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## **Jim Rowan – AGM 2023 keynote speech**

### **Introduction**

Good afternoon everyone, and welcome to our 2023 Annual General Meeting. It's good to see so many of you have come to join us here at our home in Gothenburg. I also would like to extend a warm welcome to our Board of Directors, and thank you for your support throughout a turbulent 2022. But more on that later.

Last year, I stood here before you as the newly appointed CEO of Volvo Cars. I was still in the process of getting to know the company, but I had made my choice to join Volvo Cars very consciously and deliberately. I saw Volvo Cars as a great company, with a tremendous reputation, a rich heritage, a clear purpose and the courage and desire to be a true leader in next generation mobility.

This is not just another car company

Now, after a year of having the honour to lead Volvo Cars, that impression has been amplified even more. The purpose of this company and the ability to make a real difference – that's what gets me up in the morning. How we achieve those bold ambitions is what keeps me up at night.

One of the things that makes this company so different from many others is that I get so many emails from people who have been in an accident. They want to let me know that their Volvo made sure their loved ones emerged from an accident unharmed. They want to let me know that the car did its job. Whenever I read those emails, I think: it is such a privilege to work for a company that has such an impact. We have already saved a million lives and we are aiming for a million more. As we all know, safety and feeling safe translates to trust. This is why people buy our cars. It's a trust that needs to be earned and nurtured over time. It can't be bought and it's not something that can just be copied, it's in our DNA. That trust gives us a critical edge in a highly competitive marketplace, as we set out to change the future of mobility.

### **Review of 2022 – society**

Now, 2022 was a challenging year in many ways, not just from a business perspective – I'll get to that in a moment – but also from a societal point of view.

When I joined Volvo Cars last year, the Ukraine war had just started and it continues today – causing pain and suffering for millions of people. During 2022, we've been working with partners and charity organisations to lend support and provide much needed funding.

But the fact remains that for the first time in many years, the European mainland is experiencing war again, and we hope this terrible and senseless conflict ends soon.

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Supply disruptions caused by the impact of Covid continued to affect many parts of the world, especially in China where Shanghai, a city of around 26 million people and home to many of our suppliers, was locked down for almost two months. This affected our factories and disrupted our production output globally. Short supply of key semiconductors was another dynamic that we needed to navigate. Increased logistics costs, rising energy prices and underlying inflation caused additional turbulence and uncertainty.

All of this combined led to a general feeling where people felt less safe and more vulnerable, at a time when the world had only just started to recover from a global pandemic.

## **Review of 2022 – business year**

From a business perspective, this affected consumer confidence and sentiments around the world, although demand for our products remains robust. Raw material prices spiked - in particular the price of lithium, used extensively in battery production, increased eightfold. That affected us disproportionately due to our ambitious growth plans for electric cars. But we stayed steadfast on our transformation to electrification – resulting in 18% of total sales for Q4 2022 versus 6% share in the same period in 2021 – a three-fold increase. Our deliberate choice to be an early mover towards full electrification might affect our short-term profits. However, I am fully convinced that in a few years from now, we'll yield the benefits of this bold and strategic choice.

Given the scope and complexity of these challenges, I believe we navigated well through these disruptions to deliver the highest revenues in the history of the company at over 330 billion SEK, and in doing so, gained market share in electric vehicle sales. To help offset the increased price of Lithium and other raw materials, we increased prices and reduced our internal costs. We maximized our car mix, and streamlined our logistics. While profits were affected by supply chain disruptions and higher raw material costs, our profits still improved by 2 bn SEK when compared to 2021, when the effects from the Polestar listing are included. I'm proud of our teams and how they came together to face these challenges.

## **Getting Volvo fit for the future**

As I said, we made a deliberate choice to stick with our focus on and commitment to full electrification, despite raw material headwinds. But that was just one of the several key decisions that we made throughout the year aimed at positioning us as leaders in the future of next generation of mobility. One of the realisations of the past few years is that supply chain resilience is a critical part of our future success. Therefore, we invested heavily to improve our global supply network. We broadened our supplier base for critical components, used supply chain analytics to create better real-time visibility, accelerated our plans for vertical integration of critical parts, and increased

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our localization of supply to reduce our dependency on single source suppliers. We focused more on costs, launching a company-wide efficiency programme, with the aim of reinforcing a cost-conscious mindset throughout the company. We doubled down on critical technology investments and made key decisions on what we build, versus what we buy.

For example, we've made a conscious decision to invest in our own battery packs, together with Northvolt, allowing us to control our future battery technology through vertical integration. This allows us to gain even more understanding about battery chemistry and integration within our cars. As part of this process, we've also brought the development and manufacturing of e-motors and inverters in-house, as well as our own battery management software. Together – the batteries, e-motors, inverters and battery management software – allow us to invest in and control the entire electrical propulsion system of our future cars.

At the same time we deepened our external collaboration with companies like Google, NVIDIA, Apple, Qualcomm and Luminar. Ensuring that we can offer the best global technology to our customers. Finally, we've re-organised the management of our company, creating a more focused Executive Management team supported by a broader Group Management Team. We have strengthened our operational, engineering and commercial organisations by hiring key talent from some of the most respected global technology companies. This proves that Volvo Cars is an attractive employer of choice that can provide equal opportunities for all, as well as meaningful career development.

In summary: Volvo Cars is an exciting place to work, and this is reflected in our employee engagement score, which continues to track above industry benchmarks.

## **Future of mobility – looking ahead**

But enough about the year that was – time to look ahead.

At the same time as we delivered on tactics during 2022, we were also focused on our long-term strategic objectives. That resulted in a solid plan for profitable growth in the coming years as well as the creation of our strategic Blueprint, which lays out our roadmap for our mid-decade and longer-term ambitions. This strategic Blueprint consists of two phases.

Phase 1 - between now and mid-decade, focuses on transformation and execution towards those ambitions.

Phase 2, which runs from 2026-2030, by which time we will have launched 5 new fully electric vehicles, is when we focus on growth and expansion.

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A key component of our Blueprint is the 5 missions that will deliver the building blocks toward achieving our strategic ambitions – these 5 missions are as follows: Product, Technology, Digital, Customer and People.

## **Mission 1: Product and electrification**

Let's start with the first one, which is our product.

We will provide customers with outstanding products that are designed around people and their needs and fully electric by 2030.

Because electric powertrains are our future, and superior to combustion engines: less noise, less vibration, less servicing costs for our customers and zero tailpipe emissions.

In 2017, one in 77 cars sold around the globe was electrified. In 2022, that rate was one in 7. And electric car sales grew by over 60% last year alone, while sales of internal combustion cars reduced by 15 per cent.

To take advantage of that, we're building one of Europe's biggest battery plants together with Northvolt, here in Gothenburg, and in Slovakia, we're establishing a new car plant that will build only electric cars.

The result of this will be a broad portfolio of premium, fully electric cars that deliver on everything our customers expect from a Volvo - and a key part of our answer to climate change.

## **Mission 2: Technology**

Then onto technology.

We will discover, develop and deploy technology that delivers exceptional solutions for people and the planet. Because we're purpose-led and technology-driven, our next generation of fully electric cars will be more than just a mode of transport. They'll be hardware-designed and software-defined, created to be updated over the air.

Through our in-house network of tech, software and R&D hubs around the globe, our aim is to create a global powerhouse in next-gen technology.

We're also working closely with Google and Apple on bringing state-of-the-art infotainment and voice assistant technology to our customers.

Our cars are running on powerful core computers supplied by NVIDIA and Qualcomm, running on in-house developed software. And a variety of sensors, cameras, radars and lidar, will deliver a broad suite of driver assistance features that take us ever closer to our safety vision of cars that do not crash.

### **Mission 3: Digitisation**

Our digital mission is a key part of our future.

We will create a secure digital infrastructure that enables growth, scale and efficiency. To be able to build high-quality premium cars that are software-defined and supported by a secure, state-of-the-art digital backbone. Such a digital backbone is also needed for our ambitions around our online ecosystem.

The Volvo Cars app will be your key, as well as a one-stop shop for all sorts of digital services related to your car and needs to work flawlessly on a broad variety of platforms.

Our cars will increasingly be sold online, which is why we're investing in our next generation website and our digital commercial network.

An up-to-date digital backbone that swiftly connects our ordering system with our manufacturing and our logistics, and provides real time information to our customers, is our end goal.

A lot of this may happen behind the scenes and may feel like the nuts and bolts of our operations, but that makes it no less important for our future if we are to deliver on the expectations of our current customers and attract new customers to Volvo Cars.

### **Mission 4: Customer**

Speaking of customers. This brings me to our next mission.

We will drive growth and build outstanding direct customer relations in an efficient omnichannel setup. Regardless of whether you visit one of our retailers, walk into one of our urban studios, head to our website or use the Volvo Cars app, everyone should get the same outstanding and meaningful experience.

Customers will have a choice on how they want to access a new Volvo: for example, through outright ownership, subscription or leasing.

Transparent and national online pricing without haggling or hidden fees, as well as an easy-to-understand offer, makes ordering a new Volvo car simple, consistent and enjoyable.

Apart from simplifying our offer and introducing more transparent pricing, we're also investing in a centralised digital inventory system. That allows us to see all cars that are available across our markets and will drive efficiency.

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## **Mission 5: People**

Last and certainly not least, our plan for the future contains a comprehensive people strategy.

We will focus on our people to develop and enable them to live our values, leading to a positive impact on our business, our customers, our partners and the wider society.

We have over 43,000 people in Volvo Cars and they are the bedrock to our success. That's why we need to remain an employer of choice for people who want to make a difference. For people who want to work for a company with true purpose, equal opportunity and meaningful career development.

We're harnessing our Volvo culture to attract and retain the best talent available, in what is an extremely competitive marketplace. What I've noticed over the past year is that we're really building something special. And it's great to see the energy around the company, the creativity, the drive to push each other to greater heights and the willingness to speak up when necessary, to hold each other to account, to question established ways of working and to take responsibility.

Those are strengths that we will continue to nurture in coming years and I believe our values are perfectly in tune with what society expects from companies in today's world.

## **Summary**

These missions will help us create and deliver the technologies, systems and infrastructure that will secure our future. And that future will be defined by ten key areas that we need to control and master: this represents our future technology stack. This image of our new EX90 includes them all, and they are, in no particular order: cloud, design, the application layer, e-motors and inverters, batteries, bi-directional charging, silicon, sensors, connectivity, and software.

These key areas then become the enablers for us to offer unique Volvo benefits to our customers: Zero emissions, world-class infotainment, car sharing, services and servicing, OTA upgrade ability, ADAS and AD, speed and handling, stability and comfort, safety and security, and home energy management

Meanwhile, to make sure we constantly improve what we do and how we do it, data capture and data analytics are the golden threads that run throughout everything.

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These missions are interlinked and they all add up to what is a powerful and focused Blueprint to deliver the products and services that shape our future.

We have a great opportunity to grow and develop Volvo Cars. What we deliver in the next few years will shape our company and to some extent our industry for the next decade.

Of course, these are special times: the outside world remains challenging and our industry is changing like never before – turbulence and disruption are the new norm.

But if we stay focused and execute on our plans, I believe we have a unique opportunity to grow and prosper. An opportunity to gain early mover advantage, to be brave and bold and to build on our heritage as a pioneer.

The Volvo car of the future will be fully electric, safer than ever, increasingly sold online, powered by cutting-edge core computers, running on in-house developed software, and will improve over time thanks to regular over-the-air updates.

In short, the future is ours to capture.

Thank you.