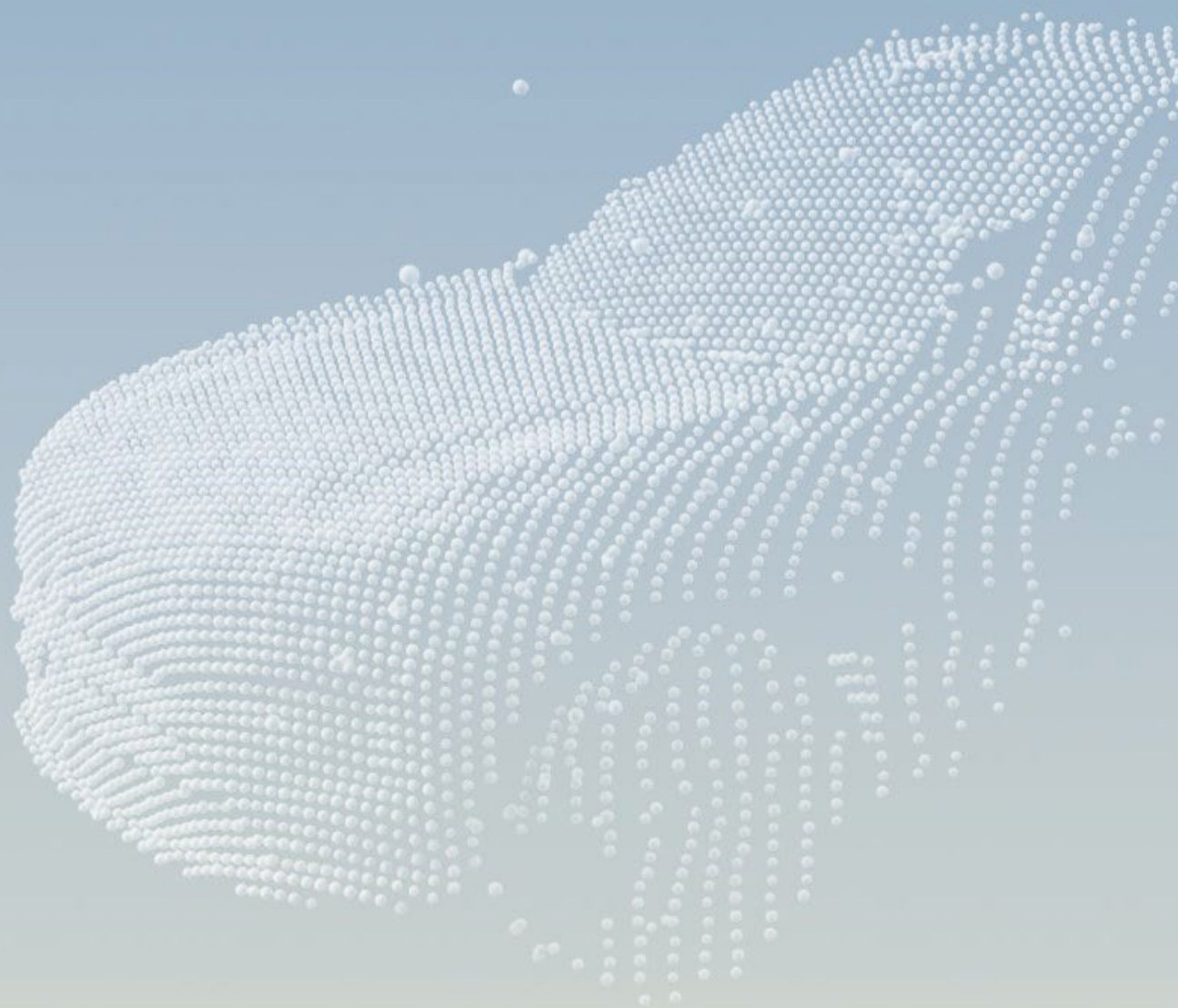


V O L V O

Freedom to move
in a personal, sustainable
and safe way.



VOLVO CAR GROUP
INTERIM REPORT THIRD QUARTER 2022

Volvo Cars' core earnings were affected by multiple headwinds.

JULY–SEPTEMBER 2022

-
- Customer demand for Volvo Cars products remained robust.
 - Production normalisation slowed over the quarter, due to unforeseen factors like power outages in China and further COVID lockdowns. Semiconductor constraints continued to gradually improve. September production marked a strong Year-over-Year (YoY) improvement with 62 (40) thousand cars produced, of which 42% recharge production and 18% fully electric production.
 - Retail sales decreased by 8% YoY to 137.7 (149.9) thousand cars.
 - Revenue increased by 30% to SEK 79.3 (60.8) bn, with support from higher wholesale volume, foreign exchange, contract manufacturing, price increases and strong product mix.
 - Operating income (EBIT) was SEK 2.1 (3.3) bn, negatively affected by cost increases mainly from raw materials, spot purchasing of semiconductors and logistics, in addition to JVs and associates. Operating income excluding share of income in JVs and associates was SEK 3.5 (4.3) bn.
 - EBIT margin was 2.6 (5.5)%. EBIT margin, excluding share of income in JVs and associated companies, was 4.4 (7.1)%.
 - Basic earnings per share was SEK 0.11 (0.86).
 - Operating and investing cash flow was SEK 3.2 (–9.2) bn.
 - Volvo Cars will establish an electric car manufacturing plant in Slovakia to support its growth ambitions. Production is scheduled to start in 2026 for next-generation, pure electric cars.
 - Volvo Cars has appointed Johan Ekdahl as Chief Financial Officer. He has been Volvo Cars' acting CFO since June 2022.
 - As communicated on 21 September, on 9 November, Volvo Cars will reveal our next, fully electric SUV – Volvo EX90.
 - Nomination Committee for Volvo Cars Annual General Meeting 2023 appointed.
 - Volvo Cars expect production, wholesales and retail growth in the second half of 2022.
 - For the full year 2022, Volvo Cars expect slightly lower wholesale volumes than 2021, assuming no further major supply chain disturbances. Wholesale and retail volumes will be on similar levels.

VOLVO CAR GROUP

SEKbn unless otherwise stated	3 Months			9 Months			12 Months	
	Jul-Sep 2022	Jul-Sep 2021 ¹⁾	Δ%	Jan-Sep 2022	Jan-Sep 2021 ¹⁾	Δ%	LTM ¹⁾²⁾	Full year 2021 ¹⁾
Retail sales, k units ³⁾	137.7	149.9	-8	429.0	530.6	-19	597.0	698.7
Revenue	79.3	60.8	30	224.9	202.0	11	305.0	282.0
Research and development expenses ⁴⁾	-2.8	-2.6	8	-9.0	-9.5	-6	-12.1	-12.7
Operating income (EBIT) ⁵⁾	2.1	3.3	-38	18.9	16.6	14	22.6	20.3
EBIT excl. share of income in JVs and associates ⁵⁾	3.5	4.3	-19	14.0	15.6	-10	19.7	21.2
Net income ⁴⁾	0.7	2.3	-71	14.1	11.9	19	16.4	14.2
Basic earnings per share, SEK ⁴⁾	0.11	0.86	-87	4.40	4.13	7	5.09	4.72
EBITDA ⁵⁾	6.1	6.9	-13	30.9	27.9	11	38.3	35.3
Cash flow from operating activities ⁴⁾	13.4	-1.9	-810	16.5	0.4	3598	45.9	29.9
Cash flow from investing activities ⁴⁾	-10.2	-7.3	38	-31.2	-16.6	88	-49.3	-34.7
Net cash ⁵⁾	30.3	12.1	151	30.3	12.1	151	30.3	44.8
Gross margin, % ⁵⁾	17.3	22.7	-24	19.4	21.8	-11	19.7	21.6
EBIT margin, % ⁵⁾	2.6	5.5	-53	8.4	8.2	2	7.4	7.2
EBIT margin excl. share of income in JVs and associates, % ⁵⁾	4.4	7.1	-38	6.2	7.7	-19	6.4	7.5
EBITDA margin, % ⁵⁾	7.6	11.4	-33	13.7	13.8	0	12.6	12.5
Return on invested capital, ROIC, % ⁵⁾	N/A	N/A	N/A	N/A	N/A	N/A	16.1	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.



Despite multiple headwinds, demand continued to be robust

Volvo Cars remains steadfast upon delivering on its mid-decade ambitions of reaching 50 per cent share of fully electric cars, with 40 per cent lower carbon footprint and premium profit-ability by mid-decade.



The global car industry is facing renewed macroeconomic challenges. Inflation remains high, partly triggered by increased energy prices. Interest rates are nearing mid-single digits in the US and most parts of Europe, setting a record in recent times. Raw material prices remain above historical average. Consumer demand remains robust for the premium car segment, despite weakening in other segments around the world. And the unrelenting, tragic war in Ukraine continues to disrupt supply chains and poses serious logistical challenges for the industry.

As a global carmaker with a presence in over 100 countries, Volvo Cars, like the rest of the industry, has also been impacted by these headwinds. But this period of economic unease has also reinforced the strength of our brand. During the third quarter, despite sales declining 8 per cent due to supply challenges, revenues increased by 30 per cent. That underscores our pricing power and the robust demand for our SUVs— especially our Recharge line-up of cars. Sales of our fully electric Volvo cars have also seen a sharp pick up during the end of the quarter, with September clocking record over 6,000 unit sales, a near three-fold jump compared with the same month last year. This gives us momentum for the remainder of the year.

The macroeconomic uncertainties around the world weighed on our third quarter performance.

During the three month period, our total sales reached 137,686 cars, down 8 per cent compared to the same period last year due to continued manufacturing disruptions. Sales of fully electric cars grew by 87 per cent in the period, compared to the third quarter of 2021, making up 7 per cent of total sales. The order book for the company's cars, especially the Recharge models continued to remain robust during the quarter.

Lower volumes for the quarter affected our EBIT performance, excluding JVs and associates, which came in at SEK 3.5 billion at a margin of 4.4 percent. Higher raw material costs, spot buying of semiconductors to fill a production shortfall and logistics costs, contributed to lower operating profit. Our EBIT margin including JVs and associates reached 2.6 per cent during the period.

Manufacturing output continued to improve in the third quarter, compared to the previous quarter. However, unforeseen factors such as power outages and COVID-19 related lockdowns in China slowed down the pace of normalisation

*“Despite multiple headwinds,
we are still tracking towards
mid-decade ambitions.”*

we were anticipating. We expect the improved production run rate to continue into the fourth quarter and into 2023, provided there are no further major supply chain disturbances. Volvo Cars expect production, wholesale and retail growth in the second half. For the full year 2022, we expect slightly lower wholesale volumes than 2021, assuming no further major supply chain disturbances. Wholesale and retail volumes will be on similar levels.

Our Recharge models remain popular among customers during the third quarter. Towards the end of the quarter, production of our fully electric cars picked up significantly with

September sales of these cars reaching 6,072 units – the highest monthly sales ever, accounting for 12.3 per cent of the total cars sold during the month, compared with a share of 3.5 per cent in the same month last year. We expect the improved production momentum to continue. For 2022, we expect the share of our fully electric cars to be tracking towards a double-digit share, as previously communicated.

The number of active subscriptions at the end of the third quarter increased by 67 per cent compared with the same period last year. In the third quarter, online sales made up 6 per cent of total sales in established markets, compared to 8 per cent in the same period last year. This was due to the prioritisation of other sales channels during the period.

And finally, our efforts to reduce our CO₂ footprint per car are progressing according to plan. In the first nine months, CO₂ emissions were 11.8 per cent lower compared with our 2018 benchmark, supporting our 2025 ambitions of 40 per cent CO₂-reduction per car.

The current macroeconomic headwinds are unlikely to go away soon, therefore our focus remains on managing the turbulence. At the same time, we remain steadfast on delivering our ambitious mid-to-long-term strategic objectives.

To help mitigate the effects of the current macroeconomic environment, we are reinforcing comprehensive operational efficiencies across our business to improve our productivity.

Tangible actions are being taken to make our supply chain more resilient and robust in the long run by increasing localisation of parts, broadening our supplier base for critical components, using supply chain analytics to create more transparency, and accelerating our plans for vertical integration of e-motors, inverters and batteries.

We are also going further into our supply chain to forge partnerships that will enable us to secure greater access of affordable and sustainable raw materials – focusing on our most critical materials such as lithium and nickel.

In addition to these actions, during this quarter we have also laid the groundwork to deliver on the most significant product transformation in the history of our company. We will take our first decisive step towards that future in just a few weeks, when we globally reveal the Volvo EX90. For nearly 100 years, our purpose has been to innovate and set new standards to save more lives. With the EX90 we will use technology powered by core computing, Volvo's unique software and LiDAR to continue that legacy and set us apart in the industry.

We will reveal another born electric small SUV next year, in line with our promise to launch one new electric car every year. This car will lead us into a new segment with a very strong competitive positioning.

We are on an exciting path to transform our company towards becoming a fully electric car brand by the end of this decade and reach climate neutrality by 2040. We remain focused on that strategic direction.

To sum up: with a nimble and agile organisation, strong financial position and ample liquidity, we are confident that we will tide over the ongoing challenges. We remain focused on delivering on our mid-decade ambitions to reach 1.2 million cars with 40 per cent lower carbon footprint and premium profitability.

Jim Rowan

President and CEO



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 CO₂-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

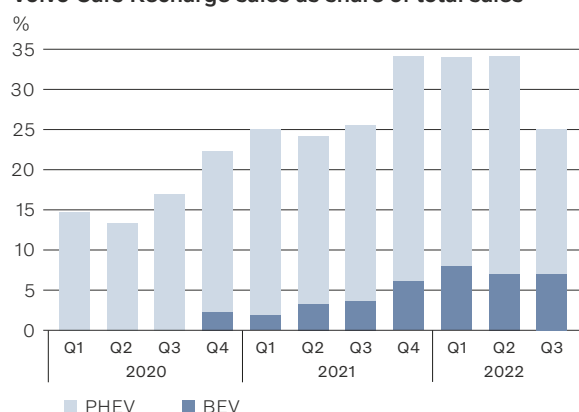
FAST GROWING PREMIUM BRAND

Market position

Due to production and supply disturbances, Recharge sales decreased to 25% total share from 26% in the same quarter last year, including an increase of the fully electric share to 7% (4%). Demand continues to be strong and we also continue to prioritise fully electric vehicles during the ongoing supply restraints.

As communicated in the second quarter, production of recharge models was impacted during Q2 due to shortage of components which had an effect of the share of Recharge sales in the third quarter. Since September, this had turned around, with fully electric cars accounted for 12% of sales in September, the highest ever for the company.

Volvo Cars Recharge sales as share of total sales



Volvo Cars' market share per propulsion type ^{1) 2)}	Jan–Aug 2022	Jan–Aug 2021
BEV	0.59%	0.55%
PHEV	5.51%	8.52%
ICE (incl. mild hybrids)	0.78%	0.86%
Total	0.93%	1.04%

Total industry volume share and growth by propulsion type ^{1) 2)}	Jan–Aug 2022	Growth YoY
BEV	11%	74%
PHEV	4%	23%
ICE (incl. mild hybrids)	85%	–19%
Total	100%	–13%

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, October 2022. All rights reserved.

Sustainability

Volvo Cars has an ambition to reduce our lifecycle emissions per vehicle by 40% by 2025, against 2018 levels. This will be an important milestone on our journey towards reaching climate neutrality across our value chain by 2040.

We continue to make progress and on track with our mid-decade ambition, reaching a 16.2% reduction in the third quarter, and an 11.8% reduction over the year to date. This was mainly driven by the strong customer demand for our electrified products the Recharge range.

CO ₂ -reduction per car	Lifecycle CO ₂ -emissions per car (tonnes)	Reduction
2018	55.1 t	—
2022 Jan–Sep	48.6 t	–11.8%
2025 ambition	33.3 t	–40%
2040 ambition	0 t	–100%

FULL ELECTRIFICATION

Volvo EX90 premiere

The journey to reveal the fully electric Volvo EX90 began on 21 September with a YouTube premiere to describe the technology and leadership approach to safety for the car. The car will be revealed in Stockholm on 9 November.

Volvo EX90 will have state-of-the-art sensors like cameras, radars and LiDAR (Light Detection And Ranging), all powered by our unique core computing platform and software, working together to create a 360-degree real-time view of the world. Production is planned to start in 2023.

BEV/Non-BEV profitability and share of investments

Our fully electric new car gross income per unit has been affected by market mix, higher raw material costs, spot purchasing of semiconductors as well as higher logistics costs. Part of the costs are seen as temporary, while costs for Lithium, for instance, is expected to persist for some time.

Volvo Cars had price increases during the first half of year. Unlike, for instance, in China and the US the price increases in the second quarter will take full effect in Europe in the latter part of 2022 or early part of 2023 due to an extensive order-book with fixed prices.

	Jul-Sep 2022		Full year 2021	
	BEV	Non-BEV	BEV	Non-BEV
Retail sales (k units)	10	128	26	673
Revenue per Car (SEKk/unit) ¹⁾	427	421	430	357
Gross Income per Car (SEKk/unit) ¹⁾	21	83	57	69
Gross Margin (%)	5	20	13	19

	BEV	Non-BEV	Common	BEV	Non-BEV	Common
Share of Investing Cash Flow (%) ²⁾	63	8	29	54	13	33

1) Revenue and gross income refer to new cars, 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

Over-The-Air (OTA) updates

With OTA, we will deliver customer value remotely over the car's lifecycle. We're strengthening our position as one of the industry leaders when it comes to updating car software over the air. In quarter three, Volvo Cars had our latest OTA rollout to all cars with Google built in. With this latest update, we're also adding 14 new markets to the list of where OTA is available, and we expect the number of cars covered by the OTA updates to grow with every new release.

DIRECT CONSUMER RELATIONS

The number of cars sold online amounted to 6 (8)% of sales in the markets where it is launched. Demand remains robust. The lower share of online sales was a consequence of low inventory that does not support the direct sales business model, therefore other sales channels were prioritised.

FASTEST TRANSFORMER WAY OF WORKING

Supply chain and Procurement forms new function

In recognition of the strong connection between procurement and the supply chain and the fact that the global supply chain landscape has never been more complex and challenging to navigate the two functions have been merged. Kerstin Enochsson will lead the new function and be a part of the Group Management Team. Strong supply chain management and orchestration will ensure our supplier footprint is fit for purpose and that our production planning is optimised to our commercial objectives. It also ensures parts are delivered to our plants on time and that our cars reach their end customers in line with expectations.

Third quarter financial summary

SALES AND MARKET DEVELOPMENT

The global passenger car market was seeing signs of improvement driven by the gradual production and supply chain normalisation.

However, Volvo Cars retail sales decreased by 8% compared with the third quarter 2021, while BEV increased by 87%. Wholesales increased by 13% and the production volumes increased by 31%.

Volvo Cars expected production to progressively increase from June. However, the pace of normalisation in production was affected by power outages and COVID-19 related lockdowns in China. This also impacted Volvo Cars' retail deliveries during the quarter. Towards the end of the quarter, production run rate picked up and we expect this improvement to continue into the fourth quarter and 2023, provided there are no further major supply chain disturbances.

The demand for Volvo cars remained strong with robust order intake. The demand for electrified cars continued to grow globally. With improved production, our September fully electric car sales reached 6,072 units – the highest monthly sales ever, accounting for 12% of the total cars sold.

Europe

The total European car market was unchanged compared to quarter three last year, while the traditional premium segment increased by 7%. Given last year was at a low level, market recovery is still modest. The region continued to have a backlog of orders waiting to be delivered.

Volvo Cars retail sales decreased by 14%, but overall order book remained strong. Volvo Cars had robust new order intake. Recharge sales accounted for 49 (45)% in the quarter, whereof BEV sales accounted for 16 (5)% of retail sales.

China

The total Chinese passenger car market increased by 11%, while the traditional premium segment increased by 17%. Sales bounced back since June after the lockdowns were removed in eastern China and the introduction of purchase tax reduction for all cars from the central government.

Volvo Cars retail sales increased by 27%. Recharge share of total Chinese retail sales accounted for 7 (8)%, whereof BEV sales contributed to 2 (0.5)% of retail sales.

US

The total US car market came back to the same level as the quarter three last year with an increase of 0.1%. The traditional premium segment increased by 8%. Despite inflation, the continued imbalance between supply and demand for cars kept the new car prices high and discounts low.

Volvo Cars' retail sales decreased by 32%. This was due to supply disruptions and temporary logistics challenges. Recharge share accounted for 16 (19)% in the quarter. BEV share of sales contributed to 2 (7)% of retail sales.

Other

Retail sales in other markets decreased by 19%. The largest markets were Japan, Canada and Korea, which reported decrease of –6%, –22% and –32% respectively. Recharge share of total sales in other markets was 23 (20)%, whereof BEV sales contributed to 5 (2)%.

Sales development per carline

Volvo Cars continued to steer its production towards electrified models. The share of sales per carline was relatively stable. The SUVs held up well and increased their share to 79 (76)% of total sales. The Sedan's share of total sales also increased to 15 (14)%, while Wagons' share of total sales declined to 6 (10)%. The XC60 remained the best-selling model.

	3 Months			9 Months			12 Months	
	Jul–Sep 2022	Jul–Sep 2021	Δ%	Jan–Sep 2022	Jan–Sep 2021	Δ%	LTM	2021
Retail sales (k units)								
Europe	46.2	53.5	–14	166.0	220.4	–25	239.1	293.5
China	47.5	37.4	27	117.7	132.6	–11	156.8	171.7
US	21.6	31.6	–32	72.2	95.4	–24	99.0	122.2
Other	22.3	27.4	–19	73.0	82.4	–11	102.1	111.4
Retail sales total	137.7	149.9	–8	429.0	530.6	–19	597.0	698.7
Recharge line-up vehicles	34.6	38.3	–10	128.6	132.1	–2,7	185.7	189.2
<i>whereof BEV vehicles</i>	<i>10.1</i>	<i>5.4</i>	<i>87</i>	<i>32.4</i>	<i>15.4</i>	<i>110</i>	<i>42.7</i>	<i>25.7</i>
Recharge line-up share of sales	25%	26%	—	30%	25%	—	31%	27%
<i>whereof BEV share of sales</i>	<i>7%</i>	<i>4%</i>	<i>—</i>	<i>8%</i>	<i>3%</i>	<i>—</i>	<i>7%</i>	<i>4%</i>
Wholesales	145.2	128.3	13	437.4	485.2	–10	606.6	654.4
Production volume	145.5	111.0	31	446.6	467.2	–4	621.4	642.0



Top 10 Retail sales by market (k units)	3 Months			9 Months			12 Months	
	Jul-Sep 2022	Jul-Sep 2021	Δ%	Jan-Sep 2022	Jan-Sep 2021	Δ%	LTM	2021
China	47.5	37.4	27	117.7	132.6	-11	156.8	171.7
US	21.6	31.6	-32	72.2	95.4	-24	99.0	122.2
UK	6.8	9.3	-26	26.0	36.4	-29	37.9	48.3
Germany	6.7	9.0	-26	23.3	31.4	-26	35.7	43.8
Sweden	5.7	6.7	-16	27.6	36.8	-25	38.6	47.8
France	4.0	3.3	21	9.6	13.5	-28	15.1	18.9
Japan	3.7	4.0	-6	11.8	12.4	-5	16.0	16.6
Italy	3.6	3.6	-0	10.9	15.7	-30	15.0	19.8
Belgium	2.8	3.0	-8	10.5	14.1	-25	14.1	17.7
Canada	2.6	3.3	-22	7.7	8.4	-8	10.4	11.1

Retail sales by model (k units)	3 Months			9 Months			12 Months	
	Jul-Sep 2022	Jul-Sep 2021	Δ%	Jan-Sep 2022	Jan-Sep 2021	Δ%	LTM	2021
XC40 BEV	6.5	5.4	20	21.1	16.4	37	30.2	24.5
C40 BEV	3.7	—	—	11.3	—	—	12.5	1.2
XC60	48.0	49.1	-2	141.3	162.6	-13	194.2	215.6
XC40 ICE/PHEV	28.4	33.4	-15	92.4	141.5	-35	127.5	176.5
XC90	22.8	26.2	-13	71.7	80.4	-11	99.6	108.2
S90	11.5	10.6	8	29.3	36.3	-19	39.6	46.6
S60	8.7	9.8	-11	29.0	36.1	-20	42.1	49.3
V60	5.1	11.2	-54	21.8	42.4	-49	35.4	56.1
V90	3.0	4.2	-28	11.1	15.8	-30	15.9	20.7
Total	137.7	149.9	-8	429.0	530.6	-19	597.0	698.7

V60 and V90 include the cross-country versions.

INCOME AND RESULT

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

Volvo Cars' revenue amounted to SEK 79.3 (60.8) bn with an increase of 30% mainly due to positive mix and price development as well as volume, contract manufacturing and foreign exchange rate effects. The mix and price development increased by SEK 2.8 bn and revenue from contract manufacturing increased by SEK 6.5 bn. Wholesale volumes increased by 13% to 145.2 (128.3) thousand cars despite the supply chain constraints. The foreign exchange rate effect, including hedges, had a positive effect on revenue of SEK 5.9 bn.

Gross income decreased by 1% to SEK 13.7 (13.8) bn, resulting in a gross margin of 17.3 (22.7)%. The decrease in gross margin was mainly due to higher costs for raw materials, spot purchasing of semiconductors as well as third party contract manufacturing and higher logistics costs. Further, a higher fully electric car mix was a contributing factor, but this was partly mitigated by pricing and carline mix. Foreign exchange rate effects, including hedges, in cost of sales were negative amounting to SEK –5.1 bn. The net effect of foreign exchange rates including hedges in gross income was positive and amounted to SEK 0.8 bn.

Research and development expenses increased to SEK –2.8 (–2.6) bn due to higher amortisation as a result from an

increase in capitalised projects entering into amortisation phase. For details regarding research and development expenses, see the Research and development table on page 11.

Administrative expenses increased to SEK –2.9 (–2.8) bn, mainly due to an increase in expenses related to digital development.

Selling expenses increased to SEK –5.1 (–4.7) bn, mainly as an effect of increased spending related to marketing.

Other operating income and expenses, net, was in line with the previous year and amounted to SEK 0.6 (0.6) bn.

Share of income in joint ventures and associates decreased to SEK –1.5 (–1.0) bn due to negative results driven by costs incurred in their development phase.

Operating income (EBIT) decreased to SEK 2.1 (3.3) bn, resulting in an EBIT margin of 2.6 (5.5)%. Excluding share of income in joint ventures and associates, EBIT decreased to SEK 3.5 (4.3) bn, corresponding to a margin of 4.4 (7.1)%. The exchange rate effects including hedges had a positive effect on EBIT of SEK 0.1 bn. See the table below.

Net financial items amounted to SEK –0.1 (–0.2) bn, mainly driven by the market revaluation of the investment in Luminar based on the current share price.

The effective tax rate increased to 65.3 (25.9)%, mainly due to non tax deductible recognised losses. Net income was SEK 0.7 (2.3) bn and in relation to revenue was 0.8 (3.8)%. Basic earnings per share amounted to SEK 0.11 (0.86).

Changes to Revenue, SEKbn	Jul–Sep
Revenue Q3 2021	60.8
Volume	4.7
Sales mix and pricing	2.8
Sale of licences	–0.2
Foreign exchange rates	5.9
Contract manufacturing	6.5
Other ¹⁾	–1.2
Revenue Q3 2022	79.3
Change %	30

1) Including used cars, parts and accessories.

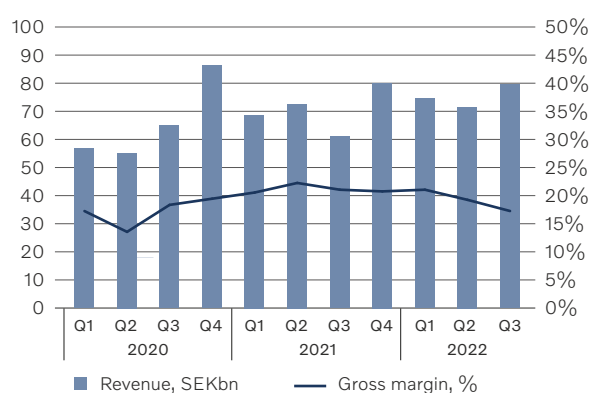
Changes to Operating income, SEKbn	Jul–Sep
EBIT Q3 2021	3.3
Volume	2.0
Sales mix and pricing	1.2
Sale of licences	–0.3
Foreign exchange rates	0.1
Share of income in JVs and associates	–0.5
Other ²⁾	–3.7
EBIT Q3 2022	2.1
Change %	–38

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

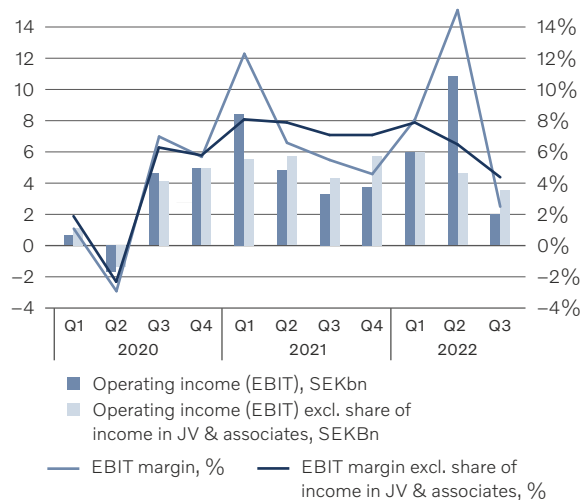
VOLVO CAR GROUP

Research and development, SEKbn	3 Months			9 Months			2021
	Jul-Sep 2022	Jul-Sep 2021	Δ%	Jan-Sep 2022	Jan-Sep 2021	Δ%	
Research and development spending	-5.4	-4.0	38.8	-16.1	-13.4	20.1	-19.0
Capitalised development costs	3.7	2.3	65.6	10.6	7.4	43.2	10.9
Amortisation of research and development	-1.1	-0.9	19.1	-3.4	-3.5	-2.1	-4.6
Research and development expenses	-2.8	-2.6	8.4	-9.0	-9.5	-5.9	-12.7

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 third 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 59.2 (70.3) bn. Net cash decreased to SEK 30.3 (44.8) bn. Liquidity amounted to SEK 73.4 (83.6) bn, including undrawn credit facilities of SEK 14.1 (13.4) bn.

Cash flow from operating activities

Cash flow from operating activities increased to SEK 13.4 (–1.9) bn. This amount consists of operating income of SEK 2.1 (3.3) bn, adjusted for depreciation and amortisation of SEK 4.0 (3.6) bn together with paid income tax of SEK –1.3 (–1.0) bn.

The change in working capital had a positive effect of SEK 8.5 (–8.5) bn, mainly related to a production ramp-up after the supply chain constraints. Change in inventory decreased by SEK –4.0 (4.8) bn, due to increase in production and positive price development, accounts payable increased by SEK 11.0 (–10.4) bn related to the shortage of components which lead to a material cost increase.

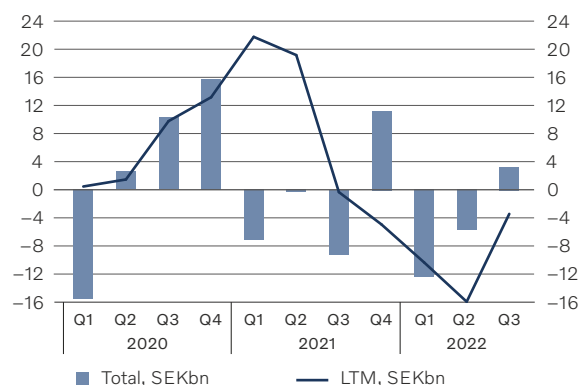
Cash flow from investing activities

Cash flow from investing activities amounted to SEK –10.2 (–7.3) bn. Investments in tangible assets amounted to SEK –2.8 (–2.2) bn, mainly driven by the commercial transformation to online business model. Investments in intangible assets amounted to SEK –4.1 (–2.8) bn as a result of continuous investments in new and upcoming car models and new technology, such as electrification technology and autonomous driving. Cashflow from investments in shares and participations amounted to SEK –3.3 (–2.3) bn.

Cash flow from financing activities

Cash flow from financing activities amounted to SEK –3.0 (–3.6) bn and was mainly related to change in marketable securities that amounted to SEK –1.6 (0.2) bn together with the change in dividend paid to shareholders that amounted to –0.8 (–5.1) bn. The net result of repayments to and proceeds from credit institutions amounted to SEK – (–0.2) bn, reflecting scheduled repayments and new borrowings. 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, SEKbn	3 Months		9 Months		2021
	Jul–Sep 2022	Jul–Sep 2021	Jan–Sep 2022	Jan–Sep 2021	
Cash flow from operating activities	13.4	–1.9	16.5	0.4	29.9
Cash flow from investing activities	–10.2	–7.3	–31.2	–16.6	–34.7
Cash flow from operating and investing activities	3.2	–9.2	–14.6	–16.1	–4.9
Cash flow from financing activities	–3.0	–3.6	–0.2	–11.1	1.2
Cash flow for the period	0.3	–12.8	–14.8	–27.2	–3.7

First nine months 2022

INCOME AND RESULT

Revenue increased by 11% to SEK 224.9 (202.0) bn, supported by mix effects, price development effects, and contract manufacturing. Wholesale volumes decreased by 10% to 437.4 (485.2) thousand cars, mainly affected by the supply chain constraints.

Gross income amounted to SEK 43.5 (44.1) bn, resulting in a gross margin of 19.4 (21.8)% with a decrease mainly due to increased raw material prices and higher cost for spot purchasing of semiconductors but also effects from contract manufacturing with somewhat lower margin than wholesale. The gross margin was supported by positive carline mix effects and strong price realisation.

Operating Income (EBIT) increased to SEK 18.9 (16.6) bn, resulting in an EBIT margin of 8.4 (8.2)% mainly as a result of the de-SPAC listing of Polestar in second quarter amounting to SEK 5.9 bn. Excluding share of income in joint ventures and associates, EBIT decreased to SEK 14.0 (15.6) bn, corresponding to a margin of 6.2 (7.7)%. The exchange rate effects including hedges had a positive effect in EBIT of SEK 1.4 bn.

Net financial items amounted to SEK -1.2 (-1.5) bn. The effective tax rate decreased to 20.1 (20.9)%. Net income was SEK 14.1 (11.9) bn and was in relation to revenue 6.3 (5.9)%. Basic earnings per share amounted to SEK 4.40 (4.13).

CASH FLOW

Total cash and cash equivalents, including marketable securities, decreased to SEK 59.2 (70.3) bn. Net cash decreased to SEK 30.3 (44.8) bn. Liquidity amounted to SEK 73.4 (83.6) bn, including undrawn credit facilities of SEK 14.1 (13.4) bn.

Items affecting comparability, SEKbn	Jan-Sep 2022	Jan-Sep 2021
de-SPAC listing of Polestar, net effect	5.9	—
Share of income, Zenuity	—	1.2
Valuation effect from the private placement in Polestar Automotive Holding Ltd	—	2.0
Total	5.9	3.2

Changes to Revenue (SEKbn)	Jan-Sep
Revenue in 2021	202.0
Volume	-13.3
Sales mix and pricing	12.4
Sale of licences	-0.4
Foreign exchange rates	13.9
Contract manufacturing	12.1
Other ¹⁾	-1.8
Revenue 2022	224.9
Change %	11

1) Including used cars, parts and accessories.

Cash flow from operating activities was positive and amounted to SEK 16.5 (0.4) bn, mainly due to the positive development in price and sales mix. Working capital was negative and amounted to SEK -4.1 (-24.4) bn.

Volvo Cars continued to invest in production capacity and in the transformation into a fully electric car company. Cash flow from investing activities amounted to SEK -31.2 (-16.6) bn, mainly due to the investments in Polestar convertible preference shares, in connection to the listing process, as well as investments in and loans to Aurobay.

Cash flow from financing activities was negative and amounted to SEK -0.2 (-11.1) bn, mainly related to the net amount of a new green bond issue together with the repayment of a mature loan and interest bearing liabilities of SEK 0.8 (-6.3) bn and dividends paid to shareholders of SEK -0.8 (-10.0) bn.

EQUITY

Total equity increased to SEK 115.5 (95.0) bn, resulting in an equity ratio of 36.6 (33.5)%. The change is mainly attributable to the positive net income of SEK 14.1 bn and positive effect in other comprehensive income of SEK 8.2 bn, offset by divestment under common control of SEK -1.0 bn and dividend to non-controlling interest of SEK -0.8 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 4.6 bn (net of tax) and remeasurements of provisions for post-employment benefits of SEK 4.3 bn (net of tax). This was partly offset by a negative change in cash flow hedge reserve from unrealised hedge contracts of SEK -0.7 (net of tax), whereof hedge contracts recycled to the income statement amounted to SEK 1.8 bn. The change in value of cash flow hedges is mainly due to a weakened SEK against most major currencies.

Changes to Operating income (SEKbn)	Jan-Sep
EBIT in 2021	16.6
Volume	-2.2
Sales mix and pricing	7.2
Sale of licences	-0.3
Foreign exchange rates	1.4
Share of income in JVs and associates ²⁾	3.9
Items affecting comparability – Volvo Cars operations	—
Other ³⁾	-7.7
EBIT 2022	18.9
Change %	14

2) For items affecting comparability – JVs and associates, see the table Items affecting comparability, above.

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

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

Semiconductor constraints continued to gradually improve. However, the underlying global shortage of semiconductors continued and resulted in loss of production volumes.

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.

COVID-19

The COVID-19 pandemic continued to have an impact on people's lives around the world. In China, lockdowns were in place for some provinces causing impacts on production, sales and supply chain. A continued Chinese 'zero-COVID' policy may cause further production disruptions locally and supply chain disturbances globally. Given the uncertain development of the pandemic, Volvo Cars remains cautious.

Macro uncertainty

The uncertain macro environment remains, including high inflation, rising interest rates, raw material price increases and ongoing geopolitical crisis. The financial market volatility set to increase. The risks of lower consumer confidence have increased.

The war in Ukraine

The war in Ukraine continues to have a negative impact on Europe and has increased the risks to the global economy as a whole. The war has led to accelerating increases in the cost of raw materials, energy and freights. This has further increased inflationary pressures in the global economy and worsened already stretched global supply chains. An escalation of the war in duration and scope could pose even more risks.

The risk of further disruption to Russian gas flows also increased. Given that many automotive parts suppliers rely on natural gas, a lower supply may cause disruption to these supply chains. Volvo Cars is continuously evaluating the situation.

Volvo Cars has suspended its operations in Russia, without significant financial effects so far. 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%.

EMPLOYEES

During the first nine months 2022, Volvo Car Group employed 42.3 (40.4) thousand full-time employees (FTEs) and 4.2 (3.7) thousand agency personnel. The increase was mainly due to the acquisition of Taizhou plant in December 2021 now being consolidated and new recruitment to support the transformation.



Consolidated Income Statements

SEKm	Note	Jul-Sep 2022	Jul-Sep 2021 ¹⁾	Jan-Sep 2022	Jan-Sep 2021 ¹⁾	Full year 2021 ¹⁾
Revenue	2	79,329	60,838	224,898	201,969	282,045
Cost of sales		-65,612	-47,019	-181,371	-157,841	-221,254
Gross income		13,717	13,819	43,527	44,128	60,791
Research and development expenses		-2,817	-2,599	-8,965	-9,532	-12,714
Selling expenses		-5,114	-4,712	-14,265	-13,465	-18,796
Administrative expenses		-2,905	-2,778	-8,435	-7,020	-9,698
Other operating income		974	1,019	3,236	2,894	4,144
Other operating expenses		-342	-433	-1,096	-1,447	-2,501
Share of income in joint ventures and associates		-1,463	-987	4,887	1,009	-951
Operating income		2,050	3,329	18,889	16,567	20,275
Financial income	3	242	429	634	814	1,003
Financial expenses	3	-375	-666	-1,824	-2,312	-2,518
Income before tax		1,917	3,092	17,699	15,069	18,760
Income tax		-1,252	-800	-3,553	-3,150	-4,583
Net income		665	2,292	14,146	11,919	14,177
Net income attributable to						
Owners of the parent company		333	2,187	13,121	10,431	12,546
Non-controlling interests		332	105	1,025	1,488	1,631
Basic earnings per share (SEK)	6	0.11	0.86	4.40	4.13	4.72
Diluted earnings per share (SEK)	6	0.11	0.86	4.40	4.08	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	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
Net income for the period	665	2,292	14,146	11,919	14,177
Other comprehensive income					
<i>Items that will not be reclassified subsequently to income statement:</i>					
Remeasurements of provisions for post-employment benefits	318	-137	5,517	2,561	3,123
Tax on items that will not be reclassified to income statement	-80	21	-1,178	-536	-669
<i>Items that have been or may be reclassified subsequently to income statement:</i>					
Translation difference on foreign operations	1,753	908	5,078	2,846	4,375
Translation difference of hedge instruments of net investments in foreign operations	-266	-64	-659	-162	-265
Change in fair value of cash flow hedge related to currency and commodity price risks	-289	-19	-2,719	-1,572	-2,641
Currency and commodity risk hedge contracts recycled to income statement	445	45	1,786	323	326
Tax on items that may be reclassified to income statement	24	7	327	289	526
Other comprehensive income, net of income tax	1,905	761	8,152	3,749	4,775
Total comprehensive income for the period	2,570	3,053	22,298	15,668	18,952
Total comprehensive income attributable to					
Owners of the parent company	2,187	2,790	20,952	13,356	16,320
Non-controlling interests	383	263	1,346	2,312	2,632
	2,570	3,053	22,298	15,668	18,952

Consolidated Balance Sheets

SEKm	Note	30 Sep 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets		53,481	43,840
Tangible assets		75,503	70,903
Investments in joint ventures and associates	4	17,427	6,931
Other long-term securities holdings	3	4,497	1,765
Deferred tax assets		8,649	7,367
Other non-current interest-bearing receivables		5,107	5,046
Non-current derivative assets	3	704	169
Other non-current assets		4,645	4,863
Total non-current assets		170,013	140,884
Current assets			
Inventories		48,621	36,603
Accounts receivable	4	20,813	18,553
Current tax assets		1,566	951
Current derivative assets	3	1,331	824
Other current assets		13,682	11,838
Marketable securities	3	8,895	7,996
Cash and cash equivalents	3	50,348	62,265
Assets held for sale		—	3,910
Total current assets		145,256	142,940
TOTAL ASSETS		315,269	283,824
EQUITY & LIABILITIES			
Equity			
Equity attributable to owners of the parent company		111,730	90,418
Non-controlling interests		3,777	4,560
Total equity		115,507	94,978
Non-current liabilities			
Provisions for post-employment benefits		5,686	11,961
Deferred tax liabilities		5,284	2,340
Other non-current provisions		8,282	8,623
Non-current liabilities to credit institutions	3	3,500	2,543
Non-current bonds	3	22,470	18,401
Non-current contract liabilities to customers		7,222	6,967
Other non-current interest-bearing liabilities		5,191	5,509
Non-current derivative liabilities	3	1,369	348
Other non-current liabilities		5,488	6,039
Total non-current liabilities		64,492	62,731
Current liabilities			
Current provisions		8,710	8,607
Current liabilities to credit institutions	3	713	4,471
Current bonds	3	1,999	—
Current contract liabilities to customers		23,818	22,929
Accounts payable	4	56,151	48,283
Current tax liabilities		1,393	1,402
Other current interest-bearing liabilities		1,452	1,462
Current derivative liabilities	3	3,552	2,312
Other current liabilities	4	37,482	34,524
Liabilities held for sale		—	2,125
Total current liabilities		135,270	126,115
TOTAL EQUITY & LIABILITIES		315,269	283,824

Consolidated Statement of Changes in Equity

SEKm	30 Sep 2022	31 Dec 2021
Opening balance (as previously reported)	94,978	70,418
Effect of hyperinflation ¹⁾	49	—
Opening balance	95,027	70,418
Net income for the period	14,146	14,177
Other comprehensive income, net of income tax	8,152	4,775
Total comprehensive income	22,298	18,952
Transactions with owners		
Capital contribution from non-controlling interests ²⁾	—	1,267
Divestment of non-controlling interests	—	–65
Business combination under common control ³⁾	—	82
Divestment under common control ⁴⁾	–978	—
Redemption of preference shares	—	–5,324
New issue	–3	19,741
Directed new issue to preference shareholders	—	5,324
Share-based payments	9	—
Dividend to shareholders ⁵⁾	–846	–15,417
Transactions with owners	–1,818	5,608
Closing balance	115,507	94,978
Attributable to		
Owners of the parent company	111,730	90,418
Non-controlling interests	3,777	4,560
Closing balance	115,507	94,978

1) For more information see Note 1 – Accounting policies.

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

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

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

5) Dividends to shareholders include dividends to the main shareholder of SEK — (–5,530) m, non-controlling interest of SEK –846 (–9,708) m and preference shareholders of SEK — (–179) m.

Consolidated Statement of Cash Flows

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
OPERATING ACTIVITIES					
Operating income	2,050	3,329	18,889	16,567	20,275
Depreciation and amortisation of non-current assets	4,005	3,608	12,010	11,288	15,005
Dividends received from joint ventures and associates	—	704	72	1,991	1,991
Interest and similar items received	362	98	808	439	602
Interest and similar items paid	-288	-134	-982	-842	-1,139
Other financial items	18	-7	142	-674	-815
Income tax paid	-1,273	-978	-3,339	-3,391	-3,673
Adjustments for other non-cash items	57	-31	-6,936	-501	-750
	4,931	6,589	20,664	24,877	31,496
Movements in working capital					
Change in inventories	-3,995	4,779	-8,535	1,754	3,643
Change in accounts receivable	-1,170	2,636	3,875	1,516	2,845
Change in accounts payable	11,012	-10,442	4,989	-18,012	-3,328
Change in provisions	-907	-1,268	-5,488	-1,141	-1,126
Change in contract liabilities to customers	3,703	-501	2,988	-1,188	2,239
Change in other working capital assets/liabilities	-174	-3,679	-1,961	-7,359	-5,917
Cash flow from movements in working capital	8,469	-8,475	-4,132	-24,430	-1,644
Cash flow from operating activities	13,400	-1,886	16,532	447	29,852
INVESTING ACTIVITIES					
Investments in shares and participations	-168	-2,348	-8,388	-953	-11,518
Divestment in shares	—	—	716	—	—
Capital repayments from shares and participations	—	—	—	132	132
Loans to affiliated companies	-3,096	—	-3,096	—	—
Investments in intangible assets	-4,125	-2,826	-11,448	-8,174	-11,972
Investments in tangible assets	-2,797	-2,178	-8,734	-7,651	-11,352
Disposal of tangible assets	48	11	93	73	123
Other	-25	—	-310	—	-150
Cash flow from investing activities	-10,163	-7,341	-31,167	-16,573	-34,737
Cash flow from operating and investing activities	3,237	-9,227	-14,635	-16,126	-4,885
FINANCING ACTIVITIES					
Proceeds from credit institutions	7	125	1,031	1,577	1,579
New share issue	—	907	—	907	20,807
Capital contribution from Non-controlling interest	—	360	—	360	360
Proceeds from bond issuance	—	—	5,260	—	—
Repayment of bond	—	—	—	-5,065	-8,064
Repayment of liabilities to credit institutions	13	-369	-4,279	-1,727	-2,957
Repayment of interest bearing liabilities	-401	-388	-1,201	-1,065	-1,450
Dividends paid to shareholders and/or Non-controlling interest	-846	-5,102	-846	-9,969	-10,462
Investments in marketable securities	-3,899	-1,653	-15,382	-8,080	-15,015
Matured marketable securities	2,294	1,853	14,923	11,411	15,475
Other	-149	658	339	585	905
Cash flow from financing activities	-2,981	-3,609	-155	-11,066	1,178
Cash flow for the period	256	-12,836	-14,790	-27,192	-3,707
Cash and cash equivalents at beginning of period	50,035	48,450	62,265	61,592	61,592
Exchange difference on cash and cash equivalents	57	789	2,873	2,003	4,380
Cash and cash equivalents at end of period	50,348	36,403	50,348	36,403	62,265

Condensed Parent Company Income Statements

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
Administrative expenses	-6	-4	-20	-12	-26
Operating income/loss	-6	-4	-20	-12	-26
Financial income ¹⁾	246	309	648	718	3,886
Financial expenses	-187	-157	-470	-612	-763
Income before tax	53	148	158	94	3,097
Income tax	-11	3	-32	5	58
Net income	42	151	126	99	3,155

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	30 Sep 2022	31 Dec 2021
ASSETS		
Non-current assets	39,170	33,909
Current assets	20,678	22,488
TOTAL ASSETS	59,848	56,397
EQUITY & LIABILITIES		
Equity		
Restricted equity	61	61
Non-restricted equity	33,728	33,595
Total equity	33,789	33,656
Non-current liabilities	23,678	18,401
Current liabilities	2,381	4,340
Total liabilities	26,059	22,741
TOTAL EQUITY & LIABILITIES	59,848	56,397

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), except for accounting principles for Hyperinflation which can be found below.

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.

Hyperinflation

In determining hyperinflationary economies, data published by the International Monetary Fund (IMF) and other relevant sources are considered alongside the indicators in IAS 29. From the second quarter 2022, Turkey was deemed to be a hyperinflationary economy and as a consequence IAS 29 has been applied to Volvo Car Group's Turkish business since 1 January 2022.

To reflect changes in purchasing power at the balance sheet date, the carrying amounts of non-monetary assets and liabilities, shareholders' equity and comprehensive income at subsidiaries in hyperinflationary economies are restated in terms of the measuring unit current at the balance sheet date. These are indexed using a general price index in accordance with IAS 29. The Turkish subsidiary's financial statements are based on a historical cost approach and have been restated retrospectively in order to reflect the current purchasing power of their functional currency, the Turkish lira. Pursuant to IAS 21 paragraph 42, the comparative amounts of the previous reporting period were not restated.

The restatements have been made based on the Consumer Price Index (CPI) which on 30 September 2022, have increased by 145% and 83% on a 3-year and 12-month cumulative rate respectively.

The application of the standard does not have a material effect on the Group's profitability, liquidity and overall financial position.

NOTE 2 – Revenue

Revenue allocated to geographical regions:

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
China	21,113	12,638	52,534	46,973	63,526
US	12,900	13,404	40,468	37,175	52,015
Europe	33,596	24,086	96,164	84,886	121,027
<i>of which Sweden</i>	11,299	5,185	29,538	19,075	28,245
<i>of which Germany</i>	4,205	4,019	12,686	11,491	16,823
<i>of which United Kingdom</i>	3,419	3,772	10,536	11,006	15,610
Other markets	11,720	10,710	35,732	32,935	45,477
<i>of which Japan</i>	1,774	1,630	5,897	5,363	7,477
<i>of which South Korea</i>	920	1,264	3,807	4,351	5,893
Total	79,329	60,838	224,898	201,969	282,045

Revenue allocated to category:

SEKm	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
Sales of new cars	59,095	44,106	171,006	157,101	218,371
Sales of used cars	3,697	3,879	11,959	13,401	21,096
Sales of parts and accessories	7,922	6,779	22,346	19,134	25,983
Revenue from subscription, leasing and rental business	1,198	1,065	3,335	2,583	3,497
Sales of licences and royalties	231	412	769	1,168	2,670
Contract manufacturing	6,977	—	12,600	—	1,627
Other revenue	209	4,597	2,883	8,582	8,801
Total	79,329	60,838	224,898	201,969	282,045

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, the following financial instruments are recognised at fair value through profit or loss:

- Derivatives (including warrants)
- Holdings of equity investments (including earn-out 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.

NOTE 3 – Fair value of financial instruments – continued

Financial instruments recorded at fair value through the income statement

30 Sep 2022 (SEKm)	Level 1	Level 2	Level 3	Total
Derivative instruments for hedging of currency risk in future commercial cash flows	—	1,089	—	1,089
Derivative instruments for hedging of currency risk related to financial assets and liabilities	—	274	—	274
Derivative instruments for hedging of interest risk	—	—	—	—
Commodity derivatives	—	672	—	672
Commercial papers ¹⁾	—	2,076	—	2,076
Other long-term securities holdings	395	—	4,102	4,497
Total assets	395	4,111	4,102	8,608
Derivative instruments for hedging of currency risk in future commercial cash flows	—	4,098	—	4,098
Derivative instruments for hedging of currency risk related to financial assets and liabilities	—	96	—	96
Derivative instruments for hedging of interest rate risk	—	516	—	516
Commodity derivatives	—	211	—	211
Total liabilities	—	4,921	—	4,921
31 Dec 2021 (SEKm)	Level 1	Level 2	Level 3	Total
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 ¹⁾	—	2,692	—	2,692
Other long-term securities holdings	750	—	1,015	1,765
Total assets	750	3,685	1,015	5,450
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
Total liabilities	—	2,660	—	2,660

1) Includes SEK 1,045 (1,860) m reported as marketable securities and SEK 1,031 (832) m reported as cash and cash equivalents.

Most derivative financial instruments and commercial papers that Volvo Car Group holds as of 30 September 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 30 September 2022 amounted to SEK –2,886 (–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	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Nominal hedge %	40	56	13	20	—	—
CFaR incl. hedges %	49	46	23	16	—	—

NOTE 3 – Fair value of financial instruments – continued

Amounts invested in other long-term securities holding totalled SEK 4,497 (1,765) m, with SEK 395 (750) m of the holdings categorised as level 1 financial instruments and SEK 4,102 (1,015) m as level 3.

The most substantial level 3 instrument is earn-out rights in Polestar Group. The fair value of the earn-out rights amounts to SEK 3,116 m. The valuation of these earn-out rights is made by using a Monte Carlo simulation. The simulation is based on a volatility of 70% and a risk-free interest rate of 4,1%. A change in volatility of +/-10 percentage points resulting in a value range of SEK 2,715–3,437 m. Furthermore, the risk-free interest rate flexed +/-2 percentage points, resulting in a value range of SEK 3,032–3,208 m with a volatility of 70%.

Other significant instruments within other long-term securities holdings are non-listed share warrants in the listed company Luminar Technologies Inc (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 4.2% and 3.8%. Volatility of the underlying share price has been determined to 92%. There are also traditional holdings of equity instruments in Luminar which are listed, these holdings are categorised as level 1 financial instruments.

The fair value of share warrants and earn-out rights in the level 3 categorised financial instruments in Luminar as of 30 September 2022, amounted to SEK 197 (431) m and the financial impact of the same instruments recognised in the income statement is SEK –234 (–425) m. The share warrants are, as of 30 September 2022, deep in the money with a strike price well under the current list price. The total fair value change of all holdings in Luminar amounted to SEK –590 (–1,039) 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 196 m.

Sensitivity analysis for warrants (SEKm)

Volatility	Likelihood of triggering event				
	–10%	–5%	0%	5%	10%
–10%	162	173	185	196	208
–5%	167	179	191	203	215
92%	171	183	196	207	220
5%	178	191	204	216	229
10%	183	196	209	222	236

Financial liabilities valued at amortised cost

SEKm	30 Sep 2022		31 Dec 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds and liabilities to credit institutions	28,683	26,452	25,415	26,362
Total	28,683	26,452	25,415	26,362

The carrying amount of financial liabilities measured at amortised cost, is stated in the table above.

As of June 2022, Volvo Car Group hedges the fair value risk of EUR-denominated bonds by using interest rate swaps, where fixed interest payments are swapped into floating interest payments. The total carrying amount of the bonds as of 30 September 2022 is SEK 22,470 (16,403) m. Volvo Car Group has hedged parts of these fixed interest rate bonds and these are measured at fair value through the income statement, as of September 30 2022, amounting to SEK –212 (–) m. The remaining part is measured at amortised cost. Changes in the fair value of interest rate swaps that are designated and qualify as fair value hedges are recorded in the profit and loss, together with any changes in the fair value of the hedged bonds that are attributable to the hedged risk. The fair value part of the bonds is measured applying a Level 2 method, which is discounting the future interest coupon payments and the face value of the bonds.

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 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 events and agreements with related parties during the first nine months

- 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. During 2022, capital contributions amounting to SEK 158 m has been paid from Volvo Cars to NOVO Energy AB.
- 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. 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. In August, Aurobay acquired 100% of the shares in Powertrain Engineering Sweden AB (PES) and Powertrain Engineering Sweden Real Estate AB from Geely Sweden Holdings AB. During 2022, share capital and other capital contribution amounting to SEK 1,696 m has been paid to Aurobay from Volvo Cars.
- As of 24 June, the Polestar Group was listed on the Nasdaq Stock Exchange in New York in a so-called de-SPAC process through the merger with the SPAC company Gores Guggenheim. The listing transactions had several financial effects for Volvo Cars. For further details, see Volvo Car Group's interim report for the second quarter.

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 3,513 (5,196) 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	Jul–Sep 2022	Jul–Sep 2021	Jan–Sep 2022	Jan–Sep 2021	Full year 2021
Related companies ¹⁾	8,655	1,397	16,181	4,072	7,128
Associated companies and joint ventures	360	377	1,139	1,084	1,448

Purchases of goods, services and other

SEKm	Jul–Sep 2022	Jul–Sep 2021	Jan–Sep 2022	Jan–Sep 2021	Full year 2021
Related companies ^{1) 2)}	–6,528	–3,807	–17,410	–7,637	–12,665
Associated companies and joint ventures	–392	–442	–1,290	–1,296	–1,815

SEKm	Receivables		Payables	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Related companies	17,847	18,626	9,982	4,758
Associated companies and joint ventures	1,312	991	403	499

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

2) Increase in Jan–Sep 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 7,285 (473) m in the third quarter and SEK 13,796 (1,698) m for the first nine months. The revenue was mainly related to sale of Polestar cars from the Taizhou plant acquired in December 2021, technology licences and development of technology as well as revenue related to sale of other services. Volvo Car Group's purchases amounted to SEK –94 (–173) m in the third quarter and SEK –504 (–470) m for the first nine months. The purchases are mainly related to Polestar cars from Polestar and a performance enhancement product provided to the end customers.

Powertrain Engineering Sweden AB (PES)

Powertrain Engineering Sweden AB (PES) is, with effect from 30 June 2021, a related party to Volvo Cars. The total purchases from Powertrain Engineering Sweden AB amounted to SEK –2,289 (–2,168) m in the third quarter and SEK –7,527 (–2,168) m for the first nine months, 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 third quarter amounted to SEK –2,175 m and SEK –4,812 m for the first nine months and has mainly been recognised as cost of sales.

Zhejiang Liankong Technology Co., Ltd

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

Ningbo Fuhong Auto Sales Co., Ltd

Total revenue from sales of cars to Ningbo Fuhong Auto Sales Co., Ltd amounted to SEK 886 (170) m in the third quarter and SEK 1,245 (821) m for the first nine months.

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 –467 (–196) m in the third quarter and SEK –955 (–563) m for the first nine months, which mainly has been capitalised as intangible assets.

Zhejiang Geely Holding Group Co., Ltd

Total dividends to Zhejiang Geely Holding Group Co., Ltd amount to SEK 846 m, whereof Daqing Volvo Car Manufacturing Co., Ltd, of which Volvo Cars owns 50%, has in the third quarter paid SEK 840 m each to its shareholders Zhejiang Geely Holding Group Co., Ltd and Volvo Cars (China) Investment Co., Ltd.

NOTE 5 – Business combinations

Adoption of preliminary acquisition analysis

An acquisition analysis is preliminary until adopted which must take place within twelve months from the acquisition. The preliminary acquisition analysis previously recognised for Volvo Car Real Estate and Assets 7:24 AB and Fastighetsbolag Sörred 8:11 AB were adopted in 2022.

NOTE 6 – Earnings per share

Basic earnings per share (SEKm)	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
Net income attributable to owners of the parent company	333	2,187	13,121	10,431	12,546
Preference share returns relating to the period	—	–32	—	–94	–360
Net income attributable to owners of ordinary shares in the parent company	333	2,155	13,121	10,337	12,186
Weighted average number of ordinary shares outstanding, undiluted ¹⁾	2,979,524,179	2,500,000,000	2,979,524,179	2,500,000,000	2,579,920,697
Basic earnings per share (SEK)	0.11	0.86	4.40	4.13	4.72

Diluted earnings per share ²⁾ (SEKm)	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
Net income in basic earnings per share	333	2,155	13,121	10,337	12,186
If preference shares had been converted, no preference yield had accrued	—	32	—	94	360
Net income in diluted earnings per share	333	2,187	13,121	10,431	12,546
Weighted average number of ordinary shares outstanding, diluted ¹⁾	2,979,524,179	2,556,939,700	2,979,524,179	2,556,939,700	2,627,370,447
Diluted earnings per share (SEK)	0.11	0.86	4.40	4.08	4.72

1) The weighted average number of ordinary shares outstanding in Q3 2021 has been adjusted retrospectively to reflect the effects of share split in connection with the IPO transaction during Q4 2021.

2) 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. 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 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.

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.

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.

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 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 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%)) 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, but affecting the financial outcome in a material way, 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	Jul-Sep 2022	Jul-Sep 2021	Full year 2021 ¹⁾
Revenue	79,329	60,838	282,045
Revenue per new car, BEV (SEKk)	427.4	ND ²⁾	430.2
Revenue per new car, non-BEV (SEKk)	421.2	ND ²⁾	356.6
Cost of sales	-65,612	-47,019	-221,254
Research and development expenses	-2,817	-2,599	-12,714
Operating income, EBIT	2,050	3,329	20,275
EBIT margin, excl. share of income in JVs & associates	3,513	4,316	21,226
Net income	665	2,292	14,177
EBITDA	6,055	6,937	35,280
Gross income per new car, BEV (SEKk)	21.1	ND ²⁾	57.3
Gross income per new car, non-BEV (SEKk)	83.2	ND ²⁾	68.7
Gross margin, %	17.3	22.7	21.6
Gross margin BEV, %	4.9	ND ²⁾	13.3
Gross margin non-BEV, %	19.8	ND ²⁾	19.3
EBIT margin, %	2.6	5.5	7.2
EBIT margin excl. share of income in JVs & associates, %	4.4	7.1	7.5
EBITDA margin, %	7.6	11.4	12.5
Equity ratio, %	36.6	27.1	33.5
Net cash	30,349	12,076	44,846
Share of investing cash flow BEV, %	63.4	ND ²⁾	53.6
Share of investing cash flow non-BEV, %	8.1	ND ²⁾	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.

	Jul-Sep 2022	Full year 2021
Total revenue		
BEV vehicles, new cars	6,076	10,229
Non-BEV vehicles, new cars	53,019	208,142
Other revenue	20,234	63,674
Total revenue	79,329	282,045

	Jul-Sep 2022		Full year 2021	
Revenue per new car	BEV	Non-BEV	BEV	Non-BEV
Revenue, new cars	6,076	53,019	10,229	208,142
Vehicles, wholesales new cars (units)	14,215	125,866	23,779	583,737
Revenue per new car (SEKk)	427.4	421.2	430.2	356.6

	Jul-Sep 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	300	10,475	2,942	13,717	1,362	40,116	19,313	60,791

	Jul-Sep 2022		Full year 2021	
Gross income per new car	BEV	Non-BEV	BEV	Non-BEV
Gross income, new cars	300	10,475	1,362	40,116
Vehicles, wholesales new cars (k units)	14,215	125,866	23.8	583.7
Gross income per new Car (SEKk)	21.1	83.2	57.3	68.7

VOLVO CAR GROUP

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES, CONTINUED

	Jul-Sep 2022	Jul-Sep 2021	Full year 2021
Gross margin, %			
Gross income	13,717	13,819	60,791
Revenue	79,329	60,838	282,045
Gross margin, %	17.3	22.7	21.6

	Jul-Sep 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	300	10,475	2,942	13,717	1,362	40,116	19,313	60,791
Revenue	6,076	53,019	20,234	79,329	10,229	208,142	63,674	282,045
Gross margin, %	4.9	19.8	14.5	17.3	13.3	19.3	30.3	21.6

	Jul-Sep 2022	Jul-Sep 2021	Full year 2021
Operating income, EBIT/EBIT margin, %			
Operating income, EBIT	2,050	3,329	20,275
Revenue	79,329	60,838	282,045
EBIT margin, %	2.6	5.5	7.2

	Jul-Sep 2022	Jul-Sep 2021	Full year 2021
EBIT and EBIT margin, excl. share of income in JVs & associates, %			
Operating income, EBIT	2,050	3,329	20,275
Share of income in JVs & associates	-1,463	-987	-951
EBIT excl. share of income in JVs & associates	3,513	4,316	21,226
Revenue	79,329	60,838	282,045
EBIT margin, excl. share of income in JVs & associates, %	4.4	7.1	7.5

	Jul-Sep 2022	Jul-Sep 2021	Full year 2021
EBITDA/EBITDA margin, %			
Operating income, EBIT	2,050	3,329	20,275
Depreciation and amortisation of non-current assets	4,005	3,608	15,005
EBITDA	6,055	6,937	35,280
Revenue	79,329	60,838	282,045
EBITDA margin, %	7.6	11.4	12.5

	LTM ¹⁾	Full year 2021
Operating cash		
Average two-year revenue × 10%	29,613	27,244
Operating cash	29,613	27,244

	LTM ¹⁾	Full year 2021
Invested capital²⁾		
Total assets	277,130	273,068
Receivables from parent company	—	—
Other long-term securities holdings	-2,988	-2,107
Cash and cash equivalents	-43,376	-61,929
Marketable securities	-6,949	-8,042
Operating cash	29,613	27,244
Total current liabilities	-120,467	-126,234
Current liabilities to parent company	—	—
Total current interest-bearing liabilities	6,965	7,311
Total invested capital	139,928	109,311

1) Last twelve months.

2) Calculated on two-year average figures.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES, CONTINUED

Return on invested capital, ROIC, %	LTM ¹⁾	Full year 2021
EBIT	22,597	20,275
Invested capital	139,928	109,311
Return on invested capital, ROIC, %	16.1	18.5

1) Last twelve months.

Equity ratio	30 Sep 2022	31 Dec 2021
Total equity	115,507	94,978
Total assets	315,269	283,824
Equity ratio, %	36.6	33.5

Share of Investing Cash Flow, %	Jul-Sep 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	-3,048	-400	-677	-4,125	-6,837	-1,629	-3,506	-11,972
Investments in property, plant and equipment	-924	-108	-1,107	-2,139	-3,071	-749	-2,680	-6,500
Investments in other tangible assets ²⁾	—	—	-658	-658	—	—	-4,852	-4,852
Subtotal	-3,972	-508	-2,442	-6,264	-9,908	-2,378	-11,038	-23,324
Share of investing cash flow²⁾, %	63.4	8.1	28.5	100.0	53.6	12.9	33.5	100.0

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

Net cash	30 Sep 2022	31 Dec 2021
Cash and cash equivalents	50,348	62,265
Marketable securities	8,895	7,996
Liabilities to credit institutions (non-current)	-3,500	-2,543
Bonds (non-current) ³⁾	-22,682	-18,401
Other interest-bearing liabilities ⁴⁾	—	—
Liabilities to credit institutions (current)	-713	-4,471
Bonds (current) ³⁾	-1,999	—
Net cash²⁾	30,349	44,846

3) The bonds are presented above at amortised cost. The fair value risk of the EUR-denominated bonds is hedged and the bonds with fixed interest payments have been swapped into floating interest payments. Part of the bonds is therefore measured at fair value through the income statement and the remaining part is measured at amortised cost. On 30 September 2022 the fair value component amounted to SEK -212 (—) m.

4) The net cash calculation excludes current SEK -1,452 (-1,462) m and non-current SEK -5,191 (-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	30 Sep 2022	31 Dec 2021
Cash and cash equivalents	50,348	62,265
Undrawn credit facilities	14,107	13,377
Marketable securities	8,895	7,996
Liquidity	73,350	83,638

Gothenburg, 27 October 2022

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 10:00 CEST on 27 October, Volvo Cars will host a webcast for investors, analysts, financial media and media. The report will be presented by CEO Jim Rowan and CFO Johan Ekdahl.

Link: <https://live.volvocars.com>
For those tuning in from China, 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

9 February 2023:	Q4 2022 report
3 April 2023:	Annual General Meeting
27 April 2023:	Q1 2023 report
20 July 2023:	Q2 2023 report
26 October 2023:	Q3 2023 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

