

## Pressemitteilungen

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# Volvo Cars 2023 profit increases by 43 percent to deliver a record year in the company's 97-year history

### Full Year 2023

- 2023 revenue was SEK 399.3 bn (SEK 330.1 bn in 2022)
- 2023 operating income (excl. JVs and associates) was SEK 25.6 bn (SEK 17.9 bn in 2022)
- 2023 operating income was SEK 19.9 bn (SEK 22.3 bn in 2022)
- 2023 EBIT margin (excl. JVs and associates) was 6.4 per cent (5.4 per cent in 2022)
- 2023 EBIT margin was 5.0 per cent (6.8 per cent in 2022)
- 2023 basic earnings per share was SEK 4.38 (SEK 5.23 in 2022)
- 2023 fully electric car sales share at 16 per cent (11 per cent in 2022)

### Quarter 4, 2023

- Q4 revenue was 109.4 bn SEK (105.2 bn SEK in Q4 2022)
- Q4 operating income (excl. JVs and associates) was SEK 6.7 bn (SEK 3.9 bn in 2022)
- Q4 operating income was 5.4 bn SEK (3.4 bn SEK in Q4 2022)
- Q4 EBIT margin (excl. JVs and associates) was 6.1 per cent (3.7 per cent in Q4 2022)
- Q4 EBIT margin was 4.9 per cent (3.3 per cent in Q4 2022)
- Q4 Basic earnings per share was 1.04 SEK (0.82 SEK in Q4 2022)
- Q4 fully electric car sales share at 16 per cent (18 per cent in Q4 2022)

### Events after the period

- Polestar is entering an exciting phase with a strengthened business plan and positioned for future growth.
- Volvo Cars' focus is on developing and concentrating its resources on its own ambitious journey.
- Volvo Cars is evaluating a potential adjustment to its shareholding in Polestar which 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.
- As a result Volvo Cars 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 strong operational collaboration across R&D, manufacturing, after sales and commercial continues to the benefit of both companies.

Volvo Cars had a record-breaking year in 2023 and today reports the highest full-year retail sales, revenues and operating profit in its 97-year history.

A new all-time sales record of 708,716 cars enabled revenues to rise by 21 per cent to SEK 399.3 billion for the full year 2023. The underlying operating profit of SEK 25.6 billion, excluding joint ventures and associates, represents an increase of 43 per cent compared to 2022. The operating margin excluding JVs and associates came in at 6.4 per cent, up from 5.4 per cent in 2022.

“2023 was a key milestone in our transformation journey,” said Jim Rowan, chief executive. “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.”

The full CEO letter by Jim Rowan, with more details on the past year and the years ahead, is included in the interim report for the period and can be found [here](#).

The 2023 results demonstrate Volvo Cars’ ability to maintain premium pricing throughout the year, as well as solid demand for its cars and a robust orderbook, despite ongoing market turbulence.

The performance also demonstrates the strength of the company’s electrified product portfolio, which contains both electric cars as well as an extensive range of plug-in and mild hybrid models. These hybrid models represented a significant majority of the company’s total global sales in 2023 and will remain a key element of its portfolio for the coming years.

The company sold 113,419 fully electric cars in 2023, an increase of 70 per cent versus 2022 and representing 16 per cent of its total global sales volume, which was one of the highest among all legacy premium carmakers. Compared to 2022, Volvo Cars increased its global electric market share by 34 per cent.

Its electric sales share is still based on only two fully electric models and does not yet reflect the full potential of the new EX30 small SUV, EX90 large SUV or EM90 MPV, all of which will hit the roads in earnest during 2024.

During the second half of 2023, Volvo Cars also saw gross profit margins on its electric cars increase fourfold versus the end of 2022 to 13 per cent. High lithium prices heavily affected its margins in 2022, but the company saw a clear uptick in the underlying profitability of these cars from the second half of 2023 as lower lithium prices and the effects of increased pricing materialised. The company also benefited from efficiencies from its own investments.

While there is still a gap in gross margins on the EVs compared to some of its combustion engine (ICE) cars, this gap is closing. The EX30 is set to deliver gross margins of 15-20 per cent and takes the company closer to that goal. Volvo Cars also expects the upcoming EX90 and EM90 to contribute to closing the gap between EV and ICE margins.

### **Looking ahead to 2024**

2024 is set to be another big year for Volvo Cars as it continues to boost its product portfolio and accelerate its transformation towards becoming a fully electric car maker by 2030.

At the end of the fourth quarter of 2023, the first customers took delivery of the new EX30 small SUV. This year, Volvo Cars is focused on quickly ramping up production of this car and meeting the strong customer demand, which has exceeded expectations. The company is also working hard to add EX30 production to its Ghent plant in Belgium.

In the first half of 2024 the company will start production of its new EX90 flagship SUV, with customer deliveries starting soon after. The EX90 represents a significant technology leap with the introduction of Volvo Cars’ next-generation fully electric platform upon which the car is built.

As one of the first cars packed with core computing technology, the software-defined EX90 represents a significant paradigm shift for Volvo Cars. It is a car that brings next-generation safety, connectivity, data and software all together in one product, and reaffirms the company’s position as an industry leader in the ongoing technology transition.

The fully electric EM90 MPV, which Volvo Cars revealed in China in November, has also started production. Like the EX90, the EM90 is an important car for China and shows how serious the company is about succeeding in that market and taking market share.

Together, these three new fully electric cars will significantly expand Volvo Cars’ product offering around the globe and profitably take it into new demographics and market segments that it has not been active in before.

On top of that Volvo Cars will refresh its plug-in hybrid cars, which are an important bridge towards full electrification. Together with its fully electric cars, this creates a broad and attractive Volvo

Cars portfolio for today's global marketplace.

Volvo Cars expects this will boost growth from 2024 and will significantly increase its share of fully electric cars versus 2023. In addition, the new electric models will help it to further close the margin gap between electric cars and internal combustion engine cars in 2024. In terms of total 2024 retail sales, the company aims for a higher year-over-year growth rate than in 2023.

"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," said Jim Rowan. "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."

### **A decisive transformation phase**

Volvo Cars is now entering a decisive phase in its transformation journey. Not only will it continue to roll out and ramp up production of the EX30, EX90 and EM90 in 2024, but the company is also significantly ramping up other investments that will help it become a leader in next-generation mobility.

In the period up until 2025 Volvo Cars will make the necessary structural and strategic investments that lay the technical foundation for its future success: 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.

This will mean a temporary rise in investment levels, yet these strategically crucial investments will drive significant cost efficiencies in Volvo Cars' next generation of fully electric cars. They lay the foundation for further profitable growth and increased EV margins.

The company has 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 it expects the free cash flow generation to be relatively neutral.

From 2026 and onwards, Volvo Cars not only expects the level of investments to decline but to reap the benefits of this strategy with higher growth and profitability. It will also at this point generate a strong positive free cash flow.

As the company accelerates its transformation, it will put even more emphasis on driving profitable growth over time and prioritising value over volume. It will double down on internal efficiency, ensure robust capital allocation across our business and capitalise on its phase one 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**

In light of these plans, Volvo Cars has decided to clarify its ambitions that were set out at its IPO. The company stands firm on its strategy around electrification and technological leadership, one of the most ambitious in the industry. Yet by clarifying its ambitions with sharpened metrics, it improves transparency and allows for a better follow-up on its progress.

The company remains firm on its 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. This clarified ambition further underlines that Volvo Cars seeks to grow in terms of revenues and value rather than on volume alone, thereby focusing even more on profitable growth.

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Descriptions and facts in this press material relate to Volvo Cars's international car range. Described features might be optional. Vehicle specifications may vary from one country to another and may be altered without prior notification.

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