

V O L V O

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



VOLVO CAR GROUP

INTERIM REPORT FOURTH QUARTER AND FULL YEAR 2022

Volvo Cars continued to see production normalisation throughout the quarter.

OCTOBER–DECEMBER 2022

FULL YEAR 2022

- Customer demand for Volvo Cars products remained robust.
- Production pace continued to improve over the quarter after being negatively affected by supply chain disturbances such as component shortages and COVID-related lockdowns in China. December production marked the strongest month ever with 72 (57) thousand cars produced, of which 42% Recharge production whereof 21% fully electric cars.
- Retail sales increased by 11% Year-over-Year (YoY) to 186.1 (168.0) thousand cars.
- Revenue increased by 31% to SEK 105.2 (80.1) bn, an all time high for a quarter, driven by higher wholesale volume, foreign exchange, contract manufacturing and strong mix and pricing.
- Operating income (EBIT) was SEK 3.4 (3.7) bn. Excluding JVs and associates EBIT was 3.9 (5.7) bn, negatively affected by cost increases mainly from raw materials, spot purchasing of semiconductors and logistics.
- EBIT margin was 3.3 (4.6)%. EBIT margin, excluding share of income in JVs and associated companies, was 3.7 (7.1)%.
- Basic earnings per share was SEK 0.82 (0.66).
- Operating and investing cash flow was SEK 8.6 (11.2) bn.
- Volvo Cars supported the future growth of Polestar by providing financial support in the form of an 18-month term loan.
- Volvo Cars executed on its strategic ambitions with divestment of its shares in Aurobay to Geely Holding.
- Volvo Cars took full ownership of Zenseact.
- Retail sales decreased by 12% to 615.1 (698.7) thousand cars.
- Revenue increased by 17% to all-time high SEK 330.1 (282.0) bn, despite supply constraints, logistics issues and COVID-related lockdowns throughout the year.
- Operating income (EBIT) was SEK 22.3 (20.3) bn, negatively affected by cost increases from raw materials, spot purchasing of semiconductors and logistics, offset by positive mix effects and strong price realisation, as well as accounting effects from the listing of Polestar. Operating income excluding share of income in JVs and associates was SEK 17.9 (21.2) bn.
- EBIT margin was 6.8 (7.2)%. EBIT margin, excluding share of income from joint ventures and associates, was 5.4 (7.5)%.
- Basic earnings per share was SEK 5.23 (4.72).
- Operating and investing cash flow was SEK –6.1 (–4.9) bn, mainly impacted by strong EBITDA offset by working capital and shareholder loans to Aurobay.
- Average lifecycle CO₂ emissions per vehicle were reduced by 14.8% compared with the 2018 level. This is supporting our ambition to reach 40% reduction by 2025.
- The Board of Directors proposes that no dividend should be paid out. Volvo Cars will focus its resources on delivering transformation and profitable growth strategy.
- For 2023, Volvo Cars expect a solid double-digit growth in retail sales, provided there are no major supply disruptions. Volvo Cars intends to continue increasing its volumes for fully electric cars, taking the 2023 full year BEV share higher than 2022.

VOLVO CAR GROUP

| SEKbn unless otherwise stated | 3 Months | | | Full year | | |
|--|--------------|----------------------------|-----|-----------|--------------------|-----|
| | Oct-Dec 2022 | Oct-Dec 2021 ¹⁾ | Δ% | 2022 | 2021 ¹⁾ | Δ% |
| Retail sales, k units ²⁾ | 186.1 | 168.0 | 11 | 615.1 | 698.7 | -12 |
| Revenue | 105.2 | 80.1 | 31 | 330.1 | 282.0 | 17 |
| Research and development expenses ³⁾ | -2.5 | -3.2 | -20 | -11.5 | -12.7 | -9 |
| Operating income (EBIT) ⁴⁾ | 3.4 | 3.7 | -7 | 22.3 | 20.3 | 10 |
| EBIT excl. share of income in JVs and associates ⁴⁾ | 3.9 | 5.7 | -31 | 17.9 | 21.2 | -16 |
| Net income ³⁾ | 2.9 | 2.3 | 27 | 17.0 | 14.2 | 20 |
| Basic earnings per share, SEK ³⁾ | 0.82 | 0.66 | 26 | 5.23 | 4.72 | 11 |
| EBITDA ⁴⁾ | 7.5 | 7.4 | 1 | 38.4 | 35.3 | 9 |
| Cash flow from operating activities ⁴⁾ | 17.1 | 29.4 | -42 | 33.6 | 29.9 | 13 |
| Cash flow from investing activities ⁴⁾ | -8.5 | -18.2 | -53 | -39.7 | -34.7 | 14 |
| Net cash ⁴⁾ | 38.1 | 44.8 | -15 | 38.1 | 44.8 | -15 |
| Gross margin, % ⁴⁾ | 16.0 | 20.8 | -23 | 18.3 | 21.6 | -15 |
| EBIT margin, % ⁴⁾ | 3.3 | 4.6 | -29 | 6.8 | 7.2 | -6 |
| EBIT margin excl. share of income in JVs and associates, % ⁴⁾ | 3.7 | 7.1 | -48 | 5.4 | 7.5 | -28 |
| EBITDA margin, % ⁴⁾ | 7.1 | 9.3 | -23 | 11.6 | 12.5 | -7 |
| Return on invested capital, ROIC, % ⁴⁾⁵⁾ | N/A | N/A | N/A | 16.7 | 18.6 | -10 |

1) In 2022, there has been a change in the elimination of internal profit related to sale of digital services within the Group. The 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) Non-financial operating metric.

3) IFRS measure.

4) Non-IFRS measure (alternative performance measure), see Alternative performance measures on page 33.

5) Adjustments have been made to the calculated alternative performance measures presented for prior period. For more information, see Note 1 – Accounting policies.



2022: Accelerating our strategic journey and navigating challenges



2022 was a year filled with challenges for the global automotive industry. We faced a blend of interconnected headwinds, from rising inflation and higher interest rates to disruptions in supply chain and logistics. Prices of battery materials, especially lithium, saw a dramatic increase during the year which significantly increased production costs for fully electric vehicles. Further, the tragic war in Ukraine that started in February last year, in combination with energy costs, underlying inflation and the ongoing impacts of COVID-related lockdowns took a heavy toll on the global economy. The premium automotive industry, though less affected compared to the rest of the sector, was also caught by these headwinds.

For Volvo Cars, the prolonged supply constraints, lockdowns in China and the elevated material and logistics costs affected our performance. Despite that, we managed through the heavy turbulence and made significant progress on our strategic ambitions as we accelerated towards our aim to become a fully electric car company by the end of the decade and climate neutral by 2040. Already by mid-decade we aim to reach a 50 per cent global sales share of fully electric Volvo cars, with a 40 per cent lower carbon footprint per car and

profitability of 8–10 per cent. We remain steadfast on that strategic journey. The nimble organisational structure we put in place during the year further allows us to be fully focused on execution and transforming with clarity and speed.

In 2022, the performance of our fully electric cars stands out as a real highlight. Sales of our electric cars more than doubled compared to the previous year, resulting in ending the year with 11 per cent of sales attributed to EVs, compared to 4 per cent in 2021. This includes strong performance in our sales of EVs in the fourth quarter, reaching the highest point ever at 18 per cent, compared to 6 per cent in the same period last year. This is despite overall sales being affected by production constraints.

Our electrification strategy has been justified by the emerging industry trend. During the year, sales of fully electric cars across the industry increased 61 per cent whereas sales of internal combustion engine (ICE) cars declined 15 per cent*. In the same time frame, sales of fully electric Volvo cars grew 159 per cent, resulting in a significant growth in our market share in the fully electric segment.

“2023 will be a pivotal year as we further accelerate on that transformation path.”

One important milestone for the year was the global reveal of the all-electric Volvo EX90 in Stockholm. With this we took a decisive step towards the future. It is not only the safest Volvo car ever built, but its core computing architecture represents the technological transformation underway in our cars. Starting with the Volvo EX90, our next generation of fully electric cars, will be based on our new core compute

*The industry and market share numbers are for the January–November period. For more details, see page 7 of the report.

architecture, embedded with Volvo Cars' software. This will enable technology tailored for our customers' needs and protection, fortifying our position as a leading premium electric car brand.

During the year, we also became the first carmaker to fully exit the development and manufacturing of internal combustion engines with the decision to sell our remaining stake in the powertrain company Aurobay. With this strategic move, we can focus our investments and capital allocation on developing high performance fully electric powertrains.

In line with this, we took the decision to set up one of Europe's largest battery cell plants in a joint-venture company with Northvolt. We are also investing in developing e-motors and inverters in-house, along with our own unique battery management software. These concrete actions will take us closer to controlling the value chain of sustainable battery technology in our next generation of fully electric cars, towards reaching our 2030 ambition of selling only electric cars.

Another step we took towards our transformation was the announcement of our third European car plant in Slovakia. The new state-of-the-art manufacturing plant, that will build the company's next generation of pure electric cars, is designed to be a leader in sustainable and efficient premium electric car production.

In 2022, our strategic affiliate Polestar reached the important milestone of getting listed on the Nasdaq New York Stock Exchange, despite the volatile capital markets. This marks an important proof point in our ambition to establish Polestar as a standalone brand and allows for an accelerated technology development and value creation for the two com-

panies that can operate synergistically in the expanding EV market.

Financial Performance

In 2022, our revenues reached 330.1 bn SEK, up 17 per cent compared to the previous year. This is the highest ever revenue recorded in the history of our company, despite total retail sales volumes during the year declining 12 per cent compared to the same period last year. The all-time high revenues achieved were due to better product mix, higher price realisation on our cars, foreign exchange tailwinds and contract manufacturing with Polestar.

In 2022, EBIT, excluding JVs and associates, reached 17.9 bn SEK, down 15.7 per cent compared to 2021. The EBIT margin during the year stood at 5.4 per cent. Despite a favourable product mix and strong pricing, the EBIT performance was affected due to lower volumes on the back of production constraints, increased raw material and freight costs and spot-buying of semi-conductors. For the duration of 2023, we anticipate that raw material prices, especially lithium, will remain at elevated levels and spot-buying of semi-conductors will continue.

EBIT, including JVs and associates, came in at 22.3 bn SEK for the year, up 10 per cent compared to 2021. This translated into an EBIT margin of 6.8 per cent for the year. The higher EBIT for 2022 was mainly due to the accounting effect of Volvo Cars' shareholding in Polestar following their listing on the Nasdaq Stock Exchange in New York last year.

Manufacturing output improved in the second half of the year, particularly during the fourth quarter. For the last six months of the year, production increased by 15 per cent



compared to the first half of the year on the back of an improved supply situation.

The number of active subscriptions at the end of 2022 increased 49 per cent compared with last year. For the full year of 2022, the number of Volvo Cars sold online increased 17 per cent compared with 2021. This growth was driven by increasing customer demand in combination with a broadened offer in more markets.

The performance of our Recharge cars, which includes fully electric and plug-in hybrids, was strong with a share of 33 per cent for the year and 41 per cent during the fourth quarter. Of note was the performance of Brazil, Uruguay, Thailand and Indonesia during the last three months. These markets reached a Recharge sales share of 100 per cent in Q4, closely followed by Norway at 98 per cent, Ireland at 91 per cent and Sweden with 89 per cent.

The strong Recharge performance contributed to CO₂ reduction per car of up to 15 per cent in 2022 compared with our 2018 benchmark, supporting our mid-decade ambition of reducing CO₂ per car by 40 per cent.

2023

While 2023 looks to be another challenging year, we are hopeful that the COVID related supply shortages from China are behind us and that we continue to see steady improvement in the supply of semiconductors. In addition, we are optimistic that the price of lithium will start to decline towards the end of the year, in line with many of the independent reports recently published. Despite the global turbulence, uncertainty and our recent price increases, we continue to see healthy demand for our cars. As ever, we continue to closely monitor the external environment and adapt accordingly.

To help offset increased costs, we have recently reinforced a comprehensive cost and efficiency optimisation plan across the organisation. This is aimed at delivering on our strategic ambitions with better utilisation and optimisation of resources. It is clear now that uncertainty and volatility are the inescapable business realities of today and therefore creating a more cost aware culture is a key building block for the future.

So, if 2022 marked the acceleration of our strategic journey in the face of unprecedented global disruption, 2023 will be a pivotal year as we further accelerate on that transformation path. We will launch our new small fully-electric SUV during the year, which will take us to a new demographic, and start production of the Volvo EX90. This year, we will also transform UK from a traditional wholesale business to become direct consumer facing with seamless consumer experience and national pricing. NOVO Energy, our JV company with Northvolt, will take a crucial step towards developing sustainable battery technology with the start of construction of one of Europe's largest battery cell plants in Gothenburg.

We expect a solid double-digit growth in retail sales during this year, provided there are no unexpected supply chain disruptions. We intend to continue increasing our volumes for fully electric cars in 2023, taking the full year share higher than last year's share of 11 per cent.

In conclusion, we have demonstrated in 2022 that we have turned up our execution engine to deliver strong performance on fully electric cars with a double-digit share in volumes. We launched the Volvo EX90 on a new electric-only platform with industry leading LiDAR technology, exited investments in combustion engine technology to focus fully on developing high-performance electric powertrains, announced our JV with Northvolt in our efforts to control the future battery technology, increased direct sales and ensured the listing of Polestar.

This execution engine will continue to deliver in 2023.

Jim Rowan

President and CEO

Fastest transformer strategy progress

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

MID-DECADE AMBITIONS

- 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

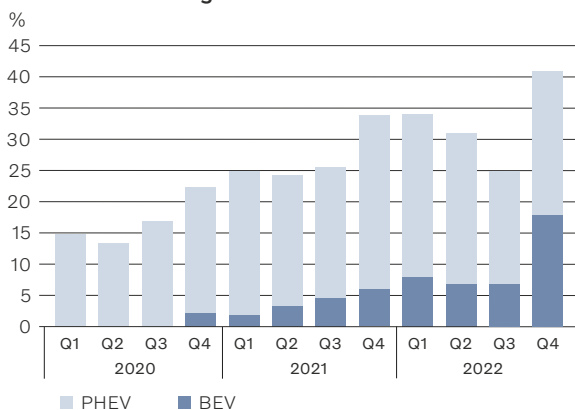
FAST GROWING PREMIUM BRAND

Market position

Our market share development was very strong in the prioritised fully electric segment, whereas our market share in the ICE and plug-in hybrid segments was down due to supply shortages as well as COVID-related shutdowns. Production started to improve already in the third quarter and continued in the fourth quarter leading to a record-high share of Recharge sales. Fully electric vehicles sales increased to 18% of total share from 6% in the same quarter last year and the Recharge sales increased to 41 (34)% of total share. Demand continues to be robust and as in previous quarters we continue to prioritise fully electric vehicles during the ongoing supply restraints.

In December, fully electric cars accounted for 21% of sales, the highest ever for the company. Brazil, Uruguay, Thailand and Indonesia all had 100% Recharge sales in the fourth quarter, closely followed by Norway 98%, Ireland 91%, Sweden 89%, Denmark 86% and Finland 84%.

Volvo Cars Recharge sales as share of total sales



Volvo Cars' market share per propulsion type^{1) 2)}

| | Jan–Nov 2022 | Jan–Nov 2021 |
|--------------------------|--------------|--------------|
| BEV | 0.83% | 0.55% |
| PHEV | 5.63% | 8.86% |
| ICE (incl. mild hybrids) | 0.83% | 0.90% |
| Total | 1.02% | 1.11% |

Total industry volume share and growth by propulsion type^{1) 2)}

| | Jan–Nov 2022 | Growth YoY |
|--------------------------|--------------|------------|
| BEV | 11.6% | 61.3% |
| PHEV | 4.0% | 29.3% |
| ICE (incl. mild hybrids) | 84% | –14.7% |
| Total | 100% | –8.5% |

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, January 2023. All rights reserved.

Sustainability

We are making good progress towards our ambition of reducing the average lifecycle CO₂-emissions per vehicle by 40% between 2018 and 2025. In 2022, we saw a 15% reduction since 2018.

In November, Volvo Cars launched its third fully electric vehicle, the Volvo EX90 SUV, which will be the first Volvo to be built on our all-electric platform. As well as having zero tailpipe emissions, the Volvo EX90 reflects our circular economy ambitions, with the highest level of recycled and bio-based plastics content of any Volvo to date (15%). In addition, the vehicle contains around 15% of recycled steel, as well as around 25% of recycled aluminium. The Volvo EX90 also has bi-directional charging capability enabling consumers to charge their car and use it for other purposes than driving, for instance household electricity.

We underlined our commitment to electrification at the UN Climate Conference (COP27) in Sharm El Sheikh, Egypt, by becoming a founding member of the Accelerating to Zero Coalition. The Coalition is dedicated to facilitating and increasing the pace of the transition to zero emission mobility. Members include manufacturers, fleet buyers, investors and suppliers, as well as cities, countries and regions. Its formation addresses the need for an international platform for global zero tailpipe emission vehicle (ZEV) leadership.

In Europe 2022, we reached an average CO₂ fleet tailpipe emission of 83 g/km, compared with our EU emission target for the same period of 132.7 g/km.

| CO ₂ -reduction per car ¹⁾ | CO ₂ -emissions per car (tonnes) | Reduction |
|--|---|-----------|
| 2018 | 54.9 t | — |
| 2022 Jan–Dec | 46.8 t | –14.8% |
| 2025 ambition | 32.9 t | –40% |
| 2040 ambition | 0 t | –100% |

1) Emissions data presented in the quarterly reports can differ from the annual report, due to updates in data and methodology that are implemented over time.

FULL ELECTRIFICATION

Volvo Cars divests Aurobay

On 8 November, it was announced that we are further delivering on our commitment to end our involvement with combustion engine development and production, by selling our shareholding in Aurobay to focus fully on electrification. By exiting Aurobay, we can focus and invest in the development of fully electric powertrains. During the transition period towards 2030, Aurobay will continue to supply Volvo Cars with engines for the hybrid and mild hybrid powertrain variants, as long as we sell those. The loan paid out to Aurobay during 2022 will be paid back in full during 2023.

BEV/Non-BEV profitability and share of investments

For the full year, our fully electric new car gross margin was affected by higher raw material costs, spot purchasing of semiconductors as well as higher logistics costs. Pricing actions have been taken to partly offset these effects, whereof the full pricing effects in EMEA are yet to materialise.

In the fourth quarter, positive effect was seen due to market mix, pricing, CO₂ credits and foreign exchange compared to the third quarter. This was partly offset by supplier claims mainly related to raw materials.

| | Oct–Dec 2022 | | | Full year 2022 | | |
|--|--------------|---------|---------|----------------|---------|---------|
| | BEV | Non-BEV | | BEV | Non-BEV | |
| Retail sales (k units) | 34 | 152 | | 67 | 548 | |
| Revenue per Car (SEKk/unit) ¹⁾ | 458 | 434 | | 449 | 415 | |
| Gross Income per Car (SEKk/unit) ¹⁾ | 29 | 96 | | 37 | 89 | |
| Gross Margin (%) | 6 | 22 | | 8 | 21 | |
| | BEV | Non-BEV | Com-mon | BEV | Non-BEV | Com-mon |
| Share of Investing Cash Flow (%) ²⁾ | 75 | 3 | 22 | 68 | 6 | 26 |

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

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

A LEADER IN NEW TECHNOLOGY

Over the Air (OTA) Update

We have achieved a milestone of over one million installations to Volvo cars through OTA updates in markets across the globe and the rollout continues. Our latest update includes many features such as: the ability to issue voice commands through Google Assistant-enabled devices allowing drivers to warm up their car and amongst other abilities in the US market, launching a wider introduction of our Care Key technology, bringing integrated connectivity in additional markets and various updates and stability improvements. The total number of markets covered by the update has increased to 68, which constitutes more than half of all markets globally in which over 95% of Volvo cars are sold. No less than 22 new markets have been added to the scope since our last OTA update.

Stockholm Tech Hub

The inauguration of our latest tech hub took place in Stockholm on 8 December. As previously announced, we now have tech hubs in Bangalore (India), Lund and Stockholm (Sweden). Our tech hubs have been selected for strategically important locations as a mean to attract talent, tap into the competence pools of software engineering, data science and digital competence.

DIRECT CONSUMER RELATIONS

The number of cars sold online amounted to 10 (9)% of sales in the markets where it is launched. Demand remains robust. Other sales channels were prioritised due to a backlog of order books.

FASTEST TRANSFORMER WAY OF WORKING

New Head of R&D

On 5 December it was announced that Anders Bell will take on the role as Head of R&D. Anders brings nearly 25 years of engineering experience in the automotive sector into our Engineering and Operations team, with many of those years spent within Volvo Cars, and the last six years at Tesla. Anders started his new position on 16 December and is a part of the group management team.

Zenseact now 100% owned by Volvo Cars

We have taken full ownership of the autonomous driving (AD) and advanced driver-assistance system (ADAS) software company Zenseact. Prior to the transaction, we owned 86.5% of the company and ECARX the remaining share. This is a strategic step for us towards fully controlling the software going into our cars, supporting our strategic direction to be a leader in new technology. The safety and autonomous driving software developed by Zenseact and Volvo Cars' in-house team of developers will be a key differentiator for us. As a wholly-owned company, it will bring us even closer together and will increase the speed of execution.

Strategic transactions

The agreement to acquire the land and building for the Taizhou plant was closed on 6 January 2023 (see Note 7). The closing of the acquisition of additional equity in Chinese joint ventures (Daqing Volvo Car Manufacturing Co., Ltd and Shanghai Volvo Car Research and Development Co., Ltd) is delayed as authorities have not been accessible due to COVID-related lockdowns and is expected to happen in 2023.

Fourth quarter financial summary

SALES AND MARKET DEVELOPMENT

The global passenger car market improved year over year, driven by the gradual production and supply chain normalisation.

Volvo Cars retail sales increased by 11% compared with the fourth quarter of 2021, while BEV increased by 234% accounting for a record 18% of the total cars sold. Wholesale sales increased by 15% and the production volumes increased by 16%.

The strong retail sales were enabled by an improved production rate during the quarter. Apart from some minor disruptions in November, once again due to COVID-related lockdowns in China, Volvo Cars has seen a normalisation of the production in the quarter. During December, the lifted COVID-19 restrictions in China had a positive impact on the production run rate. December production marked as the strongest month ever with 72 (57) thousand cars produced.

The demand for Volvo's cars remained robust. For electrified cars, the demand was especially strong and continued to grow. With an improved production situation, BEV car sales reached a record 34.4 thousand units, accounting for 18% of the total cars sold. Recharge car sales were accounting for 41% of the total cars sold.

Europe

The total European car market increased by 15% and the traditional premium segment increased by 25% compared to quarter four last year. The region continued to have a backlog of orders waiting to be delivered.

Volvo Cars retail sales increased by 11% and the order intake remained robust. The size of the overall order book declined somewhat due to the stronger production and customer deliveries during the quarter. Recharge sales accounted for two thirds of cars sold at 67 (53)%, whereof BEV sales accounted for 31 (9)% of retail sales.

China

The total Chinese passenger car market increased by 1%, while the traditional premium segment increased by 11%. Sales were impacted by the lockdowns again in October and November and have bounced back since December with the lifted COVID-19 restrictions.

Volvo Cars retail sales increased by 14%. Recharge share of total Chinese retail sales accounted for 9 (12)%, whereof BEV sales contributed to 2 (1)% of retail sales.

US

The total US car market increased by 9%. The traditional premium segment increased by 15%. The continued imbalance between supply and demand kept the new car prices high and discounts low.

Volvo Cars' retail sales increased by 11%. Recharge share accounted for 28 (25)% in the quarter. BEV share of sales contributed to 10 (7)% of retail sales.

Other

Retail sales in other markets increased by 4%. The largest markets were Korea, Japan and Turkey, which reported increase of 29%, 4% and 30% respectively. Recharge share of total sales in other markets was 33 (25)%, whereof BEV sales contributed to 17 (4)%.

Sales development per carline

Volvo Cars continued to steer its production towards electrified models. The SUVs increased their share to 80 (75)% of total sales, driven by the two BEV models, the C40 and the XC40. The Sedan and Wagons' share of total sales decreased to 13 (14)% and 7 (11)% respectively. The XC60 remained the best-selling model.

| Retail sales (k units) | 3 Months | | | Full year | | |
|---------------------------------|--------------|--------------|-----------|--------------|--------------|------------|
| | Oct-Dec 2022 | Oct-Dec 2021 | Δ% | 2022 | 2021 | Δ% |
| Europe | 81.4 | 73.1 | 11 | 247.4 | 293.5 | -16 |
| China | 44.6 | 39.1 | 14 | 162.3 | 171.7 | -5 |
| US | 29.8 | 26.8 | 11 | 102.0 | 122.2 | -16 |
| Other | 30.3 | 29.1 | 4 | 103.3 | 111.4 | -7 |
| Retail sales total | 186.1 | 168.0 | 11 | 615.1 | 698.7 | -12 |
| Recharge line-up vehicles | 76.8 | 57.1 | 34 | 205.4 | 189.2 | 9 |
| whereof BEV vehicles | 34.4 | 10.3 | 234 | 66.7 | 25.7 | 159 |
| Recharge line-up share of sales | 41% | 34% | | 33% | 27% | |
| whereof BEV share of sales | 18% | 6% | | 11% | 4% | |
| Wholesales | 194.3 | 169.2 | 15 | 631.7 | 654.4 | -3 |
| Production volume | 202.3 | 174.8 | 16 | 648.9 | 642.0 | 1 |



| Top 10 Retail sales by market (k units) | 3 Months | | | Full year | | |
|--|-----------------|-----------------|-----|-----------|-------|-----|
| | Oct-Dec 2022 | Oct-Dec 2021 | Δ% | 2022 | 2021 | Δ% |
| China | 44.6 | 39.1 | 14 | 162.3 | 171.7 | -5 |
| US | 29.8 | 26.8 | 11 | 102.0 | 122.2 | -16 |
| Sweden | 18.1 | 11.0 | 64 | 45.7 | 47.8 | -4 |
| Germany | 12.5 | 12.4 | 1 | 35.8 | 43.8 | -18 |
| UK | 10.5 | 11.9 | -12 | 36.5 | 48.3 | -24 |
| Norway | 5.4 | 3.3 | 65 | 11.1 | 13.6 | -18 |
| Italy | 5.1 | 4.0 | 25 | 16.0 | 19.8 | -19 |
| Korea | 5.0 | 3.9 | 29 | 14.4 | 15.1 | -4 |
| Japan | 4.4 | 4.2 | 4 | 16.2 | 16.6 | -3 |
| France | 4.1 | 5.4 | -24 | 13.7 | 18.9 | -27 |

| Retail sales by model (k units) | 3 Months | | | Full year | | |
|---------------------------------|-----------------|-----------------|-----------|--------------|--------------|------------|
| | Oct-Dec 2022 | Oct-Dec 2021 | Δ% | 2022 | 2021 | Δ% |
| XC40 BEV | 21.4 | 9.1 | 135 | 42.5 | 24.5 | 73 |
| C40 BEV | 12.9 | 1.2 | 983 | 24.2 | 1.2 | 1924 |
| XC60 | 54.1 | 53.0 | 2 | 195.4 | 215.6 | -9 |
| XC40 ICE/PHEV | 34.2 | 35.0 | -2 | 126.7 | 176.5 | -28 |
| XC90 | 25.4 | 27.8 | -9 | 97.1 | 108.2 | -10 |
| S90 | 13.6 | 10.3 | 33 | 42.9 | 46.6 | -8 |
| S60 | 10.5 | 13.1 | -20 | 39.5 | 49.3 | -20 |
| V60 | 10.3 | 13.6 | -25 | 32.1 | 56.1 | -43 |
| V90 | 3.7 | 4.9 | -24 | 14.7 | 20.7 | -29 |
| Total | 186.1 | 168.0 | 11 | 615.1 | 698.7 | -12 |

V60 and V90 include the cross-country versions.

INCOME AND RESULT

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

Volvo Cars' revenue amounted to SEK 105.2 (80.1) bn with an increase of 31% mainly due to increased volume, positive mix and price increases, contract manufacturing and foreign exchange rate effects. The mix and price effects contributed with SEK 2.8 bn and revenue from contract manufacturing increased by SEK 5.6 bn. The foreign exchange rate effect, including hedges, had a positive effect on revenue of SEK 7.9 bn. Wholesale volumes increased by 15% to 194.3 (169.2) thousand cars.

Gross income increased by 1% to SEK 16.8 (16.7) bn, resulting in a gross margin of 16.0 (20.8)%. The decrease in gross margin was mainly due to higher costs for raw materials, spot purchasing of semiconductors, higher logistics costs as well as third party contract manufacturing. Further, a higher share of fully electric car mix was also 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 –6.5 bn. The net effect of foreign exchange rates including hedges in gross income was positive and amounted to SEK 1.4 bn.

Research and development expenses decreased by 20% to SEK –2.5 (–3.2) bn due to increased capitalisation as more projects have reached the capitalisation phase. For details regarding research and development expenses, see the Research and development table on page 12.

Administrative expenses increased by 14% to SEK –3.1 (–2.7) bn, mainly due to increased expenses related to digital development.

Selling expenses increased by 26% to SEK –6.7 (–5.3) bn, mainly as an effect of increased spending related to marketing.

Other operating income and expenses decreased to SEK –0.5 (0.2) bn mainly due to negative exchange rate effects from the valuation of operating assets and liabilities.

Share of income in joint ventures and associates increased to SEK –0.4 (–2.0) bn, however the comparative period was negatively affected by the change in accounting treatment of deferred tax in Polestar.

Operating income (EBIT) decreased to SEK 3.4 (3.7) bn, resulting in an EBIT margin of 3.3 (4.6)%. Excluding share of income in joint ventures and associates, EBIT decreased to SEK 3.9 (5.7) bn, corresponding to a margin of 3.7 (7.1)%. The exchange rate effects including hedges had a negative effect on EBIT of SEK –0.6 bn. See the table below.

Net financial items amounted to SEK –0.3 (–0.0) bn, mainly driven by the market revaluation of the investment in Luminar based on the current share price.

The effective tax rate decreased to 8.3 (38.8)%, mainly due to lower non-tax deductible losses linked to share of income in joint venture and associates, as well as recognised deferred tax assets on accumulated tax losses carried forward for Zenseact, which from December 2022 is a fully owned subsidiary. Net income was SEK 2.9 (2.3) bn and in relation to revenue it was 2.7 (2.8)%.

Basic earnings per share amounted to SEK 0.82 (0.66).

| Changes to Revenue, SEKbn | Oct–Dec |
|---------------------------|--------------|
| Revenue Q4 2021 | 80.1 |
| Volume | 10.2 |
| Sales mix and pricing | 2.8 |
| Sale of licences | –0.2 |
| Foreign exchange rates | 7.9 |
| Contract manufacturing | 5.6 |
| Other ¹⁾ | –1.2 |
| Revenue Q4 2022 | 105.2 |
| Change % | 31 |

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

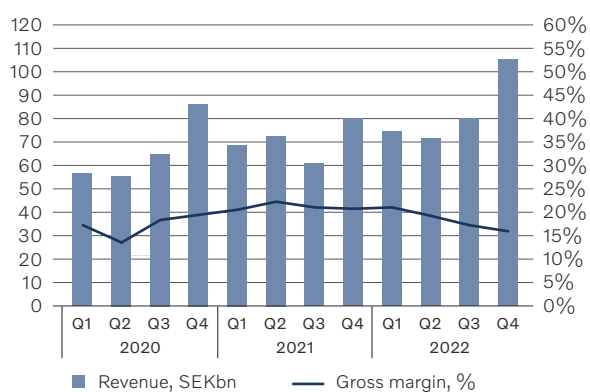
| Changes to Operating income, SEKbn | Oct–Dec |
|---------------------------------------|------------|
| EBIT Q4 2021 | 3.7 |
| Volume | 2.2 |
| Sales mix and pricing | 2.0 |
| Sale of licences | 0.2 |
| Government grants | 0.1 |
| Foreign exchange rates | –0.6 |
| Share of income in JVs and associates | 1.5 |
| Other ²⁾ | –5.7 |
| EBIT Q4 2022 | 3.4 |
| Change % | –7 |

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

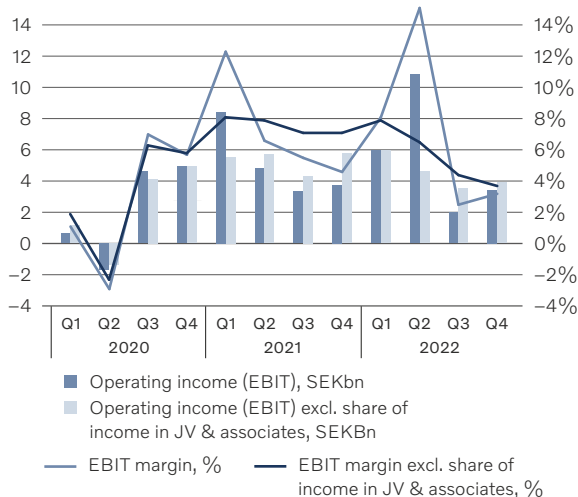
VOLVO CAR GROUP

| Research and development, SEKbn | 3 Months | | | Full year | | |
|--|--------------|--------------|------------|--------------|--------------|-----------|
| | Oct-Dec 2022 | Oct-Dec 2021 | Δ% | 2022 | 2021 | Δ% |
| Research and development spending | -5.9 | -5.7 | 7 | -22.1 | -19.0 | 16 |
| Capitalised development costs | 4.6 | 3.6 | 30 | 15.2 | 10.9 | 39 |
| Amortisation of research and development | -1.2 | -1.1 | 4 | -4.6 | -4.6 | -1 |
| Research and development expenses | -2.5 | -3.2 | -20 | -11.5 | -12.7 | -9 |

Revenue & Gross Margin



Operating Income & EBIT Margin



CASH FLOW

The presented figures refer to the consolidated figures for the fourth quarter 2022 unless otherwise stated. The comparative figures for the cash flow items refer to the consolidated cash flow statement for the fourth quarter 2021 unless otherwise stated. The comparative figures for the balance sheet items refer to the consolidated balance sheets of December 31, 2021 unless otherwise stated.

Total cash and cash equivalents, including marketable securities, decreased to SEK 67.2 (70.3) bn. Net cash decreased to SEK 38.1 (44.8) bn. Liquidity amounted to SEK 83.8 (83.6) bn, including undrawn credit facilities of SEK 16.7 (13.4) bn.

Cash flow from operating activities

Cash flow from operating activities decreased to SEK 17.1 (29.4) bn. This amount consists of operating income of SEK 3.4 (3.7) bn, adjusted for depreciation and amortisation of SEK 4.1 (3.7) bn, together with paid income tax of SEK –0.9 (–0.3) bn.

The change in working capital had a positive effect of SEK 10.7 (22.8) bn, mainly related to the production ramp-up. Change in inventory was SEK 1.2 (1.9) bn, due to increase in production and less production inventory. Accounts payable increased by SEK 13.5 (14.7) bn, mainly related to the increase in production and higher raw material prices. Cash-flow from accounts receivable decreased by SEK –4.7 (1.3) bn mainly caused by increase in sales volume.

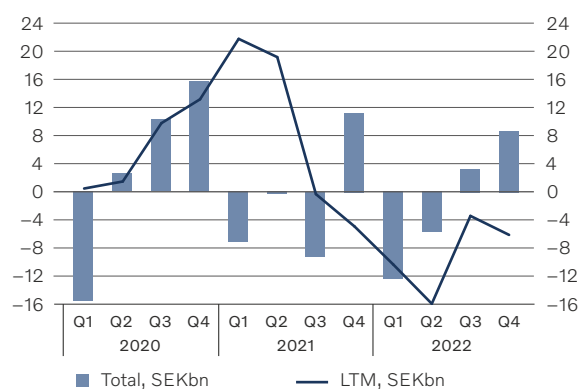
Cash flow from investing activities

Cash flow from investing activities amounted to SEK –8.5 (–18.2) bn. Cashflow from investments in tangible assets amounted to SEK –5.1 (–3.7) bn, mainly driven by the industrial structure to prepare for future products. Investments in intangible assets amounted to SEK –6.9 (–3.8) bn as a result of continuous investments in new and upcoming car models and new technology, such as electrification and autonomous driving. The net cashflow from investments and divestments in shares and participations amounted to SEK 0.4 (–10.6) bn, mainly due to divestment in Aurobay and investment in Zenseact. The loan to Aurobay of SEK –3.1 bn issued in third quarter, was reclassified in the fourth quarter from investing activities to operating activities, as a result of the divestment in Aurobay.

Cash flow from financing activities

Cash flow from financing activities amounted to SEK 5.1 (12.2) bn and was mainly related to change in marketable securities that amounted to SEK 5.5 (–2.9) bn. The net result of repayments to and proceeds from credit institutions amounted to SEK –0.2 (–4.2) bn, reflecting scheduled repayments and new borrowings. Change in repayments of interest-bearing liabilities amounted to SEK –0.5 (–0.4) bn.

Cash flow from Operating and investing activities



| Cash flow statement, SEKbn | 3 Months | | Full year | |
|--|--------------|--------------|-------------|-------------|
| | Oct–Dec 2022 | Oct–Dec 2021 | 2022 | 2021 |
| Cash flow from operating activities | 17.1 | 29.4 | 33.6 | 29.9 |
| Cash flow from investing activities | –8.5 | –18.2 | –39.7 | –34.7 |
| Cash flow from operating and investing activities | 8.6 | 11.2 | –6.1 | –4.9 |
| Cash flow from financing activities | 5.1 | 12.2 | 5.0 | 1.2 |
| Cash flow for the period | 13.7 | 23.5 | –1.1 | –3.7 |

Full year 2022

SALES AND MARKET DEVELOPMENT 2022

Despite an encouraging quarter four, the global passenger car market continued to be impacted by supply constraints in 2022. China and Europe declined by 3% and 5% respectively. The US declined by 8%. Since 2020, global automotive production has been at sub-optimised levels not fully meeting customer demand, due to production constraints. 2022 marked as the third year of production constraints due to continued semiconductor shortages and the COVID-19 restrictions in China. The strong demand in combination with limitations on the supply, continued to support positive price realisations and mix effects. 2022 was also a year of record growth in electrified cars. The development, fueled by EV incentives and tax benefits, was mainly from increasing customer demand.

Volvo Cars' production was constrained due to semiconductor shortages and COVID-related lockdowns in China. The demand for Volvo Cars' products during the year was higher than the production pace leading to low inventories and a high order book. The production volumes only increased by 1% compared to 2021, but decreased by 1% compared to 2020. As a result, retail sales decreased by 12%, wholesales decreased by 3% compared to 2021.

Volvo Cars also strongly increased the sales of BEV cars growing 159% compared to 2021, reaching 11 (4)% share of total sales. Total recharge cars share reached 33 (27)% of total sales.

INCOME AND RESULT

Revenue increased by 17% to SEK 330.1 (282.0) bn, supported by mix effects, price development effects, contract manufacturing, and the foreign exchange rate effect including hedges. Wholesale volumes decreased by 3% to 631.7 (654.4) thousand cars, mainly affected by the supply chain constraints.

Gross income amounted to SEK 60.3 (60.8) bn, resulting in a gross margin of 18.3 (21.6)% with a decrease mainly due to increased raw material prices and logistics costs as well as higher cost for spot purchasing of semiconductors but also effects from contract manufacturing with a somewhat lower margin than wholesale. The gross margin was supported by positive mix effects and strong price realisation as well as positive foreign exchange rate effect including hedges.

Operating Income (EBIT) increased to SEK 22.3 (20.3) bn, resulting in an EBIT margin of 6.8 (7.2)% supported by the de-SPAC listing of Polestar in second quarter with a net effect amounting to SEK 5.9 bn. However, comparable figures was also supported by the valuation effect from the private placement in Polestar of SEK 2.0 bn and the dividend from Zenuity of SEK 1.2 bn. Excluding share of income in joint ventures and associates, EBIT decreased to SEK 17.9 (21.2) bn, corresponding to a margin of 5.4 (7.5)%. The exchange rate effects including hedges had a positive effect in EBIT of SEK 0.8 bn.

Net financial items amounted to SEK -1.5 (-1.5) bn. The effective tax rate decreased to 18.3 (24.4)%. Net income was SEK 17.0 (14.2) bn and was in relation to revenue 5.2 (5.0)%. Basic earnings per share amounted to SEK 5.23 (4.72).

| Items affecting comparability, SEKbn | Full year 2022 | Full year 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) | Full year |
|----------------------------|--------------|
| Revenue in 2021 | 282.0 |
| Volume | -3.1 |
| Sales mix and pricing | 15.2 |
| Sale of licences | -0.6 |
| Foreign exchange rates | 21.8 |
| Contract manufacturing | 17.7 |
| Other ¹⁾ | -2.9 |
| Revenue 2022 | 330.1 |
| Change % | 17 |

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

| Changes to Operating income (SEKbn) | Full year |
|---|-------------|
| EBIT in 2021 | 20.3 |
| Volume | — |
| Sales mix and pricing | 9.2 |
| Government grants | 0.1 |
| Sale of licences | -0.1 |
| Foreign exchange rates | 0.8 |
| Share of income in JVs and associates ²⁾ | 5.4 |
| Items affecting comparability – Volvo Cars operations | — |
| Other ³⁾ | -13.4 |
| EBIT 2022 | 22.3 |
| Change % | 10 |

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

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

CASH FLOW

Total cash and cash equivalents, including marketable securities, decreased to SEK 67.2 (70.3) bn. Net cash decreased to SEK 38.1 (44.8) bn. Liquidity amounted to SEK 83.8 (83.6) bn, including undrawn credit facilities of SEK 16.7 (13.4) bn.

Cash flow from operating activities was positive and amounted to SEK 33.6 (29.9) bn, mainly due to the positive development in price and sales mix. Working capital was positive and amounted to SEK 6.5 (–1.6) 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 –39.7 (–34.7) bn, mainly due to the investments in intangible assets as a result in new and upcoming car models and new technology, together with the investments in Polestar convertible preference shares in connection to the listing process, as well as divestment of the remaining shares in Aurobay.

Cash flow from financing activities was positive and amounted to SEK 5.0 (1.2) bn, mainly related to change in marketable securities.

EQUITY

Total equity increased to SEK 117.3 (94.5) bn, resulting in an equity ratio of 35.4 (33.4)%. The change is mainly attributable to the positive net income of SEK 17.0 bn and positive effect in other comprehensive income of SEK 8.7 bn, offset by divestment of non-controlling interest SEK –1.2 bn, divestment under common control SEK –1.0 bn and dividend to non-controlling interest 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 3.3 bn (net of tax) and remeasurements of provisions for post-employment benefits of SEK 3.6 bn (net of tax) and change in cash flow hedge reserve from unrealised hedge contracts of SEK 1.8 bn (net of tax), whereof hedge contracts recycled to the income statement amounted to SEK 1.6 bn. The change in value of cash flow hedge is mainly due to contract prices being higher than the market prices.

EMPLOYEES

In 2022, Volvo Car Group employed 43.2 (40.9) thousand full-time employees (FTEs) and 4.2 (3.8) thousand agency personnel. The increase was mainly due to the acquisition of Taizhou plant being consolidated and new recruitment to support the transformation.

Other Information

PARENT COMPANY

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

RISKS AND UNCERTAINTY FACTORS

To ensure that Volvo Cars is able to achieve short- and long-term objectives, enterprise risk management is part of daily activities at Volvo Cars. For a more in-depth description of risks related to Volvo Cars, see the Volvo Car Group 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, which resulted in higher production costs and carried risks of further production disruptions.

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

COVID-19

The COVID-19 pandemic continued to have an impact on people's lives around the world. In China, varieties of lockdowns were in place during 2022, causing impacts on production, sales and supply chain. Since December, the lifted COVID-19 restrictions in China had a positive impact on pro-

duction run rate. Given the uncertain development of the pandemic, Volvo Cars remains cautious and diligently monitor the development.

Macro uncertainty

The uncertain macro environment remains, including high inflation, rising interest rates, raw material price volatility and ongoing geopolitical crisis. The uncertainties in the financial markets are still high. We have also seen increasing risks of potential impact on demand from lower consumer confidence.

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 during 2022, without significant financial effects. In 2022 Volvo Cars sold 1,738 (9,309) cars in Russia, corresponding to 0.3 (1.3)% of global sales. The company has not shipped any cars to Russia after the Russian invasion of Ukraine. Volvo Cars sold 577 (1,184) cars in Ukraine, corresponding to 0.1 (0.2)% of global sales.



Consolidated Income Statements

| SEKm | Note | Oct-Dec 2022 | Oct-Dec 2021 ¹⁾ | Full year 2022 | Full year 2021 ¹⁾ |
|---|------|-----------------|-------------------------------|-------------------|---------------------------------|
| Revenue | 2 | 105,247 | 80,076 | 330,145 | 282,045 |
| Cost of sales | | -88,442 | -63,413 | -269,813 | -221,254 |
| Gross income | | 16,805 | 16,663 | 60,332 | 60,791 |
| Research and development expenses | | -2,549 | -3,182 | -11,514 | -12,714 |
| Selling expenses | | -6,735 | -5,331 | -21,000 | -18,796 |
| Administrative expenses | | -3,050 | -2,678 | -11,485 | -9,698 |
| Other operating income and expenses ²⁾ | | -584 | 196 | 1,556 | 1,643 |
| Share of income in joint ventures and associates | | -444 | -1,960 | 4,443 | -951 |
| Operating income | | 3,443 | 3,708 | 22,332 | 20,275 |
| Interest income and similar credits ²⁾ | | 337 | 163 | 852 | 600 |
| Interest expenses and similar charges ²⁾ | | -228 | -215 | -837 | -1,057 |
| Other financial income and expenses ²⁾ | 3 | -436 | 35 | -1,532 | -1,058 |
| Income before tax | | 3,116 | 3,691 | 20,815 | 18,760 |
| Income tax | | -259 | -1,433 | -3,812 | -4,583 |
| Net income | | 2,857 | 2,258 | 17,003 | 14,177 |
| Net income attributable to | | | | | |
| Owners of the parent company | | 2,456 | 2,115 | 15,577 | 12,546 |
| Non-controlling interests | | 401 | 143 | 1,426 | 1,631 |
| Basic earnings per share (SEK) | 6 | 0.82 | 0.66 | 5.23 | 4.72 |
| Diluted earnings per share (SEK) | 6 | 0.82 | 0.66 | 5.23 | 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.

2) In fourth quarter 2022, Volvo Cars changed the presentation of Other operating income and Other operating expenses as well as Financial income and Financial expenses. See Note 1 - Accounting policies, for further information.

Consolidated Comprehensive Income

| SEKm | Oct-Dec 2022 | Oct-Dec 2021 | Full year 2022 | Full year 2021 |
|---|-----------------|-----------------|-------------------|-------------------|
| Net income for the period | 2,857 | 2,258 | 17,003 | 14,177 |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to income statement:</i> | | | | |
| Remeasurements of provisions for post-employment benefits | -957 | 562 | 4,560 | 3,123 |
| Tax on items that will not be reclassified to income statement | 180 | -133 | -998 | -669 |
| <i>Items that have been or may be reclassified subsequently to income statement:</i> | | | | |
| Translation difference on foreign operations | -1,206 | 1,529 | 3,872 | 4,375 |
| Translation difference of hedge instruments of net investments in foreign operations | -51 | -103 | -710 | -265 |
| Change in fair value of cash flow hedge related to currency and commodity price risks | 3,451 | -1,069 | 732 | -2,641 |
| Currency and commodity risk hedge contracts recycled to income statement | -229 | 3 | 1,557 | 326 |
| Tax on items that have been or may be reclassified to income statement | -646 | 237 | -319 | 526 |
| Other comprehensive income, net of income tax | 542 | 1,026 | 8,694 | 4,775 |
| Total comprehensive income for the period | 3,399 | 3,284 | 25,697 | 18,952 |
| Total comprehensive income attributable to | | | | |
| Owners of the parent company | 3,198 | 2,964 | 24,150 | 16,320 |
| Non-controlling interests | 201 | 320 | 1,547 | 2,632 |
| | 3,399 | 3,284 | 25,697 | 18,952 |

Consolidated Balance Sheets

| SEKm | Note | 31 Dec 2022 | 31 Dec 2021 |
|---|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | 56,994 | 43,840 |
| Tangible assets ¹⁾ | | 77,252 | 71,415 |
| Investments in joint ventures and associates | 4 | 15,599 | 6,931 |
| Other long-term securities holdings | 3 | 4,353 | 1,765 |
| Deferred tax assets | | 9,131 | 7,367 |
| Other non-current interest-bearing receivables | | 3,354 | 5,046 |
| Non-current derivative assets | 3 | 1,128 | 169 |
| Other non-current assets | | 3,994 | 4,863 |
| Total non-current assets | | 171,805 | 141,396 |
| Current assets | | | |
| Inventories | | 46,951 | 36,603 |
| Accounts receivable | 4 | 25,239 | 18,553 |
| Current tax assets | | 1,763 | 951 |
| Current derivative assets | 3 | 1,769 | 824 |
| Other current assets ¹⁾ | | 16,239 | 10,860 |
| Marketable securities | 3 | 3,415 | 7,996 |
| Cash and cash equivalents | 3 | 63,743 | 62,265 |
| Assets held for sale | | — | 3,910 |
| Total current assets | | 159,119 | 141,962 |
| TOTAL ASSETS | | 330,924 | 283,358 |
| EQUITY & LIABILITIES | | | |
| Equity | | | |
| Equity attributable to owners of the parent company ¹⁾ | | 113,947 | 90,185 |
| Non-controlling interests ¹⁾ | | 3,331 | 4,327 |
| Total equity | | 117,278 | 94,512 |
| Non-current liabilities | | | |
| Provisions for post-employment benefits | | 6,883 | 11,961 |
| Deferred tax liabilities | | 5,392 | 2,340 |
| Other non-current provisions | | 8,398 | 8,623 |
| Non-current liabilities to credit institutions | 3 | 3,096 | 2,543 |
| Non-current bonds | 3 | 22,959 | 18,401 |
| Non-current contract liabilities to customers | | 7,144 | 6,967 |
| Other non-current interest-bearing liabilities | | 4,845 | 5,509 |
| Non-current derivative liabilities | 3 | 825 | 348 |
| Other non-current liabilities | | 4,726 | 6,039 |
| Total non-current liabilities | | 64,268 | 62,731 |
| Current liabilities | | | |
| Current provisions | | 9,051 | 8,607 |
| Current liabilities to credit institutions | 3 | 755 | 4,471 |
| Current bonds | 3 | 2,000 | — |
| Current contract liabilities to customers | | 26,094 | 22,929 |
| Accounts payable | 4 | 68,913 | 48,283 |
| Current tax liabilities | | 1,566 | 1,402 |
| Other current interest-bearing liabilities | | 1,500 | 1,462 |
| Current derivative liabilities | 3 | 1,809 | 2,312 |
| Other current liabilities | 4 | 37,690 | 34,524 |
| Liabilities held for sale | | — | 2,125 |
| Total current liabilities | | 149,378 | 126,115 |
| TOTAL EQUITY & LIABILITIES | | 330,924 | 283,358 |

1) Adjustments have been made to the prior period presented. For more information see Note 1 – Accounting policies.

Consolidated Statement of Changes in Equity

| SEKm | 31 Dec 2022 | 31 Dec 2021 |
|---|----------------|----------------|
| Opening balance (as previously reported) | 94,978 | 70,418 |
| Correction of prior period error ¹⁾ | -466 | -466 |
| Effect of hyperinflation ²⁾ | 49 | — |
| Opening balance (restated) | 94,561 | 69,952 |
| Net income for the period | 17,003 | 14,177 |
| Other comprehensive income, net of income tax | 8,694 | 4,775 |
| Total comprehensive income | 25,697 | 18,952 |
| Transactions with owners | | |
| Capital contribution from non-controlling interests ³⁾ | 17 | 1,267 |
| Divestment of non-controlling interests ⁴⁾ | -1,196 | -65 |
| Business combination under common control ⁵⁾ | — | 82 |
| Divestment under common control ⁶⁾ | -978 | — |
| Redemption of preference shares | — | -5,324 |
| New issue | -1 | 19,741 |
| Directed new issue to preference shareholders | — | 5,324 |
| Share-based payments | 24 | — |
| Dividend to shareholders ⁷⁾ | -846 | -15,417 |
| Transactions with owners | -2,980 | 5,608 |
| Closing balance | 117,278 | 94,512 |
| Attributable to | | |
| Owners of the parent company | 113,947 | 90,185 |
| Non-controlling interests | 3,331 | 4,327 |
| Closing balance | 117,278 | 94,512 |

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

2) For more information see Note 1 – Accounting policies in Volvo Car Group's interim report for the second quarter 2022.

3) Refers to the capital contribution from ECARX Technology Ltd to Haleytex AB SEK 17 (360) m and Zenseact SEK — (907) m.

4) Refers to the divestment of non-controlling interest in Zenseact AB SEK -1 196 (—) m and Bra Bil Sverige AB SEK — (-65) m.

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

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

7) 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 | Oct–Dec 2022 | Oct–Dec 2021 | Full year 2022 | Full year 2021 |
|--|-----------------|-----------------|-------------------|-------------------|
| OPERATING ACTIVITIES | | | | |
| Operating income | 3,443 | 3,708 | 22,332 | 20,275 |
| Depreciation and amortisation of non-current assets | 4,081 | 3,717 | 16,091 | 15,005 |
| Dividends received from joint ventures and associates | — | — | 72 | 1,991 |
| Interest and similar items received | 257 | 163 | 1,065 | 602 |
| Interest and similar items paid | –369 | –297 | –1,351 | –1,139 |
| Other financial items | 64 | –141 | 206 | –815 |
| Income tax paid | –884 | –282 | –4,223 | –3,673 |
| Adjustments for other non-cash items | –199 | –249 | –7,135 | –750 |
| | 6,393 | 6,619 | 27,057 | 31,496 |
| Movements in working capital | | | | |
| Change in inventories | 1,187 | 1,889 | –7,348 | 3,643 |
| Change in accounts receivable | –4,651 | 1,329 | –776 | 2,845 |
| Change in accounts payable | 13,544 | 14,684 | 18,533 | –3,328 |
| Change in provisions | 848 | 15 | –4,640 | –1,126 |
| Change in contract liabilities to customers | 2,953 | 3,427 | 5,941 | 2,239 |
| Change in other working capital assets/liabilities | –3,207 | 1,442 | –5,168 | –5,917 |
| Cash flow from movements in working capital | 10,674 | 22,786 | 6,542 | –1,644 |
| Cash flow from operating activities | 17,067 | 29,405 | 33,599 | 29,852 |
| INVESTING ACTIVITIES | | | | |
| Investments in shares and participations | –1,209 | –10,565 | –9,597 | –11,518 |
| Divestment in shares and participations | 1,574 | — | 2,290 | — |
| Capital repayments from shares and participations | — | — | — | 132 |
| Loans to affiliated companies ¹⁾ | 3,096 | — | — | — |
| Investments in intangible assets | –6,880 | –3,798 | –18,328 | –11,972 |
| Investments in tangible assets | –5,050 | –3,701 | –13,784 | –11,352 |
| Disposal of tangible assets | 68 | 50 | 161 | 123 |
| Other | –90 | –150 | –400 | –150 |
| Cash flow from investing activities | –8,491 | –18,164 | –39,658 | –34,737 |
| Cash flow from operating and investing activities | 8,576 | 11,241 | –6,059 | –4,885 |
| FINANCING ACTIVITIES | | | | |
| Proceeds from credit institutions | 9 | 2 | 1,040 | 1,579 |
| New share issue | — | — | — | 20,807 |
| Capital contribution from Non-controlling interest | — | 19,900 | — | 360 |
| Proceeds from bond issuance | — | — | 5,260 | — |
| Repayment of bond | — | –2,999 | — | –8,064 |
| Repayment of liabilities to credit institutions | –251 | –1,230 | –4,530 | –2,957 |
| Repayment of interest bearing liabilities | –510 | –385 | –1,711 | –1,450 |
| Dividends paid to shareholders and/or Non-controlling interest | — | –493 | –846 | –10,462 |
| Investments in marketable securities | –5,745 | –6,935 | –21,127 | –15,015 |
| Matured marketable securities | 11,234 | 4,064 | 26,157 | 15,475 |
| Other ²⁾ | 387 | 320 | 726 | 905 |
| Cash flow from financing activities | 5,124 | 12,244 | 4,969 | 1,178 |
| Cash flow for the period | 13,700 | 23,485 | –1,090 | –3,707 |
| Cash and cash equivalents at beginning of period | 50,348 | 36,403 | 62,265 | 61,592 |
| Exchange difference on cash and cash equivalents | –305 | 2,377 | 2,568 | 4,380 |
| Cash and cash equivalents at end of period | 63,743 | 62,265 | 63,743 | 62,265 |

1) In the fourth quarter, loan to Aurobay of SEK 3,096 m issued in the third quarter has been reclassified from Investing activities to Operating activities.

2) For Oct–Dec, Other is attributable to realised result from financial instruments of SEK 387 (323) m and change in Other non-current liabilities of SEK — (–3) m. For Jan–Dec, Other is attributable to realised result from financial instruments of SEK 1,058 (947) m and change in Other non-current liabilities of SEK –332 (–42) m.

Condensed Parent Company Income Statements

| SEKm | Oct-Dec 2022 | Oct-Dec 2021 | Full year 2022 | Full year 2021 |
|---|-----------------|-----------------|-------------------|-------------------|
| Administrative expenses | -7 | -14 | -27 | -26 |
| Operating income/loss | -7 | -14 | -27 | -26 |
| Interest income and similar credits ¹⁾ | 294 | 168 | 942 | 722 |
| Interest expenses and similar charges ¹⁾ | -192 | -143 | -640 | -645 |
| Other financial income and expenses ¹⁾²⁾ | 1,494 | 2,992 | 1,472 | 3,046 |
| Income before tax | 1,589 | 3,003 | 1,747 | 3,097 |
| Income tax | 921 | 53 | 889 | 58 |
| Net income | 2,510 | 3,056 | 2,636 | 3,155 |

1) In fourth quarter 2022, Volvo Cars changed the presentation of Other operating income and Other operating expenses as well as Financial income and Financial expenses. See Note 1 - Accounting policies, for further information.

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

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

Condensed Parent Company Balance Sheets

| SEKm | 31 Dec 2022 | 31 Dec 2021 |
|---------------------------------------|----------------|----------------|
| ASSETS | | |
| Non-current assets | 45,263 | 33,909 |
| Current assets | 22,234 | 22,488 |
| TOTAL ASSETS | 67,497 | 56,397 |
| EQUITY & LIABILITIES | | |
| Equity | | |
| Restricted equity | 61 | 61 |
| Non-restricted equity | 36,254 | 33,595 |
| Total equity | 36,315 | 33,656 |
| Non-current liabilities | 24,242 | 18,401 |
| Current liabilities | 6,940 | 4,340 |
| Total liabilities | 31,182 | 22,741 |
| TOTAL EQUITY & LIABILITIES | 67,497 | 56,397 |

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

NOTE 1 – Accounting policies

The interim report has been prepared in accordance with IAS 34 – Interim Financial Reporting and the Swedish Annual Accounts Act. The Volvo Car Group applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. The parent company applies RFR 2 – Reporting for legal entities and the Swedish Annual Accounts Act. The accounting policies 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 policies for Hyperinflation which can be found in Volvo Car Group's interim report for the second quarter and Emissions credits 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.

Correction of prior period error

A prior period error was identified with regards to the recognition of a government grant in China. Since the error occurred before 2021, the correction effects the opening balances of 2021. The below tables show the amounts of the correction for each financial statement line item affected for each prior period presented. Basic earnings and diluted earnings per share for 2020 has been recalculated to SEK 2.19 and SEK 2.19 due to the correction of error, previously reported as SEK 2.28 and SEK 2.28 respectively. There is no material impact on the Group's financial statements for the year ended 31 December 2021 or on the previously issued interim reports for 2022. The adjustments for 2020 presented below do however impact the outgoing balances of 2021 presented in the Consolidated Balance Sheets.

Consolidated Balance Sheets

| 31 December 2020 (SEKm) | Previously reported | Adjustments ³⁾ | Restated |
|---|---------------------|---------------------------|----------------|
| Tangible assets ¹⁾ | 61,943 | 512 | 62,455 |
| Total non-current assets | 123,479 | 512 | 123,991 |
| Other current assets ²⁾ | 9,412 | -978 | 8,434 |
| Total current assets | 138,833 | -978 | 137,855 |
| Total assets | 262,312 | -466 | 261,846 |
| Equity attributable to owners of the parent company | 59,412 | -233 | 59,179 |
| Non-controlling interests | 11,006 | -233 | 10,773 |
| Total equity | 70,418 | -466 | 69,952 |
| Total equity and liabilities | 262,312 | -466 | 261,846 |

Consolidated Income Statements

| 31 December 2020 (SEKm) | Previously reported | Adjustments ³⁾ | Restated |
|--|---------------------|---------------------------|---------------|
| Cost of sales | -216,813 | -67 | -216,880 |
| Gross income | 46,020 | -67 | 45,953 |
| Selling expenses | -15,710 | -387 | -16,097 |
| Administrative expenses | -8,539 | -26 | -8,565 |
| Operating income | 8,516 | -480 | 8,036 |
| Income before tax | 9,546 | -480 | 9,066 |
| Net income | 7,788 | -480 | 7,308 |
| Attributable to owners of the parent company | 5,834 | -240 | 5,594 |
| Non-controlling interests | 1,954 | -240 | 1,714 |

1) From 2021, Assets held under operating leases are reported as part of Tangible assets (previously called Property, plant and equipment).

2) In the annual report 2020, total amount of SEK 10,130 m was recognised as Other current assets, including Current derivative assets.

3) Difference between the total adjustment of SEK 480 m affecting Net income and the total adjustment of SEK 466 m affecting Total equity is a foreign exchange rate effect.

Emissions Credits

Volvo Cars recognises in revenue, income from government grants relating to emission credits earned during the period for exceeding the emissions targets in certain markets when the credits can be sold or consumed in the future and a fair value for the credits received can be determined. The earned credits are classified as inventories until they are either sold to a third-party or consumed in Volvo Cars operations. The initial value of emission credit inventories is based on the fair value on the date they are earned, and they are subsequently measured using the lower of cost and net realisable value principles. During 2022, revenue relating to earned emissions credits amounted to SEK 505 m, remaining in inventory at 31 December 2022.

NOTE 1 – Accounting policies – continued

Changes in presentation

From fourth quarter 2022, Volvo Cars has changed the presentation of Other operating income and Other operating expenses as well as Financial income and Financial expenses in the Consolidated Income Statements.

Other operating income and Other operating expenses are presented net on one line item. Presented in the previous manner, Other operating income and Other operating expenses in fourth quarter 2022 would amount to SEK 14 m and SEK –598 m respectively for the Group. Items presented within the line item are consistent with what has been previously disclosed in the Annual Report 2021, Note 6 – Other operating income and expenses.

Financial income and Financial expenses are presented as Interest income and similar credits, Interest expenses and similar charges and Other financial income and expenses. Presented in the previous manner, Financial income and Financial expenses in the fourth quarter 2022 would amount to SEK 284 m and SEK –611 m respectively for the Group.

Changes in inclusion of equity share in Polestar Automotive Holding Group

Due to the timing of receiving Polestar Automotive Holding Group's financial reporting, Volvo Cars lacks information to include 12 months actuals of Polestar Automotive Holding Group when applying the equity method. Therefore, the share of income incorporated in Volvo Cars' financial reports includes a forecast for the last quarter 2022.

NOTE 2 – Revenue

Revenue allocated to geographical regions:

| SEKm | Oct–Dec 2022 | Oct–Dec 2021 | Full year 2022 | Full year 2021 |
|--------------------------------|-----------------|-----------------|-------------------|-------------------|
| China | 18,390 | 16,553 | 70,924 | 63,526 |
| US | 21,602 | 14,840 | 62,070 | 52,015 |
| Europe | 47,986 | 36,141 | 144,150 | 121,027 |
| <i>of which Sweden</i> | <i>15,385</i> | <i>9,170</i> | <i>44,923</i> | <i>28,245</i> |
| <i>of which Germany</i> | <i>6,329</i> | <i>5,332</i> | <i>19,015</i> | <i>16,823</i> |
| <i>of which United Kingdom</i> | <i>5,623</i> | <i>4,604</i> | <i>16,159</i> | <i>15,610</i> |
| Other markets | 17,269 | 12,542 | 53,001 | 45,477 |
| <i>of which Japan</i> | <i>2,442</i> | <i>2,114</i> | <i>8,339</i> | <i>7,477</i> |
| <i>of which South Korea</i> | <i>2,217</i> | <i>1,542</i> | <i>6,024</i> | <i>5,893</i> |
| Total | 105,247 | 80,076 | 330,145 | 282,045 |

Revenue allocated to category:

| SEKm | Oct–Dec 2022 | Oct–Dec 2021 | Full year 2022 | Full year 2021 |
|--|-----------------|-----------------|-------------------|-------------------|
| Sales of new cars | 81,741 | 61,270 | 252,747 | 218,371 |
| Sales of used cars | 4,446 | 7,695 | 16,405 | 21,096 |
| Sales of parts and accessories | 8,432 | 6,849 | 30,778 | 25,983 |
| Revenue from subscription, leasing and rental business | 1,138 | 914 | 4,473 | 3,497 |
| Sales of licences and royalties | 118 | 1,502 | 887 | 2,670 |
| Contract manufacturing | 7,688 | 1,627 | 20,288 | 1,627 |
| Emissions credits | 505 | — | 505 | — |
| Other revenue | 1,179 | 219 | 4,062 | 8,801 |
| Total | 105,247 | 80,076 | 330,145 | 282,045 |

NOTE 3 – Fair value of financial instruments

The comparative figures for balance sheet items in the below note refer to 31 December 2021. Valuation and classification principles for Volvo Cars holding of 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.

The financial assets and liabilities presented in the Group's balance sheet, and are recognised at fair value through profit or loss, are the following:

- Derivatives, including warrants so far as these financial derivatives do not constitute a hedging instrument in a hedging relationship
- Holdings of equity investments, including earn-out rights
- Interest bearing instruments included issued bonds and commercial papers, see table 'Financial instruments recorded at fair value through the income statement' here below

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

- Level 1: Instruments are measured based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date, which in Volvo Cars case consist of equity instruments such as stocks and listed interest-bearing assets.
- Level 2: Instruments are measured based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly such as quotations or indirectly such as derived from quotations.
- 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 Dec 2022 (SEKm) | Level 1 | Level 2 | Level 3 | Total |
|---|------------|--------------|--------------|--------------|
| Derivative instruments for hedging of currency risk in future commercial cash flows | — | 2,178 | — | 2,178 |
| Derivative instruments for hedging of currency risk related to financial assets and liabilities | — | 285 | — | 285 |
| Derivative instruments for hedging of interest risk | — | — | — | — |
| Commodity derivatives | — | 434 | — | 434 |
| Commercial papers ¹⁾ | — | 1,760 | — | 1,760 |
| Other long-term securities holdings | 252 | — | 4,101 | 4,353 |
| Total assets | 252 | 4,657 | 4,101 | 9,010 |
| Derivative instruments for hedging of currency risk in future commercial cash flows | — | 1,822 | — | 1,822 |
| Derivative instruments for hedging of currency risk related to financial assets and liabilities | — | 11 | — | 11 |
| Derivative instruments for hedging of interest rate risk | — | 599 | — | 599 |
| Commodity derivatives | — | 202 | — | 202 |
| Total liabilities | — | 2,634 | — | 2,634 |

NOTE 3 – Fair value of financial instruments – continued

| 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 450 (1,860) m reported as marketable securities and SEK 1,310 (832) m reported as cash and cash equivalents.

Most derivative financial instruments and commercial papers that Volvo Car Group holds as of 31 December 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. Currency options are measured using the Garman and Kohlhagen model, an adaptation of Black-Scholes model. The total fair value of the level 2 financial derivative portfolio as of 31 December 2022 amounted to SEK 263 (–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 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| Nominal hedge % | 42 | 56 | 15 | 20 | 3 | — |
| CFaR incl. hedges % | 50 | 46 | 25 | 16 | 8 | — |

Amounts invested in other long-term securities holdings amounted to SEK 4,353 (1,765) m, with SEK 252 (750) m of the holdings categorised as level 1 financial instruments and SEK 4,101 (1,015) m as level 3.

Volvo Cars includes in the consolidated accounts so-called earn out rights related to Polestar that will accrue to the group if several criteria have been met during special time periods in the future. The fair value of the earn-out rights amounts to SEK 3,225 m. The valuation of these earn-out rights is made by using a Monte Carlo simulation. The simulation is based on a volatility of 80% and a risk-free interest rate of 4%. A change in volatility of +/-10 percentage points resulting in a value range of SEK 2,936 – 3,484 m. Furthermore, the risk-free interest rate flexed +/-2 percentage points, resulting in a value range of SEK 3,172 – 3,308 m with a volatility of 80%.

Other significant instruments within other long-term securities holdings classified as level 3 instruments consist of among other non-listed share warrants and earn-out rights 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 4,74% and 4,02%. Volatility of the underlying share price has been determined to 88%.

The fair value of share warrants and earn-out rights in the level 3 categorised financial instruments in Luminar as of 31 December 2022, amounted to SEK 108 (431) m and the financial impact of the same instruments recognised in the income statement is SEK –323 (–369) m. The share warrants are, as of 31 December 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 –822 (–901) m. There are also traditional holdings of equity instruments in Luminar which are listed, these holdings are categorised as level 1 financial instruments.

NOTE 3 – Fair value of financial instruments – continued

There are also other holdings of non-listed equity instruments and convertibles that are categorised as level 3 instruments. All of these holdings, which are managed by Volvo Tech Fund, are continuously valued at fair value and the changes in value are reported in the income statement.

A sensitivity analysis of level 3 share warrants is presented in the table below. The base valuation is based on an assumed volatility of 88% and a start value of SEK 108 m.

Sensitivity analysis for warrants (SEKm)

| Volatility | Likelihood of triggering event | | | | |
|------------|--------------------------------|-----|-----|-----|-----|
| | –10% | –5% | 0% | 5% | 10% |
| –10% | 89 | 95 | 102 | 108 | 115 |
| –5% | 91 | 98 | 105 | 111 | 118 |
| 88% | 94 | 101 | 108 | 114 | 121 |
| 5% | 96 | 103 | 110 | 117 | 124 |
| 10% | 98 | 106 | 113 | 120 | 127 |

Financial liabilities valued at amortised cost

| SEKm | 31 Dec 2022 | | 31 Dec 2021 | |
|--|-----------------|---------------|-----------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Bonds and liabilities to credit institutions | 28,810 | 27,390 | 25,415 | 26,362 |
| Total | 28,810 | 27,390 | 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 31 December 2022 is SEK 22,959 (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 31 December 2022, amounting to SEK –287 (—) 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 presented 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, contract manufacturing and purchases of components. Related parties include companies outside the Volvo Car Group, but within the Geely sphere of companies as well as other companies, such as associates and joint ventures. All transactions with related parties are performed at arm's length.

Significant events and agreements with related parties during the full year

- 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 newly established associated company Zhejiang Aurobay Powertrain Co., Ltd (Aurobay), China. During 2022, Volvo Cars (China) Investment Co., Ltd has made share capital and other capital contribution of SEK 1,696 m to Aurobay.
 - 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.
 - In November, Volvo Cars (China) Investment Co., Ltd and Zhejiang Geely Chantou Holding Co., Ltd signed an equity transfer agreement regarding Aurobay. The divestment transaction was closed on 30 December and Volvo Cars (China) Investment Co., Ltd entire shareholding of 33% in Aurobay was transferred to the acquirer Zhejiang Geely Chantou Holding Co., Ltd. The consideration amounted to SEK 1,528 m.
- As of 24 June, the Polestar Group was listed on the Nasdaq Stock Exchange in New York in a de-SPAC process through a 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 2022.
- In November, Volvo Cars signed a facility agreement with Polestar with the intention of providing them with a credit facility of USD 800 m. Polestar will be able to draw funds from this credit facility during a 18-month period. Any drawn funds (total loan) will be repaid by May 2024. The loan also includes an option for Volvo Cars to convert the loan to equity, if Polestar during the period chooses to finance the operations by issuing new shares. The potential conversion is also limited due to Volvo Cars' ownership in Polestar not being able to equal or exceed 50%. The convertible bond will be recognised as a long-term security holding or as an other current asset in the balance sheet depending on when Polestar draws funds. The convertible bond will be measured at fair value through profit or loss taking into consideration the conversion mechanism of the instrument.
- Polestar Automotive Holding Ltd (Hong Kong) made a contribution in kind to its shareholders regarding its shares in Polestar Automotive Holding UK PLC.
- In December, Volvo Cars acquired the remaining 13.5% of the shares in Zenseact AB from ECARX Technology Ltd and is now a wholly-owned company to Volvo Cars. Purchase consideration amounted to SEK 1,196 m.

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 966 (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 | Oct–Dec 2022 | Oct–Dec 2021 | Full year 2022 | Full year 2021 |
|---|-----------------|-----------------|-------------------|-------------------|
| Related companies ¹⁾²⁾ | 8,781 | 3,056 | 24,962 | 7,128 |
| Associated companies and joint ventures | 488 | 364 | 1,627 | 1,448 |

Purchases of goods, services and other

| SEKm | Oct–Dec 2022 | Oct–Dec 2021 | Full year 2022 | Full year 2021 |
|---|-----------------|-----------------|-------------------|-------------------|
| Related companies ¹⁾³⁾ | –8,792 | –5,028 | –26,202 | –12,665 |
| Associated companies and joint ventures | –1,412 | –518 | –2,701 | –1,815 |

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 Oct–Dec 2022 compared to same period previous year is mainly related to acquisition of the Taizhou plant and contract manufacturing.

3) Increase in Oct–Dec 2022 compared to same period previous year is mainly related to the separation of ICE powertrain operations and purchases from Viridi E-Mobility Technology (Ningbo) Co., Ltd.

NOTE 4 – Related party transactions – continued

| SEKm | Receivables | | Payables | |
|---|----------------|----------------|----------------|----------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| Related companies ¹⁾ | 21,043 | 18,626 | 13,414 | 4,758 |
| Associated companies and joint ventures | 1,377 | 991 | 466 | 499 |

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

Specification of significant transactions with related parties

The Polestar Group

Volvo Car Group recognised revenue from the Polestar Group of SEK 8,042 (2,268) m in the fourth quarter and SEK 21,837 (3,967) m for the full year. 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.

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 –3,404 (–2,870) m in the fourth quarter and SEK –10,930 (–5,039) m for the full year, 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 fourth quarter amounted to SEK –2,144 m and SEK –6,956 m for the full year and has been recognised as cost of sales.

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

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

Ningbo Fuhong Auto Sales Co., Ltd

Total revenue from sales of cars to Ningbo Fuhong Auto Sales Co., Ltd amounted to SEK 300 (149) m in the fourth quarter and SEK 1,545 (969) m for the full year.

Ningbo Geely Automobile Research&Development Co., Ltd

The purchase of research and development services from Ningbo Geely Automobile Research&Development Co., Ltd amounted to SEK –403 (–375) m in the fourth quarter and SEK –1,358 (–938) m for the full year, which mainly has been capitalised as intangible assets.

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

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

Zhejiang Geely Holding Group Co., Ltd

Total dividend of SEK 846 (9,691) m was distributed the shareholder Zhejiang Geely Holding Group Co., Ltd, whereof SEK 840 (9,199) m from the 50% owned Chinese subsidiary Daqing Volvo Car Manufacturing Co., Ltd. and SEK — (492) m related to the divested 50% owned Chinese subsidiary Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd.

NOTE 5 – Business combinations

Volvo Car Group has not made any acquisitions or divestments during the fourth quarter that have had a significant impact on the financial statements.

An acquisition analysis is preliminary until adopted which must take place within twelve months from the acquisition. The preliminary acquisition analysis previously recognised for Asia Euro Automobile Manufacturing (Taizhou) Co., Ltd. was adopted in 2022.

NOTE 6 – Earnings per share

| Basic earnings per share (SEKm) | Oct-Dec 2022 | Oct-Dec 2021 | Full year 2022 | Full year 2021 |
|---|-----------------|-----------------|-------------------|-------------------|
| Net income attributable to owners of the parent company | 2,456 | 2,115 | 15,577 | 12,546 |
| Preference share returns relating to the period | — | -266 | — | -360 |
| Net income attributable to owners of ordinary shares in the parent company | 2,456 | 1,849 | 15,577 | 12,186 |
| Weighted average number of ordinary shares outstanding, basic | 2,979,524,179 | 2,819,682,786 | 2,979,524,179 | 2,579,920,697 |
| Basic earnings per share (SEK) | 0.82 | 0.66 | 5.23 | 4.72 |

| Diluted earnings per share ¹⁾ (SEKm) | Oct-Dec 2022 | Oct-Dec 2021 | Full year 2022 | Full year 2021 |
|--|----------------------|----------------------|----------------------|----------------------|
| Net income in basic earnings per share | 2,456 | 1,849 | 15,577 | 12,186 |
| If preference shares had been converted, no preference yield had accrued | — | 266 | — | 360 |
| Net income in diluted earnings per share | 2,456 | 2,115 | 15,577 | 12,546 |
| Weighted average number of ordinary shares outstanding, basic | 2,979,524,179 | 2,819,682,786 | 2,979,524,179 | 2,579,920,697 |
| Dilutive effect for preference shares | — | 18,979,900 | — | 47,449,750 |
| Dilutive effect for share-based payment programmes | 187,268 | — | 47,186 | — |
| Weighted average number of ordinary shares outstanding, diluted | 2,979,711,447 | 2,838,662,686 | 2,979,571,365 | 2,627,370,447 |
| Diluted earnings per share (SEK) | 0.82 | 0.66 | 5.23 | 4.72 |

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. Full year 2021 and Oct-Dec 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

Taizhou Luqiao Jijin Automobile Manufacturing Co., Ltd

On 6 January 2023, Volvo Car Group, through one of its wholly-owned subsidiaries, Asia Euro Automobile Manufacturing (Taizhou) Co., Ltd. acquired 100% of the shares in Taizhou Luqiao Jijin Automobile Manufacturing Co., Ltd. The acquired company owns land and buildings related to the manufacturing plant in Luqiao, Taizhou, China. The purchase consideration amounted to SEK 2,865 m.

The section Risks and Uncertainty Factors on page 16 contains information on Volvo Cars' assessments of the global impact on the Group.

GENERAL DEFINITIONS

Volvo Cars and Volvo Car Group

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

Volvo Car AB (publ.), with its registered office in Gothenburg, Sweden, is a publicly listed company on the Nasdaq Stockholm Stock Exchange. The largest owner, holding 82 per cent of shares and capital, is Geely Sweden Holdings AB, owned by Shanghai Geely Zhaoyuan International Investment Co., Ltd., registered in Shanghai, China, and ultimately owned by Zhejiang Geely Holding Group Ltd., registered in Hangzhou, China.

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

Associated companies

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

Joint venture companies (JVs)

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

Retail sales

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

Wholesales

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

Europe

Europe is defined as EU+EFTA+UK.

Passenger cars

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

Traditional premium segment

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

Battery Electric Vehicles (BEV)

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

Non Battery Electric Vehicles (Non-BEV)

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

Electrified cars

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

Recharge cars / Recharge line-up

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

ICE

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

Agency personnel

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 | Oct–Dec 2022 | Oct–Dec 2021 ¹⁾ | Full year 2022 | Full year 2021 ¹⁾ |
|--|-----------------|-------------------------------|-------------------|---------------------------------|
| Revenue | 105,247 | 80,076 | 330,145 | 282,045 |
| Revenue per new car, BEV (SEKk) ²⁾ | 457.5 | ND ³⁾ | 448.8 | 430.2 |
| Revenue per new car, non-BEV (SEKk) ²⁾ | 434.4 | ND ³⁾ | 415.2 | 356.6 |
| Cost of sales | –88,442 | –63,413 | –269,813 | –221,254 |
| Research and development expenses | –2,549 | –3,182 | –11,514 | –12,714 |
| Operating income, EBIT | 3,443 | 3,708 | 22,332 | 20,275 |
| EBIT margin, excl. share of income in JVs & associates | 3,887 | 5,668 | 17,889 | 21,226 |
| Net income | 2,857 | 2,258 | 17,003 | 14,177 |
| EBITDA | 7,524 | 7,425 | 38,423 | 35,280 |
| Gross income per new car, BEV (SEKk) ²⁾ | 29.1 | ND ³⁾ | 36.8 | 57.3 |
| Gross income per new car, non-BEV (SEKk) ²⁾ | 96.4 | ND ³⁾ | 88.9 | 68.7 |
| Gross margin, % | 16.0 | 20.8 | 18.3 | 21.6 |
| Gross margin BEV, % ²⁾ | 6.4 | ND ³⁾ | 8.2 | 13.3 |
| Gross margin non-BEV, % ²⁾ | 22.2 | ND ³⁾ | 21.4 | 19.3 |
| EBIT margin, % | 3.3 | 4.6 | 6.8 | 7.2 |
| EBIT margin excl. share of income in JVs & associates, % | 3.7 | 7.1 | 5.4 | 7.5 |
| EBITDA margin, % | 7.1 | 9.3 | 11.6 | 12.5 |
| Equity ratio, % ⁴⁾ | 35.4 | 33.4 | 35.4 | 33.4 |
| Net cash | 38,061 | 44,846 | 38,061 | 44,846 |
| Share of investing cash flow BEV, % | 75.2 | ND ³⁾ | 68.5 | 53.6 |
| Share of investing cash flow non-BEV, % | 2.5 | ND ³⁾ | 6.2 | 12.9 |
| Return on invested capital, ROIC % ⁴⁾ | N/A | N/A | 16.7 | 18.6 |

| | Oct–Dec 2022 | Full year 2022 | Full year 2021 |
|--|-----------------|-------------------|-------------------|
| Total revenue | | | |
| BEV vehicles, new cars ²⁾ | 15,532 | 29,658 | 10,229 |
| Non-BEV vehicles, new cars ²⁾ | 66,714 | 223,594 | 208,142 |
| Other revenue | 23,001 | 76,893 | 63,674 |
| Total revenue | 105,247 | 330,145 | 282,045 |

| | Oct–Dec 2022 | | Full year 2022 | | Full year 2021 | |
|---------------------------------------|--------------|--------------|----------------|--------------|----------------|--------------|
| Revenue per new car | BEV | Non-BEV | BEV | Non-BEV | BEV | Non-BEV |
| Revenue, new cars ²⁾ | 15,532 | 66,714 | 29,658 | 223,594 | 10,229 | 208,142 |
| Vehicles, wholesales new cars (units) | 33,949 | 153,577 | 66,080 | 538,549 | 23,779 | 583,737 |
| Revenue per new car (SEKk) | 457.5 | 434.4 | 448.8 | 415.2 | 430.2 | 356.6 |

| | Oct–Dec 2022 | | | |
|----------------------------|-------------------|-----------------------|-------|---------------|
| Gross income split | BEV (new cars) | Non-BEV (new cars) | Other | Total |
| Gross income ²⁾ | 988 | 14,800 | 1,017 | 16,805 |

| | Full year 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 ²⁾ | 2,429 | 47,858 | 10,045 | 60,332 | 1,362 | 40,116 | 19,313 | 60,791 |

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) Includes amounts in the fourth quarter relating to emissions credits earned of SEK 190 (—) and 315 (—) m relating to BEV and Non-BEV, respectively. For the full year 2022 the amounts were SEK 190 (—) and 315 (—) m relating to BEV and Non-BEV, respectively. See Note 1 – Accounting policies for more information.

3) Not disclosed.

4) Adjustments have been made to the calculated alternative performance measures presented for prior period. For more information see Note 1 – Accounting policies.

VOLVO CAR GROUP

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES, CONTINUED

| | Oct–Dec 2022 | | Full year 2022 | | Full year 2021 | | | | |
|--|--------------|---------|----------------|--------------------|----------------|---------------------|------------------------------|---------|----------------|
| Gross income per new car | BEV | Non-BEV | BEV | Non-BEV | BEV | Non-BEV | | | |
| Gross income, new cars ¹⁾ | 988 | 14,800 | 2,429 | 47,858 | 1,362 | 40,116 | | | |
| Vehicles, wholesales new cars (k units) | 33.9 | 153.6 | 66.1 | 538.5 | 23.8 | 583.7 | | | |
| Gross income per new Car (SEKk) | 29.1 | 96.4 | 36.8 | 88.9 | 57.3 | 68.7 | | | |
| Gross margin, % | Oct–Dec 2022 | | Oct–Dec 2021 | | Full year 2022 | | Full year 2021 ²⁾ | | |
| Gross income | 16,805 | | 16,663 | | 60,332 | | 60,791 | | |
| Revenue | 105,247 | | 80,076 | | 330,145 | | 282,045 | | |
| Gross margin, % | 16.0 | | 20.8 | | 18.3 | | 21.6 | | |
| | | | Oct–Dec 2022 | | | | | | |
| Gross Margin BEV/Non-BEV | | | BEV (new cars) | Non-BEV (new cars) | Common | | Total | | |
| Gross income ¹⁾ | | | 988 | 14,800 | 1,017 | | 16,805 | | |
| Revenue ¹⁾ | | | 15,532 | 66,714 | 23,001 | | 105,247 | | |
| Gross margin, % | | | 6.4 | 22.2 | 4.4 | | 16.0 | | |
| | | | Full year 2022 | | | | Full year 2021 | | |
| Gross Margin BEV/Non-BEV | | | BEV (new cars) | Non-BEV (new cars) | Common | Total ²⁾ | | | |
| Gross income ¹⁾ | 2,429 | 47,858 | 10,045 | 60,332 | 1,362 | 40,116 | 19,313 | 60,791 | |
| Revenue ¹⁾ | 29,658 | 223,594 | 76,893 | 330,145 | 10,229 | 208,142 | 63,674 | 282,045 | |
| Gross margin, % | 8.2 | 21.4 | 13.1 | 18.3 | 13.3 | 19.3 | 30.3 | 21.6 | |
| | | | Oct–Dec 2022 | | Oct–Dec 2021 | | Full year 2022 | | Full year 2021 |
| Operating income, EBIT/EBIT margin, % | | | 3,443 | | 3,708 | | 22,332 | | 20,275 |
| Revenue | | | 105,247 | | 80,076 | | 330,145 | | 282,045 |
| EBIT margin, % | | | 3.3 | | 4.6 | | 6.8 | | 7.2 |
| | | | Oct–Dec 2022 | | Oct–Dec 2021 | | Full year 2022 | | Full year 2021 |
| EBIT and EBIT margin, excl. share of income in JVs & associates, % | | | 3,443 | | 3,708 | | 22,332 | | 20,275 |
| Share of income in JVs & associates | | | –444 | | –1,960 | | 4,443 | | –951 |
| EBIT excl. share of income in JVs & associates | | | 3,887 | | 5,668 | | 17,889 | | 21,226 |
| Revenue | | | 105,247 | | 80,076 | | 330,145 | | 282,045 |
| EBIT margin, excl. share of income in JVs & associates, % | | | 3.7 | | 7.1 | | 5.4 | | 7.5 |
| | | | Oct–Dec 2022 | | Oct–Dec 2021 | | Full year 2022 | | Full year 2021 |
| EBITDA/EBITDA margin, % | | | 3,443 | | 3,708 | | 22,332 | | 20,275 |
| Depreciation and amortisation of non-current assets | | | 4,081 | | 3,717 | | 16,091 | | 15,005 |
| EBITDA | | | 7,524 | | 7,425 | | 38,423 | | 35,280 |
| Revenue | | | 105,247 | | 80,076 | | 330,145 | | 282,045 |
| EBITDA margin, % | | | 7.1 | | 9.3 | | 11.6 | | 12.5 |

1) Includes amounts in the fourth quarter relating to emissions credits earned of SEK 190 (—) and 315 (—) m relating to BEV and Non-BEV, respectively. For the full year 2022 the amounts were SEK 190 (—) and 315 (—) m relating to BEV and Non-BEV, respectively. See Note 1 – Accounting policies for more information.

2) 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.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES, CONTINUED

| | Full year 2022 | Full year 2021 |
|--|-------------------|-----------------------------------|
| Operating cash | | |
| Average two-year revenue × 10% | 30,610 | 27,244 |
| Operating cash | 30,610 | 27,244 |
| | | |
| | Full year 2022 | Full year 2021 ²⁾³⁾ |
| Invested capital¹⁾ | | |
| Total assets | 307,141 | 272,602 |
| Receivables from parent company | — | — |
| Other long-term securities holdings | –3,059 | –2,107 |
| Cash and cash equivalents | –63,004 | –61,929 |
| Marketable securities | –5,706 | –8,042 |
| Operating cash | 30,610 | 27,244 |
| Total current liabilities | –137,746 | –126,234 |
| Current liabilities to parent company | — | — |
| Total current interest-bearing liabilities | 5,094 | 7,311 |
| Total invested capital | 133,330 | 108,845 |
| | | |
| | Full year 2022 | Full year 2021 ²⁾³⁾ |
| Return on invested capital, ROIC, % | | |
| EBIT | 22,332 | 20,275 |
| Invested capital | 133,330 | 108,845 |
| Return on invested capital, ROIC, % | 16.7 | 18.6 |
| | | |
| | 31 Dec 2022 | 31 Dec 2021 ²⁾³⁾ |
| Equity ratio | | |
| Total equity | 117,278 | 94,512 |
| Total assets | 330,924 | 283,358 |
| Equity ratio, % | 35.4 | 33.4 |

| | Oct–Dec 2022 | | | |
|---|-------------------|-----------------------|---------------|----------------|
| | BEV (new cars) | Non-BEV (new cars) | Common | Total |
| Share of Investing Cash Flow, % | | | | |
| Investments in intangible assets | –5,780 | –222 | –878 | –6,880 |
| Investments in property, plant and equipment | –2,423 | –53 | –1,549 | –4,025 |
| Investments in other tangible assets ²⁾ | — | — | –1,025 | –1,025 |
| Subtotal | –8,203 | –275 | –3,452 | –11,930 |
| Share of investing cash flow²⁾, % | 75.2 | 2.5 | 22.3 | 100.0 |

| | Full year 2022 | | | | Full year 2021 | | | |
|---|-------------------|-----------------------|----------------|----------------|-------------------|-----------------------|----------------|----------------|
| | BEV (new cars) | Non-BEV (new cars) | Common | Total | BEV (new cars) | Non-BEV (new cars) | Common | Total |
| Share of Investing Cash Flow, % | | | | | | | | |
| Investments in intangible assets | –13,903 | –1,369 | –3,056 | –18,328 | –6,837 | –1,629 | –3,506 | –11,972 |
| Investments in property, plant and equipment | –5,029 | –343 | –3,946 | –9,318 | –3,071 | –749 | –2,680 | –6,500 |
| Investments in other tangible assets ²⁾ | — | — | –4,466 | –4,466 | — | — | –4,852 | –4,852 |
| Subtotal | –18,932 | –1,712 | –11,468 | –32,112 | –9,908 | –2,378 | –11,038 | –23,324 |
| Share of investing cash flow²⁾, % | 68.5 | 6.2 | 25.3 | 100.0 | 53.6 | 12.9 | 33.5 | 100.0 |

1) Calculated on two-year average figures.

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

3) Adjustments have been made to the calculated alternative performance measures presented for prior period. For more information see Note 1 – Accounting policies.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES, CONTINUED

| Net cash | 31 Dec 2022 | 31 Dec 2021 |
|--|----------------|----------------|
| Cash and cash equivalents | 63,743 | 62,265 |
| Marketable securities | 3,415 | 7,996 |
| Liabilities to credit institutions (non-current) | -3,096 | -2,543 |
| Bonds (non-current) ¹⁾ | -23,246 | -18,401 |
| Other interest-bearing liabilities ²⁾ | — | — |
| Liabilities to credit institutions (current) | -755 | -4,471 |
| Bonds (current) | -2,000 | — |
| Net cash²⁾ | 38,061 | 44,846 |

1) 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 31 December 2022, the fair value component amounted to SEK -287 (—) m.

2) The net cash calculation excludes current SEK -1,500 (-1,462) m and non-current SEK -4,845 (-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 Dec 2022 | 31 Dec 2021 |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | 63,743 | 62,265 |
| Undrawn credit facilities | 16,674 | 13,377 |
| Marketable securities | 3,415 | 7,996 |
| Liquidity | 83,832 | 83,638 |

Gothenburg, 9 February 2023

Jim Rowan
President and CEO

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

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FINANCIAL CALENDAR & CONFERENCE CALL

Webcast and conference call

At 9:30 CET on 9 February, President & CEO Jim Rowan and CFO Johan Ekdahl will host a livestream for media, investors and analysts.

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

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

To call in, participants need to register and will then receive the dial-in details and individual PIN.

[Link to register](#)

Upcoming investor Events

| | |
|------------------|----------------------------------|
| 9 March 2023: | Annual And Sustainability 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 |
| 7 February 2024: | 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.

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