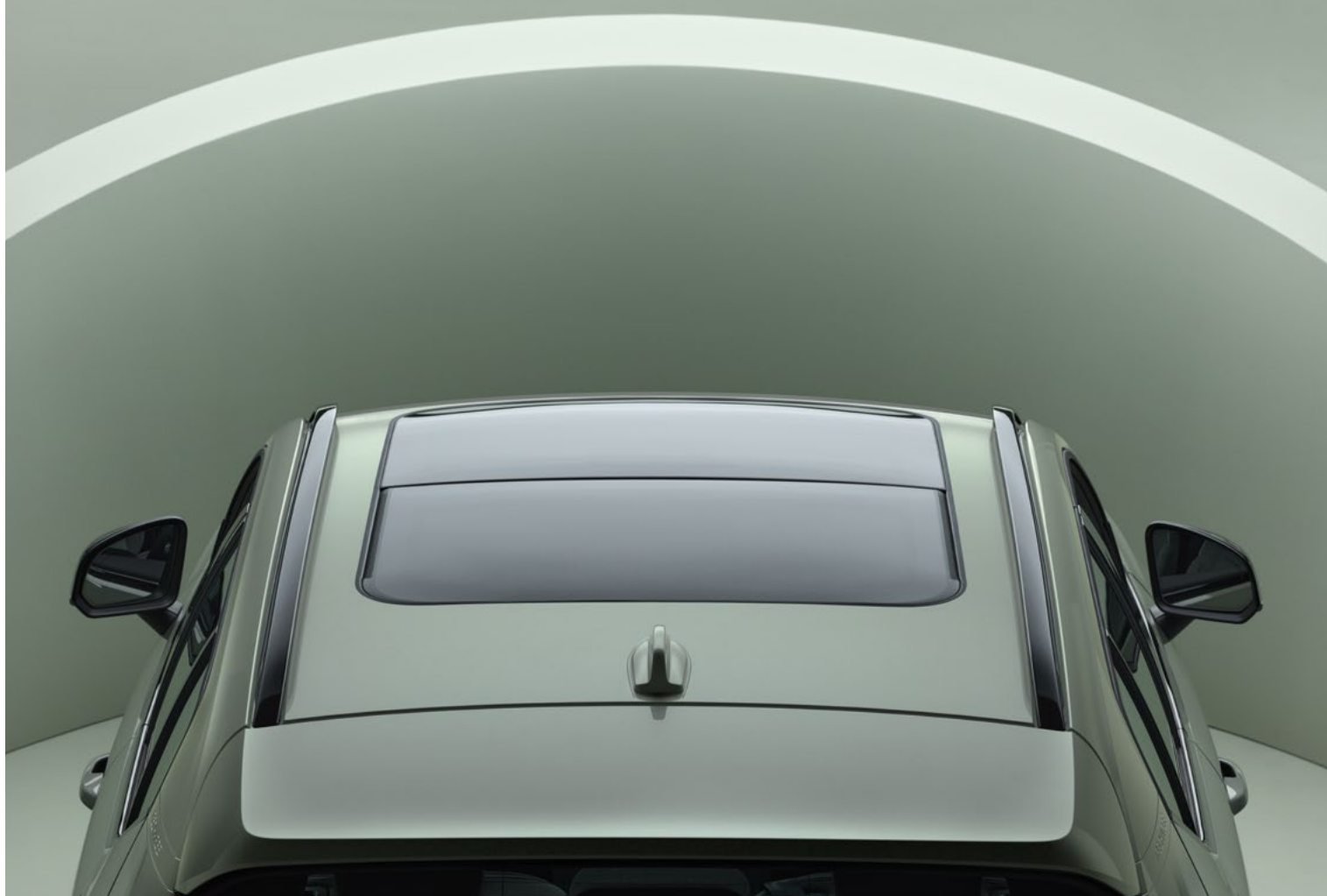


V O L V O

*Freedom to move*

*in a personal, sustainable  
and safe way.*



**VOLVO CAR GROUP**

INTERIM REPORT FIRST QUARTER 2022

*Volvo Cars' core operations delivered stable profitability in an unstable environment*

## JANUARY–MARCH 2022

- 
- Continued strong demand and order intake.
  - Semiconductor constraints continued to gradually improve. However, due to a temporary shortage of a specific semiconductor, production was down at the end of the first quarter. This shortage is expected to remain in the second quarter.
  - Due to the supply situation, retail sales decreased by 20% to 148.3 (185.7) thousand cars.
  - On the back of strong demand and supply chain constraints we took actions resulting in positive mix effects and high price realisation.
  - Revenue increased by 8% to SEK 74.3 (68.6) bn.
  - Operating income (EBIT) was SEK 6.0 (8.4) bn.
  - EBIT margin was 8.1 (12.3)%. EBIT margin, excluding share of income from joint ventures and associates, was 7.9 (8.1)%.
  - Basic earnings per share was SEK 1.29 (2.28).
  - Operating and investing cash flow was SEK –12.3 (–6.9) bn.
  - CO<sub>2</sub> emissions per car is now reduced by 13.4% compared with 2018, in line with plan.
  - On March 21, Jim Rowan succeeded Håkan Samuelsson as the President and CEO of Volvo Cars. Håkan Samuelsson resigned from the Board of Directors at the same time.
  - Volvo Cars suspended supplies of cars and parts to Russia. The company had limited sales in Ukraine and Russia.
  - The war in Ukraine resulted in increasing costs for raw materials, energy and freights. This had limited impact in the first quarter, but is expected to partially impact the second quarter and fully impact the second half of the year.
  - Volvo Cars and Northvolt announced the establishment of a new battery plant in Gothenburg, Sweden as part of a SEK 30 bn investment in battery research & development and manufacturing.
  - Volvo Cars announced investments of SEK 10 bn in Torslanda plant in Sweden into technologies for next generation electric models such as mega casting.
  - Volvo Cars to open new 700-job tech hub in Stockholm, Sweden.
  - Emerging Covid-19 outbreak in eastern China has led to lockdowns impacting local retail sales and caused further supply chain disturbances in the first quarter. This is expected to continue during the second quarter.

## VOLVO CAR GROUP

SEKbn unless otherwise stated	3 Months			12 Months	
	Jan–Mar 2022	Jan–Mar 2021 <sup>1)</sup>	Δ%	LTM <sup>1) 2)</sup>	Full year 2021 <sup>1)</sup>
Retail sales, k units <sup>3)</sup>	148.3	185.7	–20	661.3	698.7
Revenue	74.3	68.6	8	287.7	282.0
Research and development expenses <sup>4)</sup>	–3.2	–3.4	–6	–12.5	–12.7
Operating income (EBIT) <sup>5)</sup>	6.0	8.4	–28	17.9	20.3
EBIT excl. share of income from JVs and associates <sup>5)</sup>	5.9	5.5	6	21.6	21.2
Net income <sup>3)</sup>	4.5	6.5	–30	12.2	14.2
Basic earnings per share, SEK <sup>4)</sup>	1.29	2.28	–43	3.82	4.72
EBITDA <sup>3)</sup>	10.0	12.6	–20	32.8	35.3
Cash flow from operating activities <sup>4)</sup>	–4.2	–4.2	1	29.8	29.9
Cash flow from investing activities <sup>4)</sup>	–8.0	–2.7	197	–40.1	–34.7
Net cash <sup>5)</sup>	33.1	29.6	12	33.1	44.8
Gross margin, % <sup>5)</sup>	21.2	20.6	3	21.7	21.6
EBIT margin, % <sup>5)</sup>	8.1	12.3	–34	6.2	7.2
EBIT margin excl. share of income from JVs and associates, % <sup>5)</sup>	7.9	8.1	–2	7.5	7.5
EBITDA margin, % <sup>5)</sup>	13.5	18.3	–26	11.4	12.5
Return on invested capital, ROIC, % <sup>5)</sup>	N/A	N/A	N/A	14.5	18.5

1) In 2022, there has been a change in the elimination of internal profit related to sale of digital services within the Group. This change has resulted in a decrease of cost of sales, research and development expenses and selling expenses against an increase of administrative expenses. The figures for 2021 have been adjusted accordingly. The reclassification has no impact on EBIT.

2) Last twelve months.

3) Non-financial operating metric.

4) IFRS measure.

5) Non-IFRS measure (alternative performance measure), see Alternative performance measures on page 30.



# Stable performance in an unstable environment

The auto industry is in the middle of a fundamental transformation. On one side, we have the adoption of new technologies that go way beyond the change to electrical propulsion. Core computing, advanced and active safety, connectivity are good examples of this. Of course, these and many other new features are all underpinned by a greater reliance on software. In parallel we have a commercial transformation that is enabling direct to customer access in many markets. Digital and data capabilities will turbo-charge the e-commerce engine and allow direct customer engagement. A third dimension is the pivot towards a more sustainable environment and the auto industry sits at the very centre of this. It is therefore incumbent upon us to investigate every opportunity to design, manufacture and distribute our cars in a more sustainable, low-carbon and circular way.

All of this aligns to the five strategic imperatives that we have previously outlined, but we will sharpen these in the coming months.

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*“Volvo Cars strategic direction remains clear and very much in focus.”*

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The strategic direction remains clear and very much in focus; the fastest transformer in the industry, a fully electric brand with direct consumer engagement, and lower carbon emissions is our way forward. To achieve our ambitions, we will increase our pace of product development, strengthen the resilience of our supply chain, and accelerate our digital and software capabilities. In parallel we will drive further cost efficiency to help offset increasing raw material costs.

In the first few months of 2022, the war in Ukraine has destroyed lives and displaced millions of innocent people. The same war has also sent already rising inflation to new heights and further disrupted supply chains that were already fragile. Covid-19 outbreaks in China has caused renewed global concern and a set-back in the pandemic recovery causing further uncertainty and adding yet more turbulence.

When summarising Volvo Cars’ performance during this first quarter, I am pleased that we have delivered such stable results. Our teams have stayed focused and diligent, working closely with our partners and suppliers across the globe.



Volvo Cars sold a total of 148,295 cars in the first quarter as the supply chain constraints affecting the company continued to slowly ease. However, late in the quarter we were unfortunately hit by a shortage of a specific component which will also impact production during the second quarter.

We consider this a temporary set-back and we expect the supply chain to improve as we enter the second half of the year. As a result, we expect marginal growth in sales volumes for the full year 2022, compared to 2021, although uncertainty is high. Customer demand remains incredibly strong.

So far, Volvo Cars has seen limited direct impact from the war in Ukraine but increasing costs of raw materials will have an impact on our business going forward. We continue to work with pricing and other measures to largely offset these effects.

The combined effect of reduced volumes, strong price realisation and mix led to a stable EBIT. EBIT for Volvo’s core operations was SEK 5.9 billion or a margin of 7.9 per cent, and reported EBIT was SEK 6.0 billion or 8.1 per cent.

Our advanced plug-in hybrids and fully electric Recharge models remain popular among customers and the share of electrified cars continued to rise. In the first quarter, Recharge sales made up 34 per cent of total sales, where of fully electric cars made up 8 per cent doubling in the space

of the last two quarters. That share will continue to grow as we increase our annual production capacity of fully electric cars to 150,000 units after summer. For the full year 2022, we expect continued high growth of fully electric cars.

The number of active subscriptions in the first quarter increased by 174 per cent compared with the same period last year. This growth was driven by customer demand in combination with a broadened offer as online fleet sales for small and medium enterprises were introduced both in the UK and in Sweden. In the first quarter, online sales made up 13 per cent of total sales in established markets.

Volvo Cars' and Northvolt's new battery manufacturing plant in Gothenburg, Sweden, made substantial progress and passed several milestones with leadership recruited and environmental permits in place.

Electric propulsion is a core technology for Volvo Cars in our quest to become fully electric. This investment combined with our new high precision electrical motor facility in Skövde, Sweden, will allow us access to both supply and leading technology in this critical area. In preparation for our next generation of pure electric cars, we have announced a SEK 10 billion investment in new and more sustainable technologies, including mega casting in Gothenburg, Sweden.

We also expanded our presence in Stockholm by establishing a technology and e-commerce hub aimed at housing more than 700 professionals, skilled in software engineering, user experience, data science and analytics.

Finally, our efforts to reduce the CO<sub>2</sub> footprint per car are progressing according to plan. In the first quarter CO<sub>2</sub> emissions were 13.4 per cent lower compared with 2018, supporting our 2025 ambition.

Volvo Cars' strategic direction remains clear and very much in focus. In the short term we will need to navigate through today's challenges and the turbulence these will bring. We will do that, but we will do it without losing sight of the bigger picture; becoming the fastest transformer in the race to fully electric, direct customer engagement and improved sustainability, while maintaining our leadership and heritage in safety.

**Jim Rowan**  
Chief Executive

# Fastest transformer strategy progress

Our industry is changing, and we strive to lead 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

- Sales of 1.2 million cars a year
- EBIT margin of 8–10%
- 40% reduction of CO<sub>2</sub> life-cycle footprint per car
- 50% of sales fully electric cars
- 50% in-house software
- 50% of sales online
- Employer of choice and preferred development partner

## FAST GROWING PREMIUM BRAND

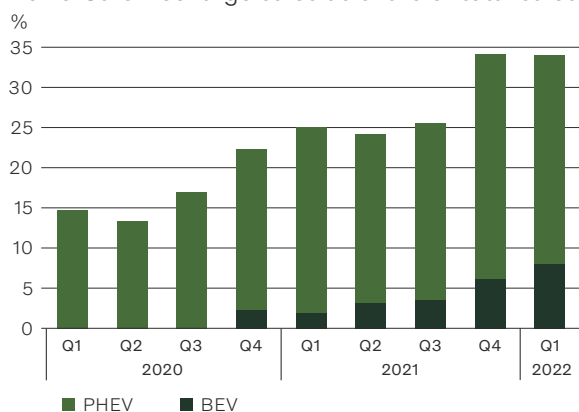
### Market position

Our fully electric share increased to 8%, up from 6% in the fourth quarter, representing a growth of over 30%. This was supported by very strong market demand and us prioritising fully electric vehicles during the ongoing supply restraints. In the first quarter, Norway, Brazil and Thailand became the first markets to reach 100% sales of Recharge cars ie all cars with a cord (PHEV and BEV).

Going forward, we will mainly direct our development and marketing efforts to Recharge cars and the main focus is on fully electric cars.

During the quarter, our market share was negatively impacted by lost production. However, we continued to gain market share in the BEV segment.

Volvo Cars Recharge sales as share of total sales



Volvo Cars' market share per propulsion type <sup>1) 2)</sup>	Jan–Feb 2022	Jan–Feb 2021
BEV	0.84%	0.56%
PHEV	7.76%	12.03%
ICE (incl. mild hybrids)	0.70%	0.77%
Total	0.91%	0.97%

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 2022. All rights reserved.

Total industry volume share by propulsion type <sup>1) 2)</sup>	Jan–Feb 2022	Growth YoY
BEV	8%	101%
PHEV	3%	49%
ICE (incl. mild hybrids)	89%	–17%
Total	100%	–12%

## Sustainability

We are making good progress towards our ambition of reducing the average lifecycle CO<sub>2</sub> emissions per vehicle by 40% between 2018 and 2025. For the first quarter, we saw a further reduction of 4pp, in total 13% reduction since 2018.

CO <sub>2</sub> reduction per car	Lifecycle CO <sub>2</sub> emissions per car (tonnes)	Reduction
2018	55.1 t	—
2022 Jan–Mar	47.7 t	–13.4%
2025 ambition	33.3 t	–40%
2040 ambition	0 t	–100%

During the first quarter we made a strategic investment in Bcomp, an innovative Swiss firm that develops high-performance lightweight materials based on natural fibres, through Volvo Cars Tech Fund. Compared to regular plastic parts, the material is 50% lighter, uses 70% less plastic and generates up to 62% lower CO<sub>2</sub> emissions. Our investment underlines our engagement on utilising sustainable material, and reducing resource utilisation and emissions across our value chain.

As part of our commitment to more sustainable cities, Volvo has launched a pilot project in Gothenburg to test a new wireless charging technology. The initiative is part of our contribution to the Gothenburg Green City Zone, which aims to achieve emission-free transport by 2030. Partners include Momentum Dynamics, Vattenfall, Göteborg Energi and the City of Gothenburg.



## FULL ELECTRIFICATION

### Sustainable batteries and BEV investments

Our battery cell partnership with Northvolt is key to our strategic ambitions in electrification. In February, we announced the construction of a battery manufacturing plant in Gothenburg, Sweden, as part of our joint venture with Northvolt. The plant will open in 2025, with a potential annual cell production capacity of up to 50 gigawatt hours (GWh). It will be powered entirely by fossil-free energy, significantly reducing emissions from one of the most carbon-intensive elements of EV production. The investment will also create up to 3,000 new jobs. In addition, we have announced an investment in our Torslanda plant to prepare for the production of our next generation of fully electric vehicles. This will include the introduction of a number of new and more sustainable technologies and manufacturing processes, including mega casting of aluminium body parts, a new battery assembly and fully refurbished paint and final assembly shops.

### BEV/Non-BEV profitability and share of investments

Our fully electric new car gross income per unit is healthy and higher than the comparable XC40 Non-BEV, but margins are lower due to the higher costs of the electric propulsion system including battery. The strong revenue per unit is a testament for the strong demand we are seeing and also encouraging as we launch more cost-efficient models in coming years. It should be noted that the recent increases in costs for raw materials will start affecting margins in the second quarter.

	Jan–Mar 2022		Full year 2021	
	BEV	Non-BEV	BEV	Non-BEV
Retail sales (k units)	12	136	26	673
Revenue per Car (SEKk/unit) <sup>1)</sup>	435	385	431	357
Gross Income per Car (SEKk/unit) <sup>1)</sup>	59	82	57	69
Gross Margin (%)	14	21	13	19

	BEV	Non-BEV	Common	BEV	Non-BEV	Common
Share of Investing Cash Flow (%) <sup>2)</sup>	57	9	34	54	13	33

1) Revenue and gross income refer to new cars, excluding after sales and subscription. 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.

## LEADER IN NEW TECHNOLOGY

### Over-The-Air (OTA) updates

With OTA, we will deliver customer value remotely over the car's lifecycle, and it is through OTA delivered software functionality, we can reduce cost and give customer value through continuous improvements. In the fourth quarter, full OTA capability on new cars included XC40 Recharge, C40, XC60,

S90 and V90. During the first quarter, we announced the addition of XC90, S60 and V60, so from model year 2023 the entire portfolio has full OTA capability. The latest upgrade reached 190,000 customers in 34 countries.

### Google in all cars

Volvo Cars is the first auto brand to team up with Google on integrating an infotainment system powered by Android with Google apps and services built in.

As earlier communicated Volvo Cars has rolled out its new Android-powered infotainment system with Google in the XC40 Recharge, C40, XC60, S90 and V90. We are now adding that system to XC40, S60, V60 and XC90. From model year 2023 all Volvo models are equipped with Google infotainment where available.

## DIRECT CONSUMER RELATIONS

The number of cars sold online increased and now represents 13% of sales in the markets where it is launched.

### Online Business to Business (B2B)

In many markets, B2B sales constitute a majority of the total sales. In December, we launched our online sales platform for B2B, initially targeting small- and medium-sized businesses. In the first quarter this was launched in Sweden and the UK and going forward, this will be rolled out also in the Netherlands and Germany.

### Care by Volvo and subscriptions

Care by Volvo subscription brings simplicity and transparency to consumers whilst lowering the threshold of driving electric. Care by Volvo is offered through online sales in six markets: Germany, the Netherlands, Norway, Sweden, the UK and the US. Growth is strong. By the end of the first quarter, we had 20.6 (7.6) thousand active subscriptions.

## FASTEST TRANSFORMER WAY OF WORKING

### Polestar's intention to be listed on Nasdaq New York

On 27 September 2021, Polestar announced its intention to be listed on Nasdaq New York, through the special purpose acquisition company (SPAC), Gores Guggenheim. The implied enterprise value is approximately USD 20 bn. As stated in our fourth quarterly report, the business combination is expected to be finalised during the first half of 2022. During 2021, Polestar met their global sales target of approximately 29 thousand cars.

### Stockholm tech hub

Global software talent ramp-up is continuing. In March we announced that Volvo Cars is expanding its presence in Stockholm by investing in a tech hub in the centre of Sweden's capital, creating a workspace for more than 700 professionals skilled in software engineering, data science and analytics, online business and user experience. 300 existing employees will be moving into the new offices and another 400 employees will be recruited. The expansion will support Volvo Cars' strong growth, as well as its mid-decade ambitions to sell at least half of all its cars online and to develop at least half of all software in-house.

# First quarter financial summary

## SALES AND MARKET DEVELOPMENT

The overall demand remained strong, yet the global passenger car market declined due to the low supply of new vehicles. The market was impacted by many challenges varying from continued supply constraints, the war in Ukraine and Covid related shutdowns in China. Demand for electrified cars continued to grow globally.

At the end of March 2022, Volvo Cars announced that it was affected by a temporary semi-conductor shortage that worsened the production situation due to a specific and critical type of semi-conductor. We expect this specific component shortage to impact production throughout the second quarter.

The demand for Volvo cars remained strong with stable order intake. Volvo Cars retail sales decreased by 20%, while BEV increased by 224%. Wholesales decreased by 12% and the production volumes decreased by 9%.

### Europe

The total European market decreased by 13%, while the traditional premium segment decreased by 9%. On top of the continued supply chain disruptions, the war in Ukraine also contributed negatively to the market development.

The retail sales for Volvo Cars decreased by 26%, but order intake remained strong. Recharge sales contributed to over half of the cars sold in Q1, at 52 (41)%, whereof BEV sales contributed to 12 (4)% of retail sales.

### China

The total Chinese passenger car market decreased by 9%, while the traditional premium segment decreased by 9% due to Covid shutdowns and supply chain disruption.

Volvo Cars retail sales decreased by 21%. Recharge share of total Chinese retail sales increased to 9 (4)%, whereof BEV sales contributed to 1.2 (0.4)% of retail sales.

### US

The total US car market decreased by 15%, while the traditional premium segment declined by 5%. The continued imbalance between supply and demand for new cars led to higher prices and dealer incentive levels stayed low.

Volvo Cars' retail sales decreased by 16%, due to supply constraints. Recharge share of total US retail sales increased to 26 (12)%. BEV share of sales increased to 7 (1)% of retail sales.

### Other

Retail sales in other markets decreased by 4%. The top markets were Japan and Korea, which reported -15% and -8% respectively. Recharge share of total sales in other markets was 26 (22)%, whereof BEV sales contributed to 8 (—) %.

### Sales development per carline

Volvo Cars continued to steer its production towards high-margin models. Production ramp-up for fully electrified cars continues in 2022, and the aim is to reach an annual capacity of 150 thousand cars after summer.

The share of sales per carline was relatively stable. The SUVs held strong and increased their share to 74 (72)% of total sales. The Sedan carlines remained stable at 15 (14)% of total sales, while the Wagons' share of total sales declined to 9 (14)%. The XC60 kept its position as the best-selling model.

Retail sales (k units)	3 Months			12 Months		
	Jan–Mar 2022	Jan–Mar 2021	Δ%	LTM	2021	Δ%
Europe	65.2	87.6	–26	271.1	293.5	–8
China	35.7	45.2	–21	162.1	171.7	–6
US	22.8	27.2	–16	117.7	122.2	–4
Other	24.6	25.7	–4	110.4	111.4	–1
<b>Retail sales total</b>	<b>148.3</b>	<b>185.7</b>	<b>–20</b>	<b>661.3</b>	<b>698.7</b>	<b>–5</b>
Recharge line-up vehicles	49.8	47.0	6	192.4	189.2	2
<i>whereof BEV vehicles</i>	11.7	3.6	224	33.8	25.7	32
Recharge line-up share of sales	34%	25%	—	29%	27%	—
<i>whereof BEV share of sales</i>	8%	2%	—	5%	4%	—
Wholesales	156.7	178.0	–12	633.2	654.4	–3
Production volume	169.0	185.8	–9	625.2	642.0	–3





Top 10 Retail sales by market (k units)	3 Months			12 Months	
	Jan–Mar 2022	Jan–Mar 2021	Δ%	LTM	2021
China	35.7	45.2	–21	162.1	171.7
US	22.8	27.2	–16	117.7	122.2
Sweden	12.3	19.4	–36	40.7	47.8
UK	11.1	13.9	–20	45.5	48.3
Germany	8.9	11.8	–24	40.9	43.8
Belgium	4.3	5.7	–24	16.3	17.7
Netherlands	3.9	4.7	–15	15.2	15.9
Japan	3.8	4.4	–15	16.0	16.6
Italy	3.5	5.3	–34	18.0	19.8
Korea	3.4	3.6	–8	14.8	15.1

Retail sales by model (k units)	3 Months			12 Months	
	Jan–Mar 2022	Jan–Mar 2021	Δ%	LTM	2021
XC40 BEV	8.1	3.6	123	29.0	24.5
C40 BEV	3.6	—	—	4.8	1.2
XC60	44.9	52.7	–15	207.8	215.6
XC40 ICE/PHEV	34.4	53.9	–36	157.0	176.5
XC90	22.0	24.3	–9	105.9	108.2
S90	9.5	12.0	–21	44.1	46.6
V60	9.2	18.2	–49	47.2	56.1
S60	12.2	14.1	–13	47.4	49.3
V90	4.5	6.9	–35	18.3	20.7
<b>Total</b>	<b>148.3</b>	<b>185.7</b>	<b>–20</b>	<b>661.3</b>	<b>698.7</b>

V60 and V90 include the cross-country versions.

## INCOME AND RESULT

*The comparative figures refer to the consolidated income statement of the first quarter 2021 if not otherwise stated.*

Volvo Cars' revenue increased by 8% to SEK 74.3 (68.6) bn. Wholesale volumes decreased by –12% to 156.7 (178.0) thousand cars. Revenue increased, despite the lower volumes, due to positive mix and price development effects amounting to SEK 4.1 bn as well as contract manufacturing of SEK 3.5 bn. Furthermore, foreign exchange rate effect, including hedges, had a positive effect on revenue of SEK 4.0 bn.

Gross income increased by 11% to SEK 15.7 (14.2) bn, resulting in a gross margin of 21.2 (20.6)%. The increase in gross margin was mainly supported by the strong price realisation and positive mix effects as well as lower warranty costs, partly offset by increased raw material prices and by contract manufacturing with somewhat lower margins than wholesale. Foreign exchange rate effects, including hedges, in cost of sales were negative amounting to SEK –3.5 bn. The net effect of foreign exchange rates including hedges in gross income was positive and amounted to SEK 0.5 bn.

Research and development expenses decreased slightly and amounted to SEK –3.2 (–3.4) bn. The decrease is mainly related to lower amortisation linked to fully amortised projects. For details regarding research and development expenses, see the Research and development table on page 11.

Administrative expenses increased to SEK –2.6 (–2.2) bn, mainly as a result of an increase in digital services spending. Selling expenses increased to SEK –4.6 (–3.9) bn, mainly due to increased spending related to exhibitions and events whereof the comparable period was still affected by Covid-19.

Other operating income and expenses, net, decreased to SEK 0.6 (0.9) bn, mainly due to a negative exchange rate effect of SEK –0.5 bn on operating assets and liabilities.

Share of income in joint ventures and associates decreased to SEK 0.2 (2.9) bn. The share of income in joint ventures and associates for the first quarter 2022 is not comparable to previous quarters due to non-recognised losses. See Note 1 - Accounting policies for more information. The result from JVs and associates has still decreased during the first quarter compared to the previous year. In the first quarter 2021, the result was impacted by positive effects from the private placement in Polestar, as well as the dividend from Zenuity.

Operating income (EBIT) decreased to SEK 6.0 (8.4) bn, resulting in an EBIT margin of 8.1 (12.3)%. Excluding share of income in joint ventures and associates, EBIT increased to SEK 5.9 (5.5) bn, corresponding to a margin of 7.9 (8.1)%. The exchange rate effects including hedges had a negative effect in EBIT of SEK –0.5 bn. See the table below.

Net financial items amounted to SEK –0.3 (–0.8) bn, mainly driven by lower negative effect from the market revaluation of the investment in Luminar of SEK –0.1 (–0.5) bn based on the current share price.

The effective tax rate increased to 22.1 (15.1)%, mainly due to lower results from shares in joint ventures that are non-taxable. Net income in relation to revenue was 6.1 (9.4)%. Basic earnings per share amounted to SEK 1.29 (2.28).

Changes to Revenue, SEKbn	Jan–Mar
<b>Revenue Q1 2021</b>	<b>68.6</b>
Volume	–5.8
Sales mix and pricing	4.1
Sale of licences	—
Foreign exchange rates	4.0
Contract manufacturing	3.5
Other <sup>1)</sup>	–0.1
<b>Revenue Q1 2022</b>	<b>74.3</b>
Change %	8

1) Including used cars, parts and accessories.

Changes to Operating income, SEKbn	Jan–Mar
<b>EBIT Q1 2021</b>	<b>8.4</b>
Volume	–1.3
Sales mix and pricing	2.5
Government grants	0.1
Sale of licences	0.1
Foreign exchange rates	–0.5
Share of income in JVs and associates	–2.7
Items affecting comparability - Volvo Cars operations	—
Items affecting comparability - JVs & Associates	—
Other <sup>2)</sup>	–0.6
<b>EBIT Q1 2022</b>	<b>6.0</b>
Change %	–28

2) Mainly including used cars, parts and accessories, contract manufacturing, raw material increase and cost efficiencies.

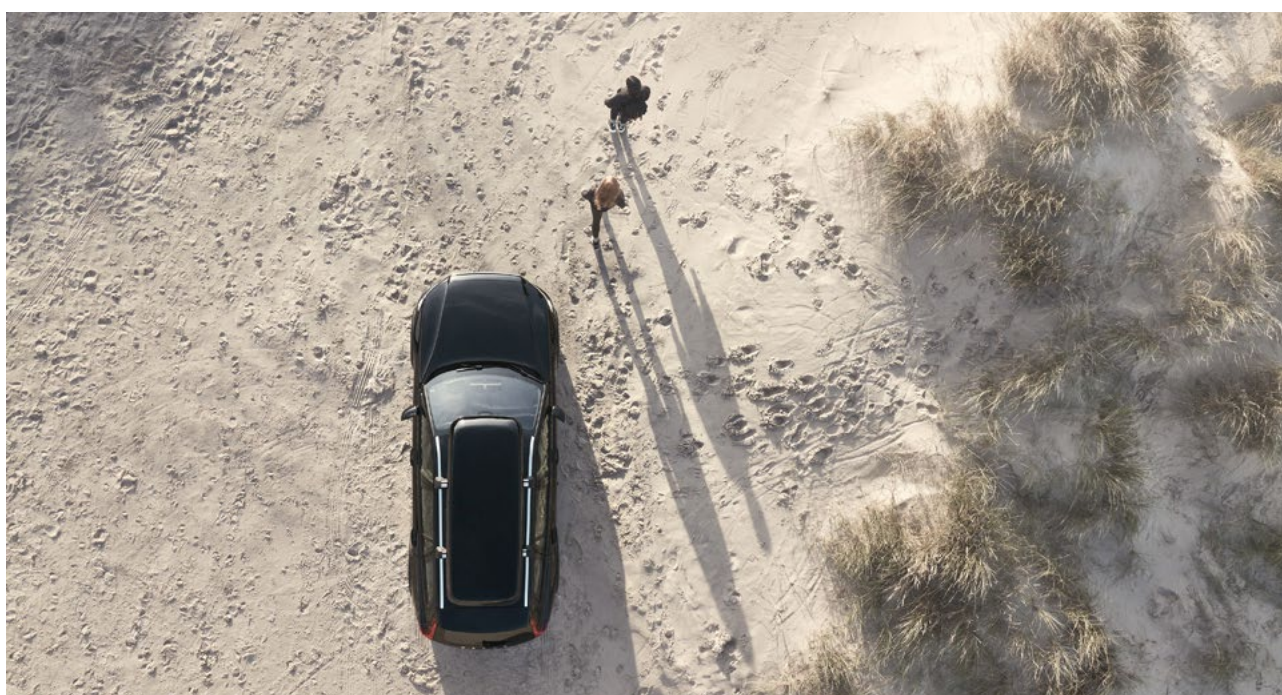
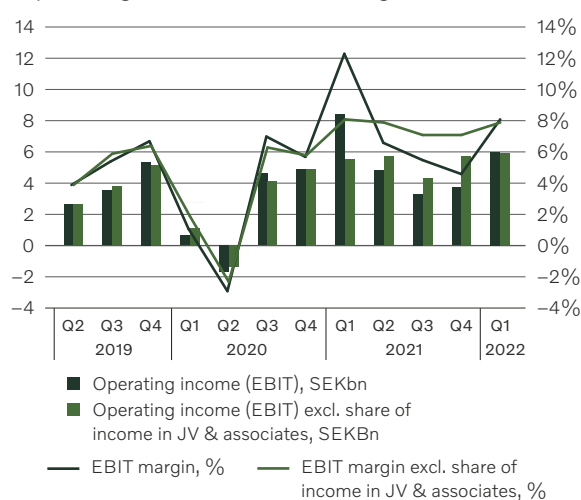
# VOLVO CAR GROUP

Research and development, SEKbn	Jan–Mar 2022	Jan–Mar 2021	Δ%	2021
Research and development spending	–4.7	–4.7	3	–19.0
Capitalised development costs	2.7	2.6	7	10.9
Amortisation of research and development	–1.2	–1.3	–12	–4.6
<b>Research and development expenses</b>	<b>–3.2</b>	<b>–3.4</b>	<b>–6</b>	<b>–12.7</b>

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 2021, unless otherwise stated. The comparative figures for the balance sheet items refer to the consolidated balance sheets of 31 December 2021, unless otherwise stated.

Total cash and cash equivalents, including marketable securities, decreased to SEK 58.7 (70.3) bn. Net cash decreased to SEK 33.1 (44.8) bn. Liquidity amounted to SEK 72.2 (83.6) bn, including undrawn credit facilities of SEK 13.5 (13.4) bn.

### Cash flow from operating activities

Cash flow from operating activities was at the same level as the first quarter 2021 and amounted to SEK –4.2 (–4.2) bn and consists of operating income of SEK 6.0 (8.4) bn, adjusted for depreciation and amortisation of SEK 4.0 (4.1) bn, together with income tax paid of SEK –1.4 (–1.0) bn. In addition, the operating cash flow was adjusted for items not affecting cash flow, such as financial items and realised exchange effects on financial assets and liabilities, with an amount of SEK –1.1 (–2.7) bn of which the prior year amount was affected by dividends from associates and joint ventures. The change in working capital amounted to SEK –11.8 (–13.0) bn. The negative effect in working capital was mainly related to normal seasonality, but also affected by the constrained supply chain, caused by semiconductor shortage. Change in inventory affected by SEK –4.0 (–4.7) bn and accounts payable decreased by SEK –4.8 (–2.9) bn due to amplified seasonal decrease in production related to the shortage of components. Cash flow from accounts receivable amounted to SEK – (–1.3) bn, improvement being partly due to payments from Polestar. Change in contract liabilities amounted to SEK –1.5 (–0.1) bn and change in provisions contributed with SEK –1.8 (0.2) bn, in part relating to payment to the Swedish pension trust. Further, other working capital assets/liabilities amounted to SEK 0.2 (–4.2) bn where Q1 2021 was impacted by the repayments of temporary governmental support due to Covid-19, mainly related to delayed tax and social security payments.

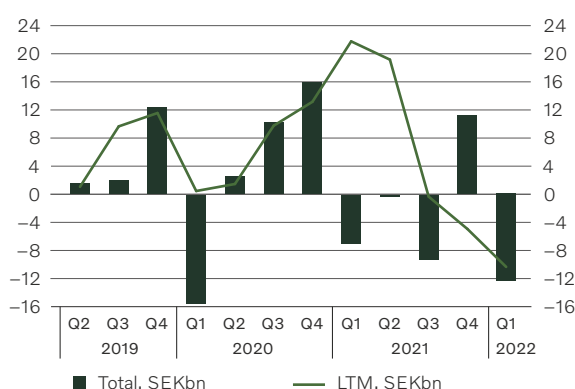
### Cash flow from investing activities

Cash flow from investing activities amounted to SEK –8.0 (–2.7) bn. Investments in tangible assets amounted to SEK –3.8 (–1.7) bn, mainly driven by the commercial transformation. Investments in intangible assets amounted to SEK –3.1 (–2.5) bn as a result of continuous investments in new and upcoming car models and new technology, such as electrification technology and autonomous driving. Investments in shares and participations amounted to SEK –1.8 (1.4) bn and were primarily related to investments in Aurobay.

### Cash flow from financing activities

Cash flow from financing activities amounted to SEK 0.5 (–0.6) bn and was mainly related to change in marketable securities. The net result of repayments to and proceeds from credit institutions was SEK 0.1 (–0.1) bn, reflecting scheduled repayments and new borrowings. Repayments of interest-bearing liabilities amounted to SEK –0.4 (–0.3) bn.

Cash flow from Operating and investing activities



Cash flow statement, SEKbn	Jan–Mar 2022	Jan–Mar 2021	2021
Cash flow from operating activities	–4.2	–4.2	29.9
Cash flow from investing activities	–8.0	–2.7	–34.7
<b>Cash flow from operating and investing activities</b>	<b>–12.3</b>	<b>–6.9</b>	<b>–4.9</b>
Cash flow from financing activities	0.5	–0.6	1.2
<b>Cash flow for the period</b>	<b>–11.8</b>	<b>–7.5</b>	<b>–3.7</b>



**EQUITY**

Total equity increased to SEK 100.6 (95.0) bn, resulting in an equity ratio of 35.6 (33.5)%. The change is mainly attributable to the positive net income of SEK 4.5 bn and positive effect in other comprehensive income of SEK 2.1 bn, offset by divestment under common control SEK –1.0 bn.

The change in other comprehensive income is related to a positive foreign exchange translation effect, including hedges of net investments in foreign operations of SEK 0.7 bn (net of tax) and remeasurements of provisions for post-employment benefits of SEK 1.4 bn (net of tax), mainly due to the net effect of higher interest rate and inflation. Cash flow hedge reserve from unrealised hedge contracts had minimal impact, whereof hedge contracts recycled to the income statement amounted to SEK 0.7 bn. The change in value of cash flow hedges is mainly due to a weakened SEK against most major currencies except JPY and GBP.



# 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 21.

## 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 Annual Report 2021 page 55. 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

The global shortage of semiconductors led to continuous temporary production halts in all manufacturing plants in China, the United States, Belgium and Sweden all differing in duration and extent. The production halts resulted in loss of production volumes. The global shortage is expected to continue throughout 2022. Volvo Cars saw a gradual improvement in the supply of semiconductors and production output month over month. However, due to shortage in a specific semiconductor that hit during March, Volvo Cars expects lower production throughout the second quarter.

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

### Covid-19

The Covid-19 pandemic continued to have an impact on people's lives around the world. In China, new restrictions were in place due to the quick spread of Omicron variant therefore causing disruptions on sales and supply chain. While some parts of Europe lifted restrictions, the risk of new outbreaks remains. Given the uncertain development of the pandemic, Volvo Cars remains cautious.

### Cyber security breach

As already communicated Volvo Cars became aware of a cyber security breach and data theft by a third party in the fourth quarter. So far there has been limited business impact and costs related to the data breach and we are in the final stages of a business impact analysis.

### Macro uncertainty

The uncertainties around the macro environment were on the rise in the first quarter, including high inflation, rising interest rates, raw material price increases and ongoing geopolitical crisis.

### The war in Ukraine

The war in Ukraine has a negative impact on Europe and has increased the risks in the global economy as a whole. The war has led to significant increases in cost of raw materials, energy and freights. This has further increased inflationary pressures in the global economy and worsened already stretched global supply chains.

We expect that the risks of interest rates hikes, inflation/stagflation and lower consumer confidence has increased significantly. An escalation of the war in duration and scope could pose even more risks.

The war has had both direct and indirect impact on the automotive industry and Volvo Cars. Volvo Cars has very limited operations in Ukraine and Russia; in 2021, Volvo Cars sold 9,309 cars in Russia, corresponding to 1.3% of global sales and 1,184 cars in Ukraine, corresponding to 0.2%. Volvo Cars current financial assessment of the situation is that it has no material effect on the group. However, various future potential consequences of the situation are being evaluated and we are following all events closely.

Considering the potential risks associated with trading with Russia, including the sanctions and export controls imposed by the EU and US, all Volvo Cars suspended operations in Russia until further notice.

## EMPLOYEES

During the first quarter of 2022, Volvo Car Group employed 41.9 (40.7) thousand full-time employees (FTEs) and 4.2 (3.6) thousand agency personnel. The FTEs number for the first quarter of 2022 reflected temporary layoffs. Adjusting for the layoff effect, Volvo Cars had 42.5 (40.7) thousand full-time employees.





# Consolidated Income Statements

SEKm	Note	Jan–Mar 2022	Jan–Mar 2021 <sup>1)</sup>	Full year 2021 <sup>1)</sup>
Revenue	2	74,269	68,593	282,045
Cost of sales		–58,555	–54,439	–221,254
<b>Gross income</b>		<b>15,714</b>	<b>14,154</b>	<b>60,791</b>
Research and development expenses		–3,230	–3,418	–12,714
Selling expenses		–4,586	–3,915	–18,796
Administrative expenses		–2,600	–2,173	–9,698
Other operating income		851	1,300	4,144
Other operating expenses		–272	–420	–2,501
Share of income in joint ventures and associates		161	2,895	–951
<b>Operating income</b>		<b>6,038</b>	<b>8,423</b>	<b>20,275</b>
Financial income	3	165	190	1,003
Financial expenses	3	–420	–1,004	–2,518
<b>Income before tax</b>		<b>5,783</b>	<b>7,609</b>	<b>18,760</b>
Income tax		–1,280	–1,146	–4,583
<b>Net income</b>		<b>4,503</b>	<b>6,463</b>	<b>14,177</b>
<b>Net income attributable to</b>				
Owners of the parent company		3,853	5,742	12,546
Non-controlling interests		650	721	1,631
Basic earnings per share (SEK)	6	1.29	2.28	4.72
Diluted earnings per share (SEK)	6	1.29	2.25	4.72

1) In 2022, there has been a change in the elimination of internal profit related to sale of digital services within the Group. This change has resulted in a decrease of cost of sales, research and development expenses and selling expenses against an increase of administrative expenses. The figures for 2021 have been adjusted accordingly. The reclassification has no impact on EBIT.

# Consolidated Comprehensive Income

SEKm	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
<b>Net income for the period</b>	<b>4,503</b>	<b>6,463</b>	<b>14,177</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to income statement:</i>			
Remeasurements of provisions for post-employment benefits	1,814	2,751	3,123
Tax on items that will not be reclassified to income statement	–387	–567	–669
<i>Items that have been or may be reclassified subsequently to income statement:</i>			
Translation difference on foreign operations	764	2,372	4,375
Translation difference of hedge instruments of net investments in foreign operations	–71	–180	–265
Change in fair value of cash flow hedge related to currency and commodity price risks	–754	–2,695	–2,641
Currency and commodity risk hedge contracts recycled to income statement	716	215	326
Tax on items that may be reclassified to income statement	20	547	526
<b>Other comprehensive income, net of income tax</b>	<b>2,102</b>	<b>2,443</b>	<b>4,775</b>
<b>Total comprehensive income for the period</b>	<b>6,605</b>	<b>8,906</b>	<b>18,952</b>
<b>Total comprehensive income attributable to</b>			
Owners of the parent company	5,833	7,444	16,320
Non-controlling interests	772	1,462	2,632
	<b>6,605</b>	<b>8,906</b>	<b>18,952</b>

## Consolidated Balance Sheets

SEKm	Note	31 Mar 2022	31 Dec 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		47,351	43,840
Tangible assets		72,542	70,903
Investments in joint ventures and associates		8,792	6,931
Other long-term securities holdings	3	1,929	1,765
Deferred tax assets		7,904	7,367
Other non-current interest-bearing receivables		6,108	5,046
Non-current derivative assets	3	214	169
Other non-current assets		4,520	4,863
<b>Total non-current assets</b>		<b>149,360</b>	<b>140,884</b>
<b>Current assets</b>			
Inventories		41,024	36,603
Accounts receivable	4	18,860	18,553
Current tax assets		1,137	951
Current derivative assets	3	1,167	824
Other current assets		12,363	11,838
Marketable securities	3	7,283	7,996
Cash and cash equivalents	3	51,418	62,265
Assets held for sale		352	3,910
<b>Total current assets</b>		<b>133,604</b>	<b>142,940</b>
<b>TOTAL ASSETS</b>		<b>282,964</b>	<b>283,824</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to owners of the parent company		96,518	90,418
Non-controlling interests		4,087	4,560
<b>Total equity</b>		<b>100,605</b>	<b>94,978</b>
<b>Non-current liabilities</b>			
Provisions for post-employment benefits		9,623	11,961
Deferred tax liabilities		3,621	2,340
Other non-current provisions		8,063	8,623
Non-current liabilities to credit institutions	3	2,585	2,543
Non-current bonds	3	16,502	18,401
Non-current contract liabilities to customers		6,887	6,967
Other non-current interest-bearing liabilities		5,355	5,509
Non-current derivative liabilities		524	348
Other non-current liabilities		5,816	6,039
<b>Total non-current liabilities</b>		<b>58,976</b>	<b>62,731</b>
<b>Current liabilities</b>			
Current provisions		8,225	8,607
Current liabilities to credit institutions	3	4,543	4,471
Current bonds	3	1,999	—
Current contract liabilities to customers		20,677	22,929
Accounts payable	4	45,175	48,283
Current tax liabilities		1,353	1,402
Other current interest-bearing liabilities		1,397	1,462
Current derivative liabilities	3	2,778	2,312
Other current liabilities	4	36,974	34,524
Liabilities held for sale		262	2,125
<b>Total current liabilities</b>		<b>123,383</b>	<b>126,115</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>282,964</b>	<b>283,824</b>

# Consolidated Statement of Changes in Equity

SEKm	31 Mar 2022	31 Dec 2021
<b>Opening balance</b>	<b>94,978</b>	<b>70,418</b>
Net income for the period	4,503	14,177
Other comprehensive income, net of income tax	2,102	4,775
<b>Total comprehensive income</b>	<b>6,605</b>	<b>18,952</b>
<b>Transactions with owners</b>		
Capital contribution from non-controlling interests <sup>1)</sup>	—	1,267
Divestment of non-controlling interests	—	–65
Business combination under common control <sup>2)</sup>	—	82
Divestment under common control <sup>3)</sup>	–978	—
Redemption of preference shares	—	–5,324
New issue	—	19,741
Directed new issue to preference shareholders	—	5,324
Dividend to shareholders <sup>4)</sup>	—	–15,417
<b>Transactions with owners</b>	<b>–978</b>	<b>5,608</b>
<b>Closing balance</b>	<b>100,605</b>	<b>94,978</b>
<b>Attributable to</b>		
Owners of the parent company	96,518	90,418
Non-controlling interests	4,087	4,560
<b>Closing balance</b>	<b>100,605</b>	<b>94,978</b>

1) Refers to the capital contribution from ECARX Technology Ltd to Zenseact AB and HaleyTek AB.

2) Refers to the acquisition of Asia Euro Automobile Manufacturing (Taizhou) Co., Ltd from Geely Auto Group Co., Ltd.

3) Refers to the divestment of Zhangjiakou Volvo Engine Manufacturing Co., Ltd to Zhejiang Aurobay Powertrain Co., Ltd, see Note 5 – Divestment under common control.

4) Dividends to shareholders include dividends to the main shareholder of SEK — (–5,530) m, non-controlling interest of SEK — (–9,708) m and preference shareholders of SEK — (–179) m.



# Consolidated Statement of Cash Flows

SEKm	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
<b>OPERATING ACTIVITIES</b>			
Operating income	6,038	8,423	20,275
Depreciation and amortisation of non-current assets	3,985	4,134	15,005
Dividends received from joint ventures and associates	—	1,175	1,991
Interest and similar items received	165	1,364	602
Interest and similar items paid	–239	–1,517	–1,139
Other financial items	101	–101	–815
Income tax paid	–1,360	–959	–3,673
Adjustments for other non-cash items	–1,096	–3,670	–750
	<b>7,594</b>	<b>8,849</b>	<b>31,496</b>
<b>Movements in working capital</b>			
Change in inventories	–3,981	–4,691	3,643
Change in accounts receivable	–5	–1,273	2,845
Change in accounts payable	–4,773	–2,904	–3,328
Change in provisions	–1,764	160	–1,126
Change in contract liabilities to customers	–1,487	–121	2,239
Change in other working capital assets/liabilities	177	–4,208	–5,917
<b>Cash flow from movements in working capital</b>	<b>–11,833</b>	<b>–13,037</b>	<b>–1,644</b>
<b>Cash flow from operating activities</b>	<b>–4,239</b>	<b>–4,188</b>	<b>29,852</b>
<b>INVESTING ACTIVITIES</b>			
Investments in shares and participations	–1,760	1,422	–11,518
Divestment in shares <sup>1)</sup>	600	—	—
Capital repayments from shares and participations	—	—	132
Investments in intangible assets	–3,136	–2,496	–11,972
Investments in tangible assets	–3,758	–1,660	–11,352
Disposal of tangible assets	21	32	123
Other	—	—	–150
<b>Cash flow from investing activities</b>	<b>–8,033</b>	<b>–2,702</b>	<b>–34,737</b>
<b>Cash flow from operating and investing activities</b>	<b>–12,272</b>	<b>–6,890</b>	<b>–4,885</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from credit institutions	65	211	1,579
New share issue	—	—	20,807
Capital contribution from Non-controlling interest	—	—	360
Repayment of bond	—	—	–8,064
Repayment of liabilities to credit institutions	–4	–329	–2,957
Repayment of interest bearing liabilities	–407	–334	–1,450
Dividends paid to shareholders and/or Non-controlling interest	—	–158	–10,462
Investments in marketable securities	–9,256	–4,682	–15,015
Matured marketable securities	10,074	4,943	15,475
Other <sup>2)</sup>	28	–271	905
<b>Cash flow from financing activities</b>	<b>500</b>	<b>–620</b>	<b>1,178</b>
<b>Cash flow for the period</b>	<b>–11,772</b>	<b>–7,510</b>	<b>–3,707</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>62,265</b>	<b>61,592</b>	<b>61,592</b>
Exchange difference on cash and cash equivalents	925	2,129	4,380
<b>Cash and cash equivalents at end of period</b>	<b>51,418</b>	<b>56,211</b>	<b>62,265</b>

1) For more information, see Note 5 – Divestment under common control.

2) For Jan–Mar, Other is attributable to realised result from financial instruments of SEK 29 (–232) m and change in Other non-current liabilities of SEK –1 (–39) m. For full year 2021, Other is attributable to realised result from financial instruments of SEK 947 (–424) m and change in Other non-current liabilities of SEK –42 (28) m.



## Condensed Parent Company Income Statements

SEKm	Jan-Mar 2022	Jan-Mar 2021	Full year 2021
Administrative expenses	-5	-3	-26
<b>Operating income/loss</b>	<b>-5</b>	<b>-3</b>	<b>-26</b>
Financial income <sup>1)</sup>	176	186	3,886
Financial expenses	-133	-234	-763
<b>Income before tax</b>	<b>38</b>	<b>-51</b>	<b>3,097</b>
Income tax	-8	10	58
<b>Net income</b>	<b>30</b>	<b>-41</b>	<b>3,155</b>

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

1) Dividend of SEK 3,000 m received in December 2021.

## Condensed Parent Company Balance Sheets

SEKm	31 Mar 2022	31 Dec 2021
<b>ASSETS</b>		
Non-current assets	31,999	33,909
Current assets	24,438	22,488
<b>TOTAL ASSETS</b>	<b>56,437</b>	<b>56,397</b>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Equity</b>		
Restricted equity	61	61
Non-restricted equity	33,625	33,595
<b>Total equity</b>	<b>33,686</b>	<b>33,656</b>
Non-current liabilities	16,502	18,401
Current liabilities	6,249	4,340
<b>Total liabilities</b>	<b>22,751</b>	<b>22,741</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>56,437</b>	<b>56,397</b>

## 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 2021 (available at [www.volvocars.com](http://www.volvocars.com)).

The IASB has published amendments to standards effective on or after 1 January 2022. These additions have not had any significant impact on the financial statements.

### Equity method accounting

To explain the effect on Share of income from joint ventures and associates as well as the change in Investments in joint ventures and associates for the first quarter, clarifications of the application of the equity method will follow. Profit or losses from joint ventures and associates accounted for according to the equity method are increasing or decreasing, respectively, the carrying amount of investments in such companies in the balance sheet. Due to previously recognised operational losses, the carrying amount of the Group's investment in Polestar has decreased to zero during the first quarter. As an effect and in accordance with IAS 28, no further losses have been recognised in Volvo Car Group during the period. This is a timing effect as unrecognised losses will reduce any future profits recognised once the value of the investment in Polestar increases.

## NOTE 2 – Revenue

### Revenue allocated to geographical regions:

SEKm	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
China	17,409	16,628	63,526
US	11,321	11,006	52,015
Europe	34,139	30,738	121,027
<i>of which Sweden</i>	<i>10,401</i>	<i>7,529</i>	<i>28,245</i>
<i>of which Germany</i>	<i>4,127</i>	<i>3,724</i>	<i>16,823</i>
<i>of which United Kingdom</i>	<i>3,494</i>	<i>3,501</i>	<i>15,610</i>
Other markets	11,400	10,221	45,477
<i>of which Japan</i>	<i>1,860</i>	<i>1,775</i>	<i>7,477</i>
<i>of which South Korea</i>	<i>1,463</i>	<i>1,507</i>	<i>5,893</i>
<b>Total</b>	<b>74,269</b>	<b>68,593</b>	<b>282,045</b>

### Revenue allocated to category:

SEKm	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
Sales of new cars	56,514	55,975	221,546
Sales of used cars	4,197	4,123	21,001
Sales of parts and accessories	7,153	6,076	25,921
Revenue from subscription, leasing and rental business	960	700	3,489
Sales of licences and royalties	394	349	2,663
Contract manufacturing	3,488	—	1,618
Other revenue	1,563	1,370	5,807
<b>Total</b>	<b>74,269</b>	<b>68,593</b>	<b>282,045</b>

## NOTE 3 – Fair value of financial instruments

The comparative figures for balance sheet items in this note refer to 31 December 2021. Valuation principles for financial instruments, as described in the Volvo Car Group Annual Report 2021, Note 21 – Financial risks and financial instruments, have been applied consistently throughout the reporting period.

In Volvo Car Group's balance sheet, financial instruments are recognised at fair value through profit or loss:

- Derivatives (including warrants)
  - Holdings of equity investments (including earn-out share rights)
  - Commercial papers
- (see table 'Financial instruments recorded at fair value through the income statement' in this note.)

The fair value of financial instruments is established according to three levels, depending on market information available and included in the valuation.

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

### Financial instruments recorded at fair value through the income statement

31 Mar 2022 (SEKm)	Level 1	Level 2	Level 3	Total
Derivative instruments for hedging of currency risk in future commercial cash flows	—	672	—	672
Derivative instruments for hedging of currency risk related to financial assets and liabilities	—	155	—	155
Commodity derivatives	—	554	—	554
Commercial papers <sup>1)</sup>	—	2,242	—	2,242
Other long-term securities holdings	713	—	1,216	1,929
<b>Total assets</b>	<b>713</b>	<b>3,623</b>	<b>1,216</b>	<b>5,552</b>
Derivative instruments for hedging of currency risk in future commercial cash flows	—	2,975	—	2,975
Derivative instruments for hedging of currency risk related to financial assets and liabilities	—	200	—	200
Derivative instruments for hedging of interest rate risk	—	127	—	127
<b>Total liabilities</b>	—	<b>3,302</b>	—	<b>3,302</b>
<b>31 Dec 2021 (SEKm)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative instruments for hedging of currency risk in future commercial cash flows	—	773	—	773
Derivative instruments for hedging of currency risk related to financial assets and liabilities	—	63	—	63
Derivative instruments for hedging of interest rate risk	—	6	—	6
Commodity derivatives	—	151	—	151
Commercial papers <sup>1)</sup>	—	2,692	—	2,692
Other long-term securities holdings	750	—	1,015	1,765
<b>Total assets</b>	<b>750</b>	<b>3,685</b>	<b>1,015</b>	<b>5,450</b>
Derivative instruments for hedging of currency risk in future commercial cash flows	—	2,628	—	2,628
Derivative instruments for hedging of currency risk related to financial assets and liabilities	—	12	—	12
Derivative instruments for hedging of interest rate risk	—	19	—	19
Commodity derivatives	—	1	—	1
<b>Total liabilities</b>	—	<b>2,660</b>	—	<b>2,660</b>

1) Includes SEK 1,020 (1,860) m reported as marketable securities and SEK 1,222 (832) m reported as cash and cash equivalents.

## NOTE 3 – Fair value of financial instruments – continued

Most derivative financial instruments and commercial papers that Volvo Car Group holds as of 31 March 2022 belong to level 2. Fair value measurement of financial instruments belonging to level 2 is based on prevailing observable market data and on a discounting of estimated cash flows using the deposit/swap curve of the cash flow currency and includes risk assumptions. For currency option instruments, the valuation is based on the Black & Scholes formula. Fair value of commodity contracts is calculated by discounting the difference between the contracted forward price and the contracted forward price that can be obtained on the balance sheet date for the remaining contract period. The total fair value of the level 2 financial derivative portfolio as of 31 March 2022 amounted to SEK –1,921 (–1,667) m. The majority is related to cash flow hedging of currency risk. The table below shows the percentage of the forecast cash flows that were hedged, expressed in nominal terms and in Cash Flow at Risk (CFaR), which is the maximum loss at a 95% confidence level in one year. The CFaR is based on the cash flow forecast, FX rates, market volatility and correlations.

	0–12 months		13–24 months		25–48 months	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
Nominal hedge %	51	56	17	20	—	—
CFaR incl. hedges %	51	46	20	16	—	—

Amounts invested in other long-term securities holding totalled SEK 1,929 (1,765) m, with SEK 713 (750) m of the holdings categorised as level 1 financial instruments and SEK 1,216 (1,015) m as level 3.

The most substantial level 3 instrument is that of share warrants in the listed company Luminar. The valuation of these instruments is based on whether and when Volvo Car Group will fulfil the contractual terms. The assessed risk-free interest rates have been determined at 1.5% and 2.6%. Volatility of the underlying share price has been determined at 92%.

There are also traditional holdings of equity instruments in Luminar which are listed, these holdings are categorised as level 1 financial instruments. No transfers between the levels of the fair value hierarchy have occurred during the period. The fair value of share warrants and earn-out share rights in the level 3 categorised financial instruments as of 31 March 2022, amounted to SEK 404 (431) m and the financial impact of the same instruments recognised in the income statement is SEK –27 (–178) m. The share warrants are, as of 31 March 2022, deep in the money with a strike price well under the current list price. The total fair value change amounted to SEK –64 (–496) m.

There are also other holdings of non-listed equity instruments that are categorised as level 3 and they are valued at fair value when there is information available indicating that the value has changed, for example if there has been a transaction in the instrument during the period.

A sensitivity analysis of level 3 share warrants is presented in the table below. The base valuation is based on an assumed volatility of 92% and a start value of SEK 440 m.

### Sensitivity analysis for warrants (SEKm)

Volatility	Likelihood of triggering event				
	–10%	–5%	0%	5%	10%
–10%	377	404	431	458	485
–5%	381	408	436	463	490
92%	385	412	440	467	495
5%	390	418	446	474	502
10%	394	422	450	479	507

### Financial liabilities valued at amortised cost

SEKm	31 Mar 2022		31 Dec 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds and liabilities to credit institutions	25,628	25,810	25,415	26,362
<b>Total</b>	<b>25,628</b>	<b>25,810</b>	<b>25,415</b>	<b>26,362</b>

The carrying amount of financial liabilities, reported as current and non-current liabilities to credit institutions and as bonds, recognised at amortised cost, are stated in the table above.

## 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, licenses and technology 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 on commercial terms.

### Significant transactions and agreements with Related parties during the first quarter

- In January, Volvo Cars and Northvolt jointly established NOVO Energy AB and its subsidiaries NOVO Energy R&D AB and NOVO Energy Production AB with the aim to accelerate the development and production of sustainable batteries. Volvo Cars and Northvolt will jointly invest in a new R&D centre and a battery manufacturing plant in Gothenburg. The gigafactory is planned to commence its operations in 2025.
- On 31 January, Volvo Car Group finalised the separation of its combustion engine operations and the control of the 50% owned subsidiary Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd was transferred to the acquirer, the associated company Zhejiang Aurobay Powertrain Co., Ltd (Aurobay), China. See Note 5 – Divestment under common control for more information. Further, Volvo Cars (China) Investment Co., Ltd and Zhejiang Geely Chantou Holding Co., Ltd made capital contributions to Zhejiang Aurobay Powertrain Co., Ltd as part of the signed agreement when the jointly owned company, in which Volvo Cars has a shareholding of 33%, was established. During 2022 the remaining capital will be contributed by both Volvo Cars and Geely.

### 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 non-current assets of SEK 5,342 (5,196) m. For further details refer to section *Specification of significant transactions with Related Parties*.

#### Sales of goods, services and other

SEKm	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
Related companies <sup>1)2)</sup>	4,617	1,072	7,128
Associated companies and joint ventures	423	349	1,448

#### Purchases of goods, services and other

SEKm	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
Related companies <sup>1)3)</sup>	–5,134	–1,974	–12,665
Associated companies and joint ventures	–449	–424	–1,815

SEKm	Receivables		Payables	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
Related companies <sup>1)</sup>	18,574	18,626	6,754	4,758
Associated companies and joint ventures	958	991	528	499

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

2) Increase in Jan–Mar 2022 compared to same period previous year is mainly related to acquisition of the Taizhou plant and contract manufacturing.

3) Increase in Jan–Mar 2022 compared to same period previous year is mainly related to the separation of ICE powertrain operations.

## 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 4,025 (431) 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. Volvo Car Group's purchases amounted to SEK –277 (–295) m in the first quarter and are mainly related to purchases of Polestar cars from Polestar and a performance enhancement product provided to the end customers.*

#### **Zhejiang Liankong Technology Co., Ltd**

*The purchase of research and development services from Zhejiang Liankong Technology Co., Ltd amounted to SEK –1,885 (—) m in the first quarter and the full amount has been capitalised as intangible assets.*

#### **Powertrain Engineering Sweden AB (PES)**

*Powertrain Engineering Sweden AB (PES) is, with effect from 30 June 2021, a related company to Volvo Cars, 100% owned by Geely Sweden Holdings AB. The total purchases from Powertrain Engineering Sweden AB amounted to SEK –1,017 m during the first quarter and was related to mainly combustion engines and product development. The purchase of combustion engines amounted to SEK –864 m during the first quarter and has mainly been recognised as cost of sales. The purchase of research and development services amounted to SEK –161 m during the first quarter, whereof SEK –85 m has been capitalised as product development.*

#### **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 February to March amounted to SEK –1,380 m and has mainly been recognised as cost of sales.*



## NOTE 5 – Divestment under common control

### Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd.

On 31 December 2021, Volvo Cars (China) Investment Co., Ltd and Zhejiang Geely Holding Group Co., Ltd signed a share transfer agreement with Zhejiang Aurobay Powertrain Co., Ltd. regarding their shareholdings in Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd. On 31 January 2022, Volvo Car Group finalised the separation of its combustion engine operations and the control of the 50% owned subsidiary Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd was transferred to the acquirer, the associated company Zhejiang Aurobay Powertrain Co., Ltd (Aurobay), China. Aurobay will be a global supplier of complete powertrain solutions, including next generation combustion engines, transmissions and hybrid solutions.

The divestment is between parties under common control and Volvo Car Group has applied predecessor accounting and therefore the carrying values are used in the divestment calculation. Any difference between the cost of the divestment (i.e. the fair value of the consideration received) and the carrying values for assets and liabilities are recognised directly in equity within retained earnings.

As part of the divestment, the registered company name has been changed to Zhangjiakou Aurobay Powertrain Manufacturing Co., Ltd. Volvo Car Group has consolidated the company until 31 January 2022 when control was ceased. The company was classified as Asset held for sale until the date of the divestment.

SEKm	2022
<b>Purchase price</b>	
Purchase consideration	-978
<b>Total disposal consideration</b>	<b>-978</b>
<b>Disposed assets and liabilities at carrying value</b>	
Intangible assets	-88
Tangible assets	-3,108
Deferred tax assets	-41
Inventories	-542
Other current assets	-26
Cash and cash equivalents	-358
Non-controlling interest	1,245
Deferred tax liabilities	107
Other non-current liabilities	56
Trade payables	277
Current liabilities	1,233
<b>Total carrying value of net assets disposed</b>	<b>-1,245</b>
<b>Deficit of consideration received recognised in Equity</b>	<b>267</b>
<b>Cash effect on divestment</b>	
Consideration received <sup>1)</sup>	958
Less cash and cash equivalents disposed of	-358
<b>Change in cash and cash equivalents due to divestment</b>	<b>600</b>

1) Exchange rate difference between divestment date and payment date of the Purchase price payment.

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

## NOTE 6 – Earnings per share

	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
<b>Basic earnings per share (SEKm)</b>			
Net income attributable to owners of the parent company	3,853	5,742	12,546
Preference share returns relating to the period	—	–31	–360
<b>Net income attributable to owners of ordinary shares in the parent company</b>	<b>3,853</b>	<b>5,711</b>	<b>12,186</b>
Weighted average number of ordinary shares outstanding, undiluted	2,979,524,179	2,500,000,000	2,579,920,697
<b>Basic earnings per share (SEK)</b>	<b>1.29</b>	<b>2.28</b>	<b>4.72</b>

	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
<b>Diluted earnings per share<sup>1)</sup> (SEKm)</b>			
Net income in basic earnings per share	3,853	5,711	12,186
If preference shares had been converted, no preference yield had accrued	—	31	360
<b>Net income in diluted earnings per share</b>	<b>3,853</b>	<b>5,742</b>	<b>12,546</b>
Weighted average number of ordinary shares outstanding, diluted	2,979,524,179	2,556,939,700	2,627,370,447
<b>Diluted earnings per share (SEK)</b>	<b>1.29</b>	<b>2.25</b>	<b>4.72</b>

1) Calculation of diluted earnings per share is made for the period/periods for which the preference share not are considered anti-dilutive. If considered anti-dilutive, the diluted earnings per shares equals basic earnings per share. For Full year 2021, the preference shares are considered anti-dilutive hence diluted earnings per share equals basic earnings per share.

## NOTE 7 – Significant events after the period

No significant events have occurred after the period.

The section Risks and Uncertainty Factors on page 14 contains information on Volvo Cars' assessments of the global impact on the Group.

## GENERAL DEFINITIONS

### Volvo Cars and Volvo Car Group

Volvo Car Group and Volvo Cars refers to Volvo Car AB (publ.), Volvo Car Corporation and all its subsidiaries.

Volvo Car AB (publ.), with its registered office in Gothenburg, is a publicly listed company on the Nasdaq Stockholm Stock Exchange. The largest owner, holding 82% of shares and capital, is Geely Sweden Holdings AB, owned by Shanghai Geely Zhaoyuan International Investment Co., Ltd., registered in Shanghai, China, ultimately owned by Zhejiang Geely Holding Group Ltd., registered in Hangzhou, China. The remaining 18% of the shares are held by Nordic and international institutions as well as retail investors.

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 the design, development, manufacturing, marketing and sales of cars and thereto related services. Volvo Car Group and its global operations are referred to as "Volvo Cars".

### 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.

### 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.

### 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

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

# 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.

## 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 from JVs & associates

EBIT margin excl. share of income from JVs & associates is defined as EBIT less the result from share of income from JVs & associates as a percentage of revenue. The margin presents the profitability of the operation excluding share of income from 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%)) 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. This measures the 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 and where the probability of reoccurrence over the coming years is limited.

# VOLVO CAR GROUP

## RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are presented in SEKm unless otherwise stated.

SEKm	Jan–Mar 2022	Jan–Mar 2021	Full year 2021 <sup>1)</sup>
Revenue	74,269	68,593	282,045
Revenue per new car, BEV (SEKk)	434.6	ND <sup>2)</sup>	430.8
Revenue per new car, non-BEV (SEKk)	385.0	ND <sup>2)</sup>	356.8
Cost of sales	–58,555	–54,439	–221,254
Research and development expenses	–3,230	–3,418	–12,714
Operating income, EBIT	6,038	8,423	20,275
EBIT margin, excl. share of income from JVs & associates	5,877	5,528	21,226
Net income	4,503	6,463	14,177
EBITDA	10,023	12,557	35,280
Gross income per new car, BEV (SEKk)	59.0	ND <sup>2)</sup>	57.3
Gross income per new car, non-BEV (SEKk)	81.5	ND <sup>2)</sup>	68.7
Gross margin, %	21.2	20.6	21.6
Gross margin BEV, %	13.6	ND <sup>2)</sup>	13.3
Gross margin non-BEV, %	21.2	ND <sup>2)</sup>	19.3
EBIT margin, %	8.1	12.3	7.2
EBIT margin excl. share of income from JVs & associates, %	7.9	8.1	7.5
EBITDA margin, %	13.5	18.3	12.5
Equity ratio, %	35.6	28.0	33.5
Net cash	33,072	29,585	44,846
Share of investing cash flow BEV, %	57.3	ND <sup>2)</sup>	53.6
Share of investing cash flow non-BEV, %	9.3	ND <sup>2)</sup>	12.9
Return on invested capital, ROIC %	N/A	N/A	18.5

1) In 2022, there has been a change in the elimination of internal profit related to sale of digital services within the Group. This change has resulted in a decrease of cost of sales, research and development expenses and selling expenses against an increase of administrative expenses. The figures for 2021 have been adjusted accordingly. The reclassification has no impact on EBIT.

2) Not disclosed.

	Jan–Mar 2022	Full year 2021
<b>Total revenue</b>		
BEV vehicles, new cars	4,637	10,243
Non-BEV vehicles, new cars	52,163	208,280
Other revenue	17,469	63,522
<b>Total revenue</b>	<b>74,269</b>	<b>282,045</b>

	Jan–Mar 2022		Full year 2021	
Revenue per new car	BEV	Non-BEV	BEV	Non-BEV
Revenue, new cars	4,637	52,163	10,243	208,280
Vehicles, wholesales new cars (units)	10,670	135,484	23,779	583,737
<b>Revenue per new car (SEKk)</b>	<b>434.6</b>	<b>385.0</b>	<b>430.8</b>	<b>356.8</b>

	Jan–Mar 2022				Full year 2021			
Gross income split	BEV (new cars)	Non-BEV (new cars)	Other	Total	BEV (new cars)	Non-BEV (new cars)	Other	Total
Gross income	629	11,042	4,043	<b>15,714</b>	1,362	40,116	19,313	<b>60,791</b>

	Jan–Mar 2022		Full year 2021	
Gross income per new car	BEV	Non-BEV	BEV	Non-BEV
Gross income, new cars	629	11,042	1,362	40,116
Vehicles, wholesales new cars (k units)	10.7	135.5	23.8	583.7
<b>Gross income per new Car (SEKk)</b>	<b>59.0</b>	<b>81.5</b>	<b>57.3</b>	<b>68.7</b>

# VOLVO CAR GROUP

## RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES, CONTINUED

	Jan-Mar 2022	Jan-Mar 2021	Full year 2021
<b>Gross margin, %</b>			
Gross income	15,714	14,154	60,791
Revenue	74,269	68,593	282,045
<b>Gross margin, %</b>	<b>21.2</b>	<b>20.6</b>	<b>21.6</b>

	Jan-Mar 2022				Full year 2021			
Gross Margin BEV/Non-BEV	BEV (new cars)	Non-BEV (new cars)	Common	Total	BEV (new cars)	Non-BEV (new cars)	Common	Total
Gross income	629	11,042	4,043	<b>15,714</b>	1,362	40,116	19,313	<b>60,791</b>
Revenue	4,637	52,163	17,469	<b>74,269</b>	10,243	208,280	63,522	<b>282,045</b>
<b>Gross margin, %</b>	<b>13.6</b>	<b>21.2</b>	<b>23.1</b>	<b>21.2</b>	<b>13.3</b>	<b>19.3</b>	<b>30.4</b>	<b>21.6</b>

	Jan-Mar 2022	Jan-Mar 2021	Full year 2021
<b>Operating income, EBIT/EBIT margin, %</b>			
Operating income, EBIT	6,038	8,423	20,275
Revenue	74,269	68,593	282,045
<b>EBIT margin, %</b>	<b>8.1</b>	<b>12.3</b>	<b>7.2</b>

	Jan-Mar 2022	Jan-Mar 2021	Full year 2021
<b>EBIT and EBIT margin, excl. share of income from JVs &amp; associates, %</b>			
Operating income, EBIT	6,038	8,423	20,275
Share of income from JVs & associates	161	2,895	-951
<b>EBIT excl. share of income from JVs &amp; associates</b>	<b>5,877</b>	<b>5,528</b>	<b>21,226</b>
Revenue	74,269	68,593	282,045
<b>EBIT margin, excl. share of income from JVs &amp; associates, %</b>	<b>7.9</b>	<b>8.1</b>	<b>7.5</b>

	Jan-Mar 2022	Jan-Mar 2021	Full year 2021
<b>EBITDA/EBITDA margin, %</b>			
Operating income, EBIT	6,038	8,423	20,275
Depreciation and amortisation of non-current assets	3,985	4,134	15,005
<b>EBITDA</b>	<b>10,023</b>	<b>12,557</b>	<b>35,280</b>
Revenue	74,269	68,593	282,045
<b>EBITDA margin, %</b>	<b>13.5</b>	<b>18.3</b>	<b>12.5</b>

	LTM <sup>1)</sup>	Full year 2021
<b>Operating cash</b>		
Average two-year revenue* 10%	28,132	27,244
<b>Operating cash</b>	<b>23,132</b>	<b>27,244</b>

	LTM <sup>1)</sup>	Full year 2021
<b>Invested capital<sup>2)</sup></b>		
Total assets	275,416	273,068
Receivables from parent company	—	—
Other long-term securities holdings	-1,943	-2,107
Cash and cash equivalents	-53,815	-61,929
Marketable securities	-7,697	-8,042
Operating cash	28,132	27,244
Total current liabilities	-126,797	-126,234
Current liabilities to parent company	—	—
Total current interest-bearing liabilities	9,777	7,311
<b>Total invested capital</b>	<b>123,073</b>	<b>109,311</b>

1) Last twelve months.

2) Calculated on two-year average figures.



# VOLVO CAR GROUP

## RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES, CONTINUED

Return on invested capital, ROIC, %	LTM <sup>1)</sup>	Full year 2021
EBIT (last twelve months)	17,890	20,275
Invested capital	123,073	109,311
<b>Return on invested capital, ROIC, %</b>	<b>14.5</b>	<b>18.5</b>

1) Last twelve months.

Equity ratio	31 Mar 2022	31 Dec 2021
Total equity	100,605	94,978
Total assets	282,964	283,824
<b>Equity ratio, %</b>	<b>35.6</b>	<b>33.5</b>

Share of Investing Cash Flow, %	Jan–Mar 2022				Full year 2021			
	BEV (new cars)	Non-BEV (new cars)	Common	Total	BEV (new cars)	Non-BEV (new cars)	Common	Total
Investments in intangible assets	–1,846	–322	–968	<b>–3,136</b>	–6,837	–1,629	–3,506	<b>–11,972</b>
Investments in property, plant and equipment	–729	–98	–532	<b>–1,359</b>	–3,071	–749	–2,680	<b>–6,500</b>
Investments in other tangible assets <sup>2)</sup>	—	—	–2,399	<b>–2,399</b>	—	—	–4,852	<b>–4,852</b>
<b>Subtotal</b>	<b>–2,575</b>	<b>–420</b>	<b>–3,899</b>	<b>–6,894</b>	<b>–9,908</b>	<b>–2,378</b>	<b>–11,038</b>	<b>–23,324</b>
<b>Share of investing cash flow<sup>2)</sup>, %</b>	<b>57.3</b>	<b>9.3</b>	<b>34.4</b>	<b>100.0</b>	<b>53.6</b>	<b>12.9</b>	<b>33.5</b>	<b>100.0</b>

2) Investments in other tangible assets is excluded when calculating the Share of investing cash flow.

Net cash	31 Mar 2022	31 Dec 2021
Cash and cash equivalents	51,418	62,265
Marketable securities	7,283	7,996
Liabilities to credit institutions (non-current)	–2,585	–2,543
Bonds (non-current)	–16,502	–18,401
Other interest-bearing liabilities <sup>2)</sup>	—	—
Liabilities to credit institutions (current)	–4,543	–4,471
Bonds (current)	–1,999	—
<b>Net cash<sup>2)</sup></b>	<b>33,072</b>	<b>44,846</b>

2) The net cash calculation excludes current SEK –1,397 (–1,462) m and non-current SEK –5,355 (–5,509) m financial liabilities related to IFRS 16.

### Other measures presented by Volvo Car Group

Other measures presented and disclosed in this interim report are used internally by management. The Group believes that these measures provide helpful supplementary information for investors. The measures are not a substitute for or superior to the Alternative performance measures or IFRS measures and should be used in conjunction with reported Alternative performance measures and IFRS measures. Further, the measures, as defined by the Group, may not be comparable to other similarly titled measures used by other groups.

### Liquidity

Liquidity is defined as cash, cash equivalents, undrawn credit facilities and marketable securities.

Liquidity	31 Mar 2022	31 Dec 2021
Cash and cash equivalents	51,418	62,265
Undrawn credit facilities	13,453	13,377
Marketable securities	7,283	7,996
<b>Liquidity</b>	<b>72,154</b>	<b>83,638</b>

# VOLVO CAR GROUP

Gothenburg, 28 April 2022

**Jim Rowan**  
Chief Executive

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 10:30 CEST on 28 April, Volvo Cars will host a webcast for investors, analysts and financial media. The report will be presented by CEO Jim Rowan and CFO Björn Annwall.

Link: [live.volvocars.com](https://live.volvocars.com)

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### Upcoming investor Events

11 May 2022: AGM Gothenburg, Sweden  
20 July 2022: Q2 2022 report  
27 October 2022: Q3 2022 report  
9 February 2023: Q4 2022 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

