per cent for 2026, and now do so based on expected revenues between SEK 550–600 billion. By the end of 2026, this calculates to a revenue CAGR of 11–15% from 2023 to 2026. This clarified ambition further underlines that we seek to grow in terms of revenues and value rather than on volume alone, thereby focusing even more on profitable growth.

Looking ahead

It is my firm belief that the hard work we have put in during 2022 and 2023 positions us to meet our objectives for the years ahead. We continue to meaningfully improve the core operations of Volvo Cars, we are increasing our market share in the premium EV segment in many geographies, with 24 of our sales companies delivering record earnings, we are improving our EV margins, we are growing our revenues and profits, and we are harnessing new and meaningful technologies in software, AI, core computing, batteries, electric motors and next generation body structures. We are doing all of this while staying true to our values and building our brand strength aligned to our key focus areas of safety, sustainability and human centric technology.

Our strategy is well defined and unambiguous and is the right one for both Volvo Cars, our customers and the environment. Our results, order book and key performance metrics prove as much, and our customers clearly like what they see in our offer.

And while we cannot escape from the uncertainties of the world around us, we can do what is in our control, which is to continue our industry-defining transformation and be a leader. We're committed to showing leadership by living our purpose and values, as we've always done since 1927.

Jim Rowan

Chief Executive, Volvo Cars

Fastest transformer strategy progress

Our industry is changing, and we strive to be a leader in that change. Our fastest transformer strategy outlines how we plan to deliver on our ambitions. The purpose of this section is to keep our stakeholders updated on this progress.

CLARIFIED AMBITIONS



1) excl. JVs & associates.

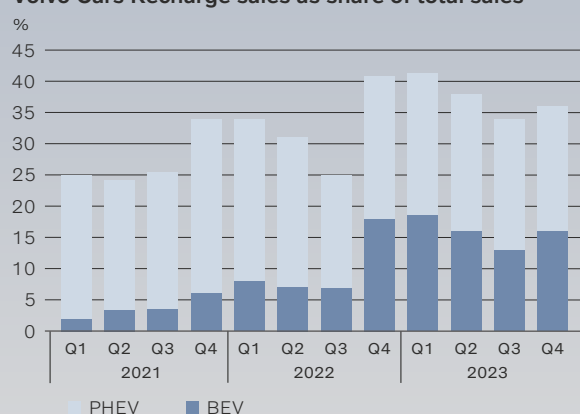
FAST GROWING PREMIUM BRAND

Market position

The battery electric car volume share was 16% in the quarter, which was slightly below the share in the same quarter last year. Total Recharge sales share decreased slightly to 38 (41)%. Overall retail orders remained stable at a global level but with regional and monthly variances. This is valid also excluding the newly launched EX30 and EX90.

Uruguay, Thailand, Costa Rica, Iceland, Malta, Denmark and the Netherlands all had 100% recharge sales in Q4, closely followed by Norway, Finland, Brazil and a few smaller markets.

Volvo Cars Recharge sales as share of total sales



| Volvo Cars' market share per propulsion type ^{1) 2)} | Jan–Nov 2023 | Jan–Nov 2022 |
|---|--------------|--------------|
| BEV | 1.15% | 0.86% |
| PHEV | 4.86% | 5.77% |
| ICE (incl. mild hybrids) | 0.74% | 0.75% |
| Total | 0.98% | 0.95% |

| Total industry volume share and growth by propulsion type ^{1) 2)} | Jan–Nov 2023 | Growth YoY |
|--|--------------|--------------|
| BEV | 14% | 40.5% |
| PHEV | 5% | 35.6% |
| ICE (incl. mild hybrids) | 81% | 6.1% |
| Total | 100% | 10.6% |

1) Volvo Cars is and will continue to be positioned in the premium segment of the automotive market. As the market is transforming with electrification and digitalisation the definition of premium is being redefined.

To simplify and to avoid the risk of excluding important parts of the market, we will report our market share in relation to the global passenger market.

2) Source: Includes content supplied by S&P Global Mobility Industry Performance, January 2024, capturing more than 85% of total world sales. All rights reserved.

Sustainability

Ahead of the COP28, we announced we are doubling down on our CO₂ reduction ambition. On top of our ambition to reduce CO₂ emissions per car by 40 per cent by 2025 (versus a 2018 baseline), we signalled the plan to further reduce emissions by 75 per cent by 2030 (versus a 2018 baseline). For the full year 2023, we reached a reduction of 20%, which is according to plan and on track towards our ambition. Before the start of COP28, we also announced we had joined the World Economic Forum's First Movers Coalition (FMC), putting our purchasing power behind some important and emerging technologies to reduce emissions from aluminum production.

Alongside our pioneering efforts in exploring the use of near-zero emission steel together with SSAB, we are committed to go beyond electrification and reduce our cars' cradle-to-gate CO₂ emissions by addressing emissions throughout the manufacturing, logistics, and supply chain. This is part of our roadmap to reach net zero greenhouse gas emissions by 2040.

| CO ₂ -reduction per car | Total CO ₂ -emissions per car (tonnes) | Reduction (%) |
|------------------------------------|---|------------------------|
| 2018 | 54.9 | — |
| 2023 Jan–Dec ¹⁾ | 43.9 | –20 |
| 2025 ambition | 32.9 | –40 |
| 2040 ambition | 0 | Net zero GHG emissions |

1) The 2023 greenhouse gas emissions (GHG) results did not include production and distribution of fuel and electricity.

FULL ELECTRIFICATION

BEV/Non-BEV profitability and share of investments

Compared to the fourth quarter of 2022 the fully electric new car gross income per unit has been positively affected mainly by lower costs for raw materials, increased pricing and cost efficiencies. The gross margins for BEV cars also improved compared to the third quarter 2023 which was mainly due to a further decline of raw material costs and cost efficiencies.

| | Oct–Dec 2023 | | Full year 2023 | |
|--|--------------|---------|----------------|---------|
| | BEV | Non-BEV | BEV | Non-BEV |
| Retail sales (k units) | 33 | 167 | 113 | 595 |
| Revenue per Car (SEKk/unit) ¹⁾ | 464 | 441 | 465 | 440 |
| Gross Income per Car (SEKk/unit) ¹⁾ | 62 | 115 | 40 | 103 |
| Gross Margin (%) | 13 | 26 | 9 | 23 |

| | BEV | Non-BEV | Common | BEV | Non-BEV | Common |
|--|--|---------|--------|-----|---------|--------|
| | Share of Investing Cash Flow (%) ²⁾ | 68 | 5 | 27 | 68 | 6 |

1) Revenue and gross income refer to new cars including emissions credits, excluding after sales, subscription and foreign exchange hedge effect. Labour and overhead are set to standard cost and fixed manufacturing costs are distributed by volume.

2) Investments refer to plant, property, equipment and capitalised product development only. Common investments are not defined as either BEV or non-BEV investments and consist of manufacturing efficiency, replacements & maintenance and infotainment development.

Volvo EX30 makes a dazzling debut as The Sun's Car of the Year

In a perfect prelude to the fully electric small SUV's delivery to its first customers, it has been crowned Car of the Year by The Sun and Small SUV/Crossover of the Year in the News UK Motor Awards.

Announced at a presentation ceremony in London in October 2023, the accolades highlight the qualities that make the EX30 the benchmark model in its class: a choice of pure electric powertrains, cutting-edge technology and Volvo Cars' quality, safety and design, all at an accessible price.

Launch of our Multipurpose Vehicle (MPV), the EM90

Following the reveal of the already award-winning and fully electric EX30 small SUV earlier this year, the EM90 was launched on 12 November and represents the second expansion of our model portfolio in quick succession. Both the EX30 and EM90 will help us reach new audiences, cover more of the global automotive market and realise more profitable volume. The Volvo EM90 was launched in China and is now available for pre-orders for customers in China.

Volvo Cars established a new business unit, Energy Solutions

In order to capitalise on the potential and help support the transition to a smarter, more sustainable and more efficient energy grid, we have established Volvo Cars Energy Solutions. It is a brand new business unit that aims to offer

energy storage and charging-related technologies and services which form the connective tissue between our cars, our customers' lives, the efficient use of energy and society at large. Over time, we believe Volvo Cars Energy Solutions can provide new products not previously offered by Volvo Cars.

Volvo Cars to build EX30 small SUV in Ghent

Responding to strong demand for the car, Volvo Cars has decided to start building the new fully electric Volvo EX30 in our Ghent factory in Belgium from 2025. Production of the EX30 started earlier this fall in Zhangjiakou, China and the first cars reached customers in the fourth quarter. The decision to also build the EX30 in Ghent adds flexibility and reflects Volvo Cars' ambition to build the cars where they are sold.

A LEADER IN NEW TECHNOLOGY

Volvo Cars opens new, state-of-the-art software testing centre in Sweden

As part of our strategy, we continuously invest in our in-house software development and testing capabilities. In October, we announced one of our biggest investments into this area to date: a new, state-of-the-art software testing centre in Gothenburg, Sweden that amplifies our capacity for integrated software testing at all levels. At a size of around 22,000 square meters and representing an initial investment of around SEK 300 million, our new software testing centre is the new flagship in our network of engineering centres and Tech Hubs around the world. We also operate software test centres in Lund, Sweden and Shanghai, China.

DIRECT CONSUMER RELATIONS

In the fourth quarter of 2023, the share of online/direct business amounted to 7 (6)% of our total global sales. Demand in general for the online/direct offer continues to be robust. In the UK market, which in June 2023 was transformed to direct sales only, the demand was solid and order intake increased year over year in the quarter.

FASTEST TRANSFORMER WAY OF WORKING

New General Counsel and Chief Legal Officer

Helen Hu has been appointed General Counsel and Chief Legal Officer, and Member of the Executive Management Team (EMT), from 1 February 2024. Helen succeeds Maria Hemberg, who has been the company's General Counsel and Chief Legal Officer since joining Volvo Cars in 2012. Maria Hemberg will from 1 February enable a smooth transition and operate in a senior advisory capacity, reporting to CEO Jim Rowan.

New Head of Global Sustainability

Vanessa Butani has been appointed Head of Global Sustainability, from 1 April 2024. Vanessa joins Volvo Cars from her most recent role as VP Group Sustainability at Electrolux Group. She will report to CEO Jim Rowan and be part of our Group Management Team (GMT).

Fourth quarter financial summary

SALES AND MARKET DEVELOPMENT

The global passenger car market improved year over year, despite facing challenges such as high inflation and rising interest rates in many markets.

Volvo Cars' retail sales increased by 7% compared with the fourth quarter of 2022. Wholesales increased by 5% and the production increased by 8%. The growth in retail sales was mainly enabled by increased stability in production, with the fourth quarter marking the strongest production quarter ever with 218.2 (202.3) thousand cars produced. During the quarter, Volvo Cars' total Recharge (BEV and PHEV) sales were 36% of the total cars sold and BEVs accounted for 16% with the first EX30s delivered to customers. With the momentum from the new launches, the overall demand for our cars remained robust at a global level and we continued to maintain price discipline. We also managed to increase our global market share compared to the same quarter last year.

Europe

The total European car market increased by 5% and the traditional premium segment increased by 4% compared to last year. The region continued to see an improved production situation and the previously constrained supply chain has now normalised.

Volvo Cars' retail sales increased by 6% and the order book remained robust despite geographical differences in new order intake. Recharge car sales accounted for 55 (67)% of the total cars sold, whereof BEV sales accounted for 26 (31)% of retail sales.

China

The total Chinese passenger car market increased by 12%, while the traditional premium segment increased by 11%. The competition in the Chinese car market continued to be strong, with several domestic brands gaining noticeable market shares, especially in the BEV segment.

Volvo Cars' retail sales increased by 4%. Recharge share accounted for 9 (9)% in the quarter, whereof BEV sales accounted for 2 (2)% of retail sales.

US

The total US passenger car market increased by 8%. The traditional premium segment increased by 17%. There has been an increase in incentives as the market is normalising after the past years' supply chain disturbances, but overall discounts are still not as high as pre-pandemic levels.

Volvo Cars' retail sales increased by 23%. Recharge share accounted for 25 (28)% in the quarter, whereof BEV sales accounted for 8 (10)% of retail sales.

Other

Retail sales in other markets increased by 2%. The largest markets were South Korea (-10%), Canada (+48%) and Turkey (+9%). Recharge share of total sales in other markets was 39 (33)%, whereof BEV accounted for 21 (17)%.

Sales development per carline

The SUVs, including Volvo Cars' XC and C models, accounted for 82 (80)% of total sales, driven by XC60 and XC90. During the fourth quarter, the very first EX30s were delivered to customers. The Sedan and Wagons' share of total sales amounted to 12 (13)% and 6 (7)% respectively. The XC60 remained the best-selling model, followed by the XC40.

| Retail sales (k units) | 3 Months | | | 12 Months | | |
|-----------------------------------|--------------|--------------|-----------|--------------|--------------|-----------|
| | Oct-Dec 2023 | Oct-Dec 2022 | Δ% | 2023 | 2022 | Δ% |
| Europe | 86.0 | 81.4 | 6 | 294.8 | 247.4 | 19 |
| China | 46.2 | 44.6 | 4 | 170.1 | 162.3 | 5 |
| US | 36.6 | 29.8 | 23 | 128.7 | 102.0 | 26 |
| Other | 30.8 | 30.3 | 2 | 115.1 | 103.3 | 11 |
| Retail sales total | 199.6 | 186.1 | 7 | 708.7 | 615.1 | 15 |
| Recharge line-up vehicles | 72.8 | 76.8 | -5 | 266.0 | 205.4 | 30 |
| <i>whereof BEV vehicles</i> | <i>32.8</i> | <i>34.4</i> | <i>-5</i> | <i>113.4</i> | <i>66.7</i> | <i>70</i> |
| Recharge line-up share of sales | 36% | 41% | | 38% | 33% | |
| <i>whereof BEV share of sales</i> | <i>16%</i> | <i>18%</i> | | <i>16%</i> | <i>11%</i> | |
| Wholesales | 203.8 | 194.3 | 5 | 732.3 | 631.7 | 16 |
| Production volume | 218.2 | 202.3 | 8 | 766.7 | 648.9 | 18 |



| Top 10 Retail sales by market (k units) | 3 Months | | | 12 Months | | |
|--|-----------------|-----------------|-----|-----------|-------|-----|
| | Oct-Dec 2023 | Oct-Dec 2022 | Δ% | 2023 | 2022 | Δ% |
| China | 46.2 | 44.6 | 4 | 170.1 | 162.3 | 5 |
| USA | 36.6 | 29.8 | 23 | 128.7 | 102.0 | 26 |
| Germany | 15.0 | 12.5 | 21 | 45.5 | 35.8 | 27 |
| Sweden | 13.8 | 18.1 | -23 | 41.0 | 45.7 | -10 |
| UK | 13.0 | 10.5 | 24 | 50.1 | 36.5 | 38 |
| Belgium | 7.0 | 4.1 | 70 | 23.9 | 14.6 | 64 |
| Spain | 5.1 | 3.5 | 47 | 14.7 | 11.4 | 28 |
| France | 4.9 | 4.1 | 20 | 15.3 | 13.7 | 12 |
| Netherlands | 4.7 | 4.0 | 15 | 16.3 | 13.0 | 25 |
| Italy | 4.6 | 5.1 | -8 | 19.2 | 16.0 | 20 |

| Retail sales by model (k units) | 3 Months | | | 12 Months | | |
|---------------------------------|-----------------|-----------------|----------|--------------|--------------|-----------|
| | Oct-Dec 2023 | Oct-Dec 2022 | Δ% | 2023 | 2022 | Δ% |
| BEV | | | | | | |
| XC40 BEV | 22.2 | 21.4 | 4 | 75.7 | 42.5 | 78 |
| C40 BEV | 9.9 | 12.9 | -23 | 37.1 | 24.2 | 53 |
| EX30 BEV | 0.6 | N/A | — | 0.6 | N/A | — |
| Non-BEV | | | | | | |
| XC60 | 67.7 | 54.1 | 25 | 228.6 | 195.3 | 17 |
| XC40 PHEV/ICE | 32.1 | 34.2 | -6 | 125.0 | 126.7 | -1 |
| XC90 | 30.5 | 25.4 | 20 | 107.5 | 97.1 | 11 |
| S90 | 12.7 | 13.6 | -7 | 49.3 | 42.9 | 15 |
| S60 | 11.4 | 10.5 | 9 | 40.2 | 39.5 | 2 |
| V60 | 8.3 | 10.3 | -20 | 30.4 | 32.1 | -5 |
| V90 | 4.1 | 3.7 | 10 | 14.2 | 14.7 | -4 |
| Total | 199.6 | 186.1 | 7 | 708.7 | 615.1 | 15 |

V60 and V90 include the cross-country versions.

INCOME AND RESULT

The comparative figures refer to the consolidated income statement of the fourth quarter 2022, unless otherwise stated.

Volvo Cars' revenue amounted to SEK 109.4 (105.2) bn representing an increase of 4%. Wholesale volumes increased by 5% to 203.8 (194.3) thousand cars. Effects from higher volume and foreign exchange rates were positive with SEK 3.9 bn and SEK 1.7 bn, respectively. Contract manufacturing sales were down with SEK –4.4 bn. See complete revenue bridge below.

Gross income increased by 36% to SEK 22.8 (16.8) bn, resulting in a gross margin of 20.9 (16.0)%. The gross margin increased due to lower costs for raw materials and spot purchasing of semiconductors, as well as lower logistics costs. Foreign exchange rate effects, including hedges, in cost of sales were negative amounting to SEK –1.1 bn. The net effect of foreign exchange rates, including hedges, in gross income was positive and amounted to SEK 0.6 bn.

Research and development expenses increased by 46% to SEK –3.7 (–2.5) bn, mainly due to less projects reaching capitalisation phase as a percentage of total spends. For details regarding research and development expenses, see the Research and development table on page 13. Selling expenses increased by 5% to SEK –7.1 (–6.7) bn, primarily owing to increased spend related to marketing in alignment with new car launch and the concurrent increase in sales. Administrative expenses increased by 10% to SEK –3.4

(–3.1) bn mainly due to higher spend related to digital development.

Other operating income and expenses decreased to SEK –2.0 (–0.6) bn mainly related to negative exchange rate effects from the valuation of operating assets and liabilities due to the strengthened SEK against main currencies. Share of income in joint ventures and associates decreased to SEK –1.3 (–0.4) bn primarily attributable to negative results driven by cost incurred in their development phase.

Operating income (EBIT) increased to SEK 5.4 (3.4) bn, resulting in an EBIT margin of 4.9 (3.3)%. Excluding share of income in joint ventures and associates, EBIT increased to SEK 6.7 (3.9) bn, corresponding to a margin of 6.1 (3.7)%. The positive development on EBIT was primarily driven by higher volume of SEK 1.1 bn, favourable sales mix and pricing of SEK 0.9 bn, as well as lower material costs. The exchange rate effects including hedges had a negative impact on EBIT of SEK –0.6 bn, see the table below.

Net financial items increased to SEK – (–0.3) bn, mainly driven by higher interest income. The effective tax rate increased to 38.1 (8.3)%, mainly due to non tax deductible effect of joint venture and associates together with the de-SPAC listing of Polestar in the comparative figures. However the comparative period was positively affected by the recognised deferred tax assets on accumulated tax losses carried forward for Zenseact. Net income was SEK 3.3 (2.9) bn and 3.0 (2.7)% in relation to revenue. Basic earnings per share amounted to SEK 1.04 (0.82).

| Changes to Revenue, SEK bn | Oct–Dec |
|----------------------------|--------------|
| Revenue Q4 2022 | 105.2 |
| Volume | 3.9 |
| Sales mix and pricing | 1.4 |
| Sale of licences | — |
| Foreign exchange rates | 1.7 |
| Contract manufacturing | –4.4 |
| Other ¹⁾ | 1.6 |
| Revenue Q4 2023 | 109.4 |
| Change % | 4 |

1) Including used cars, earned emissions credits, parts and accessories.

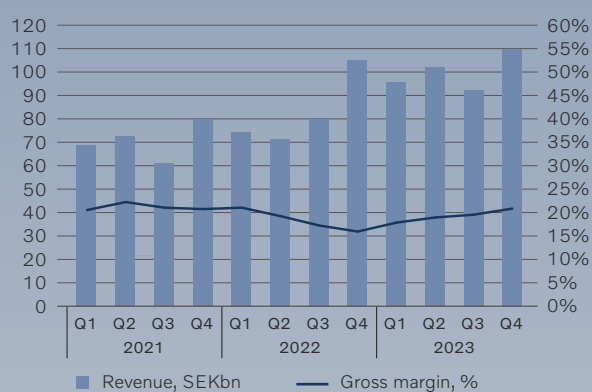
| Changes to Operating income, SEK bn | Oct–Dec |
|---------------------------------------|------------|
| EBIT Q4 2022 | 3.4 |
| Volume | 1.1 |
| Sales mix and pricing | 0.9 |
| Sale of licences | — |
| Foreign exchange rates | –0.6 |
| Share of income in JVs and associates | –0.9 |
| Other ²⁾ | 1.5 |
| EBIT Q4 2023 | 5.4 |
| Change % | 56 |

2) Mainly including raw material increases, fixed costs, used cars, emissions credits, parts and accessories, cost efficiencies and import duties.

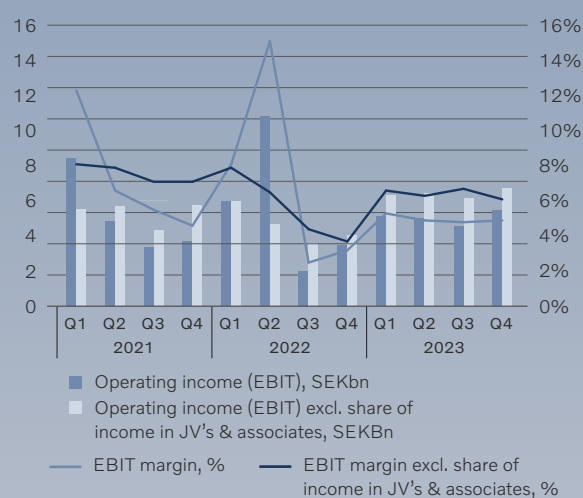
VOLVO CAR GROUP

| Research and development, SEKm | 3 Months | | | Full year | | |
|--|---------------|---------------|-------------|----------------|----------------|-------------|
| | Oct–Dec 2023 | Oct–Dec 2022 | Δ% | 2023 | 2022 | Δ% |
| Research and development spending | -7,329 | -6,025 | 21.5 | -26,943 | -22,123 | 21.8 |
| Capitalised development costs | 4,971 | 4,630 | 7.4 | 18,912 | 15,188 | 24.5 |
| Amortisation of research and development | -1,356 | -1,154 | 17.5 | -4,853 | -4,579 | 6.0 |
| Research and development expenses | -3,714 | -2,549 | 45.4 | -12,884 | -11,514 | 11.6 |

Revenue & Gross Margin



Operating Income (EBIT) & EBIT Margin



CASH FLOW

The comparative figures for the cash flow items refer to the consolidated cash flow statement for the fourth quarter 2022 unless otherwise stated. The comparative figures for the balance sheet items refer to the consolidated balance sheets of December 31, 2022 unless otherwise stated.

Total cash and cash equivalents, including marketable securities, decreased to SEK 57.8 (67.2) bn. Net cash decreased to SEK 27.5 (38.1) bn. Liquidity amounted to SEK 75.0 (83.8) bn, including undrawn credit facilities of SEK 17.2 (16.7) bn.

Cash flow from operating activities

Cash flow from operating activities amounted to SEK 18.1 (17.1) bn. The amount consists of operating income of SEK 5.4 (3.4) bn, adjusted for depreciation and amortisation of SEK 4.9 (4.1) bn, together with paid income tax of SEK –0.4 (–0.9) bn.

The change in working capital amounted to SEK 6.8 (10.7) bn. Cash flow from changes in contract liabilities amounted to 2.6 (3.0) bn, mainly related to higher sales related provisions. Change in accounts payables amounted to SEK 2.4 (13.5) bn, where the comparative figure from last year was affected by the increase in production and higher raw material prices.

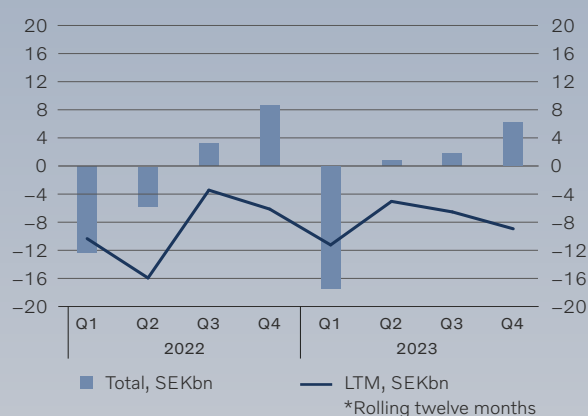
Cash flow from investing activities

Cash flow from investing activities amounted to SEK –12.1 (–8.5) bn. Cashflow from investments in tangible assets amounted to SEK –4.5 (–5.1) bn, mainly driven by the industrial structure to prepare for future products. Investments in intangible assets amounted to SEK –5.2 (–6.9) bn as a result of continuous investments in new and upcoming car models and new technology, such as electrification technology and autonomous driving. In addition, investing cash flow is also negatively affected by the additional loan to Polestar.

Cash flow from financing activities

Cash flow from financing activities amounted to SEK –9.1 (5.1) bn and was mainly related to changes in marketable securities with SEK –10.1 (5.5) bn and proceeds from and repayments to credit institutions of SEK 2.1 (–0.2) bn.

Cash flow from Operating and investing activities



| Cash flow statement, SEK bn | 3 Months | | Full year | |
|--|--------------|--------------|--------------|-------------|
| | Oct–Dec 2023 | Oct–Dec 2022 | 2023 | 2022 |
| Cash flow from operating activities | 18.1 | 17.1 | 42.9 | 33.6 |
| Cash flow from investing activities | -12.1 | -8.5 | -51.8 | -39.7 |
| Cash flow from operating and investing activities | 6.1 | 8.6 | -9.0 | -6.1 |
| Cash flow from financing activities | -9.1 | 5.1 | -5.3 | 5.0 |
| Cash flow for the period | -3.1 | 13.7 | -14.2 | -1.1 |

Full year 2023

SALES AND MARKET DEVELOPMENT

Despite challenges from high inflation and rising interest rates in the western world and lower consumer confidence in China, the passenger car markets have grown. Part of the increase is, however, attributable to a lower comparison base due to semiconductor and component shortages during last year. Global production increased by 9% compared to last year.

Volvo Cars' global production increased by 18% to a record 766.7 (648.9) thousand cars as availability and visibility improved in our supply chain. Full year retail sales were at 708.7 (615.1) thousand, an all-time high in the company's history. The orderbook remained robust supporting the ability to maintain premium pricing over the year. Sales of BEVs increased by 70% to 113.4 (66.7) thousand units, and Recharge cars share of total sales increased to 38 (33)%.

INCOME AND RESULT

Revenue increased by 21% to SEK 399.3 (330.1) bn, mainly supported by wholesale volumes, which increased by 16% to 732.3 (631.7) thousand cars.

Gross income increased to SEK 77.4 (60.3) bn, resulting in a gross margin of 19.4 (18.3)%, an increase mainly due to increased volume, as well as favourable foreign exchange rate effects, including hedges.

Operating income (EBIT) amounted to SEK 19.9 (22.3) bn, resulting in an EBIT margin of 5.0 (6.8)%, a decrease primarily as a result of the de-SPAC listing of Polestar in the comparative figures, see items affecting comparability table below.

Excluding share of income in joint ventures and associates, EBIT was record-high and increased to SEK 25.6 (17.9) bn, corresponding to a margin of 6.4 (5.4)%. The exchange rate effects including hedges had a positive impact on EBIT of SEK 1.8 bn.

Net financial items amounted to SEK 0.9 (–1.5) bn. The effective tax rate increased to 32.6 (18.3)%, mainly due to non tax deductible effect of joint ventures and associates together with the de-SPAC listing of Polestar in the comparative figures. Net income was SEK 14.1 (17.0) bn and 3.5 (5.2)% in relation to revenue. Basic earnings per share amounted to SEK 4.38 (5.23).

| Items affecting comparability, SEKbn | Full year 2023 | Full year 2022 |
|--|-------------------|-------------------|
| <i>Whereof affecting Volvo Cars Operations</i> | | |
| Restructuring costs | –0.6 | — |
| <i>Whereof affecting JV's & Associates</i> | | |
| de-SPAC listing of Polestar, net effect | — | 5.9 |
| Total | –0.6 | 5.9 |

| Changes to Revenue, SEK bn | Full year |
|----------------------------|--------------|
| Revenue in 2022 | 330.1 |
| Volume | 41.8 |
| Sales mix and pricing | 4.7 |
| Sale of licences | –0.1 |
| Foreign exchange rates | 14.3 |
| Contract manufacturing | 1.8 |
| Other ¹⁾ | 6.7 |
| Revenue in 2023 | 399.3 |
| Change % | 21 |

1) Including used cars, earned emissions credits, parts and accessories.

| Changes to Operating income, SEK bn | Full year |
|---|-------------|
| EBIT in 2022 | 22.3 |
| Volume | 12.3 |
| Sales mix and pricing | –0.5 |
| Sales of licenses | –0.1 |
| Foreign exchange rates | 1.8 |
| Share of income in JVs and associates ²⁾ | –4.2 |
| Items affecting comparability – Volvo Cars operations | –0.6 |
| Items affecting comparability – JVs & Associates | –5.9 |
| Other ³⁾ | –5.2 |
| EBIT in 2023 | 19.9 |
| Change % | –11 |

2) Excluding items affecting comparability.

3) Mainly including raw material increases, fixed costs, used cars, emissions credits, parts and accessories, cost efficiencies and import duties.

CASH FLOW

Total cash and cash equivalents, including marketable securities, decreased to SEK 57.8 (67.2) bn. Net cash decreased to SEK 27.5 (38.1) bn, which was largely driven by investing activities, including loan to Polestar.

Liquidity amounted to SEK 75.0 (83.8) bn, including undrawn credit facilities of SEK 17.2 (16.7) bn. Cash flow from operating activities was positive and amounted to SEK 42.9 (33.6) bn.

Working capital was positive and amounted to SEK 2.8 (6.5) bn, partially affected positively by the Aurobay repayment of liability from 2022 amounting to SEK 3.0 bn as well as the effect from deconsolidation of Volvo Car Group Financial Leasing (Shanghai) Co., Ltd, which was partly offset by higher inventory levels.

Cash flow from investing activities amounted to SEK -51.8 (-39.7) bn. Volvo Cars continued to invest in the industrial structure, new technology, upcoming car models and the transformation into a fully electric car company. In addition, investing cash flow is also negatively affected by additional loan to Polestar and new loan to Volvo Car Group Financial Leasing (Shanghai) Co., Ltd.

Cash flow from financing activities was negative and amounted to SEK -5.3 (5.0) bn, mainly related to change in marketable securities.

EQUITY

Total equity increased to SEK 130.5 (117.3) bn, resulting in an equity ratio of 36.6 (35.4)%. The change is mainly attributable to a positive net income of SEK 14.1 bn and minor effects in share-based payments and other comprehensive income.

The change in other comprehensive income is related to a foreign exchange translation effect, including hedges of net investments in foreign operations of SEK -1.1 bn (net of tax). Remeasurements of provisions for post-employment benefits had a negative effect of SEK -1.4 bn (net of tax). The positive change in cash flow hedge reserve related to currency and commodity price risks of SEK 1.6 bn (net of tax). The change in value of cash flow hedges is mainly due to an appreciated SEK compared to most of the major currencies.

Other Information

PARENT COMPANY

The parent company does not conduct any operations and has no employees. The income statements and balance sheets for the parent company are presented on page 23.

RISKS AND UNCERTAINTY FACTORS

To ensure that Volvo Cars is able to achieve short- and long-term objectives, enterprise risk management is part of daily activities at Volvo Cars. For a more in-depth description of risks related to Volvo Cars, see the Volvo Car Group's Annual Report 2022 page 54. We consider the risk and uncertainty factors to remain the same as described in the annual report except for the following update:

Macroeconomics and geopolitical uncertainty

The uncertain macro and geopolitical environment continue, including high inflation, elevated interest rates, raw material

price volatility, ongoing geopolitical complexity and regulatory changes such as subsidies, tariffs and duties or application of these by relevant authorities. The uncertainties in the financial markets are still high. The risks of potential impact on demand from higher interest rate levels and lower consumer confidence, remain at an elevated level.

EMPLOYEES

In 2023, Volvo Car Group employed 43.4 (43.2) thousand full-time employees (FTEs) and 3.8 (4.2) thousand agency personnel. The increase in FTEs was mainly due to new recruitment to support the transformation. However, compared to previous quarter, there has been a decrease in FTEs due to the cost-efficiency initiatives started during the first half of 2023. This is also the main reason for the decrease in agency personnel.



Consolidated Income Statements

| SEKm | Note | Oct–Dec 2023 | Oct–Dec 2022 | Full year 2023 | Full year 2022 |
|--|------|-----------------|-----------------|-------------------|-------------------|
| Revenue | 2 | 109,441 | 105,247 | 399,343 | 330,145 |
| Cost of sales | | -86,609 | -88,442 | -321,916 | -269,813 |
| Gross income | | 22,832 | 16,805 | 77,427 | 60,332 |
| Research and development expenses | | -3,714 | -2,549 | -12,884 | -11,514 |
| Selling expenses | | -7,079 | -6,735 | -26,056 | -21,000 |
| Administrative expenses | | -3,360 | -3,050 | -12,539 | -11,485 |
| Other operating income and expenses | | -2,002 | -584 | -381 | 1,556 |
| Share of income in joint ventures and associates | | -1,289 | -444 | -5,628 | 4,443 |
| Operating income | | 5,388 | 3,443 | 19,939 | 22,332 |
| Interest income and similar credits | | 740 | 337 | 2,495 | 852 |
| Interest expenses and similar charges | | -190 | -228 | -772 | -837 |
| Other financial income and expenses | 3 | -557 | -436 | -802 | -1,532 |
| Income before tax | | 5,381 | 3,116 | 20,860 | 20,815 |
| Income tax | | -2,049 | -259 | -6,794 | -3,812 |
| Net income | | 3,332 | 2,857 | 14,066 | 17,003 |
| Net income attributable to | | | | | |
| Owners of the parent company | | 3,109 | 2,456 | 13,053 | 15,577 |
| Non-controlling interests | | 223 | 401 | 1,013 | 1,426 |
| Basic earnings per share (SEK) | 5 | 1.04 | 0.82 | 4.38 | 5.23 |
| Diluted earnings per share (SEK) | 5 | 1.04 | 0.82 | 4.38 | 5.23 |

Consolidated Comprehensive Income

| SEKm | Oct-Dec 2023 | Oct-Dec 2022 | Full year 2023 | Full year 2022 |
|---|-----------------|-----------------|-------------------|-------------------|
| Net income for the period | 3,332 | 2,857 | 14,066 | 17,003 |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to income statement:</i> | | | | |
| Remeasurements of provisions for post-employment benefits | -4,227 | -957 | -1,815 | 4,560 |
| Tax on items that will not be reclassified to income statement | 887 | 180 | 424 | -998 |
| <i>Items that have been or may be reclassified subsequently to income statement:</i> | | | | |
| Translation difference on foreign operations | -1,276 | -1,206 | -1,240 | 3,872 |
| Translation difference of hedge instruments of net investments in foreign operations | 527 | -51 | 131 | -710 |
| Change in fair value of cash flow hedge related to currency and commodity price risks | 4,291 | 3,222 | 1,976 | 2,289 |
| Tax on items that have been or may be reclassified to income statement | -992 | -646 | -435 | -319 |
| Other comprehensive income, net of income tax | -790 | 542 | -959 | 8,694 |
| Total comprehensive income for the period | 2,542 | 3,399 | 13,107 | 25,697 |
| Total comprehensive income attributable to | | | | |
| Owners of the parent company | 2,535 | 3,198 | 12,343 | 24,150 |
| Non-controlling interests | 7 | 201 | 764 | 1,547 |
| | 2,542 | 3,399 | 13,107 | 25,697 |

Consolidated Balance Sheets

| SEKm | Note | 31 Dec 2023 | 31 Dec 2022 |
|---|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | 72,104 | 56,994 |
| Tangible assets | | 84,113 | 77,252 |
| Investments in joint ventures and associates | 4 | 14,142 | 15,599 |
| Other long-term securities holdings | 3 | 12,066 | 4,353 |
| Deferred tax assets | | 10,135 | 9,131 |
| Other non-current interest-bearing receivables | | 1,327 | 3,354 |
| Non-current derivative assets | 3 | 2,094 | 1,128 |
| Other non-current assets | | 3,426 | 3,994 |
| Total non-current assets | | 199,407 | 171,805 |
| Current assets | | | |
| Inventories | | 57,058 | 46,951 |
| Accounts receivable | 4 | 19,284 | 25,239 |
| Current tax assets | | 997 | 1,763 |
| Current derivative assets | 3 | 1,988 | 1,769 |
| Other current assets | | 19,849 | 16,239 |
| Marketable securities | 3 | 9,918 | 3,415 |
| Cash and cash equivalents | 3 | 47,861 | 63,743 |
| Total current assets | | 156,955 | 159,119 |
| TOTAL ASSETS | | 356,362 | 330,924 |
| EQUITY & LIABILITIES | | | |
| Equity | | | |
| Equity attributable to owners of the parent company | | 126,371 | 113,947 |
| Non-controlling interests | | 4,114 | 3,331 |
| Total equity | | 130,485 | 117,278 |
| Non-current liabilities | | | |
| Provisions for post-employment benefits | | 7,610 | 6,883 |
| Deferred tax liabilities | | 8,293 | 5,392 |
| Other non-current provisions | | 7,582 | 8,398 |
| Liabilities to credit institutions | 3 | 4,562 | 3,096 |
| Non-current bonds | 3 | 18,087 | 22,959 |
| Non-current contract liabilities to customers | | 8,148 | 7,144 |
| Other non-current interest-bearing liabilities | | 4,790 | 4,845 |
| Non-current derivative liabilities | 3 | 424 | 825 |
| Other non-current liabilities | | 5,385 | 4,726 |
| Total non-current liabilities | | 64,881 | 64,268 |
| Current liabilities | | | |
| Current provisions | | 13,117 | 9,051 |
| Liabilities to credit institutions | 3 | 937 | 755 |
| Current bonds | 3 | 6,660 | 2,000 |
| Current contract liabilities to customers | | 30,817 | 26,094 |
| Accounts payable | 4 | 62,304 | 68,913 |
| Current tax liabilities | | 1,607 | 1,566 |
| Other current interest-bearing liabilities | | 1,242 | 1,500 |
| Current derivative liabilities | 3 | 1,055 | 1,809 |
| Other current liabilities | 4 | 43,257 | 37,690 |
| Total current liabilities | | 160,996 | 149,378 |
| TOTAL EQUITY & LIABILITIES | | 356,362 | 330,924 |

Consolidated Statement of Changes in Equity

| SEKm | 31 Dec 2023 | 31 Dec 2022 |
|---|----------------|----------------|
| Opening balance (as previously reported) | 117,278 | 94,978 |
| Correction of prior period error ¹⁾ | — | -466 |
| Effect of hyperinflation ²⁾ | — | 49 |
| Opening balance (restated) | 117,278 | 94,561 |
| Net income for the period | 14,066 | 17,003 |
| Other comprehensive income, net of income tax | -959 | 8,694 |
| Total comprehensive income | 13,107 | 25,697 |
| Transactions with owners | | |
| Capital contribution from non-controlling interests | — | 17 |
| Divestment of non-controlling interests ³⁾ | — | -1,196 |
| Divestment under common control ⁴⁾ | — | -978 |
| New issue | — | -1 |
| Share-based payments | 109 | 24 |
| Change in the Group's composition | -9 | — |
| Dividend to shareholders ⁵⁾ | — | -846 |
| Transactions with owners | 100 | -2,980 |
| Closing balance | 130,485 | 117,278 |
| Attributable to | | |
| Owners of the parent company | 126,371 | 113,947 |
| Non-controlling interests | 4,114 | 3,331 |
| Closing balance | 130,485 | 117,278 |

1) For more information see Note 10 – Government grants in the annual report 2022.

2) For more information see Note 1 – General information for financial reporting in Volvo Car Group in the annual report 2022.

3) Refers to the divestment of non-controlling interest in Zenseact AB.

4) Refers to the divestment of Zhangjiakou Volvo Engine Manufacturing Co., Ltd to Zhejiang Aurobay Powertrain Co., Ltd.

5) Dividend to shareholders with non-controlling interest of SEK — (-846) m.

Consolidated Statement of Cash Flows

| SEKm | Oct–Dec 2023 | Oct–Dec 2022 | Full year 2023 | Full year 2022 |
|--|-----------------|-----------------|-------------------|-------------------|
| OPERATING ACTIVITIES | | | | |
| Operating income | 5,388 | 3,443 | 19,939 | 22,332 |
| Depreciation and amortisation of non-current assets | 4,922 | 4,081 | 17,449 | 16,091 |
| Dividends received from joint ventures and associates | — | — | 88 | 72 |
| Interest and similar items received | 740 | 257 | 2,495 | 1,065 |
| Interest and similar items paid | -668 | -369 | -1,710 | -1,351 |
| Other financial items | 138 | 64 | 178 | 206 |
| Income tax paid | -408 | -884 | -4,486 | -4,223 |
| Adjustments for other non-cash items | 1,188 | -199 | 6,087 | -7,135 |
| | 11,300 | 6,393 | 40,040 | 27,057 |
| Movements in working capital | | | | |
| Change in inventories | 705 | 1,187 | -11,341 | -7,348 |
| Change in accounts receivable | 548 | -4,651 | 4,750 | -776 |
| Change in accounts payable | 2,356 | 13,544 | -2,918 | 18,533 |
| Change in provisions | 697 | 848 | -1,914 | -4,640 |
| Change in contract liabilities to customers | 2,576 | 2,953 | 8,707 | 5,941 |
| Change in other working capital assets/liabilities | -42 | -3,207 | 5,543 | -5,168 |
| Cash flow from movements in working capital | 6,840 | 10,674 | 2,827 | 6,542 |
| Cash flow from operating activities | 18,140 | 17,067 | 42,867 | 33,599 |
| INVESTING ACTIVITIES | | | | |
| Investments in shares and participations | -331 | -1,209 | -1,151 | -9,597 |
| Divestment in shares and participations | — | 1,574 | -178 | 2,290 |
| Loans to affiliated companies | -2,294 | 3,096 | -11,990 | — |
| Investments in intangible assets | -5,227 | -6,880 | -20,680 | -18,328 |
| Investments in tangible assets | -4,496 | -5,050 | -18,485 | -13,784 |
| Disposal of tangible assets | 269 | 68 | 642 | 161 |
| Other | — | -90 | — | -400 |
| Cash flow from investing activities | -12,079 | -8,491 | -51,842 | -39,658 |
| Cash flow from operating and investing activities | 6,061 | 8,576 | -8,975 | -6,059 |
| FINANCING ACTIVITIES | | | | |
| Proceeds from credit institutions | 2,424 | 9 | 3,970 | 1,040 |
| Proceeds from bond issuance | — | — | 1,500 | 5,260 |
| Repayment of bond | — | — | -2,000 | — |
| Repayment of liabilities to credit institutions | -314 | -251 | -673 | -4,530 |
| Repayment of interest-bearing liabilities | -471 | -510 | -1,747 | -1,711 |
| Dividends paid to Non-controlling interest | — | — | — | -846 |
| Investments in marketable securities | -10,097 | -5,745 | -10,792 | -21,127 |
| Matured marketable securities | -1 | 11,234 | 4,115 | 26,157 |
| Other | -680 | 387 | 376 | 726 |
| Cash flow from financing activities | -9,139 | 5,124 | -5,251 | 4,969 |
| Cash flow for the period | -3,078 | 13,700 | -14,226 | -1,090 |
| Cash and cash equivalents at beginning of period | 52,766 | 50,348 | 63,743 | 62,265 |
| Exchange difference on cash and cash equivalents | -1,827 | -305 | -1,656 | 2,568 |
| Cash and cash equivalents at end of period | 47,861 | 63,743 | 47,861 | 63,743 |

Condensed Parent Company Income Statements

| SEKm | Oct–Dec 2023 | Oct–Dec 2022 | Full year 2023 | Full year 2022 |
|---|-----------------|-----------------|-------------------|-------------------|
| Administrative expenses | -12 | -7 | -30 | -27 |
| Operating loss | -12 | -7 | -30 | -27 |
| Interest income and similar credits | 416 | 294 | 1,452 | 942 |
| Interest expenses and similar charges | -220 | -192 | -825 | -640 |
| Other financial income and expenses ¹⁾ | 2,998 | 1,494 | 2,979 | 1,472 |
| Income before tax | 3,182 | 1,589 | 3,576 | 1,747 |
| Income tax | -14 | 921 | -95 | 889 |
| Net income | 3,168 | 2,510 | 3,481 | 2,636 |

1) Dividend of SEK 3,000 (1,500) m was received from subsidiary

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

Condensed Parent Company Balance Sheets

| SEKm | 31 Dec 2023 | 31 Dec 2022 |
|---------------------------------------|----------------|----------------|
| ASSETS | | |
| Non-current assets | 42,367 | 45,263 |
| Current assets | 25,999 | 22,234 |
| TOTAL ASSETS | 68,366 | 67,497 |
| EQUITY & LIABILITIES | | |
| Equity | | |
| Restricted equity | 61 | 61 |
| Non-restricted equity | 39,844 | 36,254 |
| Total equity | 39,905 | 36,315 |
| Non-current liabilities | 21,338 | 24,242 |
| Current liabilities | 7,123 | 6,940 |
| Total liabilities | 28,461 | 31,182 |
| TOTAL EQUITY & LIABILITIES | 68,366 | 67,497 |

Group contribution from parent company to Volvo Car Corporation SEK – (4,530) m.

NOTE 1 – Accounting policies

The interim report has been prepared in accordance with IAS 34 – Interim Financial Reporting and the Swedish Annual Accounts Act. The Volvo Car Group applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. The parent company applies RFR 2 – Reporting for legal entities and the Swedish Annual Accounts Act. The accounting principles in this report are, in all material aspects, consistent with those described in Volvo Car Group's Annual Report 2022 (available at investors.volvocars.com).

The IASB has published amendments to standards effective on or after 1 January 2023. These amendments have not had a material impact on the financial statements.

Critical accounting estimates and judgements – emission credits

In line with the accounting policies explained in Volvo Car Group's annual report 2022, Volvo Car Group recognises as revenue the fair value of emission credits earned during the period, the credits are subsequently valued at the lower of cost or net realisable value. During Q4, 2023, based on the status of ongoing negotiations and overall market interest in specific credit types, Volvo Car Group reversed write-downs of emission credit inventory earned during 2023 totaling SEK 400.3 m.

NOTE 2 – Revenue

Revenue allocated to geographical regions:

| SEKm | Oct–Dec 2023 | Oct–Dec 2022 | Full year 2023 | Full year 2022 |
|-------------------------------------|-----------------|-----------------|-------------------|-------------------|
| China | 18,509 | 18,390 | 73,545 | 70,924 |
| US | 19,058 | 21,602 | 75,172 | 62,070 |
| Europe | 54,343 | 47,986 | 184,894 | 144,150 |
| <i>of which Sweden¹⁾</i> | <i>11,904</i> | <i>15,385</i> | <i>47,029</i> | <i>44,923</i> |
| <i>of which Germany</i> | <i>8,467</i> | <i>6,329</i> | <i>24,942</i> | <i>19,015</i> |
| <i>of which UK</i> | <i>6,919</i> | <i>5,623</i> | <i>21,661</i> | <i>16,159</i> |
| Other markets | 17,531 | 17,269 | 65,732 | 53,001 |
| <i>of which Japan</i> | <i>1,373</i> | <i>2,442</i> | <i>7,673</i> | <i>8,339</i> |
| <i>of which South Korea</i> | <i>2,225</i> | <i>2,217</i> | <i>8,336</i> | <i>6,024</i> |
| Total | 109,441 | 105,247 | 399,343 | 330,145 |

Revenue allocated to category:

| SEKm | Oct–Dec 2023 | Oct–Dec 2022 | Full year 2023 | Full year 2022 |
|--|-----------------|-----------------|-------------------|-------------------|
| Sales of new cars | 86,393 | 81,741 | 307,549 | 252,747 |
| Sales of used cars | 6,144 | 4,446 | 18,505 | 16,405 |
| Sales of parts and accessories | 9,389 | 8,432 | 37,170 | 30,778 |
| Revenue from subscription, leasing and rental business | 1,334 | 1,138 | 5,463 | 4,473 |
| Sales of licences and royalties | 138 | 118 | 798 | 887 |
| Contract manufacturing | 3,191 | 7,688 | 22,357 | 20,288 |
| Emissions credits | 471 | 505 | 910 | 505 |
| Other revenue | 2,381 | 1,179 | 6,591 | 4,062 |
| Total | 109,441 | 105,247 | 399,343 | 330,145 |

1) Includes the Contract manufacturing sales channel.

NOTE 3 – Financial instruments

Valuation principles and classification of financial instruments, as described in the Volvo Car Group's Annual Report 2022, Note 20 – Financial instruments and financial risks, have been applied consistently throughout the reporting period.

The fair value of the financial instruments valued at amortised cost expected to be realised within twelve months are equivalent to their carrying amounts. The carrying amount of the non-current and current issued bond loans and liabilities to credit institutions amounted to SEK 30,246 (28,810) m and the fair value of these financial instruments amounted to SEK 29,805 (27,390) m.

Financial instruments at level 2 in Volvo Cars reported at fair value through profit and loss and designated hedging instrument consist of derivatives, commercial paper and convertible loans, where the positive fair value amounted to SEK 14,402 (4,658) m and the negative fair value amounted to SEK 1,479 (2,634) m. The financial instruments at level 2 with a positive fair value include a convertible loan to the Polestar Group. The convertible loan is initially recognised at fair value and subsequent valuation is based on prevailing market quotations, estimating future cash flows using the relevant forward curve and discounting with the relevant discount curve for the specific currency. The fair value reflects the non-performance risk including Polestar Group's credit risk, and the conversion option. The receivable can be converted into shares at a price equal to the price offered to all other market participants, with no discount or incentive offered. The value of the conversion option is therefore nil.

Investments in other long-term securities are holdings categorised as level 1 and level 3 financial instruments consisting of equity investments, warrants and earn-out rights. Investments in equity instruments amounted to SEK 1,796 (4,353) m, whereof SEK 166 (252) m are holdings categorised as level 1 financial instruments and SEK 1,630 (4,101) m are categorised as level 3 financial instruments.

The earn-out rights in the Polestar Group will accrue to the Group if a number of criteria have been met during a specific time period in the future. These earn-out rights are categorised as level 3 financial instruments and are measured by using a Monte Carlo simulation. The simulation is based on a volatility of 70% and a risk-free interest rate of 3.9%. The volatility was varied in the range of +/-10 percentage points resulting in a valuation range of SEK 371–767 m. Furthermore, the drift of the risk-free interest rate was varied in the range of +/-2 percentage points, resulting in a valuation range of SEK 540–614 m in the base case volatility scenario. Remaining level 3 investments consist of unlisted share warrants and earn-out rights in the listed company Luminar Technologies Inc (Luminar). These instruments are measured using the Black-Scholes model based on:

- The probability that Volvo Car Group will fulfil contractual terms and when in time this will occur.
- The assessed risk-free interest rate which have been determined at 5.0% and 4.3% for the different maturity.
- Volatility of the underlying share price which has been determined at 87.0%.

Sensitivity analysis for warrants in Luminar (SEKm)

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

NOTE 3 – Financial instruments – continued

Hedge accounting

Hedge accounting is applied when derivative instruments are included in a documented hedge relationship. For hedge accounting to be applied, a direct connection between the hedging instrument and the hedged item is required. Volvo Cars applies cash flow hedge, net investment hedge and fair value hedge. For further information see Note 20 – Financial instruments and financial risks in the Volvo Car Group Annual Report 2022.

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

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

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

NOTE 4 – Related party transactions

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

Significant events and agreements with Related parties during the fourth quarter

- In November 2023, Volvo Cars increased its existing USD 800 m facility to Polestar with USD 200 m to a total of USD 1,000 m and extended the maturity from May 2024 to June 2027. The facility includes an option for Volvo Cars to convert the loan to equity if Polestar chooses to finance the operations by issuing new shares. The conversion option is also limited due to Volvo Cars' ownership in Polestar not being able to equal or exceed 50%. The convertible loan is measured at fair value through profit or loss taking into consideration the conversion mechanism of the instrument. The facility is interest-bearing and classified as other securities holdings. During the quarter, Polestar has withdrawn the last USD 200 m.
- Volvo Car Corporation and Zhejiang Genius & Guru Investment Co., Ltd have during the year provided their joint venture Volvo Car Group Financial Leasing (Shanghai) Co., Ltd. with financial support in the form of a joint credit facility based on their pro rata share, amounting to a total of CNY 1,815 m. As of 31 December 2023, Volvo Car Group Financial Leasing (Shanghai) Co., Ltd. has withdrawn a credit amount of total CNY 1,600 m from the joint credit facility, of which the part provided by Volvo Cars amounts to CNY 880 m.

Tables of transactions with Related parties

The information presented below includes all assets and liabilities towards related parties. All assets and liabilities are current except SEK 11,543 (966) m which are non-current. For further details refer to section Specification of transactions with related parties, on next page.

Sales of goods, services and other

| SEKm | Oct–Dec 2023 | Oct–Dec 2022 | Full year 2023 | Full year 2022 |
|---|-----------------|-----------------|-------------------|-------------------|
| Related companies ¹⁾²⁾ | 4,317 | 8,781 | 27,253 | 24,962 |
| Associated companies and joint ventures | 1,175 | 488 | 2,705 | 1,627 |

Purchases of goods, services and other

| SEKm | Oct–Dec 2023 | Oct–Dec 2022 | Full year 2023 | Full year 2022 |
|---|-----------------|-----------------|-------------------|-------------------|
| Related companies ¹⁾ | -10,785 | -8,792 | -33,519 | -26,202 |
| Associated companies and joint ventures | -629 | -1,412 | -2,958 | -2,701 |

| SEKm | Receivables | | Payables | |
|---|----------------|----------------|----------------|----------------|
| | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Related companies ¹⁾²⁾ | 21,534 | 21,043 | 14,941 | 13,414 |
| Associated companies and joint ventures | 2,545 | 1,377 | 627 | 466 |

1) Related companies are companies within the Geely sphere of companies. Joint ventures and associated companies within the Geely sphere are presented as Related companies.

2) Including contract manufacturing.

NOTE 4 – Related party transactions – continued

Specification of significant transactions with Related parties

The Polestar Group

Volvo Car Group recognised revenue from the Polestar Group of SEK 3,858 (8,042) m in the fourth quarter and SEK 24,939 (21,837) m for the full year. The revenue was mainly related to sale of Polestar cars from the Taizhou plant, technology licences and development of technology as well as revenue related to sale of other services.

Powertrain Engineering Sweden AB (PES)

The total purchases from Powertrain Engineering Sweden AB amounted to SEK –4,219 (–3,404) m in the fourth quarter and SEK –13,517 (–10,930) m for the full year, mainly related to combustion engines and product development which has mainly been recognised as cost of sales.

Zhangjiakou Aurobay Powertrain Manufacturing Co., Ltd

The purchase of combustion engines for the fourth quarter amounted to SEK –1,254 (–2,144) m and SEK –7,304 (–6,956) m for the full year and has mainly been recognised as cost of sales.

Zhejiang Liankong Technology Co., Ltd and Zhejiang Ji Run Auto Co., Ltd

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

Ningbo Fuhong Auto Sales Co., Ltd

Total revenue from sales of cars to Ningbo Fuhong Auto Sales Co., Ltd amounted to SEK 197 (300) m in the fourth quarter and SEK 1,467 (1,545) m for the full year.

Ningbo Geely Automobile Research & Development Co., Ltd

The purchase of research and development services from Ningbo Geely Automobile Research&Development Co., Ltd amounted to SEK –130 (–403) m in the fourth quarter and SEK –1,592 (–1,358) m for the full year and has mainly been capitalised as intangible assets.

Viridi E-Mobility Technology (Ningbo) Co., Ltd

The total purchases from Viridi E-Mobility Technology (Ningbo) Co., Ltd. amounted to SEK –419 (–1,347) m in the fourth quarter and SEK –2,079 (–1,553) m for the full year, mainly related to batteries and has been recognised as cost of sales.

Zhejiang Geely Automobile Co.,Ltd and Shanghai Global Trading Corporation

The total purchases from Zhejiang Geely Automobile Co.,Ltd and Shanghai Global Trading Corporation amounted to SEK –3,538 m in the fourth quarter and SEK –3,545 m for the full year. The purchases was related to the production of the EX30.

NOTE 5 – Earnings per share

| Basic earnings per share, SEKm | Oct–Dec 2023 | Oct–Dec 2022 | Full year 2023 | Full year 2022 |
|---|-------------------------|-------------------------|---------------------------|---------------------------|
| Net income attributable to owners of the parent company | 3,109 | 2,456 | 13,053 | 15,577 |
| Net income attributable to owners of ordinary shares in the parent company | 3,109 | 2,456 | 13,053 | 15,577 |
| Weighted average number of ordinary shares outstanding, basic | 2,979,524,179 | 2,979,524,179 | 2,979,524,179 | 2,979,524,179 |
| Basic earnings per share, SEK | 1.04 | 0.82 | 4.38 | 5.23 |

| Diluted earnings per share, SEKm | Oct–Dec 2023 | Oct–Dec 2022 | Full year 2023 | Full year 2022 |
|--|-------------------------|-------------------------|---------------------------|---------------------------|
| Net income in basic earnings per share | 3,109 | 2,456 | 13,053 | 15,577 |
| Net income in diluted earnings per share | 3,109 | 2,456 | 13,053 | 15,577 |
| Weighted average number of ordinary shares outstanding, basic | 2,979,524,179 | 2,979,524,179 | 2,979,524,179 | 2,979,524,179 |
| Dilutive effect for share-based payment programmes | 1,185,951 | 187,268 | 778,275 | 47,186 |
| Weighted average number of ordinary shares outstanding, diluted | 2,980,710,130 | 2,979,711,447 | 2,980,302,454 | 2,979,571,365 |
| Diluted earnings per share, SEK | 1.04 | 0.82 | 4.38 | 5.23 |

NOTE 6 – Significant events after the period

Volvo Car Group is evaluating a potential adjustment to our shareholding in Polestar, including a distribution of shares to Volvo Cars' shareholders. This may result in Geely Sweden Holdings becoming a significant new shareholder. Geely will continue to provide full operational and financial support to Polestar going forward, and as a result Volvo Cars will no longer provide further funding to Polestar. We will, however, extend the repayment period for the existing convertible loan by 18 months to the end of 2028. This will be subject to relevant approvals and further information will be provided in due course. Volvo Cars' and Polestar's strong operational collaboration across R&D, manufacturing, after sales and commercial will continue to the benefit of both companies. The financial effects are too early to evaluate.

The section Risks and uncertainty factors on page 16 contains information on Volvo Cars' assessments of the global environment on the Group.

GENERAL DEFINITIONS

Volvo Cars and Volvo Car Group

Volvo Car AB (publ.) together with its wholly-owned subsidiary Volvo Car Corporation and its subsidiaries are jointly referred to as “Volvo Car Group” or “Volvo Cars”.

Volvo Car AB (publ.), with its registered office in Gothenburg, Sweden, is a publicly listed company on the Nasdaq Stockholm Stock Exchange. The largest owner, holding 78.65% of shares and capital, is Geely Sweden Holdings AB, owned by Shanghai Geely Zhaoyuan International Investment Co., Ltd., registered in Shanghai, China, and ultimately owned by Zhejiang Geely Holding Group Ltd., registered in Hangzhou, China.

Volvo Car AB (publ.) holds shares in its subsidiary Volvo Car Corporation and provides the Group with certain financing solutions. Volvo Car AB (publ.), indirectly through Volvo Car Corporation and its subsidiaries, operates in the automotive industry with business relating to design, development, manufacturing, marketing and sale of cars and thereto related services.

Associated companies

Associated companies are companies in which Volvo Car Group has a significant but not controlling influence, which generally is when Volvo Car Group holds between 20% and 50% of the shares.

Joint venture companies (JVs)

Joint ventures refer to companies in which Volvo Car Group, through contractual cooperation together with one or more parties, has joint control over the operational and financial management and has rights to the net assets of the arrangement.

Retail sales

Retail sales refer to sales to end customers (including a portion of cars used as customer loaner and demo cars) and is a relevant measure of the demand for Volvo Cars from an end customer point of view.

Wholesales

Wholesales refer to new car sales to dealers and other customers including rentals.

Europe

Europe is defined as EU+EFTA+UK.

Passenger cars

Passenger cars are vehicles with at least four wheels, used for the transport of passengers, and comprising no more than eight seats in addition to the driver's seat.

Traditional premium segment

Traditional premium segment is the premium market brands such as Volvo Cars, Audi, BMW, Lexus, Mercedes, Tesla and so on.

Battery Electric Vehicles (BEV)

BEV cars include all vehicles which are 100% fully electrified cars.

Non Battery Electric Vehicles (Non-BEV)

Non-BEV cars include all vehicles which are not 100% fully electrified cars (BEV). For Volvo Cars, it includes plug-in hybrid (PHEV), mild hybrid (MHEV) and internal combustion engine cars (ICE).

Electrified cars

Electrified cars include 100% fully electric cars, the same as the Battery Electric Vehicles (BEV), and Plug-in hybrids (PHEV), in both petrol and diesel with cord for charging.

Recharge cars / Recharge line-up

“Recharge” is the overarching name for all Volvo chargeable car models including plug-in hybrids (PHEV) and fully electric vehicles (BEV).

ICE

Internal combustion engine, including all powertrain types except plug-in hybrids (PHEV) and fully electric vehicles (BEV).

Agency personnel / Consultant

Agency personnel/consultant is referred to as specific competence that is sourced externally and assigned to meet fluctuating business resource needs.

Contract manufacturing

A business model in which a third-party company is contracted for the production of goods or components over a specified contract period.

Online/direct

Our online/direct business model is available in 10 markets (UK, Sweden, Netherlands, Norway, Germany, USA, Canada, China, Malaysia, and India) and defines as a car ordered online with national online price and direct invoice where available. For US and Canada, the transaction is executed by our retail partners as per our agreement with retailers and in line with franchise laws.

Alternative performance measures presented by Volvo Car Group

The alternative performance measures presented and disclosed in this interim report are used internally by management in conjunction with IFRS measures to measure performance and make decisions regarding the future direction of the business. The Group believes that these alternative performance measures, when provided in combination with reported IFRS measures, provide helpful supplementary information for investors. These alternative performance measures are not a substitute for or superior to IFRS measures and should be used in conjunction with reported IFRS measures. Further, these alternative performance measures, as defined by the Group, may not be comparable to other similarly titled measures used by other groups.

Volvo Cars has applied the guidelines from ESMA (European Securities and Markets Authority) regarding alternative key figures (APMs, Alternative performance measures). Although these key figures are not defined or specified according to IFRS they provide the valuable supplementary information to investors and the company's management regarding the company's performance.

Gross margin

Gross margin is defined as Gross income as a percentage of revenue. Gross margin presents the per cent of revenue that Volvo Cars retains after incurring the direct costs associated with producing the goods and services sold.

EBIT

EBIT is defined as Net income excluding financial income, financial expenses and Income taxes, that is operating income presented in the income statement. EBIT presents the operating income of Volvo Car Group.

EBIT margin

EBIT margin is defined as EBIT as a percentage of revenue. The EBIT margin presents the profitability of the operation in relation to the recognised revenue earned by Volvo Car Group during the accounting period.

EBIT margin excl. share of income in JVs & associates

EBIT margin excl. share of income in JVs & associates is defined as EBIT less the result from share of income in JVs & associates. This presents the profitability of the operation excluding share of income in JVs & associates during the accounting period.

EBIT margin excl. share of income in JVs & associates is also presented as a percentage of revenue. The margin presents the profitability of the operation excluding share of income in JVs & associates in relation to the recognised revenue earned by Volvo Car Group during the accounting period.

EBITDA

EBITDA is defined as EBIT excluding depreciation and amortisation of non-current assets. EBITDA presents an overview of the profitability of Volvo Car Group operations.

EBITDA margin

EBITDA margin is EBITDA as a percentage of revenue. The EBITDA margin presents the profitability of the operation in relation to the recognised revenue earned by the Group during the accounting period.

Items affecting comparability

Transactions that are not related to recurring business operations, but affecting the financial outcome in a material way, and where the probability of reoccurrence over the coming years is limited.

Share of investing cash flow

Share of investing Cash Flow is defined as the share of investing cash flow allocated to certain types of development as a percentage of the total investing cash flow. Share of investing cash flow presents the allocation the Group's cash resources to certain investments during the reporting period.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are presented in SEKm unless otherwise stated.

The reconciliations of the respective key figures against the most directly reconcilable item in the financial statements can be found at; investors.volvocars.com/en/financial-information/results-centre

| SEKm | Oct-Dec 2023 | Oct-Dec 2022 | Full year 2023 | Full year 2022 |
|--|-----------------|-----------------|-------------------|-------------------|
| Revenue | 109,441 | 105,247 | 399,343 | 330,145 |
| Revenue per new car, BEV (SEKk) ¹⁾ | 463.9 | 457.5 | 465.4 | 448.8 |
| Revenue per new car, non-BEV (SEKk) ¹⁾ | 440.7 | 434.4 | 440.4 | 415.2 |
| Cost of sales | -86,609 | -88,442 | -321,916 | -269,813 |
| Research and development expenses | -3,714 | -2,549 | -12,884 | -11,514 |
| Operating income (EBIT) | 5,388 | 3,443 | 19,939 | 22,332 |
| EBIT margin, excl. share of income in JVs & associates | 6,677 | 3,887 | 25,567 | 17,889 |
| Net income | 3,332 | 2,857 | 14,066 | 17,003 |
| EBITDA | 10,310 | 7,524 | 37,388 | 38,423 |
| Gross income per new car, BEV (SEKk) ¹⁾ | 62.3 | 29.1 | 40.3 | 36.8 |
| Gross income per new car, non-BEV (SEKk) ¹⁾ | 115.2 | 96.4 | 102.9 | 88.9 |
| Gross margin, % | 20.9 | 16.0 | 19.4 | 18.3 |
| Gross margin BEV, % ¹⁾ | 13.4 | 6.4 | 8.7 | 8.2 |
| Gross margin non-BEV, % ¹⁾ | 26.1 | 22.2 | 23.4 | 21.4 |
| EBIT margin, % | 4.9 | 3.3 | 5.0 | 6.8 |
| EBIT margin excl. share of income in JVs & associates, % | 6.1 | 3.7 | 6.4 | 5.4 |
| EBITDA margin, % | 9.4 | 7.1 | 9.4 | 11.6 |
| Share of investing cash flow BEV, % | 67.7 | 75.2 | 68.4 | 68.5 |
| Share of investing cash flow non-BEV, % | 5.4 | 2.5 | 5.9 | 6.2 |

1) Including amounts relating to emissions credits earned relating to BEV and Non-BEV, respectively. For the fourth quarter of the year the amount was SEK 93 (190) m relating to BEV, and SEK 378 (315) m relating to Non-BEV. For more information see Note 2 – Revenue in the annual report 2022.

Gothenburg, 1 February 2024

Jim Rowan
President and CEO

This report has not been subject to review by Volvo Car AB's auditors.

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FINANCIAL CALENDAR & CONFERENCE CALL

Webcast and conference call

At 08:00 CET on 1 February, President & CEO Jim Rowan, CFO Johan Ekdahl and Deputy CEO and Chief Commercial Officer Björn Annwall will host a livestream for media, investors and analysts.

Link: live.volvocars.com

For those tuning in from China, please use this link:
live.volvocars.com.cn

To call in, participants need to register and will then receive the dial-in details and individual PIN. [Link to register](#)

Upcoming investor Events

5 March 2024: Annual And Sustainability Report 2023
26 March 2024: Annual General Meeting
24 April 2024: Q1 2024 report
18 July 2024: Q2 2024 report
23 October 2024: Q3 2024 report
6 February 2025: Q4 and full year 2024 report

ABOUT THIS REPORT

FORWARD LOOKING STATEMENTS

This report contains statements concerning, among other things, Volvo Car Group's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent Volvo Car Group's future expectations. Volvo Car Group believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions. However, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include but may not be limited to: Volvo Car Group's market position, growth in the automotive industry, and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of Volvo Car Group, its associated companies and joint ventures, and the automotive industry in general. Forward-looking statements speak only as of the date they were made and, other than as required by applicable law, Volvo Car Group undertakes no obligation to update any of them in light of new information or future events.

Language

In the event of inconsistency or discrepancy between the English and the Swedish version of this publication, the Swedish version shall prevail.

Totals and roundings

Totals quoted in tables and statements may not always be the exact sum of the individual items because of rounding differences. The aim is that each line item should correspond to its source, and rounding differences may therefore arise.

V O L V O

