

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 FIRST QUARTER 2023

Volvo Cars started 2023 on a stable note and delivered improved earnings

JANUARY–MARCH 2023

- Retail sales increased by 10% and reached 162.9 (148.3) thousand cars.
- Revenue increased by 29% to SEK 95.7 (74.3) bn, driven by higher volume, strong mix and pricing, foreign exchange and contract manufacturing.
- Operating income (EBIT) was SEK 5.1 (6.0) bn. Operating income excluding share of income in JVs and associates was SEK 6.3 (5.9) bn, positively affected by volume, foreign exchange, mix and price realisation.
- EBIT margin was 5.3 (8.1)%. EBIT margin, excluding share of income in joint ventures and associates, was 6.6 (7.9)%.
- Basic earnings per share was SEK 1.21 (1.29).
- Operating and investing cash flow was SEK –17.5 (–12.2) bn, affected by structural cash transactions.
- Volvo Cars raised SEK 1.5 bn through inaugural green bonds in the Swedish market.
- Volvo Cars announced its plans to open new Tech Hub in Krakow, Poland.

EVENTS AFTER THE PERIOD

- Annual General Meeting was held on 3 April, at which meeting Thomas Johnstone decided to step down from the board and Ruby Lu was elected as a new board member.

SEKbn unless otherwise stated	3 Months			12 Months	
	Jan–Mar 2023	Jan–Mar 2022	Δ%	LTM	Full year 2022
Retail sales, k units ¹⁾	162.9	148.3	10	629.8	615.1
Revenue	95.7	74.3	29	351.6	330.1
Research and development expenses ²⁾	–2.9	–3.2	–11	–11.2	–11.5
Operating income (EBIT) ³⁾	5.1	6.0	–16	21.4	22.3
EBIT excl. share of income in JVs and associates ³⁾	6.3	5.9	7	18.3	17.9
Net income ²⁾	4.0	4.5	–12	16.5	17.0
Basic earnings per share, SEK ²⁾	1.21	1.29	–6	5.15	5.23
EBITDA ³⁾	9.2	10.0	–8	37.6	38.4
Cash flow from operating activities ²⁾	–2.4	–4.2	–44	35.4	33.6
Cash flow from investing activities ²⁾	–15.1	–8.0	88	–46.6	–39.7
Net cash ³⁾	20.7	33.1	–37	20.7	38.1
Gross margin, % ³⁾	17.9	21.2	–16	17.6	18.3
EBIT margin, % ³⁾	5.3	8.1	–34	6.1	6.8
EBIT margin excl. share of income in JVs and associates, % ³⁾	6.6	7.9	–17	5.2	5.4
EBITDA margin, % ³⁾	9.6	13.5	–29	10.7	11.6
Return on invested capital, ROIC, % ³⁾	N/A	N/A	N/A	14.1	16.7

1) Non-financial operating metric.

2) IFRS measure.

3) Non-IFRS measure (alternative performance measure), see Alternative performance measures on page 27.

Performing and transforming

Dear shareholders and readers within Volvo Cars community,

We have started 2023 on a stable note, continuing to deliver on our ongoing transformation with increased revenues and core profits in the first quarter. While macroeconomic uncertainties and pressures are gathering momentum and have become the inescapable business realities of today, we remain resolute on our journey towards becoming a fully electric carmaker by the end of the decade. Our execution engine is tuning up and we will continue to focus on our transformation priorities.

Let me start with our performance in fully electric car sales during the quarter. We once again demonstrated that we are among the fastest transformers in the industry, while also maintaining price discipline. In the first three months, nearly one in every five cars we sold was fully electric, translating to a 157 per cent growth in sales compared to the same period last year. This was achieved with only two fully electric models – the XC40 and the C40. As we launch more fully electric cars in coming years, at least one per year up until mid-decade, built on next-generation electrical architectures and core computing technology, this will put us firmly on course towards our ambitious transformation goals.

*“We strive to be a leader
in next-generation
mobility”*

The wider industry is also rapidly transforming towards electrification, a trend we have seen in recent years. At the start of 2023, electric car sales for the industry grew 25 per cent, while sales of cars powered by internal combustion engines declined 17 per cent, underlining the centre of automotive gravity is fast shifting towards electric cars. As we are committed to full electrification of all our cars and across all regions around the world, we sit at the epicenter of this seismic transformation.

Speaking of our ongoing transformation, last year we took a decisive step into the future with the global launch of our new born-electric flagship SUV, the Volvo EX90. And I feel proud that the customer response to that car has surpassed our boldest and most ambitious internal projections. As a



result, we have now had to close the order book for the time being because the model year is sold out, but we will re-open again soon. This tremendous reception to the Volvo EX90 gives us renewed confidence in our strategy and roadmap for the future.

To deliver on our ambition to become a leader in new technology, we are also setting up Tech Hubs in strategically important locations and recruiting the right people with the right competencies. As part of that strategy, we recently announced our fourth Tech Hub in Krakow, Poland, to complement our existing ones in Stockholm and Lund in Sweden, and Bangalore, India. Together with our larger engineering centres in Gothenburg and Shanghai, we are creating a global powerhouse of next generation technology, with in-house software development capabilities as our next generation cars become more hardware designed and software defined.

Q1 Operating and financial performance

During the quarter we also improved our earnings.

Our revenues for the first three months grew 29 per cent compared to the same period last year to SEK 96 bn. The increase came on the back of a double-digit growth in retail sales for the quarter versus the corresponding period in 2022.

Our EBIT, excluding joint ventures and associates, increased 7 per cent in the first quarter, compared to the corresponding period last year, to reach SEK 6.3 bn, translating into an EBIT margin of 6.6 per cent. The increase in EBIT was delivered despite raw material prices remaining at elevated levels. This performance was the result of higher volumes sold during the period, increased price realisation per car, a favourable geographical mix and the effects of pricing actions initiated last year especially in Europe. I am also pleased that our company-wide resource optimisation and efficiency initiative is gathering momentum through direct savings which helped our underlying profitability. We will continue to focus on this.

Our efforts to reduce our CO₂ footprint per car are also progressing according to plan. In the first quarter, CO₂ emissions were 20 per cent lower compared with our 2018 benchmark, supporting our mid-decade ambitions of 40 per cent CO₂ reduction per car.

2023 – looking ahead to the rest of the year

2023 will be another crucial year in our transformation. In a few months, we will reveal a new fully electric small SUV to the world, which will take us into a new demographic and with a competitive price point. This new car will build on the strong customer response to the Volvo EX90. With these two new state-of-the-art SUVs, we will cover both the top end of the premium electric market and the entry level premium segment. Together, they will complement our existing line-up of fully electric XC40 and C40. This sets us up for a future with strong growth and improved profitability on our fully electric cars.

We are also gearing up to transform the operations in the United Kingdom, our third largest market by retail sales, from a traditional wholesale business to a directly consumer model by creating a truly omnichannel experience for our customers. With volvocars.com as the base and main sales channel, we will remove administrative burdens and increase overall efficiency in the system, improving customer experience and at lower cost for us over time. The lessons from the UK transformation will be crucial as we plan for more markets to become direct consumer facing.

But while our direction of travel remains clear, we are also navigating an increasingly turbulent external environment. Demand for our cars is healthy at a global level with some regional variances and fluctuations. Overall, however, order book size is stable and at historically strong levels. But, the external environment remains challenging and volatile, so we are monitoring demand and pricing trends closely.

As we have been among the pioneers in the industry-wide transformation towards electrification and core computing technology, we have been hit more adversely as costs for lithium have skyrocketed 800 per cent over the last two years.

But we are now beginning to see lithium prices declining, which should benefit our underlying profitability on electric cars. While the full effect of this price decline will not be fully felt until a few months from now due to time lag and price indexation, the trend is positive.

Our manufacturing has also continued to improve from the fourth quarter onwards last year. In the first three months of 2023, we produced 9 per cent more cars, including Polestar cars, than in the corresponding quarter last year. Though some shortages continue and will still affect production during the second quarter of this year, we are cautiously optimistic about 2023. If there are no unexpected supply chain disruptions, we expect a solid double-digit growth in retail sales for the year and a continued growth of fully electric car sales taking their share even higher than last year's share of 11 per cent.

The macroeconomic backdrop remains challenging. But we are confident that we can navigate these headwinds and deliver on our transformation. Our efforts on cost efficiencies and resource optimization have started to materialize in certain areas, including a greater focus on the competencies and cost structures we will need for the future and our transformation. Given the long-term nature of the headwinds our industry is likely to face, we are also evaluating the need for further targeted cost actions that are sustainable over time and that will contribute to our growth. We remain steadfast on our efficiency and productivity initiative, aiming to reinforce a cost-conscious mindset throughout the company and our supplier base.

To sum up, our transformation engine is gathering speed as we strive to be a leader in next-generation mobility. The Volvo car of the future will be fully electric, safer than ever, increasingly sold online, powered by cutting-edge core computers, running on in-house developed software, and will improve over time thanks to regular over-the-air updates. With our first-quarter performance we've laid a strong foundation for the rest of 2023, but we remain ever vigilant amidst the continued turbulence around the world. Our focus is on execution.

Thank you for your continued support.

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 mid-decade ambitions. The purpose of this section is to keep our stakeholders updated on this progress.

MID-DECADE AMBITIONS



FAST GROWING PREMIUM BRAND

Market position

Battery electric cars increased to 18% total share from 8% in the same quarter last year. In the meantime, Recharge sales increase to 41% total share from 34%. Overall demand for our cars remains healthy at a global level but we are seeing regional variances. On an aggregated level, the absolute order intake in Europe has however been stable for the last quarters.

Brazil, Uruguay, Thailand and Indonesia all had 100% recharge sales in Q1, closely followed by Norway 99%, Denmark 93%, Ireland 91%, France 87%, the Netherlands 86% and Finland 85%.

Volvo Cars Recharge sales as share of total sales



Volvo Cars' market share per propulsion type ¹⁾²⁾	Jan-Feb 2023	Jan-Feb 2022
BEV	1.56%	0.83%
PHEV	5.91%	7.87%
ICE (incl. mild hybrids)	0.75%	0.70%
Total	1.06%	0.93%

Total industry volume share and growth by propulsion type ¹⁾²⁾	Jan-Feb 2023	Growth YoY
BEV	11.0%	24.8%
PHEV	4.2%	24.4%
ICE (incl. mild hybrids)	84.8%	-16.8%
Total	100%	-12.3%

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 total market.

2) Source: Includes content supplied by IHS Markit Automotive; Copyright © MarketInsight, April 2023. All rights reserved.

Sustainability

Volvo Cars has an ambition to reduce the carbon footprint per average vehicle by 40% by 2025, against 2018 levels, and we continue to make progress further outlined in our Annual and Sustainability report. For the full year of 2022, we reached a reduction of 15%. In the first quarter of 2023, we reached a reduction of 20%.

We are very proud that we have received top ESG-ratings for our sustainability efforts. This is the second year we make it into the CDP Climate Change A-List and the CSA assessment places us among the top 5% in the industry.

Volvo Cars has successfully placed an inaugural green bond transaction in the SEK market, raising a total of SEK 1.5 bn, earmarked to becoming fully electric car maker by 2030, climate neutral by 2040 and a circular business.

Volvo Cars has also joined forces with partners in the Orcele-project, helping to develop the world's first wind-powered oceanic car-carrier vessel. Commencing to sail in late 2026 or early 2027, it will harness wind for sustainable car shipping.

Finally, Volvo Cars' CEO, Jim Rowan expressed concerns after a few EU Member States attempting to derail the process of banning sales of new fossil fuel vehicles. He called on EU Governments to honor the historic EU agreement reached last year, which was rightly heralded as the EU showing global climate leadership at a critical time for our planet and humanity.

CO ₂ -reduction per car	Total CO ₂ -emissions per car (tonnes)	Reduction (%)
2018	54.9	—
2023 Jan–Mar ¹⁾	43.7	-20.4
2025 ambition	32.9	-40
2040 ambition	0	Climate neutral

1) The Q1 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 first quarter of 2022 the fully electric new car gross income per unit has been affected by higher raw material costs, spot purchasing of semiconductors as well as higher logistics costs.

As has been communicated earlier the high price for lithium has substantially increased the production costs for BEVs and although the price for lithium has started to come down it will not affect costs until later this year. However a better market mix and part flow through of 2022 European price increases contributed to a higher gross margin, than was seen in Q4.

	Jan–Mar 2023		Full year 2022			
	BEV	Non-BEV	BEV	Non-BEV		
Retail sales (k units)	30	133	67	548		
Revenue per Car (SEKk/unit) ¹⁾	456	447	449	415		
Gross Income per Car (SEKk/unit) ¹⁾	34	104	37	89		
Gross Margin (%)	7	23	8	21		
	BEV	Non-BEV	Common	BEV	Non-BEV	Common
Share of Investing Cash Flow (%) ²⁾	75	6	19	68	6	26

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.

A LEADER IN NEW TECHNOLOGY

Google HD Map

In our upcoming Volvo EX90, lidar, cameras, and radars come together to understand your car's surroundings and help to keep you safe. In the Volvo EX90 we are introducing Google HD maps to further improve our assisted driving technologies and eventually introduce autonomous driving. This road information combined with the data from the Volvo EX90's lidar and other sensors will be processed through the car's core computer system powered by NVIDIA DRIVE AI Platforms Xavier and Orin. By combining data from Google's HD map with information collected from our exterior sensors, including a lidar and software developed by our safety

software subsidiary Zenseact, we aim to create a more predictable, safe, and comfortable drive.

Krakow Tech Hub

On 24 March we announced our new Tech hub in Krakow that we intend to have operational by the end of this year, with around 120 bright engineering minds in place. By mid-decade, we aim to employ between 500 and 600 people. The hub will carry full responsibility for developing complete key features on our new cars. The engineers in Krakow will help boost our innovation speed by developing software for several key areas – from core safety technology based on our deep understanding of what causes accidents, to our perception and driver assistance algorithms and software for autonomous driving.

DIRECT CONSUMER RELATIONS

Our strategy is to establish direct relationships with our customers, something we do by using an omni channel approach with online being an important route. The online/direct business model is available in 10 markets* and is defined as a car ordered online with transparent 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. For Q1 2023, the share of online/direct business in the markets where the offer is available amounted to 8 (10)% of total sales in those markets and expressed as share of total global sales, it was 5 (6)%. Going forward share of total global sales will be the reported metrics. Demand in general remains robust and the lower share of online/direct business was as for previous quarters a consequence of low inventory that does not support the part of online/direct business related to the subscription business model, therefore other sales channels were prioritised.

FASTEST TRANSFORMER WAY OF WORKING

New Head of Design

On 31 January, it was announced that Jeremy Offer will take on the role as Head of Design. Jeremy Offer most recently led Arrival's design team as Senior Vice President and Chief Design Officer working across vehicle programs, components, brand and user experience.

China Continuous Integration (CI) Centre

Volvo Cars recently launched China Continuous Integration (CI) Centre at the Asia Pacific Headquarters which is our latest strategic investment to further improve our software development capabilities, as cars become smarter and more connected to the driver than ever before. CI is a software development practice where each code change or new feature is tested on all relevant integration levels automatically to detect and fix errors as quickly as possible. CI is at the core of agile software development and allows us to achieve rapid development, integration, verification and feedback of our software while maintaining high quality.

* Online/Direct business is available in UK, Sweden, Netherlands, Norway, Germany, USA, Canada, China, Malaysia, and India.

First quarter financial summary

SALES AND MARKET DEVELOPMENT

The global passenger car market improved year over year. The growth was underpinned by a low base of comparison for the same period last year, due to shortages of semiconductors and an early effect from the Ukraine war.

Volvo Cars retail sales increased by 10% compared with the first quarter of 2022, while BEV increased by 157% accounting for 18% of the total cars sold. Wholesales increased by 17% and the production increased by 7%. The strong retail sales were enabled by improved production rate during the quarter, despite some disturbances related to semiconductors.

Overall demand for our cars remained healthy at a global level with regional variances, while also maintaining price discipline. Volvo Cars' Recharge line-up continued to be popular, with 30.1 thousand units of BEV and accounting for 18% of the total cars sold and Recharge car sales accounting for 41% of the total cars sold.

Europe

The total European car market increased by 17% and the traditional premium segment increased by 17% compared to last year. The region continued to have a backlog of orders waiting to be delivered.

Volvo Cars retail sales increased by 12%. The orderbook remained stable despite geographical differences on new order intake. Recharge sales accounted for 62 (52)% of cars sold, whereof BEV sales accounted for 29 (12)% of retail sales.

China

The total Chinese passenger car market decreased by 14%, while the traditional premium segment decreased by 3%. Sales were mainly impacted by the phasing-out of incentives for all cars at the end of 2022.

Volvo Cars retail sales increased by 2%. Recharge share of total Chinese retail sales accounted for 11 (9)%, whereof BEV sales contributed to 3 (1)% of retail sales.

US

The total US car market increased by 8%. The traditional premium segment increased by 12%. Despite high interest rate, the demand continued to be strong and discounts remained low.

Volvo Cars' retail sales increased by 16%. Recharge share accounted for 29 (26)% in the quarter. BEV share of sales contributed to 11 (7)% of retail sales.

Other

Retail sales in other markets increased by 11%. The largest markets were Japan, Korea and Australia, which reported increase of 9%, 19% and 4% respectively. Recharge share of total sales in other markets was 40 (26)%, whereof BEV sales contributed to 19 (8)%.

Sales development per carline

Volvo Cars continued to steer its production towards electrified models. The SUVs, including Volvo Cars' XC and C models, increased their share to 82 (76)% of total sales, mainly driven by the two BEV models, the C40 and the XC40. The Sedan and Wagons' share of total sales decreased to 11 (15)% and 7 (9)% respectively. The XC60 remained the best-selling model closely followed by XC40.

Retail sales (k units)	3 Months			12 Months		
	Jan-Mar 2023	Jan-Mar 2022	Δ%	LTM	2022	Δ%
Europe	72.6	65.1	12	254.8	247.4	3
China	36.5	35.7	2	163.1	162.3	0
US	26.5	22.8	16	105.8	102.0	4
Other	27.3	24.7	11	106.0	103.3	3
Retail sales total	162.9	148.3	10	629.8	615.1	2
Recharge line-up vehicles	67.4	49.8	35	223.0	205.4	9
<i>whereof BEV vehicles</i>	<i>30.1</i>	<i>11.7</i>	<i>157</i>	<i>85.1</i>	<i>66.7</i>	<i>27</i>
Recharge line-up share of sales	41%	34%	—	35%	33%	—
<i>whereof BEV share of sales</i>	<i>18%</i>	<i>8%</i>	—	<i>14%</i>	<i>11%</i>	—
Wholesales	174.1	156.7	11	649.1	631.7	3
Production volume	181.1	169.0	7	661.0	648.9	2



Top 10 Retail sales by market (k units)	3 Months			12 Months		
	Jan–Mar 2023	Jan–Mar 2022	Δ%	LTM	2022	Δ%
China	36.5	35.7	2	163.1	162.3	0
US	26.5	22.8	16	105.8	102.0	4
UK	11.8	11.1	6	37.2	36.5	2
Germany	10.3	8.9	16	37.2	35.8	4
Sweden	9.3	12.3	-24	42.7	45.7	-7
Belgium	5.9	4.3	36	16.2	14.6	11
Italy	4.8	3.5	38	17.3	16.0	8
Netherlands	4.8	3.9	22	13.8	13.0	7
Japan	4.1	3.8	9	16.5	16.2	2
Norway	4.0	1.8	131	13.4	11.1	21

Retail sales by model (k units)	3 Months			12 Months		
	Jan–Mar 2023	Jan–Mar 2022	Δ%	LTM	2022	Δ%
XC40 BEV	21.1	8.1	161	55.6	42.5	31
C40	9.0	3.6	146	29.5	24.2	22
XC60	50.1	44.8	12	200.6	195.3	3
XC40 PHEV/ICE	28.9	34.4	-16	121.2	126.7	-4
XC90	24.4	22.0	11	99.6	97.1	2
S90	10.4	9.5	9	43.8	42.9	2
S60	8.1	12.2	-33	35.5	39.5	-10
V60	7.7	9.2	-16	30.6	32.1	-5
V90	3.2	4.5	-29	13.4	14.7	-9
Total	162.9	148.3	10	629.8	615.1	2

V60 and V90 include the cross-country versions.

INCOME AND RESULT

The comparative figures refer to the consolidated income statement of the first quarter 2022 if not otherwise stated.

Volvo Cars' revenue amounted to SEK 95.7 (74.3) bn with an increase of 29%. Wholesale volumes increased by 11% to 174.1 (156.7) thousand cars. The increased volume contributed with SEK 9.0 bn. The mix and price effects contributed with SEK 4.2 bn, as well as foreign exchange rate effect, including hedges, had a positive effect on revenue of SEK 5.3 bn. Revenue from contract manufacturing also increased by SEK 2.7 bn.

Gross income increased by 9% to SEK 17.1 (15.7) bn, resulting in a gross margin of 17.9 (21.2)%. The decrease in gross margin was mainly due to higher costs for raw materials, and third party contract manufacturing with somewhat lower margin than wholesale, as well as a higher share of fully electric car mix. This was partially mitigated by increased sold volume and pricing and carline mix. Foreign exchange rate effects, including hedges, in cost of sales were negative amounting to SEK –3.6 bn. The net effect of foreign exchange rates including hedges in gross income was positive and amounted to SEK 1.7 bn.

Research and development expenses decreased by 11% to SEK –2.9 (–3.2) bn due to increased capitalisation as more projects have reached the capitalisation phase. For details regarding research and development expenses, see the Research and development table on page 10.

Administrative expenses were relatively flat and amounted to SEK –2.8 (–2.6) bn. Selling expenses increased by 26% to SEK –5.8 (–4.6) bn, mainly as an effect of increased spending related to marketing activities and the launch of Volvo EX90.

Other operating income and expenses amounted to SEK 0.6 (0.6) bn. Share of income in joint ventures and associates decreased to SEK –1.2 (0.2) bn, due to negative results from strategic affiliates driven by costs incurred in their early build up phase.

Operating income (EBIT) decreased to SEK 5.1 (6.0) bn, resulting in an EBIT margin of 5.3 (8.1)%. Excluding share of income in joint ventures and associates, EBIT increased to SEK 6.3 (5.9) bn, corresponding to a margin of 6.6 (7.9)%. The exchange rate effects including hedges had a positive effect on EBIT of SEK 1.2 bn, see the table below.

Net financial items increased to SEK 0.3 (–0.3) bn, mainly driven by higher interest income and the market revaluation of the investment in Luminar based on the current share price.

The effective tax rate increased to 26.2 (22.1)%, mainly due to high non-tax deductible losses linked to share of income in joint venture and associates. Net income was SEK 4.0 (4.5) bn and 4.2 (6.1)% in relation to revenue.

Basic earnings per share amounted to SEK 1.21 (1.29).

Changes to Revenue, SEK bn	Jan–Mar
Revenue Q1 2022	74.3
Volume	9.0
Sales mix and pricing	4.2
Sale of licences	–0.4
Foreign exchange rates	5.3
Contract manufacturing	2.7
Other ¹⁾	0.6
Revenue Q1 2023	95.7
Change %	29

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

Changes to Operating income, SEK bn	Jan–Mar
EBIT Q1 2022	6.0
Volume	2.9
Sales mix and pricing	0.9
Sale of licences	–0.4
Government grants	–0.1
Foreign exchange rates	1.2
Share of income in JVs and associates	–1.4
Other ²⁾	–4.0
EBIT Q1 2023	5.1
Change %	–16

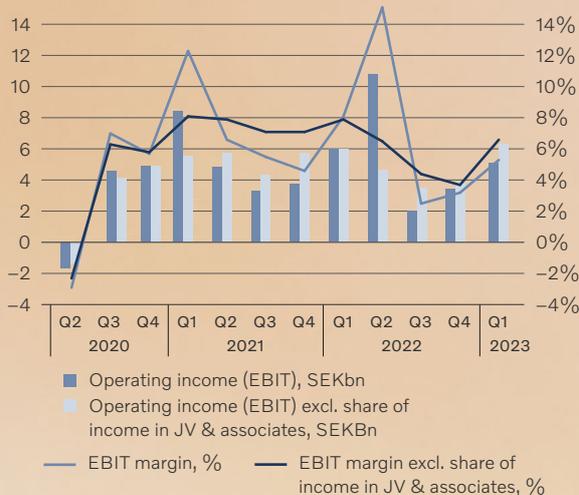
2) Mainly including raw material increases, fixed costs, used cars, emissions credits, parts and accessories, cost efficiencies and import duties.

	3 Months			Full year
	Jan–Mar 2023	Jan–Mar 2022	Δ%	2022
Research and development, SEKm				
Research and development spending	-6,504	-4,788	35.8	-22,123
Capitalised development costs	4,786	2,742	74.5	15,188
Amortisation of research and development	- 1,160	-1,184	-2.0	-4,579
Research and development expenses	-2,878	-3,230	-10.9	-11,514

Revenue & Gross Margin



Operating Income & EBIT Margin



CASH FLOW

The comparative figures for the cash flow items refer to the consolidated cash flow statement for the first 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 50.3 (67.2) bn. Net cash decreased to SEK 20.7 (38.1) bn. Liquidity amounted to SEK 67.2 (83.8) bn, including undrawn credit facilities of SEK 16.9 (16.7) bn.

Cash flow from operating activities

Cash flow from operating activities amounted to SEK –2.4 (–4.2) bn. The amount consists of operating income of SEK 5.1 (6.0) bn, adjusted for depreciation and amortisation of SEK 4.1 (4.0) bn, together with paid income tax of SEK –1.2 (–1.4) bn.

The change in working capital had a negative effect of SEK –11.1 (–11.8) bn, mainly related to the normal seasonality. The increase of finished vehicles in transit also negatively impacted the cash flow from inventory which decreased with SEK –3.9 (–4.0) bn. Accounts payable decreased by SEK –8.9 (–4.8) bn partly offset by accounts receivable increase by SEK 4.2 (–) bn.

Cash flow from investing activities

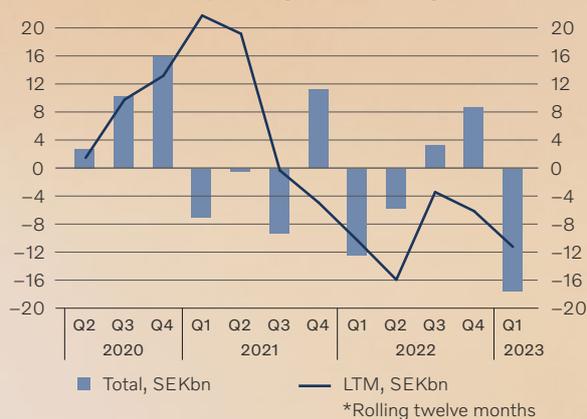
Cash flow from investing activities amounted to SEK –15.0 (–8.0) bn. Cashflow from investments in tangible assets amounted to SEK –6.0 (–3.8) bn, mainly driven by the acquisition of the Taizhou land and building and the industrial structure to prepare for future products. Investments in intangible assets amounted to SEK –5.5 (–3.1) bn

as a result of continuous investments in new and upcoming car models and new technology, such as electrification technology and autonomous driving. The cashflow from loans to affiliated companies amounted to SEK –3.1 (–) bn, mainly related to the loan to Polestar announced in November 2022.

Cash flow from financing activities

Cash flow from financing activities amounted to SEK 3.9 (0.5) bn and was mainly related to change in marketable securities that amounted to SEK 3.4 (0.8) bn. The issue of new green bonds of SEK 1.5 (–) bn was offset by a scheduled bond repayment of SEK –2.0 (–) bn. Change in repayments of interest-bearing liabilities amounted to SEK –0.4 (–0.4) bn.

Cash flow from Operating and investing activities



Cash flow statement, SEK bn	3 Months		Full year
	Jan–Mar 2023	Jan–Mar 2022	2022
Cash flow from operating activities	–2.4	–4.2	33.6
Cash flow from investing activities	–15.0	–8.1	–39.7
Cash flow from operating and investing activities	–17.4	–12.3	–6.1
Cash flow from financing activities	3.9	0.5	5.0
Cash flow for the period	–13.5	–11.8	–1.1

EQUITY

Total equity increased to SEK 121.3 (117.3) bn, resulting in an equity ratio of 37.2 (35.4)%. The change is mainly attributable to the positive net income of SEK 4.0 bn and a minor positive effect in share-based payments and other comprehensive income.

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 19.

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 updates:

Global shortage of semiconductors

Semiconductor constraints continued to gradually improve. However, the underlying global shortage of semiconductors continued, which resulted in higher production costs and carried risks of further production disruptions.

Volvo Cars continues to follow the development closely and work with suppliers and partners to resolve any disturbances to production and delivering vehicles to customers as soon as possible. To what extent Volvo Cars' sales, revenue and profitability will be affected in coming periods remains uncertain. Visibility has improved, however, the risk of further disturbances in production remains.

Macro uncertainty

The uncertain macro environment continues, including high inflation, rising interest rates, raw material price volatility and ongoing geopolitical crisis. The uncertainties in the financial markets are still high. The risks of potential impact on demand from higher interest rate level and lower consumer confidence have increased.

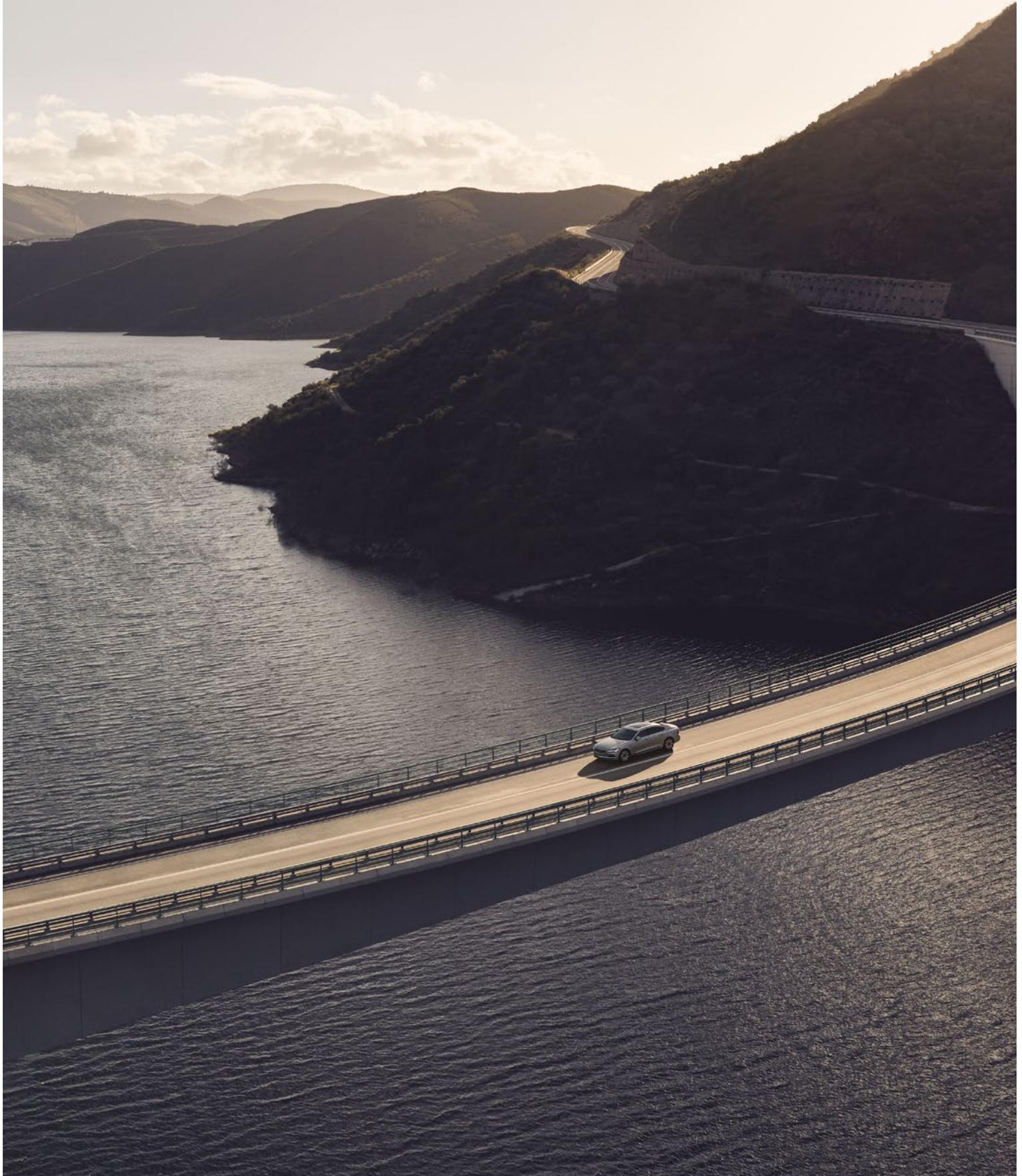
The war in Ukraine

The war in Ukraine continues to have a negative impact on Europe. The war has led to accelerating increases in the cost of raw materials, energy, freights and inflationary pressures in the global economy. An escalation of the war in duration and scope could pose even more risks.

Volvo Cars has suspended its operations in Russia during 2022, without significant financial effects.

EMPLOYEES

During the first three months 2023, Volvo Car Group employed 43.4 (41.9) thousand full-time employees (FTEs) and 4.0 (4.2) thousand agency personnel. The increase was due to blue collars increase and new recruitment to support the transformation.



Consolidated Income Statements

SEKm	Note	Jan–Mar 2023	Jan–Mar 2022	Full year 2022
Revenue	2	95,705	74,269	330,145
Cost of sales		-78,606	-58,555	-269,813
Gross income		17,099	15,714	60,332
Research and development expenses		-2,878	-3,230	-11,514
Selling expenses		-5,789	-4,586	-21,000
Administrative expenses		-2,765	-2,600	-11,485
Other operating income and expenses ¹⁾		648	579	1,556
Share of income in joint ventures and associates		-1,215	161	4,443
Operating income		5,100	6,038	22,332
Interest income and similar credits ¹⁾		499	165	852
Interest expenses and similar charges ¹⁾		-200	-205	-837
Other financial income and expenses ¹⁾	3	-15	-215	-1,532
Income before tax		5,384	5,783	20,815
Income tax		-1,409	-1,280	-3,812
Net income		3,975	4,503	17,003
Net income attributable to				
Owners of the parent company		3,611	3,853	15,577
Non-controlling interests		364	650	1,426
Basic earnings per share (SEK)	5	1.21	1.29	5.23
Diluted earnings per share (SEK)	5	1.21	1.29	5.23

1) In fourth quarter 2022, Volvo Cars changed the presentation of Other operating income and Other operating expenses as well as Financial income and Financial expenses. Presentation of the figures for Q1 2022 have been adjusted accordingly. The change has no impact on EBIT. For more information see the annual report 2022.

Consolidated Comprehensive Income

SEKm	Jan–Mar 2023	Jan–Mar 2022	Full year 2022
Net income for the period	3,975	4,503	17,003
Other comprehensive income			
<i>Items that will not be reclassified subsequently to income statement:</i>			
Remeasurements of provisions for post-employment benefits	–324	1,814	4,560
Tax on items that will not be reclassified to income statement	115	–387	–998
<i>Items that have been or may be reclassified subsequently to income statement:</i>			
Translation difference on foreign operations	248	764	3,872
Translation difference of hedge instruments of net investments in foreign operations	–118	–71	–710
Change in fair value of cash flow hedge related to currency and commodity price risks	81	–38	2,289
Tax on items that have been or may be reclassified to income statement	7	20	–319
Other comprehensive income, net of income tax	9	2,102	8,694
Total comprehensive income for the period	3,984	6,605	25,697
Total comprehensive income attributable to			
Owners of the parent company	3,627	5,833	24,150
Non-controlling interests	357	772	1,547
	3,984	6,605	25,697

Consolidated Balance Sheets

SEKm	Note	31 Mar 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets		61,150	56,994
Tangible assets ¹⁾		81,382	77,252
Investments in joint ventures and associates	4	16,408	15,599
Other long-term securities holdings	3	6,408	4,353
Deferred tax assets		9,457	9,131
Other non-current interest-bearing receivables		4,259	3,354
Non-current derivative assets	3	1,028	1,128
Other non-current assets		3,593	3,994
Total non-current assets		183,685	171,805
Current assets			
Inventories		50,819	46,951
Accounts receivable	4	21,067	25,239
Current tax assets		1,994	1,763
Current derivative assets	3	1,544	1,769
Other current assets ¹⁾		16,983	16,239
Marketable securities	3	—	3,415
Cash and cash equivalents	3	50,323	63,743
Total current assets		142,730	159,119
TOTAL ASSETS		326,415	330,924
EQUITY & LIABILITIES			
Equity			
Equity attributable to owners of the parent company ¹⁾		117,592	113,947
Non-controlling interests ¹⁾		3,689	3,331
Total equity		121,281	117,278
Non-current liabilities			
Provisions for post-employment benefits		6,100	6,883
Deferred tax liabilities		6,203	5,392
Other non-current provisions		8,104	8,398
Non-current liabilities to credit institutions	3	3,277	3,096
Non-current bonds	3	24,828	22,959
Non-current contract liabilities to customers		7,833	7,144
Other non-current interest-bearing liabilities		4,783	4,845
Non-current derivative liabilities	3	791	825
Other non-current liabilities		4,819	4,726
Total non-current liabilities		66,738	64,268
Current liabilities			
Current provisions		11,340	9,051
Current liabilities to credit institutions	3	1,298	755
Current bonds	3	—	2,000
Current contract liabilities to customers		24,464	26,094
Accounts payable	4	59,644	68,913
Current tax liabilities		1,405	1,566
Other current interest-bearing liabilities		1,411	1,500
Current derivative liabilities	3	1,576	1,809
Other current liabilities	4	37,258	37,690
Total current liabilities		138,396	149,378
TOTAL EQUITY & LIABILITIES		326,415	330,924

1) Adjustments have been made to the prior period presented. For more information see Note 10 - Government grants in the annual report 2022.

Consolidated Statement of Changes in Equity

SEKm	31 Mar 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	3,975	17,003
Other comprehensive income, net of income tax	9	8,694
Total comprehensive income	3,984	25,697
Transactions with owners		
Capital contribution from non-controlling interests ³⁾	—	17
Divestment of non-controlling interests ⁴⁾	—	-1,196
Divestment under common control ⁵⁾	—	-978
New issue	—	-1
Share-based payments	19	24
Dividend to shareholders ⁶⁾	—	-846
Transactions with owners	19	-2,980
Closing balance	121,281	117,278
Attributable to		
Owners of the parent company	117,592	113,947
Non-controlling interests	3,689	3,331
Closing balance	121,281	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 capital contribution from ECARX Technology Ltd to HaleYTEK AB SEK — (17) m.

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

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

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

Consolidated Statement of Cash Flows

SEKm	Jan–Mar 2023	Jan–Mar 2022	Full year 2022
OPERATING ACTIVITIES			
Operating income	5,100	6,038	22,332
Depreciation and amortisation of non-current assets	4,129	3,985	16,091
Dividends received from joint ventures and associates	4	—	72
Interest and similar items received	499	165	1,065
Interest and similar items paid	–276	–239	–1,351
Other financial items	154	101	206
Income tax paid	–1,243	–1,360	–4,223
Adjustments for other non-cash items	332	–1,096	–7,135
	8,699	7,594	27,057
Movements in working capital			
Change in inventories	–3,932	–3,981	–7,348
Change in accounts receivable	4,178	–5	–776
Change in accounts payable	–8,948	–4,773	18,533
Change in provisions	711	–1,764	–4,640
Change in contract liabilities to customers	–172	–1,487	5,941
Change in other working capital assets/liabilities	–2,916	177	–5,168
Cash flow from movements in working capital	–11,079	–11,833	6,542
Cash flow from operating activities	–2,380	–4,239	33,599
INVESTING ACTIVITIES			
Investments in shares and participations	–533	–1,760	–9,597
Divestment in shares and participations	—	600	2,290
Loans to affiliated companies	–3,114	—	—
Investments in intangible assets	–5,545	–3,136	–18,328
Investments in tangible assets	–5,962	–3,758	–13,784
Disposal of tangible assets	85	21	161
Other	—	—	–400
Cash flow from investing activities	–15,069	–8,033	–39,658
Cash flow from operating and investing activities	–17,449	–12,272	–6,059
FINANCING ACTIVITIES			
Proceeds from credit institutions	776	65	1,040
Proceeds from bond issuance	1,500	—	5,260
Repayment of bond	–2,000	—	—
Repayment of liabilities to credit institutions	—	–4	–4,530
Repayment of interest bearing liabilities	–429	–407	–1,711
Dividends paid to shareholders and/or Non-controlling interest	—	—	–846
Investments in marketable securities	–360	–9,256	–21,127
Matured marketable securities	3,781	10,074	26,157
Other ¹⁾	638	28	726
Cash flow from financing activities	3,906	500	4,969
Cash flow for the period	–13,543	–11,772	–1,090
Cash and cash equivalents at beginning of period	63,743	62,265	62,265
Exchange difference on cash and cash equivalents	123	925	2,568
Cash and cash equivalents at end of period	50,323	51,418	63,743

1) For Jan–Mar Other is attributable to realised result from financial instruments of SEK 401 (29) m and change in Other non-current liabilities of SEK 237 (–1) m.

Condensed Parent Company Income Statements

SEKm	Jan-Mar 2023	Jan-Mar 2022	Full year 2022
Administrative expenses	-6	-5	-27
Operating income/loss	-6	-5	-27
Interest income and similar credits ¹⁾	332	176	942
Interest expenses and similar charges ¹⁾	-195	-126	-640
Other financial income and expenses ¹⁾²⁾	-6	-7	1,472
Income before tax	125	38	1,747
Income tax	-26	-8	889
Net income	99	30	2,636

1) In fourth quarter 2022, Volvo Cars changed the presentation of Other operating income and Other operating expenses as well as Financial income and Financial expenses. Presentation of the figures for Q1 2022 have been adjusted accordingly. The change has no impact on EBIT. For more information see the annual report 2022.

2) In December 2022, a dividend of SEK 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 Mar 2023	31 Dec 2022
ASSETS		
Non-current assets	47,084	45,263
Current assets	15,879	22,234
TOTAL ASSETS	62,963	67,497
EQUITY & LIABILITIES		
Equity		
Restricted equity	61	61
Non-restricted equity	36,372	36,254
Total equity	36,433	36,315
Non-current liabilities	26,072	24,242
Current liabilities	458	6,940
Total liabilities	26,530	31,182
TOTAL EQUITY & LIABILITIES	62,963	67,497

In December 2022, the parent company made a group contribution of SEK 4,530 m to Volvo Car Corporation.

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 www.volvocars.com).

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

NOTE 2 – Revenue

Revenue allocated to geographical regions:

SEKm	Jan–Mar 2023	Jan–Mar 2022	Full year 2022
China	16,585	17,409	70,924
US	19,490	11,321	62,070
Europe	44,102	34,139	144,150
<i>of which Sweden¹⁾</i>	<i>11,574</i>	<i>10,401</i>	<i>44,923</i>
<i>of which Germany</i>	<i>5,434</i>	<i>4,127</i>	<i>19,015</i>
<i>of which United Kingdom</i>	<i>4,575</i>	<i>3,494</i>	<i>16,159</i>
Other markets	15,528	11,400	53,001
<i>of which Japan</i>	<i>2,286</i>	<i>1,860</i>	<i>8,339</i>
<i>of which South Korea</i>	<i>2,176</i>	<i>1,463</i>	<i>6,024</i>
Total	95,705	74,269	330,145

Revenue allocated to category:

SEKm	Jan–Mar 2023	Jan–Mar 2022	Full year 2022
Sales of new cars	73,875	56,913	252,747
Sales of used cars	3,774	4,258	16,405
Sales of parts and accessories	8,671	7,233	30,778
Revenue from subscription, leasing and rental business	1,207	971	4,473
Sales of licences and royalties	—	399	887
Contract manufacturing	6,482	3,530	20,288
Emissions credits	186	—	505
Other revenue	1,510	965	4,062
Total	95,705	74,269	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 – Group financial instruments and financial risks, have been applied consistently throughout the reporting period.

The fair value of the financial instruments valued at amortised cost shorter than 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 29,403 (28,810) m and the fair value of these financial instruments amounted to SEK 28,220 (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 bonds, where the positive fair value amounted to SEK 6,546 (4,658) m (including convertible bond to Polestar) and the negative fair value amounted to SEK 2,368 (2,634) m.

Investments in other long-term securities are holdings categorised as level 1 and level 3 financial instruments consisting of equity investments, warrants and earn-outs rights. Investments in equity instruments amounted to SEK 3,369 (4,353) m, whereof SEK 329 (252) m are holdings categorised as level 1 financial instruments and SEK 3,040 (4,101) m are categorised as level 3 financial instruments.

The earn-outs 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 75% and a risk-free interest rate of 3.6%. A change in volatility of +/-10 percentage points results in a value range of SEK 1,572–2,154 m. Furthermore, if the risk-free interest rate changes +/-2 percentage points, it would result in a value range of SEK 1,837–1,963 m. Remaining level 3 investments consist of unlisted share warrants and earn-outs 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 4.7% and 3.6% for the different maturity.
- Volatility of the underlying share price which has been determined at 9%.

Sensitivity analysis for warrants in Luminar (SEKm)

Volatility	Likelihood of triggering event				
	-10%	-5%	0%	5%	10%
-10%	129	139	151	157	167
-5%	132	141	153	160	170
96%	134	144	156	163	173
5%	136	146	159	166	176
10%	138	148	161	168	178

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 fair value hedge, net investment hedge and cash flow hedge. For further information see Note 20 – Financial instruments and financial risks in the Volvo Car Group's Annual Report 2022.

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

31 Mar 2023	Assets	Liabilities	Net	Tax	Hedge reserve after tax	Recycled from other comprehensive income	Ineffectiveness reflected in income statement
Cash flow hedge							
- Currency risk	2,107	-1,492	615	-126	489	176	—
- Energy price risk	158	-42	116	-24	92	68	—
- Raw material price risk	80	-165	-85	18	-67	18	—
Subtotal	2,345	-1,699	646	-132	514	262	—
Net investments hedge							
- Currency risk	—	-1,342	-1,342	276	-1,066	—	—
Total	2,345	-3,041	-696	144	-552	262	—
Fair value hedge through the income statement							
- Interest rate risk	13	-267	-254	—	—	—	-7

NOTE 3 – Financial instruments – continued

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 first quarter

- On 6 January 2023, Volvo Cars, through one of its wholly-owned subsidiaries, Asia Euro Automobile Manufacturing (Taizhou) Co., Ltd. acquired 100% of the shares in Taizhou Luqiao Jijin Automobile Manufacturing Co., Ltd. The acquired company owns land and building related to the manufacturing plant in Luqiao, Taizhou, China. The purchase consideration amounted to SEK 2,865 m.
- In November, Volvo Cars signed a facility agreement with Polestar with the intention of providing them with a credit facility of USD 800 m. Polestar will be able to draw funds from this credit facility during a 18-month period. Any drawn funds (total loan) will be repaid by May 2024. The loan also includes an option for Volvo Cars to convert the loan to equity, if Polestar during the period chooses to finance the operations by issuing new shares. The potential conversion is also limited due to Volvo Cars' ownership in Polestar not being able to equal or exceed 50%. The convertible bond is measured at fair value through profit or loss taking into consideration the conversion mechanism of the instrument. During the first quarter 2023, Polestar has withdrawn a total amount of USD 300 m of this facility which is classified as a long-term security holding.

Tables of transactions with related parties

The information presented below includes all assets and liabilities regarding related parties. All assets and liabilities are current except SEK 4,086 (966) m which is non-current. For further details refer to section Specification of transactions with related parties, on next page.

Sales of goods, services and other

SEKm	Jan–Mar 2023	Jan–Mar 2022	Full year 2022
Related companies ¹⁾	7,221	4,617	24,962
Associated companies and joint ventures	385	423	1,627

Purchases of goods, services and other

SEKm	Jan–Mar 2023	Jan–Mar 2022	Full year 2022
Related companies ¹⁾	-7,982	-6,911	-26,202
Associated companies and joint ventures	-818	-449	-2,701

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

NOTE 4 – Related party transactions – continued

SEKm	Receivables		Payables	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Related companies ¹⁾	19,319	21,043	8,260	13,414
Associated companies and joint ventures	906	1,377	309	466

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

Specification of significant transactions with related parties**The Polestar Group**

Volvo Car Group recognised revenue from the Polestar Group of SEK 6,597 (4,025) m in the first quarter. 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 –2,988 (–2,794) m in the first quarter, mainly related to combustion engines and product development and has mainly been recognised as cost of sales.

Zhangjiakou Aurobay Powertrain Manufacturing Co., Ltd

The Zhangjiakou plant is since 31 January 2022 a related party to Volvo Car Group. The purchase of combustion engines for the first quarter amounted to SEK –2,485 (–1,380) m 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 first quarter. The whole 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 399 (218) m in the first quarter.

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 –456 (–273) m in the first quarter, which mainly has 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 –421 (–242) m in the first quarter, mainly related to batteries and has been recognised as cost of sales.

NOTE 5 – Earnings per share

	Jan–Mar 2023	Jan–Mar 2022	Full year 2022
Basic earnings per share, SEKm			
Net income attributable to owners of the parent company	3,611	3,853	15,577
Net income attributable to owners of ordinary shares in the parent company	3,611	3,853	15,577
Weighted average number of ordinary shares outstanding, basic	2,979,524,179	2,979,524,179	2,979,524,179
Basic earnings per share, SEK	1.21	1.29	5.23

	Jan–Mar 2023	Jan–Mar 2022	Full year 2022
Diluted earnings per share, SEKm			
Net income in basic earnings per share	3,611	3,853	15,577
Net income in diluted earnings per share	3,611	3,853	15,577
Weighted average number of ordinary shares outstanding, basic	2,979,524,179	2,979,524,179	2,979,524,179
Dilutive effect for share-based payment programmes	382,877	—	47,186
Weighted average number of ordinary shares outstanding, diluted	2,979,907,056	2,979,524,179	2,979,571,365
Diluted earnings per share, SEK	1.21	1.29	5.23

NOTE 6 – Significant events after the period

No significant events have occurred after the period.

The section Risks and Uncertainty Factors on page 12 contains information on Volvo Cars' assessments of the global impact 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 82 per cent 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 per cent and 50 per cent 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 per cent fully electrified cars.

Non Battery Electric Vehicles (Non-BEV)

Non-BEV cars include all vehicles which are not 100 per cent 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 per cent 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

Agency personnel 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

Online/direct business model is defined as a car ordered online with transparent 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.

Return on invested capital, ROIC

ROIC is defined as EBIT divided by invested capital. Return on invested capital ratio gives an overview of how efficient Volvo Car Group is at allocating capital to profitable investments. Invested capital is the amount of net assets needed in day to day operations (total assets less receivables on parent company less other long-term securities holding less cash and cash equivalents less marketable securities plus operating cash (average two-year revenue * 10 per cent)) less total current liabilities less current liabilities to parent company plus total current interest-bearing liabilities (including liabilities to credit institutions, bonds current, other current interest-bearing liabilities) calculated on two-year average figures.

Equity ratio

The equity ratio is defined as total equity divided by total assets in the balance sheet. It measures Volvo Car Group's long-term solvency and financial leverage level.

Net cash

Net cash is defined as cash, cash equivalents and marketable securities less liabilities to credit institutions, bonds and other non-current interest-bearing liabilities (excluding non-current lease liabilities). Net cash represents Volvo Car Group's ability to meet its financial obligations.

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.

Shares 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.

SEKm	Jan–Mar 2023	Jan–Mar 2022	Full year 2022
Revenue	95,705	74,269	330,145
Revenue per new car, BEV (SEKk) ¹⁾	456.3	435.9	448.8
Revenue per new car, non-BEV (SEKk) ¹⁾	446.9	385.7	415.2
Cost of sales	-78,606	-58,555	-269,813
Research and development expenses	-2,878	-3,230	-11,514
Operating income, EBIT	5,100	6,038	22,332
EBIT margin, excl. share of income in JVs & associates	6,315	5,877	17,889
Net income	3,975	4,503	17,003
EBITDA	9,229	7,425	38,423
Gross income per new car, BEV (SEKk) ¹⁾	33.9	59.0	36.8
Gross income per new car, non-BEV (SEKk) ¹⁾	104.2	81.5	88.9
Gross margin, %	17.9	21.2	18.3
Gross margin BEV, % ¹⁾	7.4	13.5	8.2
Gross margin non-BEV, % ¹⁾	23.3	21.1	21.4
EBIT margin, %	5.3	8.1	6.8
EBIT margin excl. share of income in JVs & associates, %	6.6	7.9	5.4
EBITDA margin, %	9.6	10.0	11.6
Equity ratio, % ³⁾	N/A	N/A	35.4
Net cash	20,672	33,072	38,061
Share of investing cash flow BEV, %	74.8	57.3	68.5
Share of investing cash flow non-BEV, %	6.4	9.3	6.2
Return on invested capital, ROIC % ²⁾	N/A	N/A	16.7

1) Includes amounts relating to emissions credits earned relating to BEV and Non-BEV, respectively. For the first quarter of year the amounts were SEK 136 (—) and 50 (—) m relating to BEV and Non-BEV, respectively. For more information see Note 2 – Revenue in the annual report 2022.

2) Adjustments have been made to the calculated alternative performance measures presented for prior period. For more information see Note 10 – Government grants in the annual report 2022.

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

Gothenburg, 26 April 2023

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 9:30 CET on 27 April, President & CEO Jim Rowan and CFO Johan Ek Dahl will host a livestream for media, investors and analysts.

Link: <https://live.volvocars.com>

For those tuning in from China, please use this link:
<https://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

20 July 2023:	Q2 2023 report
26 October 2023:	Q3 2023 report
2 February 2024:	Q4 2023 report
25 April 2024:	Q1 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

