

# V O L V O

The Board of Directors' proposal on distribution of Volvo Cars' shareholding in Polestar (item 19)

## Distribution of depository receipts in Polestar

As announced by Volvo Car AB (publ) ("**Volvo Cars**") on 23 February 2024, the Board of Directors proposes that the Annual General Meeting 2024 resolve on a distribution of a portion of Volvo Cars' shareholding in Polestar Automotive Holding UK PLC ("**Polestar**") to Volvo Cars' shareholders pro rata to the number of series B shares they own in Volvo Cars.<sup>1</sup> Since 2022, Polestar has American Depository Shares ("**Polestar ADSs**"), which represents the underlying Class A shares in Polestar, listed on Nasdaq New York.

Volvo Cars indirectly (through its wholly-owned subsidiaries Volvo Car Corporation and Snita Holding B.V ("**Snita**")) holds 204,572,624 Polestar Class A ADSs and 814,219,838 Polestar Class B ADSs, representing in total approximately 48.28% of the share capital and 49.42% of the votes in Polestar. Each Polestar Class A ADS entitles to one (1) vote at a General Meeting and each Polestar Class B ADS entitles to ten (10) votes at a General Meeting. The Board of Directors' intention is to distribute a portion of the Polestar shareholding corresponding to 638,469,467 Polestar Class A ADSs, representing approximately 30.26% of the share capital in Polestar.<sup>2</sup> Following the distribution, Volvo Cars will indirectly via its wholly-owned subsidiaries, hold 380,322,995 Polestar Class A ADSs, representing in total approximately 18.02% of the share capital and approximately 14.86% of the votes in Polestar.

Due to technical reasons, Volvo Cars' shareholding in Polestar will be distributed in the form of Swedish Depository Receipts ("**SDRs**"), which represent the underlying Polestar Class A ADSs. The holder of a SDR may apply for conversion under the SDR-program (see further under "*Further information regarding the share redemption and the SDR-program*" below) to Polestar Class A ADSs during a conversion period of three (3) months. Based on the Board of Directors' intention as set out above, fourteen (14) shares of series B in Volvo Cars is expected to entitle to approximately three (3) SDRs. Based on the closing price for the Polestar Class A ADSs on Nasdaq New York on 22 February 2024, the extraordinary value transfer to Volvo Cars' shareholders amounts to approximately SEK 9,452,942,695 in total, corresponding to approximately SEK 3.17 per series B share in Volvo Cars.

The Board of Directors further proposes that the distribution is made by way of a share split followed by a share redemption and that the Board of Directors is authorised to finally determine the portion of the Polestar shareholding to be distributed, the redemption amount per share as well as the timetable for the share redemption.

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<sup>1</sup> As there are no outstanding shares of series A in Volvo Cars, the distribution will only be made to holders of series B shares in Volvo Cars.

<sup>2</sup> Prior to the distribution, 814,219,838 Polestar Class B ADSs will be reclassified as Polestar Class A ADSs.

Further information regarding the share redemption and the SDR-program

An information brochure with further information on the share redemption, as well as detailed instructions on the conversion from SDRs to Polestar Class A ADSs, including the general terms and conditions for the SDRs (the “**General Terms and Conditions**”), will be available on the company’s website, <https://investors.volvocars.com/en>, no later than on 5 March 2024. For information regarding Polestar, as well as the Polestar Class A ADSs, please refer to Polestar’s website, <https://investors.polestar.com/>.<sup>3</sup>

The Board of Directors’ proposals for the (A) share split, (B) reduction of the share capital through redemption of shares, and (C) increase of the share capital through a bonus issue without issuance of new shares, are further described below.

## A Share split (2:1)

The Board of Directors proposes that the Annual General Meeting resolve to increase the number of shares by a share split, whereby one (1) existing share of series B will be split into two (2) shares of series B, of which one is a so-called redemption share (the “**Redemption Share**”).<sup>4</sup> Upon completion of the share split, the share capital of the company will be unchanged and amount to SEK 60,947,709.283160, and the number of shares will amount to 5,959,048,358 shares of series B, of which 2,979,524,179 will be Redemption Shares. The quota value of each share will be approximately SEK 0.010228.

The Board of Directors shall be authorised to set the record date for the share split which, at the time of the notice convening the Annual General Meeting is made public, is estimated to be on 12 April 2024. Based on the estimated record date for the share split, the last trading day in the Volvo Cars series B share including the right to receive Redemption Shares, will be on 10 April 2024, and the first trading day in the Volvo Cars series B share excluding the right to receive Redemption Shares will be on 11 April 2024.

## B Reduction of the share capital through redemption of shares

The Board of Directors proposes that the Annual General Meeting resolve to reduce the share capital by SEK 30,473,854.641580 for repayment to the shareholders (the “**Repayment**”) through redemption of 2,979,524,179 shares of series B. The shares to be redeemed shall be the shares that following the share split in accordance with the Board of Directors proposal under item A above, are classified as Redemption Shares. Upon completion of the redemption, the share capital of the company will be reduced and amount to SEK 30,473,854.641580 and the number of shares will amount to 2,979,524,179 shares of series B. The quota value of each share will be approximately SEK 0.010228.

Terms and conditions:

- Repayment for each Redemption Share shall be made by distribution of SDRs.

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<sup>3</sup> Volvo Cars has neither prepared nor reviewed the information available on Polestar’s website and takes no responsibility for its accuracy or completeness.

<sup>4</sup> Since there are no outstanding shares of series A in Volvo Cars, the proposed share split will only include shares of series B.

- The value of the SDRs distributed through the Repayment shall amount to no more than SEK 35,000,000,000, corresponding to a maximum redemption consideration of approximately SEK 11.75 per Redemption Share.
- Based on the estimated record date for the share split, trading in Redemption Shares is estimated to take place during the time from and including 15 April 2024 to and including 30 April 2024.
- The Board of Directors is authorised to finally determine the proportion of the holding in Polestar to be distributed, the redemption consideration for each Redemption Share and the record date for the right to receive the redemption consideration.

#### Authorisation for the Board of Directors to decide on the final redemption consideration and the timetable for the share redemption

The Board of Directors' intention is to distribute a portion of the Polestar shareholding corresponding to 638,469,467 Polestar Class A ADSs, representing approximately 30.26% of the share capital in Polestar, which, as of the date the notice convening the Annual General Meeting is made public, falls within the limit for the maximum amount for the Repayment. If 638,469,467 Polestar Class A ADSs are distributed (in the form of SDRs), the total redemption consideration is estimated to be 638,469,467 SDRs for 2,979,524,179 Redemption Shares. The Board of Directors will, prior to the last day of trading including the right to receive Redemption Shares, as referred to in item A above, decide on the final redemption consideration for each Redemption Share. At the time of the publication of the notice convening the Annual General Meeting, the Board of Directors is expected to decide on the final redemption consideration for each Redemption Share on or around 5 April 2024. Based on the estimated record date for the share split (as set out in item A above), the record date for the right to receive the redemption consideration is estimated to be 8 May 2024. The redemption consideration is estimated to be available on the shareholders' securities accounts, nominee accounts or equivalent on or around 13 May 2024.

#### Fractions

Only whole SDRs can be distributed to Volvo Cars' shareholders as redemption consideration. Therefore, Volvo Cars will retain Skandinaviska Enskilda Banken ("**SEB**") to aggregate all fractions of SDRs ("**Fractions**") which do not entitle the respective holder to a whole SDR. The total number of SDRs that such Fractions correspond to will then be converted to Polestar Class A ADSs and sold by SEB on Nasdaq New York. The sale will take place as soon as practicable after the distribution of SDRs to Volvo Cars' shareholders. The payment of the proceeds from the sale of Fractions will be settled by SEB and paid in proportion to the Fractions of a SDR each relevant shareholder in Volvo Cars is entitled to. This payment is expected to take place on or around 22 May 2024.

#### The SDR-program

The SDRs will not be admitted to trading in Sweden or elsewhere. Holders of SDRs will be able to convert their SDRs to Polestar Class A ADSs, listed on Nasdaq New York, during a period of three (3) months. The conversion period is expected to commence on or around 13 May 2024 and end on or around 13 August 2024 (the "**Conversion Period**"). An information brochure including further instructions and the General Terms and Conditions for the SDRs, will be made available on the company's website no later than on 5 March 2024.

The SDR-program is a temporary solution that is expected to be terminated in connection with the expiry of the Conversion Period on or around 13 August 2024. Upon termination of the program, all holders of SDRs who have not yet converted their SDRs into Polestar Class A ADSs, will automatically have their SDRs redeemed by SEB, whereby the Polestar Class A ADSs that the SDRs represent will be

sold by SEB on Nasdaq New York. The sale shall take place as soon as practicable after the termination of the SDR-program. The payment of the proceeds from the sale of Polestar Class A ADSs will be paid pro rata to the previous holders of such SDRs. Such payment is expected to take place on or around 27 August 2024.

The book value of the Repayment and its effect on Volvo Cars' non-restricted equity  
Based on an estimated book value of Volvo Cars' shareholding in Polestar at the time of the Repayment (estimated on the basis of the market value of Polestar Class A ADSs on Nasdaq New York on 22 February 2024), the Repayment constitutes an extraordinary value transfer of approximately SEK 9,452,942,695 in total, corresponding to a redemption consideration of approximately SEK 3.17 for each Redemption Share. Of the redemption consideration, approximately SEK 3.16 is expected to exceed the quota value for each Redemption Share. Volvo Cars' holding in Polestar is included in Volvo Cars' balance sheet indirectly through the wholly-owned subsidiaries Volvo Car Corporation and Snita. By 30 September 2023, Volvo Cars' consolidated book value of the holding in Polestar amounted to SEK 5,596,250. Before the Repayment is effectuated (but no later than 8 May 2024), Volvo Cars will through an intra-group transaction acquire the Polestar Class A ADSs from Snita. The Polestar Class A ADSs will be acquired and booked at market value at the time of the intra-group transaction (based on the closing price of the Polestar Class A ADSs on Nasdaq New York at the time of the intra-group transaction). As a result, the value of the Polestar Class A ADSs may fluctuate during the period from the date the notice convening the Annual General Meeting is made public to the time of the intra-group transaction due to changes in the price of the Polestar Class A ADSs on Nasdaq New York and currency conversion from USD to SEK. In addition, the book value of the Repayment including the book value of the redemption consideration (per share), and hence the remaining non-restricted equity (retained earnings) in Volvo Cars will change accordingly.

## C Increase of the share capital through a bonus issue without issuance of new shares

In order to achieve an efficient redemption procedure that does not require authorisation from the Swedish Companies Registration Office (Sw. *Bolagsverket*) or a court of general jurisdiction, the Board of Directors proposes that the Annual General Meeting resolve on a bonus issue to restore the share capital to the same level as prior to the reduction of the share capital through redemption of shares, *i.e.*, SEK 60,947,709.283160, by increasing the share capital with SEK 30,473,854.641580 by transferring the corresponding amount from the company's non-restricted equity.

No new shares shall be issued in connection with the proposed increase of the share capital through a bonus issue.

## D Majority requirements, etc.

The Board of Directors, the CEO or a person appointed by one of them shall be entitled to make any minor adjustments to the above decision that might be required in connection with registration with the Swedish Companies Registration Office and Euroclear Sweden.

The resolutions by the Annual General Meeting in accordance with items (A), (B) and (C) above are conditional upon each other and shall therefore be adopted as one resolution. In order for the resolution by the Annual General Meeting to be valid, the resolution must be approved by shareholders representing at least two thirds of the votes cast as well as the shares represented at the Annual General Meeting.

The Annual General Meeting's resolution on the distribution of Volvo Cars' shareholding in Polestar in accordance with items (A), (B) and (C) above, is conditional upon receipt of all necessary regulatory clearances, approvals and decisions on terms which, in Volvo Cars' opinion, are acceptable no later than 5 April 2024. As at the date of the notice of the Annual General Meeting, the proposed distribution remains subject to receipt of regulatory approval in the United Kingdom. The outcome of such approval process in the United Kingdom will be made public by means of a press release in accordance with applicable rules and regulations.

## E Other

The following documents are attached hereto:

- The Board of Directors' reasoned statement in accordance with Chapter 20, Section 8 of the Swedish Companies Act, [Appendix 1](#).
- The Auditor's opinion on the Board of Directors' reasoned statement in accordance with Chapter 20, Section 8 of the Swedish Companies Act, [Appendix 2](#).
- The Board of Directors' report in accordance with Chapter 20, Section 13 of the Swedish Companies Act, [Appendix 3](#).
- The Auditor's opinion on the Board of Directors' report in accordance with Chapter 20, Section 13 of the Swedish Companies Act, [Appendix 4](#).

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Gothenburg in February 2024  
**Volvo Car AB (publ)**  
*The Board of Directors*