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PRESENTATION

Ronojoy Banerjee - *Volvo Car AB - Head, Corporate Communications and Global PR*

Good morning, and a very, very warm welcome to Volvo Car's Strategy Update for 2026. For those of you in the room, thank you very much for making it to our Stockholm studio. And thank you, everybody, watching us online live right now. My name is Ron, and I have the privilege of facilitating the day today.

As you can see from the video, it's been pretty intense some months for Volvo Cars since the last time we all met. We, of course, launched the new EX60, now on the roads. We also earlier this week, launched the long-range plug-in hybrid versions of our best-selling XC60 and the XC90. So for those of you in the room, hopefully, you've got a chance to familiarize yourself with the technology in the car. The XC60 is right behind you. If not, please take the opportunity after this event is finished.

When we met in November, about 10 months ago, we unveiled the new strategic direction for Volvo Cars. What we will do today is to show the demonstrable steps that we are taking as a company to execute and deliver on that strategy.

To do that, I'm joined this morning by most of our executive management team members sitting in the front row, led by our Chief Executive, Hakan Samuelsson. And I saw many of you were interacting with them, but they will be available during the break and also during the lunch sessions for you to talk to them.

So what have we planned for the day? Let's have a very quick look at the agenda that we have for you. Upfront, Hakan will come and he'll set the scene for the day with his introductory remarks and how we are responding to what is clearly a very challenging external environment.

Hakan will be followed by Erik Severinsson, our Chief Commercial Officer, and he'll talk about how we are growing and intend to grow through a focus on electrification. Erik will be followed by our Chief Technology Officer, Alexander Petrofski. And as the world regionalizes, how are we regionalizing our product to better tailor to customer needs? He'll share some of the details and the road map on how that will look.

Alexander will be followed by Michael Fleiss and Francesca Gamboni to talk about how we are building a much stronger Volvo cars through synergies, strategic synergies with Geely. What will that really look like? They'll come to you with some details.

We'll take a quick short break, 15 minutes or so. But when we return, Erik comes back. It's not just about selling great premium cars, it's also about creating a great premium customer journey. What does that look like? What does that mean for Volvo? Erik will have some answers.

Erik will be followed by our CFO, Fredrik. He'll tie all the presentations together with a clear outlook of what does that really mean financially and what we are capable of as a company. Thomas Ingenlath will be next, and he'll give us a little bit of a peek as to what the new design could look like in an electrified era.

That's not all. When those presentations are done, Hakan will bring them to a close and tie this day together in one flow. But we are not done after that because we will then break into a Q&A session.

So I would request you all that to keep your questions ready. You will have a break. So take the opportunity to ask a couple of questions during that, but we'll have a quite some time set aside where we'll take the questions more formally, where I will be joined by the whole of EMT to answer your questions. I hope that sounds like a plan for the day.

So without further ado, maybe I hand it to you, Hakan.

Hakan Samuelsson - Volvo Car AB - President, Chief Executive Officer, Director

So thank you, Ron, and welcome, all of you. We're really glad to see so the big interest in our company. And as Ron said, what's the purpose with this? A year ago, we met, I think, with a lot of you were here as well and outlined a bit the strategy forward in a very down-to-earth way. And today, we want to come back to you really and show you more in detail what is Volvo's answer to the situation we are into.

So we all know the industry is in a very challenging time. And I think now it's really -- if you don't have an answer, how you will come through this challenging time, you will have a big problem. And we believe and we have a very good answer, and we will show you today and how this challenging time is also a sort of opportunity for a flexible, fast-moving smaller company to be stronger and come out stronger through this. So that is the purpose of today.

And our management team people are here. I think Ron already presented the people that will talk. Some faces are new, so maybe a special welcome. So Alexander Petrofski, Head of R&D, new CTO. And also Thomas is, as always, when there -- I am call, I've seen in the papers, the new old CEO of Volvo.

Maybe you are the new old design head of Volvo. And then we are very glad that you are back because you gave Volvo an identity last time when we made Volvo a premium brand. And now you are going to help us give Volvo a face and identity as we are going to be the leading electric premium brand.

So Francesca, well known, going to talk about sourcing and synergies. You were here last time as well. And Erik Commercial Head, Michael Fleiss also last time and last but not least, Fredrik. So I'm very glad to have the support of you telling this story to the people here.

What has happened? We -- this is almost not needed anymore because there was a very nice video who did this much better than me. But anyhow, you saw on the product side, of course, we are very proud of the new EX60. It's not just a new car. It is the first car on an all-new platform, really a born electric new platform, new architecture with new technology, selling body, mega casting. So it's not just a car, a new EX60 is a foundation for an all-electric future. So really important.

And then Tuesday this week, we also launched how are we going to tackle the fact that some customers are not ready to immediately go all electric. And then we have come now with second-generation plug-in hybrid. So we upgraded our bestseller PHEVs into the next generation, bigger e-motors, longer range so that they will be perceived much more as an electric car. That's really what we mean with second generation, but they have a backup engine to take away all worries about range. So that's also a really important bridge solutions.

And then as important as the SPA3 new architecture is investment in an all-new central compute architecture because in the future, if we don't go to a central approach, we will not have the speed that our customers require. It's really difficult to put in new customer features in 100 bought-in boxes from suppliers, it's obvious.

So we need to take control of the software development and have a computing platform. And that is our system center compute, which now has become -- have gotten a name HuginCore. And that is a trademark of our central compute, which was quite a process, quite some problematic times, maybe you have heard about it.

And there are only two type of car companies, the ones who have come through and are into the new world, and the ones who still have to do that in the future. And if I can choose, I would prefer to have taken the pain and be in the new world, and that's where we are.

What did we -- yes, also Gemini assistant is quite good as we are the lead customers for Google, have been for many years. We are launching this first. So it's an AI-based conversational type of voice control. And then when you use it, you will understand why it is something totally new. So earlier, we heard a lot, I don't understand or some stupid answers.

Now you can talk to the car as a normal person, maybe not as intelligent as a person, but very close, Erik. Performance, we delivered cost savings because we said last time, in very turbulent times, what do we do? We have to concentrate on what we can control. So let's work with the cost, always the right thing to do. So we took out SEK8 billion in '25, and then we set a target to take out another SEK5 billion. The figures are right from top of my head.

And we said already in quarter two that, yes, we have done that already after two quarters, quite good. And then we, of course, didn't relax. So we have set new targets. So we will come back to all of this when we talk about the quarter three here in October. But we are continuing with cost reductions. And also as we want to be the fastest transformer into electrification, we have the highest share in the business. So more than half of our cars are today electrified.

And all of this, of course, would not be good if we could not do it also within reasonable frames. And that's why I'm so happy that we are finally down on normal levels when it comes to CapEx and investments. Regionalization has also started. We have implemented a governance model, strengthening our leadership in the EMT, Americas. And also, China is represented in relevant matters.

We have also been granted authorization regarding the ICTS and what is that you asked, that is then the special requirement for connected vehicles that the Americans have introduced, which is then, of course, securing that there is no leakage of information, customer data to Chinese companies and Chinese people. And there, we have introduced absolute firewall, and then we are very glad to have from the Commerce Department in America gotten this approval.

And last but not least, also Europe, 28 countries. I believe if we're going to be in the race with China and US, I think we need to forget our national nostalgic thoughts and understand we cannot have 28 countries. We, as a company, cannot have 28 CEOs, 28 CFOs, 28 heads of HR and so on. We need to go forward and towards a much more united Europe, and we are doing that with five subregions.

So I was a bit longer than the video. But anyhow, let's go into the challenging future already last time. This is not what especially coming towards Volvo, this is the whole industry. And if the industry does not have a good answer to this, they will have a problem. And that's the purpose again of today.

Climate, I mean, we need to reduce the usage of fossil fuel, is good for the climate. And now lately, we've been also remembered, okay, there are probably also other reasons for that. It's the wallet of the customers and it's also the supply of oil is definitely not secured. Hormuz Strait, nobody knew what that was until six months ago, but we were reminded, maybe it's not a good idea to burn so much oil. Electrification is the answer, of course, for the transport sector.

Globalization, building one car and try to sell it everywhere and build it in one factory, high scale; could, in the textbook, be a good idea. It worked some years ago. It's not going to work in the future. We need to be much closer to our customers, listen to them, cars have to be more different. We're going to talk about that.

And if we thought we had a tough competition in the car industry before, okay, just wait. It will be even tougher. And I talked to some guys from South America some days ago, and they are seeing now Chinese competition coming in, very low prices, and they have a high capacity of building cars in China.

And when you cannot sell them domestically, what do you think they will do? They will, of course, export. The Americans have closed the door. So the rest of us have to take it. And South America has very low tariffs, so they are first on the list.

Hyper competition will come. And you can, of course, complain about that. The only correct answer is, of course, to do something about it, utilize our strengths and use what for others is a threat is for us a possibility that is our connection to, of course, China's second largest car company, Geely. So a big strength for us to use that to make Volvo stronger.

So we have four unique areas, and that's really what we will talk about today, making Volvo stronger and also which are unique because I think if you listen to this today, you will realize not so easy to copy and maybe not what others are trying to do right now. The first one is we will have an absolutely regionalized program. We will need new cars to really have this. Then we need a lot of cars. And we will roll out 13 cars. I wouldn't say that, that in itself is not so impressive.

Maybe you will just think, Okay, can they afford that and do they really need that? But to have absolute optimal program for China, six new -- all new cars, 100% Volvo; seven new cars, all new cars for the West, US and also 100% Volvo, of course; and having the right mix of electrification, all electric, but also for the ones who are still reluctant to all electric second-generation hybrids.

We will have absolutely, as we always have said, the all-electric products ready by 2030. They are included in these 30 new cars. But we have added also some bridge solutions for those slow movers, which is not only people, it's also regions where there is no infrastructure.

And then we will have the right car to grow with electrification because that's our formula for growth. It's not trying to be better in horsepowers and fuel consumption or discounting even worse. We will grow by being faster in electrification.

All of this would not be possible if we could not develop the 13 cars, having the right electric cars if we didn't do it together with Geely. So there will be shared mechanical platforms. All cars in China will be based on that. A couple of the ones in Europe will also be based on a shared mechanical multi-fuel platform. But the electric cars will be SPA3 based, developed in Sweden. And of course, material costs, Francesca will talk about also great advantages with the connection with Geely.

And this is a lot about cars, technology and production, but also looking at what the customers are expecting from us. The whole business is really a wholesale business. It's wholesaling of hardware cars. And then the total product is created out in the distribution network. You add financing solutions, you add maintenance contract, you add winter tire solution and so on.

We believe in the future to have economy of scale, we need a Volvo product for that. And we need to answer the three fundamental questions that the industry have problems answering today when customers are asking what's included in the price, not so easy to understand. It's as easy as understanding a telephone contract from an operator.

Not very transparent. What is the price? Also not very transparent, come in and let's talk more or less. Three, when can I get it? Also not so convincing answer from the industry.

So we will come closer to the customer, offer the total product, and we will be answering what's included, what's the price, when can I get it? Erik will talk about that. So I think that's an area where really Volvo can lead the way. We can learn a lot from China on products and cost cutting. But coming closer to the customer building our brand, that is strength we have in Europe, which we should use building a stronger Volvo.

And Thomas will also give you an idea how we can build a car that looks like a Volvo, not look like everybody else. So I hired Toyota once when I was in America, and then you know you have to go in and pay in advance. This was a petrol one. And then the guy in -- the cashier asked, Where is your car? Over there. Are you the one next to the Volvo? Guy said. That's good.

He did not say you have the Toyota. He said, you are the one next to the Volvo. And that, I think, is what we need to secure also for the future. Volvo should look like a Volvo and everybody should recognize it. Let's see what you think after listening to Thomas.

Okay. All of this, if we use this unique four success factors, we do it very disciplined and fast in the next four-, five years. We will come out

not as when we did this last time. You remember, we started around 2014 and roll out SPA1 cars, the XC40. It was nine cars, I think.

And with those nine all new cars, we made Volvo a premium brand. We have that as ambition. I think we did that also. A lot of people realize that today. So this time, we roll out the new 13 cars, totally regionalized with the Volvo identity and sold to the customers in a new way. Our ambition is to be the leading premium car brand in the future. And that car brand is, of course, electric.

So let's see if you can believe that when you have listened to the details from our presenter that now I put the hurdle very high for you to convince the people about that. But I will come back and try to summarize this afterwards. But let's now jump into our success factors and start with Erik, who will talk about electrification. So please, Erik.

Erik Severinsson - Volvo Car AB - Chief Commercial Officer

Good. Erik Severinsson, I'm Chief Commercial Officer. Hakan talked about and we've talked for a long time about growth by -- through electrification. And I want to just stop there and say, is that then the right strategy? Are we now on the right path as an industry and as a company to focus on this? So let's look at some numbers.

If you look at the recent development in the automotive industry around electrification, the trend has gotten quite clear in just the last six months. What this graph shows, first of all, what sticks out is China. China has, between 2017 and first half of 2026, become the most electrified or the highest total volume of electric cars in the world.

And then remember that China is 34 million cars. The size of the Chinese car market is as big as the European and American car market together. And if I include cars with plug-in hybrids, cars with a cord, the total share of cars with a cord in China is above 67%. China is going electric as a speed that we did not see happening. And it happens even at an amplified speed in the last six months.

Then I've called out Germany in this graph because in what was in December, Hakan and I was in Germany and everyone talked about electrodrama, which means that we're saying that electrification is not happening. That's where you see the downtrend there on the German graph.

And then fuel prices at the pump has gone up in Germany now to almost EUR2.7, EUR2.8 per liter. And now they don't talk about electrodrama, they talk about pain at the pump. And electrification has gone up to over fully electric 25%. Actually, in the last weeks, we're seeing almost 50% of all new cars sold in Germany are fully electric.

So Germany is going electric. And Germany is massively important for the European car market because it's the biggest car market. It exports a lot of used cars to the markets around. So when Germany turns, a lot of the other markets will follow as well. Nordics, already there. France, highly electrified. Belgium is electrifying, slightly slower pace in Spain and Italy. But as a whole, Europe is clearly going electric.

What sticks out in this graph, which is where you will have some questions when I stand here talking about growth through electrification is US. And in US, electrification is going slower. Actually, fully electric cars has gone down somewhat in the last few months. So here, we need to have a more pragmatic strategy. What I'm -- and I'll come back to that later today.

What I'm seeing as well as the Head of Sales, I have hardly any customers that goes back. If you want to buy an electric car, customers are not coming in and saying, You know what, I didn't like this. Can you please give me back my diesel? That doesn't happen.

So from a customer perspective, the electric car is a better car. It's just that initial hurdle on how -- where can I charge? How can I -- how well does the residual value or the remaining value of the car once it's used, hold? Et cetera. But if electrification was such a difficult thing, more customers would have already shifted back. And that's not happening.

So yes, electrification is the path to growth. The only thing growing is cars with the cord. And then you ask how good is Volvo? Are we then managing to capitalize on this? And this graph shows, the blue bar is our current market share in Europe, around 2.3%. To the right, you have our top three premium German brands in Europe, guess who they are. They're around 5% market share.

And in the middle there, you have our current Volvo BEV market share in the BEV segment. Already today, we're around 40% -- almost twice as high market share on electrics in Europe than we ever is on the total share. And that is before the EX60. If I extrapolate the EX60 with the retail orders, we're well above 5%.

On the BEV market in Europe right now with what we're selling, including X60, Volvo has roughly the same market share as the premium Germacev, which we never ever have been close to in the past. So we are managing to capitalize on this trend right now. And as Europe electrifies, this is an engine to growth.

But it's all about product. And Alex and Michael will talk more about that later, and Thomas will show the design. And when you get the product right, that's where you really, really can find the growth. And that's why we're so happy to see the commercial success of the EX60 because basically three problems that you need to solve for an electric car buyer.

I need to come roughly as far as I come with my car I have today. I need to charge roughly as fast as my average stop is today on the long-distance drive, and I cannot pay much more than I'm paying for the car today. With the EX60, we managed to tackle all those three. And we were blown away, I would almost say, about the response from the customers.

We are doing this in the largest BEV segment. And actually, since we saw these three questions, we're now selling the EX60 at a higher profitability than the XC60. So it's not only about growth, it's also about profitable growth. And if I look at the retail order intake over the last six months, this is the most successful launch for Volvo Cars, in the modern times at least.

So product is super important. The EX60 is the proof point of that. And it's not only us, I think we already showed this in the fin, but we have also received fantastic quotes, of course, on the car, putting it right up there where it should be together with the other German premium competition on fully electric.

But then what about US and what about areas where electrification goes slower? We, on Tuesday, communicated the upgraded hybrid models, which we -- Hakan talked about a bit. It's not only about giving them a bigger battery, it's also about giving them a stronger engine, it's giving them a new autopilot or improved autopilot, a new face in terms of the XC60. And these are products that we know our customers really appreciate. So by doing this, we can also address those markets where electrification goes fast slower.

And if I take the example now of the cars launched on Tuesday, we take an XC60 there to the top, had previously a range of around 80 kilometers. Now it's over 200 kilometers, which means it performs like an electric car.

To the bottom there, we try to make an example, you can basically do your normal commute on one charge, charge once per week. If you want to go on a long trip over the weekend, you do that without worrying around charging infrastructure. And then during the week, you have a full electric car when you're driving the city driving as well.

And we're also seeing that customers are appreciating the way an electric car performs. If you -- they're not -- what do you like about electric car? You like your acceleration. You like the fact that it's silent, you like the fact that I have a very responsive drive in many markets.

So I think the combination of a really long electric range where you don't have to charge as much and a strong electric motor in a hybrid package is very appealing to those geographies where electrification goes slower, for example, US. So we think this is an example on how we have a more pragmatic approach.

It's not only us. We got one quote I like it's only two days in, but maybe -- the best thing about the PHEV or plug-in hybrid is that it makes the step to a fully electric Volvo feel smaller. If you see what I mean, the fact that actually I learned to charge, for example, that I learned to appreciate that electric is a better way to drive a car, that is a very important part of the PHEV. So we are also seeing that it's a great conversion engine to get people into full electrics.

So let me summarize a bit on our strategy. Yes, the world is electrifying. That's clear. It's the only thing growing in the world's automotive industry are cars with a cord. BEVs are increasing our market share. We see that proof point already now in the Europe example. You will continue to see that as we launch these new cars.

EX60 validates our growth strategy, but also shows the fact that you can make money on BEVs. And we have to have a pragmatic approach where the world is going a little bit slower into full electrification. So I think that underpins our strategy and proves that we're on the right track.

And with that, Alexander, I think it's good for you to come and talk about products.

Alexander Petrofski - Volvo Car AB - Chief Technology Officer

Thank you, Erik. Good morning, everybody. Good to see you. I'm Alexander Petrofski. I'm the new CTO of Volvo Cars. I'm a few weeks in the job, and I stand here and talk about technology. But I carry with me 25 years' worth of automotive experience, whereof more than 20 in Volvo Cars, spent working with our products, working with technology and a number of other things in various leadership positions.

So the world, we touched upon that earlier. The world is decoupling fast, and we intend to adapt much faster than competition. And what I will take you through is our new product roadmap, which you will see is enabled by the regionalization strategy, which is the foundation of what we are talking about today.

So we plan to offer a fully regionalized portfolio by 2030 and all of this within affordable frames, and that's important. Hakan touched upon it earlier. And also, we will be delivering this at times when competitors are perhaps scaling down. Now would be the time for us to make that product push. So let's talk a little bit about the details of that.

We believe that we are uniquely positioned to turn regionalization, which is happening very fast, into a competitive advantage versus our peers. And we aim to do that with 13 completely new Volvos. In the Western markets, US and Europe and beyond, we aim to develop and launch seven new cars, completing our current BEV offer with more battery electric vehicles and also a third generation of hybrids. All of this will be underpinned by our Western tech stack and our industry-leading software-defined vehicle architecture, the HuginCore.

In China, we will be developing and launching six all-new Volvos. And we will be able to do that by leveraging Geely synergies with unique access to industry-leading technology. All of these cars, we will deliver with true China speed. And later, Francesca and Michael will talk about the efficiencies we gain in terms of scale and in terms of cost through this collaboration.

So Volvo is not a startup. Volvo is a 100-year-old company, a brand recognized for safety innovations and for Scandinavian design. And now we intend to leverage two discrete tech stacks, an Eastern and a Western, local production and all of this to drive growth.

As I'm a product guy, more than half of my career, I worked with our products, I would like to talk a little bit about what kept us busy during 2026. And it's -- we touched upon some of it already quite a lot. Erik already went through the -- our long-range hybrids on the XC60 as well as on the XC90. We also made a refresh to our two most sold models currently, XC60 as well as XC40/EX40. All those updates are very noticeable. Either you can feel them when you drive or you see them, so you can basically touch them.

What is less noticeable is all of the value and all of the upgrades we made on the software side. This software, we have delivered to these new or refreshed products, but also to an existing fleet of cars, all cars that are out there. And we delivered this via over-the-air updates. And you're all aware of probably how over-the-air updates works and maybe you experienced in your existing car. It's common practice in the automotive industry.

But we have been doing over-the-air updates, full car downloads since 2020 for our full fleet. So Volvo was essentially pioneering this amongst the incumbents. Two examples, our new Volvo Car UX delivered to 2.5 million customers earlier this year in 85 countries.

I don't know. I hope many of you drive Volvos. So you may have received it via over-the-air updates. I hope you like it. It's a refreshed graphics, of course, but it's also a snappier system, and it's also a better interaction model through that new UX.

My other favorite mentioned by Hakan as well, Gemini, Google Gemini, an AI assistant allowing for natural conversations in your car. So you can talk about your car and ask queries, how does this feature work, for instance, what happened to my car or you can also talk about virtually anything else.

And I'm a commuter, so I spend two hours every day in my car. And Google Gemini has not only improved the value of all that time in my car, but also to give a personal example, it also helps my daughters riding along with me to practice for exams and practice for homework. So really, really useful.

All of these values we can deliver to cars with existing conventional distributed electrical architectures. But the real game changer is what we launched with the EX60. This is technology that allows us to deliver value far beyond infotainment and connectivity.

One example is in the EX60 as this is our first car, where we improved charging speed. We reduced charging speed by more than 10% before even having delivered a single car to a customer, so taking charging from impressive 18 minutes to 16 minutes. And you can expect to see much more of that type of customer value coming from Volvo stretching, as I mentioned then, beyond infotainment content.

Let's talk a little bit about software-defined vehicles and how that changes the industry. And as Hakan said, we firmly believe that there are two kinds of OEMs. It is the ones that master this technology and have developed the software-defined architecture. And it is the OEMs that either are in process and we can have -- we can testify about that it is a process or will have to do it at one point in time.

We have completed the biggest technology transformation in our 100-year old history. And I would like to be a little bit technical about it, so bear with me. And I will start with safety. For safety, we will use multimodal sensing, all of the sensing in the interior of the car, together with all of the sensing on the exterior of the car and improve real-world safety in ways we were not possible -- we couldn't possibly do before.

Massive amounts of data that needs to be processed by our high-performance compute, our high-performance onboard compute through our partnership with NVIDIA using our Orin core computers, designed to manage these massive amounts of data, such as camera feed, as you would imagine, quite resource intensive.

We also use connectivity to feed -- to continuously feed data from the car to our data centers. And we do this to train our AI models to further improve our cars and draw learnings from all of the vehicles that are out there.

HuginCore is also a zonal electrical architecture. And what that means is that we essentially divide the car into a number of zones. Each zone is controlled via a zone controller. And the zone controller which is essentially a computer, which provides edge computing to the mechatronic systems that are present in that particular zone.

And what that means is you may have a brake system, for instance, located somewhere in the car or you may have a door that needs a certain control. That computing is provided by the zone controller. And those zone controllers also allows us to take out electronic control units at large in the car, which essentially leads to a cheaper architecture.

As Volvo, of course, our architecture provides redundant power supply. And why is that important? Because no matter what the car is exposed to, be it a crash event or something else, the car needs to be powered so that you can call for emergency rescue service or simply that you're able to open the doors of the vehicle.

All of these technologies is typically what is described as a software-defined vehicle architecture present in the car. But what is more important and what has taken us time and what will take everybody time is what we refer to as the software factory.

The software factory is all of the people, 3,000 software engineers. It's processes, it's systems, it's data centers, it's automated testing, automated testing, all conducted in our industry-leading software test center that allows us to, from one single software master, deploy software and new functionality to all cars out there. And the complexity and the individuality of each car is managed almost solely through configurations. And that's a big, big difference versus conventional.

So from a Volvo perspective, we will now harvest the benefits of more than half a decade worth of development. Earlier this year, we were recognized by Standard & Poor for being the only Western and the only incumbent OEM reaching the highest classification, L5. And we're very proud of this, but it probably says nothing to you, fully understandable. But what we are equally proud of is the customer value we can deliver with this architecture.

So the customer will get a safer car, a more intelligent car and a car that continuously updates and improves. So the car will be fantastic when delivered from the plant, but it will improve over time, and it will peak sometime during its life cycle.

We also believe that we can provide new customer value. And obviously, we will also continuously upgrade and improve the quality of the vehicle. And this will strengthen residual values of EVs. And those are conversations we're currently having with our RV setters, and we're getting really, really good response on that. And that's also a valuable factor.

For you as investors, it is obviously perhaps even more important what this type of technology will deliver for our business. What would be the values for Volvo Cars? And through this high degree of software commonality, we can improve scalability and manage the complexity of the vehicle through software. It will allow us to develop cars faster, and it will lower our investment per car.

Last week -- I'm new to the company. I'm now leading engineering. So I ask a lot of questions. That's part of my onboarding process, I guess. So I looked into what is the commonality in code base. So I asked my team to compare the commonality in code base between the EX60, which is our first SPA3-based vehicle, and the next vehicle which is currently in pipeline. And the number is quite astonishing. More than 95% of the code is identical across those vehicles. And as I said, the differences is managed almost solely through configurations.

We will also be able to improve loyalty and improve the relationships with our customers that are in our ecosystem and that uses the software-defined vehicles from Volvo. And this will lead to improved top line and with reduced costs, we see an increased profitability, as shared by Erik for the EX60.

So now that we have demonstrated the strong technology underpinning our cars, I would like to talk us through our regional plans. And starting with the US, we looked at a graph indicating that electrification has slowed down somewhat in the US, heavily impacted by tariffs and regulations and obviously also through customer sentiment.

However, there is an established quite sizable BEV, the SUV segment. And for us, that's an opportunity because, as Erik spoke about earlier, customers that drive electric typically do not turn back to driving ICE cars. So that's an opportunity for us. Other markets, there will be -- sorry, other states where, for instance, electrification is slow or nonexistent, we believe there will be a continued opportunity for selling hybrids.

As we all know, preference for large cars remain in the US. And all our cars in the US will be underpinned by our Western tech stack, powered by HuginCore, and we will be providing multi-propulsion option on this new tech stack. So you can expect to see a third-generation hybrid in the US. Francesca will also talk us through more about that more cars will be produced locally in the US, which will also allow us to increase our addressable market.

Europe, more mature from an electrification perspective, 20% of the market is BEV, driven by Northern Europe, Central Europe, slower in Southern Europe as well as in Eastern Europe. Same technology stack, our Western stack, multiple propulsion options, meaning that an individual car will be offered with a BEV propulsion, a PHEV propulsion and a HEV propulsion, all powered by HuginCore.

And there -- simply put because there will still be an opportunity to continue selling hybrids. And of course, we want to reach scale with our technology. In addition to that, we will be obviously broadening our BEV portfolio. So we will be launching new cars, and that's part of the product push of seven new models.

China, there we are. China, world's largest car market and the world's largest BEV market, around 40% of all new car sales is BEV. Obviously, an opportunity for us. But the opportunity, which is unique to Volvo Cars, is that we will be able to leverage Geely.

And those of you who visited China, you know that the speed of tech adoption is very, very high, but the technology needs to be right. It will -- it cannot be any technology. And this is where we have unique access. So through Geely synergies, we will be able to provide the markets with advanced data systems and digital cockpits that are highly competitive in China.

We will also be launching multiple propulsion options. You're probably already aware that we are offering an XC70 in China as a hybrid. We will continue to launch hybrids side-by-side with battery electric vehicles. And all of this, as I mentioned before, will be delivered with true China speed. In China, we target less than two years' worth of development time from program start until the vehicle hits the market.

So to try to sum up, we are in the process of our largest ever product push, and all of these products will be tailored for our regions. We are uniquely positioned by capitalizing on investments already completed and our leadership in software-defined vehicles.

In addition to that, we have unique access to synergies within the group and an eastern tech stack. And all of this will allow us to broaden our portfolio, launch new fantastic technology and grow our market share, 13 new Volvos.

And now I would like to hand over to Michael, who will talk us through Geely synergies and how that will help us.

Michael Fleiss - Volvo Car AB - Chief Strategy and Product Officer

Thank you, Alex. Good morning, and also very much welcome from my side to you, and thanks for joining this event. I'm Michael, and I'm responsible for product and strategy. That's strange. I thought Alex has product, but I'm defining the product and Alex is executing them. So very welcome into the team, Alex. We will have a great work together.

I talk today about our progress in building a stronger Volvo Cars with Geely synergies. So I'll give you an update on what I talked about last time. First of all, we have two areas where we look for synergies, commercial and technology. On the commercial side, we are looking into revenue and reach growth. And on the technical side, we are working on improving our cost base by either reducing our investments or reducing our cost base.

Earlier this month, we have launched our new relationship with Lynk & Co. Volvo Cars will be the exclusive importer for Lynk & Co cars in Europe. This is a really good synergy, and I explain to you why. Three areas. First, we will unlock revenue growth in a new segment, lower price point, new market segment. We will increase our opportunity to sell these cars to our fleet customers and to our sales -- lease customers. Secondly, we increased our volume in the ecosystem. So more efficiency for our sales channels, more efficiency in our logistics by shipping cars and products.

And third, and last but not least, we have an additional business opportunity for our dealer network. So more traffic -- showroom traffic and more sales opportunity. So a really good opportunity for us to participate on this brand in our showroom.

But on the other side, for Lynk & Co, a fantastic opportunity to use our dealer network. And this also makes our dealer network more resilient. So more showroom traffic, more sales, but also bigger fleet of cars to maintain. So it stabilizes our dealer network in Europe. But talking about technology then.

So last year, I talked about our regionalization and our strive to find synergies. Here, a little explanation of how it looks like. We have our three regions: US, Europe and China. And on the top, you see one thing which is for sure not discussable and not changing, the four pillars of Volvo Cars success: The brand, the design, the quality and the safety. And these are common around the globe.

Every customer driving a Volvo around the globe will feel these things. Below that, you have the technology, and we have a Western technology and the China technology. And this is separate because there's legal requirements, there's different ADAS solutions in different markets, there's a different in-car app landscape, so we need to tailor for that. That's why we separate that.

But then we have the big black part underneath, and this is a global parts and technology. And this is the area where we will find our synergies. For all regions, applies the same. We strive for local supply chain, and we produce where we sell. With this strategy, we have the cars fit for US, right for Europe and tailored for China.

Now a little bit of education. What is our architecture about? What is the platform? So we have four areas in our architecture. First one is a mechanical platform. This is a mechanical frame underpinning the car, the aluminum and steel parts. Here, we are striving for maximum commonality either in the platform world or by parts.

Then we have the big part of mechatronic modules, mechanical systems, which are guided by simple software. This is, for example, an e-powertrain, a battery, a climate system or a brake system. All of these products are called mechatronic modules. Here, we are striving for commonality around the globe, huge opportunity to improve our cost levels and share investments.

These mechatronic modules will be brain agnostic because the next thing is electronic architecture. We call it the brain of the car, the HuginCore, which Alex talked about. And we have in China, our Geely electric architecture. So the mechatronic modules are independent from this architecture, and we can just build it on top. By that, we can build Western cars and China cars with the same mechatronic modules, but with the brains, which are needed for the region.

And then last but not least, our beautiful top heads. This is really where we define the Volvo, the interior and the exterior of the cars. And here, we find synergies by looking into common parts in between the car lines. So for all of these areas, we are working with procurement collaborations and contract manufacturing. This is a new word, and Francesca will talk more about that. But all of that creates great opportunities.

Okay. The automotive industry is in danger, financial crisis. 13 new cars for Volvo, how does that go together? Our competition is slowing down, we are speeding up. And we can do that because of this, and I will explain.

So you see here in dark blue, this is technology we are already having based on the SPA3 development, the big investment we are behind. And the light blue is where we look for synergies with our colleagues in the Geely Group. White is then new investment. And it's probably the proportion of these bars where you can see how much investment it is for our 13 new cars.

So in the Western world, we use HuginCore. For the mechatronic modules and mechanical platforms, we use SPA3, but also we look into further cost optimization for SPA3 by using common parts. And for the hybrids, we are looking into the same thing, but also sharing platforms.

In China, we are relying on the mechanical platforms of Geely Group using the Geely brain, but all of them have unique top heads. The customer will not feel which platform is in the car. The customer feels through the top head what the car is, and it's a Volvo, no matter where you have it. And this helps us then to create these 13 new cars, 6 in China, 7 in the Western world. And just to let you know, the two cars, the two plug-in hybrid cars Erik talked about are not part of that. That was investment.

Now we talk about unit cost. And here, I gave you an example of how the average cost structure of our cars looks like. Starting with the mechanical architecture. 15% of the cost is in that technology, and we are looking for up to 80% of synergies. Mechatronic modules, the most expensive part of our cars, 50% of the cost base, 60% opportunity to find synergies.

Electric architecture, 10% of the cost base of the car and only 10% synergies as this is regional and also stopped by legislation. And on the top heads, what makes the car Volvo, 25%. And here, we see 30% of commonality. And then to the right, you see what that equates to. We already have currently 10% of our parts are common, and we go up to over 30% in 2030. You can imagine what kind of leverage we have here to reduce our cost base and to improve our investment.

So in a nutshell, four areas. First, we have executed the first commercial synergy with Lynk & Co, a win-win situation for Volvo and for Lynk & Co. For China-specific cars, we can create all of these new cars in a very, very affordable way because we use the power of the second biggest automotive manufacturer in China producing our cars still look like a Volvo.

In the Western world, we rely heavily on our great SPA3 technology, and we are using synergy platforms where needed. And last but not least, we have a fantastic opportunity to find synergies by using common parts. And up to 2030, we will have over 30% of common parts.

With that, I hand over to my colleague, Francesca, and he will talk more about how we do that.

Francesca Gamboni - Volvo Car AB - Chief Procurement & Supply Chain Officer

So good morning. I'm Francesca Gamboni, responsible for procurement and supply chain. So Michael has talked about how we can create value by deeper collaboration, and I will explain you how we translate this in cost competitiveness, cost competitiveness with our unique differentiator in the industry, which is the Geely synergies.

But let's go through. So again, the logic is very simple. So as you know, as variable cost, we have three components of variable cost mainly: So you have manufacturing cost, you have logistic cost and you have material cost. So when you share platforms, you can obviously get industrial scale if you -- when you share platforms and you share parts.

And obviously, industrial scale, what does it mean? It means that you can share industrial capacity. And if you can share industrial capacity, obviously, you can have lower manufacturing cost because you are sharing, you're utilizing better your plants.

If you're sharing your plants, you also share your logistic means because, of course, you put the parts in the same trucks, in the same trains, in the same ships. So of course, you get lower logistic costs. If you share common parts, Obviously, you get more buying power. You get more buying power, and we'll talk about this, when you share the same suppliers. But of course, if you're also buying the same parts, you get even more buying power.

And again, this impacts the material cost. And this is exactly what I'm going to talk about. And what I'm going to talk about is how we are embedding this in the way we work. And this is going to be structural and not at call. So we're going to have a cost competitiveness, again, a unique differentiator within the industry, cost competitiveness at birth of our cars and not at call. So it's not going to be something that we say, oh, let's see if we have some opportunities every time.

So let's start with our industrial -- let me drive you through our industrial strategy. Our industrial strategy is built around three main principles. So the first principle is one platform per plant. What does it mean? Why do we want one platform per plant? When we talk about one platform per plant, it means reducing complexity.

And as you know, complexity entitles -- when you have complexity, you have time, you have waste and you have, at the end, higher manufacturing cost. So one platform per plant will bring a reduction in complexity, as you see, from 50% to 30% in our plants. So a significant complexity reduction.

The second pillar of our -- second principle of our industrial strategy is regional optimization. Why does this impact our cost? So of course, regional optimization means, first of all, customer proximity. So we are going to build where we sell, which -- what does it bring to the customer? It brings that we're going to be more agile, flexible, reduce lead time.

That's great from a customer proximity perspective. But why also does it reduce cost? It reduces cost because obviously, you're not transporting big animals like cars all around the globe. And obviously, you reduce your logistic cost. And if you think about logistic cost, often logistic cost is higher than the manufacturing cost in the industry, which people normally forget this, but this is an important component. So again, regionalization also not only create customer proximity, but also reduces cost.

And then again, last but not least, when we share platform -- and that's the point that Michael was mentioning also, when we share platforms, we can also share industrial capacity by contract manufacturing. So again, we can utilize our plants and we can fill our plants with contract manufacturing and again, reduce the manufacturing cost.

So again, the rule of the game is we want to have one platform, which basically is focused factories. And when we talk about focused factories, it means also build in the plants what the consumer want in that specific region. So one platform per plant, regional optimization and contract manufacturing.

As you see on the right, you see that, for example, in the US, we will build large car mainly because this is what the consumer wants. In Europe, it's more about small and medium cars. And again, in China, it's about large and medium cars. So that's basically what we mean with focused factories. And when you have focused factories, as you know, you have a lower cost base.

If we go a specific -- if we talk about contract manufacturing, I would just like to double-click on Ghent because Ghent is going to be -- Ghent and Chengdu are going to be our two plants where we are aiming at sharing platforms and which -- where we are aiming at having contract manufacturing. The other five plants will be plants where we have Volvo-specific platforms. But these two plants are going to be shared platform plants.

A deep dive and a double-click on the Ghent plant. As you might have read probably in the news these first six months, we had a big task force that we have built with the Belgian government to make Ghent competitive.

Why? Because if you want to have contract manufacturing and attract let's say, players to come in your plants, you must be competitive from a cost perspective because the world knows that Europe is loaded with empty plants. So we are not the only ones needing or wanting to utilize our plants. So of course, the first prerequisite was to become competitive.

In order to become competitive, so the Ghent plant had a couple of important competitive factors, which is the location because it's in the center of Europe, it's near to the sea, so -- it has a big port. So that were good factors.

But it had also some disadvantages in terms of labor and in terms of other costs that was affecting the total cost, as you can see on the graph on the right, you see the Gent as it was in 2025. So not competitive compared to the lowest benchmark in Europe, so what we have benchmarked and of course, not even compared to China.

So then what did we do at the beginning of the year? We went -- we teamed up with the Belgian government, and we said, okay, what do we need to do to bring the cost of gent to what we call the future Ghent, but now it's the actual Ghent; to bring the cost of Ghent at the same level of the best plant in Europe?

So in a nutshell, so we worked through the first six months of the year. And in June, we finally had our roadmap and our list of actions, which we have agreed together and which we are now implementing. The actions are basically on three areas. So one area is obviously labor and energy, how do you reduce labor and energy cost? By automation and so that is basically by automation and also by making it more flexible, energy and labor.

The second and reducing, obviously, the need. The second one is obviously vertical integration. So what are the suppliers that we can bring, let's say, vertically integrate the technologies, so to reduce the overall cost. And the third one is ecosystem. So what are the technologies that we can bring closer in the area, which you can imagine for the Belgian government is also very important because they're attracting innovation and technology. So of course, for them, it's extremely important. And for us, it affects the cost.

So good news, we have a plan, we have a roadmap, and we are in line with implementation of this plan. And as we have a cost that now is competitive, obviously, we have a queue of brands who want to put their volumes in our plant because it's -- simply because it's competitive. So that was just a deep dive on contract manufacturing.

If we talk about procurement, so one year ago, I spoke to you about sharing suppliers. So I was here talking about our plan of sharing suppliers. Now the procurement, obviously, the procurement goes in three steps. So the synergies, how we harvest the synergy goes in three steps.

So of course, the first step is, as I said one year ago, is to share suppliers. And I can say good news, we have 80% of the suppliers, which are common suppliers together with Geely, and we are heading to 90%. So tick the box, we have done that.

Now the second step, once you share suppliers and you go together hand-in-hand to the suppliers, it will be even nicer to buy the same stuff. So obviously, the second step is, and now we buy the same stuff. So we go -- we share parts. We have common parts. And this is what Michael explained. Our target is to get 30% commonality, and we are today at 10% commonality.

When we do -- obviously, when we define the commonality, we also work on our variants, and we try to optimize our variants. As an example, for example, it's just an example; on the to see the opportunity, how big the opportunity it is? So on the compressor side, for example, we have 23 variants, and we have seen that we can cut in two these variants, and this would give us a reduction of 40% in terms of cost of that specific commodity.

So that, again, is an example of the potential that there is behind the different commodities. Of course, not all of them have 40% or this opportunity is just an example in the coming years. And of course, again, three steps, common suppliers, so allows us to have procurement leverage. We go to the common suppliers with common parts.

And then the last step, it will also be a good idea that we have one face so that we go only one and represents. And this gives even a higher strength. And that's the third step of how we are going to approach the synergies. This is -- this gives the greater commercial leverage.

This is something we are working on, aligning the organizations in China is already a reality. So we have common organizations and going -- working. In Europe, we are looking into aligning the organization in order to have one face to the supplier. Again, the three steps, one face to buy the same stuff. And that's the maximum of synergies that you can have. And this is a unique in the industry because nobody else has this within the industry.

What does it give? Well, what will it give? As you see on the left is what I said, so nothing new, the common parts, the 30% that we are going in 2030 and the shared suppliers that we are going at 90%. What is it going to give? It's going to give 5% cost reduction. So our material cost will cost 5% additional -- 5% less in the coming years.

You say, why 5%? Because it's linked to the 30% reduction because the reduction, basically, the potential when we have a common part is more around the 20%. And of course, on a 30%, let's say, common parts, this is basically what we harvest.

But again, it's not only this because what we spoke before, we also have manufacturing cost reduction, as I explained before with the contract manufacturing and our strategy, the one platform regionalization, manufacturing and logistics. We have less investments, again, in our plants, if you share the platform, by definition, you share also the cost of the investment.

And finally, everything I said we are doing, I spoke about the direct material. But obviously, we're doing it also in the indirect spend, which means the marketing, the digital, I mean, meaning computers or whatever else you buy, transport, you can also buy it together. So not only use it together the transport, but also buying it together. So that's an additional savings.

So just to summarize, so what I said and just what are the advantages that we are having, unique advantages. Again, shared platforms create industrial scale. Industrial scale creates a competitive footprint. If we have a competitive footprint, it means we have lower investment per car, and we have lower manufacturing cost per car. I think there's no doubt about that. And lower logistic costs, obviously, there's no doubt about that.

If we look at the common part, so common part creates procurement scale. Procurement scale creates greater commercial leverage. And if we have greater commercial leverage, we have lower BOM cost and lower indirect cost. Again, I think I have -- I hope I have explained this clearly.

But of course, there is another advantage, which I haven't spoken about, which is a byproduct, which is also great for us, especially in these turbulent times as we are and as we foresee being is that when you have scale in procurement, you also can increase resilience.

What does it mean? It mean that fundamentally, I can, for example, afford now to do double sourcing and protect myself instead of only one source because you can't afford to do double sourcing when your volumes are too small because, again, you can't afford to have double tooling, you can't afford to have two players and the volumes are too small now with big scale.

A second thing, which is not to neglect, is the access to innovation. When we share suppliers, it means that we have access to the supplier panel of a Chinese player, which means that we have access to all an ecosystem to choose from of technology and innovation that we can choose from and we can obviously access. And that's a very big technology, let's say, advantage that we have as opposed to others. So again, putting together the panel, it means also choosing.

And also, obviously, Geely has access to all our panel, which is mainly European panel, which obviously is an advantage for both. And then we choose the best. We choose the best and we work and we go forward with the best. This is an advantage, again, that we have, others don't have, and it's not to neglect.

So -- and with this, I hope I have convinced you on how we're going to tackle the cost, the variable cost. And I think we need a break. So I will leave it to Ron.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Thank you very much, Francesca. So we've covered a lot of ground so far this morning, but we are at the halfway point now. So for those of you online, set your clocks. We'll be back at exactly 20 minutes. So please tune in.

For those of you in the room, so you can have a leg stretch, our executive management team members will be available. There's some coffee served there. So please help yourselves and we'll be back in a few minutes. All right. Thank you.

(break)

Erik Severinsson - Volvo Car AB - Chief Commercial Officer

Good. Welcome back. I hope everyone got some coffee and it's full of energy. So I learned that it's always the best session to present after the audience got coffee. So I think this will be the best session of the day. I hope you'll enjoy it.

But I ask you a question. If you think about the car, are you thinking about the car? Now everyone thinks I will ask you what car you're thinking about. But I'll ask you another question. How many of you, when I asked you to think about the car, were thinking about buying a car?

Good. A few. That's good. Let's talk later after this session. The thing is that you need to also challenge a bit in a traditional industry as us, what is it that we're selling? Purchase is a moment. I will talk about how to make purchase moment much better than they ever have been before or today. But what we are selling is not the moment, we're selling a journey on how you use it.

All of us are running around with these things in your pockets, right? And when you buy these, what are you buying? Are you buying a phone, cash? Or are you buying a portal to an ecosystem? Are you buying an Apple because you want to access the Apple ecosystem with everything is there? Are you buying the iPhone 17 Pro because it has a nice camera? Are you buying it cash? Or are you buying it on a pay-per-month model?

So what does that mean for the automotive industry? And why am I talking about this? Why is this so important for Volvo? I mean our brand was based around people. It always has been, always will be a human-centric, the most human-centric car brand. And for us to only talk about the sales point or selling a CapEx product in the most expensive car is not the right thing.

Of course, we, as a human-centric car company, must design a customer offer, which takes care of the whole journey. So that is why this resonates so well with our company. It's built on the foundation of what we were and what we were created for.

And when it comes to lowering the threshold of getting into that ecosystem that I will talk about, as Hakan also alluded to; when you are there and you want to get to buy your car, it is three things that are important: simplicity, transparency, precision. What am I buying? What does it cost? When do I get it? That is -- that we see also a lot of customers coming and asking for that type of product.

We talked about this last year when we were here, and we now have explored this with the EX60, which I talked about before. It comes only in seven variants. It's not build your car, it's choose your car. Why do we need to ask customers to go through the whole factory process in the car configurator, starting with the naked car and then adding stuff just because we are setting up a plant that way? Why are we not just saying, Here are seven really good choices, pick one, and then you add color, wheels, interior?

We're also working a lot to find a different kind of distribution model where we're actually saying, you know what, that car that you already selected, that's already available. You can get it in two days. We have that because we can use our supply chain, we use our digital tools, and we have a much simpler product offer. So you know when you get it, you know that everything is included.

And we also will have one transparent price, pay per month, whatever it is, whichever you choose, it doesn't change. No interest rates, no hidden fees, no insurance, everything included. That sets the foundation for selling an experience.

But again, what is it then that the usage face? What is the new way of providing cars to customers in the future of this industry? Of course, I talked about this, the premium access model, the all-inclusive ownership, which is the -- we call Volvo Care or Care by Volvo.

It's also to have a smart digital relationship. We have a Volvo ID, which is your identity in our digital system. And it's also about having a software-defined car where you actually can personalize the whole product to have a tailor-made user experience.

And I think premium in the future is the combination of this. Imagine a future where you're buying a car or accessing a car through Care by Volvo, you're paying per month, and everything is included. Every third year, you get a new car.

You're going on a holiday to North Norway and you have rented a Volvo. Now that Volvo stands on that cold parking lot is in January, so it's freezing. It's -- you already got it in your app. You don't need to go to the booth to pick up the key. It's heated. It has your seat memory. It has your playlist and you can just drive off and drop it.

Imagine your car at home, not being optimized only for you that are paying the invoice, but for all your users. Everyone have their own Volvo idea. It's essentially having a Volvo in your pocket kind of experience. And when you integrate all these things, the product is not the hardware, the car that is today. It's how you build that premium experience for the customers. It has to be personal, effortless and ever improving.

And customers are not necessarily the ones paying the invoice or buying the car. Customers are people using our products. It could be your spouse, could be your kids, could be anyone that is actually using our product. Those are the ones we talk to.

Our industry talked for a long time about direct sales. Well, we did direct sales because it's the only way to get customer access. But actually, if you think about the phone industry, it's not about where you bought your iPhone that is important. It's about building an ecosystem that has stickiness that solves people's day-to-day problems and caters for everyone that uses the product that you're selling.

So what we are doing now and what we are setting in our commercial strategy is to redefine what is it actually that we are selling, moving into the direction of selling an experience, building on the unique strengths of the technology-based the Volvo ID, new access models or ownership models such as care and building that true future premium experience.

And what does that then give? We know that, of course, from other industries that an ecosystem creates stickiness. That means higher retention. The cheapest customer to win for me is the customer I don't lose. The more customers that continue to renew or stay in the Volvo ecosystem, the better it is for us, the better we will be able to give their customer experience.

And also, we think those customers will talk more and more about, you know what I have. I have this fantastic way of accessing a premium car. I can actually call and talk to a real person when I have a problem. I can go to that cold parking lot in North Norway, and it has my playlist. Have you heard about Volvo? That's the most powerful marketing you can have if you work in commercial as I do.

It gives, of course, recurring revenue. We see that today. A lot of customers buying a car is a huge investment. More and more people are using their monthly cash flow to pay for their car rather than their savings account. So that trend is happening all over the world.

For us, what that means an opportunity of getting recurring revenues. We can do this together with our partners. It's not having all the cars on our balance sheet. This is an integrated approach together with the retailer system. It gives better residual values. And we talk about residual values in our lingo in automotive. And why is that important? Well, if I have a higher value of the car after three years, it means I will have a better profitability when I sell the cars the first time.

The most expensive thing about the new car is the value depreciation. But a car that improves every day, a car that has access to a unique ecosystem, combined with the commercial model, which is catered for the experience, not the wholesale; that will yield higher residual values, which in the end gives better profitability.

So for us as a company, this is a very important next step of the commercial transformation to talk about that the product is not just the car, the product is the experience and have a model that caters for that. So I hope you agree with me, and I would like to show you later and in the coming years, how we're rolling this out in an ever-improving and faster way.

And with that, Fredrik, show us the numbers.

Fredrik Hansson - Volvo Car AB - Chief Financial Office

Thank you, Erik. So we've clarified a bit of foundation we're standing on in terms of technology, in terms of synergy opportunities. We've outlined the direction we're heading. So let me show you what this means profitability-wise because what we are building with this is a company capable of above 8% EBIT margins and importantly, strong positive cash flows.

This is exactly the same as we said last year, and this is still true. And if we double-click on EBIT, it is still true despite the fact that the world is ever more challenging, right? If we look at our near-term performance, profitability is far from the 8%.

And we're seeing a lot of pressures on our profitability. China hyper competition in China, but also spreading outside, tariffs weighing down our results, very notably in the US, most of our cars are produced in Europe for the US.

We're selling a lot of BEVs. And from a customer perspective, very, very great BEVs. But as we talked about with the next-generation BEVs, with the SPA3 BEVs, we're just starting, we have a step-change in profitability, but that's not helping us fully yet, right? We have an aging product portfolio if we stand here and now. We've shared a lot about the changes we're doing to it. So that's changing very rapidly. But here and now, it is getting rather old.

We have low capacity utilization with the seven plants. We have FX weighing us down, SEK being a very strong currency. D&A headwinds increasing. We have invested a lot in the past. And as investments go online, depreciation kicks into our result. And raw materials is elevated and is providing a lot of headwinds.

Consumer sentiment and maybe the most important part, do people want to buy things. US, very subdued, still hovering around the lowest level since measures started. And in China, we're seeing drastic drops now in sales in the market.

So this is a bit depressing, right? The good news is what we just shared today is actually things that takes charge of this situation. We can control or mitigate or work around a lot of these challenges. Some we cannot, but there we can at least try to do other things to keep profit up.

But China hyper competition, I guess that is the theme, right? We've talked a lot about synergies, lowering costs, getting better local offers, having local technology. So that's the core almost of what we're addressing with this strategy. On tariffs, we are localizing production in the US. A majority of our production -- our sales in the US will be produced in the US. We have a next-generation BEVs. We're ramping up the EX60, which is the dawn of a new era in many ways, but also in the for me as finance, most important way, profitability.

Our product portfolio is old, but we're drastically revamping it with these 13 products. And also the existing big sellers like the XC60, our best-selling car, right? As you see behind you, that is now externally refreshed. It's good looking. It has Gemini and an unbeatable range in terms of a plug-in hybrid. And same goes for the XC90.

On FX, as we localize and as we regionalize, that also means that our natural hedging will increase drastically, right? So we will quite soon be a lot less exposed to the FX winds flowing around, which is good if you're reporting in the currency we are. D&A headwinds will continue. We have invested a lot. We're coming down from a very big investment peak, but the depreciation from that will be a headwind also going forward.

So if I flip that to a bit the equation we have for our long-term profitability, and we're at the low level, we will have higher depreciation and amortization if nothing is done, so to say, from the past investments, which will weigh us down.

And macroeconomics will change, right? Consumer sentiments, raw materials, oil prices, all of that is now at very negative levels. And in some years, it's at very positive levels, right? That has a big swing factor in automotive and has a big swing factor for us. That's why we're not providing a forecast with what we're saying here.

We can't predict the macro. We don't know what will happen in the world in three years. But we do know that the things we can control has a clear value. And the things we can control, we put into four categories. So it's indirect costs. It is supply synergies and reducing variable costs. It's about really leveraging regionalization and then following the strategy we've had for a very long time now, profitable electrified growth.

And what I'm going to show you for each area here is really the roadmap. So what are the steps we need to get there? Because we know what the steps are. We have before and especially during the year since we last met, really laid out the path. We know the steps we need to take. We know what that means for our profitability, and we are executing on it. And we have already started implementing some of the actions.

But starting with electrified growth, and this is really focused on the Western portfolio, if you will. But here, we are, as we're saying, embarking on the biggest product launch ever. And that has started very clearly, right? In terms of completed actions, the EX60 has now been delivered to customers. We're still ramping up production. As we've said before, it's only in Q4, you will start to see some of the positives of it. But in terms of an action, it is there.

The updated PHEV portfolio, well, that was two days ago, but that goes into production very soon, and the order books are open for it. So that's here and now, financials to come.

But then importantly, what are the remaining steps then? And here, we can't share all the product details of our future product, of course. The ultimate step is, of course, that we have a really strengthened portfolio by the end of the decade with these 13 products. That means renewing, but importantly also means expanding into new very attractive segments where we are not today.

Some of the steps is coming very soon. So next year, we start with the first -- second SPA3 car in (inaudible). We are going into low cars and low BEVs, which means that we're using the platform we have to do something very unique, real low cars. And importantly, a market where we are almost not active today, right, so we're bringing that back.

In the US, larger cars are needed. We're coming with that. And we know that electrification is not going fully at the pace. Some will still want to put fuel in their car. That's why we're offering mixed propulsion with BEVs, PHEVs and HEVs.

Another road milestone, not roadblock milestone, it's what Erik just talked about. How do we complete the customer offer beyond the car? So you move away from the -- only the technical specs of the product and creating a full premium experience. And then as Michael talked about, Lynk & Co, that's really expanding our offer further into an addressable market where we aren't really competing.

On electrification, just showing this to give you a flavor of it, right? Because we have the technology. We've started to launch the cars with the EX60. But of course, it takes time to launch cars. But these cars are a lot more profitable, which you see on the right-hand side. If you compare a current BEV to a comparable SPA3 BEV, it's a big step-up in profitability. This will flow into our financials over time as these new platforms flows into our volumes, of course.

Regionalization and focus here financially is really localizing the products and also production into our different regions. And here, we have started on the journey, especially in terms of strengthening the regions. Hakan talked about it, governance, EMT representation, delegating out so we can be quick where we are in the markets.

We've also, in China, launched the XC70 but there's a lot of things to come here, right? The XC60 production is starting in the US, which is taking the biggest selling US car locally to the US. We will have a majority of our cars in the US locally produced.

And then in China, importantly, we are expanding our offer, six cars. And you can say this comes in two steps really. And the first step is coming soon. And China, I think, is worth talking a bit extra about because I see China as really big option value for Volvo Cars. To be honest, historically, we have not been super successful. We've grown a lot, but we've also grown with the market. And if you look at where we stand

today, on the left-hand side, we see that 16% of our global sales this year is in China. If I compare that to our German competitors, that's 27%.

So they have a significantly higher share of their sales in China. So that's -- if I'm risk averse to me, that means a limited downside risk, right? It's not that big part of Volvo. But more importantly, as we look forward, we see that we -- with extremely limited investments, really can make a play in China, and that is what we're now doing. Because if you have the right product in China, you can sell a lot.

On the middle graph here, you basically see Volvo car sales in China today, 51,000 cars we have sold across all the variants and models we have. What you see in the gray there is individual car lines coming from brands which no one even in China knew about or saw as a premium brand, maybe 6-, 10-, 15 months ago, right? So if you have the right product with the right technology at the right price, you can sell very expensive cars, if I put it like that, even without the brand.

But what we're doing is we're taking the best of Volvo. We're taking our brand, our values, our safety, and then we're combining that with the leading technology from Geely, which is creating something truly unique. And if we get one of those bets right, like the gray bars have done, I guess some are outselling all our cars right; we're making six of these bets. So that's the play.

Moving to supply synergies. I think Francesca covered it in depth, but where we stand is 80% common supplier base, 10% common parts, and we are gradually moving on here. 90% of our suppliers, we should really leverage the common scale on. That's the next milestone.

30% common hardware parts as we go into 2030 with a gradual ramp-up. And then on variable cost, also contract manufacturing at scale, really focusing in on five plants, getting higher utilization and also creating extremely cost-competitive plants like you saw in the Ghent example, right?

Last area, indirect spend or indirect cost. And here, we've done a lot, right? We set out and said we need to resize the company 1.5 years ago. And since then, we've reduced 3,000 headcounts that will be completed in November '25. That was part of the SEK18 billion cash and cost program we had, which we actually were able to realize one year earlier than we said when we launched the program.

And therefore, we increased the ambition and said, let's find SEK5 billion more in cost. And that we also achieved six months earlier than we said. We are taking more steps here. We have taken the unfortunate decision but necessary to close down the Stockholm office, consolidate our footprint even more to be more efficient and work closer together. And we are continuing to take actions here.

But I think the important notion with the things we have done is when needed, we are able to take action very fast. And given the uncertainty in the world, that is giving me comfort at least as a CFO.

Looking ahead, I think Alexander talked about it, software efficiency. That is not to be underestimated. Having 95% code commonality, as you said, that means that we are no longer reinventing the wheel people. Automotive industry is all about reinventing the wheel for every car, for every platform. We're no longer reinventing the wheel. And that means lower cost, front boring.

But it also importantly means better quality. You're fixing the quality ones. You are spending your time building customer features that makes people want to buy the car, and that is what we're doing.

We need to continue to have a lean corporate overhead and really empower the regions. And then ultimately, we're trying to sort of keep fixed costs fixed, which is very, very hard, especially as you scale and you have growth ambitions, which we have. But here, AI, using that to really find a cadence where we have continuous productivity. In our plants, we have very stringent productivity requirements, 5% efficiency reduction on blue collars, let's use lean, let's optimize.

When we look at our office workers, we need to come into that type of cadence as well. And I think AI can enable that. And that's why we're embarking on a journey linked to this to find the next level of opportunities to be better as a company in all dimensions.

So this essentially builds a company then capable of 8% EBIT. And those are really the building blocks. So when we have ticked these boxes, and some we have already ticked, but when all are ticked, that value in the middle there is realized.

But even is one thing, cash even more important. We need to start generating strong positive cash flows, and that we do with this strategy. And despite the fact that we are quite contrarian, right, we're saying here, we're going to have a record product expansion. Not many automotive OEMs are talking like that.

But we have now laid a foundation, which we have invested a lot in. And we have a unique opportunity together with Geely that means that it will be wrong of us not to take that opportunity. As the world is regionalizing, as the world is electrifying, that builds on the strengths we have and the unique opportunities we have, and we must capture that. And the beauty is we can actually do that while still reducing investments from today's levels.

And we're doing that from two things: One is we've taken a lot of these investments, especially in the Western world. The infrastructure is there. And secondly, it's leveraging Geely. And with Geely, it's really about lower investments, better Chinese products for that market and doing it fast.

But if I zoom in on the Western world, if you will, you've seen this before, this is our investments over time, and you see a very big investment peak there of SEK48 billion; we are coming down. We are last 12 months, still a little bit way to go, but we are really approaching these affordable levels. And then this line basically stays flat, despite the fact that we are launching our biggest product offer ever.

And how we can do that because it sounds almost impossible, right? But it's in the Western world, relying on the fact that we have now completed HuginCore. We have now completed SPA3. And SPA3 is a super future-proof platform. It has cell to body.

It has mega casting, meaning it has a structural variable cost advantage that pretty much no other OEM has. It is more expensive to do it in a different way. It has HuginCore. I just talked about those benefits. But it's also super scalable in terms of connecting different modules from us and/or from Geely. It's flexible from B2F segment, and we can industrialize fast. So what you see in the graph here is the first car on SPA3 and the investment level. So that's the EX60 basically.

The second car, when that comes, we see that we're spending 60% less investments. And that's in part because we have 95% software commonalities. You don't need to rewrite the software like we did in the old days, right, and that most are doing. And then third car, you go down to even 80%. So this is a big, big foundation for us.

The second big foundation is Geely. And here, what we are doing is really very importantly, accessing leading Eastern technology. You need to have Eastern technology for so many reasons. And getting the latest and greatest ADAS technology, smart cockpit technology, charging technology is absolutely critical, and Geely has that. We're also operating China more with a local playbook. And we're building this side-by-side with one of the largest OEMs in China, which is really a unique advantage.

So if I try to summarize a bit, I mean I talked about the short-term challenges. They're very evident. It's raining and pouring out there. You need to have a roadmap with good answers to see where you're going to come out. We believe we have that roadmap, and that's the roadmap we presented today.

To us, this is extremely clear, and we've also started execution on this roadmap. We're not searching for what we're going to do. We know what we're going to do. Now it's just execution time. And we have the foundation here, both in terms of investments, in terms of the access to -- unique access to China, that is already in place. And that's why we're saying we play to lead.

As the world now shifts, as consumers will shop around, as they question their choices and they don't always go and buy the next same car; we will be standing there with a stronger product offer than ever, ready to lead with world-leading software-defined vehicles with the strongest electrification sales share of all the traditional OEMs and extremely cost competitive because it will be competitive and

hypercompetitive for some time. But we're selling premium cars and premium cars don't sell themselves on cost. You need a brand and they need to be desirable.

So with that, Thomas, tell us how to do it.

Thomas Ingenlath - Volvo Car AB - Chief Design Officer

Thank you, Fredrik. Good morning. Thomas Ingenlath is my name. I'm responsible for -- not this. I'm responsible for design at Volvo Cars.

And what is design actually contributing and adding to our business? It's desirability. And desirability is, I think, a major factor for the success as well the financial success of our company. Let's face it, that's what makes a Louis Vuitton handbag sell for an incredible multiple of its production price. This is why Rolex Daytona sells for EUR17,000 because it's the desirability of the product, and it is the power of the brand that makes this pricing possible.

When I started in February, in Volvo, we focused and realized that there are three major topics that we would like to address in the work to come. And one is very much connected to recognizing the brand. Obviously, as a customer, the product that you buy, you want to be identified with the personality and the character of this brand. And in order to do so, you have to actually recognize the brand on the product. And I think one of the major topics for the car industry today is the anonymous look of cars.

An effect that, of course, was driven with the first wave of electrified vehicles and the designs of these vehicles and as well partly because a lot of start-up came into the arena, which obviously didn't have a legacy and a brand recognition.

And this is not only, I think, the problem of the new start-ups that have to work on building a brand recognition. It's as well a topic for us, the brands that have heritage, that have a strong history. This is what is the foundation of how a Volvo is recognized first glance out on the street. The Iron Mark.

It's, of course, the diagonal slash that supports in a distance the recognition of the Iron Mark. And it is the surrounding of a grill that has framed our cars and the logo for a long, long time. Obviously, with the shift to electrification, the idea was and is that we go away from sucking in too much air through a grill.

Having said that, they still need cooling, so don't get fooled that they wouldn't have a cooler, and they have one. And this leads, of course, to the big, big task ahead for each and every design department to identify what is the way forward, how to transition a phase that has been established over a lot, lot of decades into the future.

And of course, this is a task that is as well still ahead for us at Volvo to define this for the future. And as much as it was advertised the peek into the future, I have to disappoint you here today. I will not deliver more than that as a peek in the future. This is still to be revealed in due time about how that in concrete will surface then with the next car generation. But I think we have an exciting and great answer, which hopefully will rectify the center position of Volvo in this comparison.

Next topic that we would love to heavily attack with the cars to come is, again, an issue that is not unique to Volvo. It's very much deficit that we have created. And we have to listen to our customers. We have to listen to our customers and really recognize that how the interaction is in the car today is to say, frankly, is not appreciated. The overemphasis of screens is something which -- and the interaction with the screens is something that customers, journalists heavily criticize.

And I put that picture here to show what we have to aim for, and that is a better harmony, a better balance between the interaction that we have with our digital device and the physical interaction. Now I said it, that's a task for many players. We want to give the best answer and a really good one.

And to do so, we will attack it that way that we not just go and introduce again, rows and rows of exchangeable buttons, but we will be much more embracing what a physical interaction can do for you in a positive way as a customer. And I take here the example of this nice LiDAR car.

That it's not just about switching a button. It's about the sensation on the sensual quality that such an interaction can give in terms of premiumness, the experience, the luxury of high-quality materials, the luxury of this great sound that, that button will create. And of course, as well, the difference of not having just one exchangeable button, but each and every function having a dedicated different shape and way of interacting with it. Is it a click up and down? Is it a twist?

So to be much more deliberate in making this a recognizable and enjoyable interaction. This is a third topic about the opportunities and what can design actually gain with regionalization. Now not at all will we create three different looks and images of the brand Volvo with different regions. We will have one brand, we will have one design. We will have one recognition of what Volvo means.

But we can gain in different areas. In China, obviously, there is an incredible level expectation when it comes to premiumness and luxury. And I enjoy working together with our design team in Shanghai getting as well the demand from our salespeople there, from our Chinese colleagues who really are pushing us to go beyond what we are used to do when it comes to luxury and features and comfort in first and especially second row.

And I believe that this will be a great gain as well generally for Global Volvo to get these learnings and this type of level of luxury and premiumness to our cars because let's face it the premiumness and the luxury of Volvo Cars. We brought it back then SPA1, but we definitely have to keep fighting and making that a strong aspect of our brand.

In the US, size matters. It's about the size of a car. I remember driving with one of the first drivable XC90s out in Gothenburg when we built it on SPA1. And in the time when we built it in the studio, of course, this was a big SUV. I mean it was like our biggest car, and it was over -- just we were fighting or should it be below 5 meter or just above 5 meter was a magic wall there.

And then driving it outside, I came to a car park and there was a Range Rover park, oh, wow, I put it next to it, and I wanted to enjoy how that car competes with us. And I have to say, design-wise, yes, fine. I would say it competes with it, but definitely size-wise, I mean, Jesus, it is a different dimension. It's a different dimension between an F and an E itself. And Volvo clearly is a brand that very naturally would have such an F-segment sized car in its portfolio.

Our brand can very much carry that. So I'm very much looking forward to bring this alive now and definitely not just in the US, a car that has demand. Even in Europe, you can see how these cars are driven in our much more tiny roads. In Europe, we have an opportunity, has been mentioning before about what SPA3 has in the toolbox for us. We have now, for a long, long time, experienced that electrification and the skateboard platform that is built on delivers very nicely SUVs.

When it comes to going a bit lower, it has its limits. The limits were just recently very much displayed when Ferrari launched the Blue Chip. I mean you can see how difficult it is for a sports car company to deal with electrification and them having now just the skateboard architecture definitely was a mixed feedback on that result.

In the SPA3 toolbox, we have built in an opportunity to actually go beyond the skateboard architecture and really build attractive proportion low cars, and we will fully embrace it and have a very exciting products coming up for that. And the whole product lineup, of course, it's all about embracing one of the strong brand pillars of the brand Volvo, and that is Scandinavian design.

We have definitely the ambition to add to our nice history, some more legendary cars and car designs coming. And with the product lineup that we're building here, I'm really hopeful that we managed to add to this brand. You will get a better idea than I can portray today in 2027 when we celebrate 100 years of Volvo Cars.

This is, of course, an important milestone for our company. It's an incredible history of having established already in 1927 that foundation of values that we see such a great future in a company that is centered around building around the human, around the customers, making that the core of our striving as super unique, and it's definitely a great, great mission for the next 100 years to come.

So to celebrate that, we will come in spring 2027 with a glimpse of the future lineup of Volvo in the form of a concept car, a show car. And of course, I'm very much looking forward to show that to all of you. Thanks a lot for your attention, and I will hand over to Hakan.

Hakan Samuelsson - Volvo Car AB - President, Chief Executive Officer, Director

Everybody was expecting a bit more from the teaser. That was a very modest one. But thank you, Thomas, and for your part here, which is a bit different, talking about the emotional and value side of our brand. And you said it, but it's worth underlining. Of course, we have talked a lot about synergies, about the cost productivity, but a premium brand also needs to be desirable.

And then if we go back when we introduced SPA1, Thomas, what we really did with that car, of course, we created a much better car, premium car. But profitability came from the fact that we raised the price per car. So our cars need to continue to be seen as Volvo. People should still say to Toyota owners, Are you the one next to the Volvo? That's good. And Volvo has to be attractive, desirable and that's key to being premium.

So I'm very glad Thomas, that we have the leading car designer with us. It's a good match to being the leading car company. So with that, let me try to summarize everything here and summarize really our message and how is Volvo going to come through these turbulent times and come out on top. And we have concrete answers to the challenges that everybody is seeing. And it is having a really regionalized car offering.

So cars tailored to specific market needs. I think that needs to be the answer from everybody. I think we are the first one to say that very clearly. One car -- global cars won't work and just adapting them with different colors of the trim will not be enough. We also need to govern the whole company much closer to the regions.

We need to empower the regions, and we need, of course, scale down the corporate overhead to really have a lean overhead structure. We cannot have both. And we need to really gain productivity, Francesca, the key to productivity is less complexity, one platform per company, and we need fewer factories. We have seven today. We will go to five dedicated Volvo factories, and two will be then shared with other brands to really have a good solution.

And the Geely synergies is, of course, enabling all of these cars. It's enabling the leaner production structure by sharing, but we need also to share platforms, especially really to have the multi-fuel options. that we can do, of course, by expanding our own platforms, but also using shared platforms and reaching up to, was it 35% common part, which is, of course, the key to the 5% lower material cost would be impossible if we did not have the relationship with Geely.

And we need to be very careful about not mixing up software, customer data has to be really firewalls between the West to really have our approval secured in the US for ICTS approval and Chinese software. So HuginCore made in the West and all data is kept in the West. And in China, we have systems, which we can use also on Volvo Cars avoid billions in trying to invest into Chinese software.

And Erik, buying a car, I mean, kicking tires, thinking should you invest EUR1 million in this car, what is the value is a bit not the future. It is the experience when you have the car. And the car -- the ownership will move, I would say, from a financial ownership into a more emotional ownership and what is that?

Everybody who has a phone knows exactly what emotional ownership is, very private, very personal, but I don't care in what the balance sheet, the telephone is I think the same will happen with cars. So here, I think we have concrete answers. This is some of what you have heard is something I would like to underline. And this will deliver structural changes to our company. It will build a company capable of having an EBIT margin above 8% because the value of these actions is more than 8%.

It is building a company which will have double market share. As you saw, we have that in the electrified segment. We have now the cars to keep that market share when the car market is electrified, we will come out as a much bigger company. And with all the synergies, shared platforms and what you have heard, we will also be able to keep our investments, our CapEx under -- on the affordable level on where we need to be. You remember the curve from Fredrik showed, we are coming down.

We are not going up anymore. And without the synergies, that would, of course, be a wishful thinking, totally impossible. And we will go from seven factories, as I said, to five dedicated Volvo factories. And we will have 13, all new cars. These are not facelifted, all new cars, 100% Volvo, seven for US, Europe, six for China.

And that's, of course, giving us a much better portfolio to electrify, continue electrifying as the fastest in the business and also being real regional and having attractive cars to customers in US, China and Europe because they will be thinking and having more and more different requirements. So with that, I'll stop and I think we can go into question-and-answer session. But before that, thank you all for coming from me and my colleagues here in the EMT. Thank you.

QUESTIONS AND ANSWERS

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Thank you, Hakan. We just get some of the tables organized, and then we'll get started. (Event Instructions) I know, Hampus, you'll get the first question. (Event Instructions) Maybe Hampus gets to go first.

Hampus Engellau - Handelsbanken Capital Markets - Analyst

Hampus Engellau, Handelsbanken. Two questions from me. You have previously talked about leveraging the software within the group, core compute, ADAS and all of that. But we haven't talked so much about leveraging that in terms of through the Geely brands and maybe going to competitors selling your software. Is that included in the strategy to achieve your financial targets? Or is that viewed as an extra layer of improving profitability and growth in the group? That's my first question.

Second question, it's more relating to creating the Chinese ecosystem for the group and the Western one. I guess at some point, when Volvo growing volumes, Geely might be interested in developing a seeker Europe-based ecosystem car. Is that possible at the moment? Or is that maybe further out?

Alexander Petrofski - Volvo Car AB - Chief Technology Officer

Yes, I can start, and I'll let my colleagues fill in. I think, first and foremost, the Western tech stack or the Western software architecture we have developed, we will leverage, as we said, in Europe and in the Western world. That gives us scale predominantly through the high degree of commonality. In China, as Fredrik showed earlier, we're currently year-to-date, a bit north of 50,000 cars. So we wouldn't be capable of developing a unique software stack in China.

So here, we are confident that we can leverage Geely, but that we will be able to offer products with sufficient amount of differentiation. I think on your second question, it's absolutely so and that we have been open with that anyone who wishes to collaborate, we are open to have a conversation, and that obviously also includes any of the brands within the Geely Group.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Good. All right. So I think you were next. So please go ahead.

Agnieszka Vilela - Nordea Markets - Analyst

Agnieszka Vilela from Nordea. I have also two questions and maybe the first one to Fredrik. Looking at your profitability target, 8% EBIT margin, you said that -- and we've seen that the gap towards that increased since last year when we were here. And when I look at the kind of building blocks to reaching that, it is the regionalization that you kind of point to contributing to 3 percentage points. For an outsider, it seems maybe a bit counterintuitive that you having separate products for separate markets should bring profitability gains.

For us, it looks that it could be a bit more complex and subscale. So could you just dwell on that and say how does -- how will that lead to better profitability?

Fredrik Hansson - Volvo Car AB - Chief Financial Office

Maybe starting on Hakans, one of your last points. The most important thing is to have the right car, right, so that the customer wants to buy it. If you don't have that synergies or scale won't happen if no one is buying it. And I think in China, it is super critical to be there with the leading technology. That's how you get these best-selling cars, right? They are state-of-the-art. And there, we believe we can do something differently if we do it together with Geely.

So for us, even if we had the billions to spend to try to be there and do it, I don't think we would be as successful as a local player can be with the access to the local ecosystems and innovation cost levels. So that is sort of outweighing the potential dissynergy. And the dis-synergy is also increasingly small, if you will, because the world is regionalizing in China, in Europe through local content regulations in US due to tariffs. And that means that the same global scale is no longer available.

But what we can do with this is leverage Geely. So we don't need to take additional investments to have that regional offer. I think that is the key.

Hakan Samuelsson - Volvo Car AB - President, Chief Executive Officer, Director

Without regional offering, you see what's happening with the market share for global cars in China. I think it would be impossible to keep -- be present as a brand in China without regional cars and the regional software. And I would say the same is true for America. We need also there to have the regionalized car. Thomas talked about different taste. Our car should not look small when they park decide the Range Rover.

Agnieszka Vilela - Nordea Markets - Analyst

Fair point. And then the second one is on your capacity. You mentioned that underutilization in factories now is a drag to your profitability. Now with Slovakia coming on stream from next year, you will have even more capacity. When I calculate, it's like 1.5 million vehicles. You don't plan any factory closures. Maybe you can provide us a bit more information about contract manufacturing in these two factories. Like what kind of players can you attract and the timeframe for that?

Francesca Gamboni - Volvo Car AB - Chief Procurement & Supply Chain Officer

Maybe I take this. So indeed, yes, we have overcapacity, and that's why we have a capacity utilization challenge, and that is why we worked on Gent in, for example, specifically in order to improve the competitiveness of this plant because again, as said, I mean, nobody is coming in the plant. Nobody is coming as a contract manufacturer, whether it's within the group or outside if the cost is not competitive. Sharing capacity is something which is quite common within the industry. And again, the key is competitiveness of the cost.

So now that we have the cost competitiveness of Gent in terms of compared to European players, Eastern European players, which are our benchmark. We also have a location which is extremely interesting because it's in the middle of Europe and it's near to the sea, and we have a very high skilled plant. So indeed, it becomes very interesting for old players who are coming and establishing in Europe, which is a trend which is increasing in Europe, helped by also policies.

So they're establishing in Europe, and they're seeing our Gent plant as a very interesting plant where to establish, meaning brands within the group, but again, is open to any contract manufacturer. And this obviously will help in increasing our utilization going forward.

The same is, as said, for the Chengdu plant, which is already a plant which is shared in terms of capacity. It's already a multi-brand plant. And obviously, this -- we're looking into extending this within the group by extending the contract manufacturing.

Again, these two plants, which are going to be multi-brand plants, which are going to be, let's say, shared platform plants will be contract manufacturing so that we can help the other five plants, which are focused on Volvo unique platforms and mainly that is ambition and one platform per plant, which will make them even more competitive.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Thank you, Francesca. All right. Please go ahead. Maybe we can have a microphone here, please.

Nikita Papaccio - Deutsche Bank AG - Analyst

Nikita Papaccio from Deutsche Bank. Three questions for me. The first one, maybe you can give us a first impression on the order intake of the EX60. We saw a lot of impressive headlines, but maybe you can give some more color here. The second one is on your six new cars in China.

I mean it's super important to have more models there. Will these cars will be produced in the Volvo Cars plants? Or are you also going them to Geely plants, for example, to produce these vehicles? And the third one, also on the margin bridge. Last year, you were giving us several bridge items.

And as I remember correctly, electrified growth were 2 percentage points to 3 percentage points as a bucket. Now we are talking about 3 percentage points to 4 percentage points. So maybe you can give us some hints where this 1 percentage additional is coming from? And if you need all the 13 new models to reach this 3% to 4% improvement?

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Maybe I could start with you, Erik, on the EX60 question.

Erik Severinson - Volvo Car AB - Chief Commercial Officer

On the order intake on the EX60. I mean, we set out a very ambitious target for that car when we launched it in February. And we are well above from a commercial perspective, the order intake, that target. And I think the product has been received very well. We now have cars out at all our retailers.

We have customer cars being delivered. So we're very happy about the commercial success of that vehicle in the market. And now we're working very hard to ramp up production to be able to meet that order book that we're building up.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

All right. There's a question on the six new cars that we've announced for China and whether it will be Volvo plants or will we leverage other plants. Michael?

Michael Fleiss - Volvo Car AB - Chief Strategy and Product Officer

Yes. So probably first to the previous question. So we are not planning to close any plants because our competition is doing that, and we are not entertaining these ideas. So for the six new cars in China, we will use our manufacturing landscape, which we are having. Most of them will be produced in the Volvo factories.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Good. Over to you, Fredrik.

Fredrik Hansson - Volvo Car AB - Chief Financial Office

I mean the big profit step-up is from SPA3 with the advantages it has, that provides a margin increase regardless of volume. The delta versus last year, I would say, is we have now seen that we, within affordable frames can expand our portfolio, right? So we are adding low cars. We are adding large cars. We are adding multi-energy multi-propulsion, sorry, which is also maintaining a bigger addressable market in the US. So this product portfolio will cater to more.

Mattias Holmberg - Dnb Markets - Analyst

Mattias Holmberg from DNB Carnegie. CapEx is now down to what you call normal levels, but your free cash flow run rate is still rather depressed. So my question is, should we think about sort of the road to the strong free cash flow that you talked about as purely coming from moving towards the 8% margin target? Or is there further downside or rather upside from lower investments in terms of CapEx and capitalized R&D as well?

Fredrik Hansson - Volvo Car AB - Chief Financial Office

I think we are -- last 12 months, I think, SEK34.5 billion investments or something like that from Q2. Affordable levels is slightly lower than that. So there's some more to come. But then the big cash generation ultimately is and must be a more profitable business, right? And that is what we're laying out the road map for it.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Maybe I can take a question online then that's come in. And maybe that's to you then, Thomas. Thomas, in your presentation, you talked about people moving away from buttons -- moving away from touchscreens to buttons. Is that happening completely now the switch? Or are we somewhere in the middle?

Thomas Ingenlath - Volvo Car AB - Chief Design Officer

We are not going away from touchscreen. It's just to use the touchscreen in a more -- what the touchscreen is good at. My (inaudible) any button that -- or any function that you display all the time on the screen should not be on the screen. The screen is about flexibility. It's about showing stuff that is changing what you don't display all the time.

So for that reason, it's more recognizing that not everything is done well with a touchscreen, use the touchscreen for what it's good for. And that's why there is the reintroduction of a couple of more buttons than we have probably in today's cars.

I will go a bit further there. Regionalization brings as well the screen question into the play here because you definitely can see different consumer taste surfacing. You have on one hand, and our cars will reflect that more screens in a car because customers want to be in the time that they spend in a car more entertained. So this is definitely not us now taking generally away screens in the car. It's the opposite, especially talking about China, of course, there's a big question about how you increase the entertainment with screens.

Having said that, you definitely see as well the question of overwhelming information. I want to be protected from that. So I think we have to be much more clever in giving for different customer demands, a more flexible answer with our interiors.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

All right. We can go back to the room. Yes. Can we have a microphone, please?

Philippe Houchois - Jefferies LLC - Analyst

Philippe Houchois, Jefferies. I have two questions at the moment if I may. The first one, I'm curious about what you are able to achieve in terms of raising the local content that you need to have in North America to bring up your level of profitability. Because right now, I understand a lot of your content remains imported from Europe and therefore, subject to much longer tariff than we would like -- I know you would like, I'm sure.

The other question I have is, I understand there's been changes in the governance of Geely as a parent company, both Geely Group and Geely Cars. And I guess that's what's helping you be a bit more optimistic on synergies with Geely.

And then recently, we had the agreement between Ford and Geely about making cars in Europe, which seems to be a perfect deal for you. So why were you not involved? Is that because it happened before changes in governance that make cooperation easier? Or is it just fundamentally a very different project that made no sense for you?

Hakan Samuelsson - Volvo Car AB - President, Chief Executive Officer, Director

I would answer the last one. It's different products within the Geely family. So where we would possibly find cooperations in assembly our cars, of course, similar to our cars based on the same platforms and what they are doing in together with Ford is what I understand other types of cars where the synergies are less with.

America is as -- was said in the presentation, our target here is to fully utilize the factory in Charleston with locally produced cars. And then, of course, with higher volumes, we will be able to localize much more material to a better cost level. And the majority of the cars sold in US in future will be built in Charleston.

Francesca Gamboni - Volvo Car AB - Chief Procurement & Supply Chain Officer

So indeed, bringing more volumes, obviously, will allow us also to access, as Hakan said, access more suppliers because if you have more volumes you are also more interesting for the supply market. And this is what we are looking into localizing more and developing suppliers in many commodities like batteries, for example.

We also have a growing, let's say, supply base in Mexico, which is obviously we are developing and growing, which is actually our supply base in the US. So definitely, this will increase the local content. And with further volumes, which are going to be US volumes directly produced in the Charleston plant, this will make it easier.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Thank you. More questions in the audience? Do I see any hands? Okay. Maybe then I can turn to some online questions then. When you talk about the growth through electrification, doubling market share, can you clarify a little bit? Are we talking only BEVs or PHEVs, Maybe, Erik?

Erik Severinsson - Volvo Car AB - Chief Commercial Officer

The graph we looked at today was for BEVs, where we're seeing -- and that is obviously the long-term play on electrification is BEVs. Plug-in hybrids is a transition technology. And we're seeing already now that the three questions around that you need to solve on the BEVs. How far it goes, as fast it charge, how much is cost. When you get those right, we are able to reach a completely different competitive position versus the market than we have on our traditional cars.

So for us, it's very much focused around the BEVs and the plug-in hybrid is more addressing the segments where electrification goes a bit slower.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Maybe I'll stay with you a bit longer, Erik, because another question regarding Lynk & Co. Could you please elaborate on the distribution agreement with Lynk? Will you, as an organization also drive the pricing and offer structure on their model program?

Erik Severinsson - Volvo Car AB - Chief Commercial Officer

Yes. I think -- I mean, I will not go into all the details, but the way to make this in a synergistic way with the Volvo sales, of course, is to -- we have a certain customer base for Volvo cars. We're selling premium products as we have talked about today. Lynk & Co can address a different customer base, basically on cost, on design and more sport design. That, of course, means that you need to have one organization overseeing what is the offer structure across both brands.

So that's very much in the cards now for making this a complete offer for our retailers, for the customers out in the market that we're having alignment between offering and pricing between the two brands in a different way than what we have had in the past.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Next question online. If I don't see hands, I'll continue. How can Volvo introduce models that are better adapted to Chinese consumers? How can you strike a good balance between collaboration with Geely and the introduction of global models?

Alexander Petrofski - Volvo Car AB - Chief Technology Officer

I think it really boils down to what we talked about today. It's about leveraging the two tech stacks we have access to. One is developed predominantly or almost solely in Sweden. That one we will be using for, let's say, global products or Western products. And in China, we will be leveraging the group tech stack, if you will. But I'd like to expand a little bit how do we make those into Volvo. We have a Volvo engineering team in China situated in Shanghai and obviously working closely together with the Geely colleagues.

So you should look upon the development of those cars as a co-development. We will take the responsibility of ensuring that those cars are Volvo, that they deliver on the brand, that they are obviously equally safe and that they are of high quality. What Geely brings is the technology underpinning. So we have a local team for the Eastern products, if you will, or the products in China, and we have the Swedish team for the Western products.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

All right. Let's take maybe a question on SPA3 then. Can Volvo justify its SPA3 investments given the limited synergies with Geely brands who are unprepared to license them? Will SPA3 be the last Volvo-led architecture? Maybe Hakan, if I turn to you.

Hakan Samuelsson - Volvo Car AB - President, Chief Executive Officer, Director

Definitely, yes, because the SPA3 will now be used on much more cars. It will be the main platform in US and Europe for 100% BEV cars, including also new car sizes or lower cars because I don't think in the future, everybody will be driving SUVs, to be frank. So we need also a broader offering, which we alluded to. And there will definitely be volume for the SPA3.

And you should also not forget that also the SPA3 have a lot of mechanical parts, some mechatronic modules that will be part of the 30% common parts we talked about. So there will be synergies also for SPA3.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Okay. Good. Some questions coming in from Belgium. Maybe I'll turn to you, Francesca on this one --

Hakan Samuelsson - Volvo Car AB - President, Chief Executive Officer, Director

And this will probably not -- it will not be the last architecture we develop in Gothenburg. We'll continue.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Okay. I think I saw a hand, but maybe I'll maybe turn to you first, Francesca, like a question regarding coming in from Belgium. I want to know what Volvo's long-term strategy for the Ghent plant. Are you prepared to make the major investment needed on mega casting, for example? Are you considering bringing other models of other brands to Ghent. You might have answered but --

Francesca Gamboni - Volvo Car AB - Chief Procurement & Supply Chain Officer

So what we have guaranteed, and again, it was on all the news before. What we have guaranteed is definitely a bright future for our plant in Ghent, not only in terms of, let's say, volumes and for the future. And again, I cannot disclose which ones will be, but definitely, there is contract manufacturing is concrete and there are concrete volumes going forward, but also for what it concerns also the ecosystem.

So in terms of what are the technologies that we will develop within the zone, which is part of our action plan of reducing the cost because the cost is reduced because you operate internally on what is the labor and the energy, which obviously you tackle the function of it. So -- and the unit cost of it by automation and are also looking at the flexibility and the tariffs on it.

But you also work on what is the ecosystem. So working outside what kind of technology you bring closer in order to become the next-generation automotive within the area. So this is what we worked together with the Belgian and the Flanders government. And I must say we have a very compelling plan going forward. So I think a bright future for the Ghent plant.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Okay. Good. Some questions on products, so let me temper them quickly one after the other. And what can you tell us about plans to bring the XC70 long-range hybrid to the European market? Erik, if you want to --

Erik Severinsson - Volvo Car AB - Chief Commercial Officer

Yes. I mean I can say now with the way how we are bringing the XC70 to the European market is that what we communicated on Tuesday. We're doing a long-range version of the best-selling XC60 because we see more and more how important it is to have production locally in Europe as well. And we learned a lot from the XC70. We learned how to do long-range PHEVs, and we had a unique opportunity.

So in a way, we brought the XC70 to the European market last -- this week on Tuesday in the shape of the X60.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Right. Sticking with more products, maybe it's more a clarification. With the third-generation hybrids that you talked about today, is that an evolution of the plug-in hybrid technology that you unveiled this week?

Michael Fleiss - Volvo Car AB - Chief Strategy and Product Officer

Yes.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Short answer. Volvo had moved away from wagons. Will you be bringing back wagons as part of your product cycle?

Alexander Petrofski - Volvo Car AB - Chief Technology Officer

Good question. Thomas spoke about low cars. And I think it would be fantastic if a brand like Volvo could bring back wagons. So stay tuned, more to come. Good idea.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Okay. Maybe I'll turn it to you, Fredrik, for some questions regarding our profitability guidance. 5% to 7% is the margin delta on the electrified plus regionalization. And is that driven by new models? What are you willing to share today in terms of the launch cadence and addressing the white spaces?

But maybe, I guess, they are up to the -- how do we define the electrified and the regionalization bucket in your presentation? Maybe it needs to, if you can just share that again.

Fredrik Hansson - Volvo Car AB - Chief Financial Office

I guess that is the product expansion we talked about, both in the East and the West and also localization, which is then bringing down the cost, right, especially in the US as we increase production there. The profit uplift there is a combination. So a big chunk is really making

more profitable cars at lower cost. And a big part of that is coming from the cost advantages that they have. But the other part is we are expanding our addressable market. My might is going on and off for --

Francesca Gamboni - Volvo Car AB - Chief Procurement & Supply Chain Officer

Because you're moving --

Fredrik Hansson - Volvo Car AB - Chief Financial Office

I will stand still. We talked about large cars for the West, but in the US we talked about. And of course, that is also expanding the addressable market and thereby the volumes.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Good. We have time maybe for the last few questions. I'll turn one more time to the room. Anyone? Otherwise, I'll take the last few questions online then. All right. You mentioned Care by Volvo as a compelling prospect for future Volvo ownership.

However, similar model under the same name has already existed, which has been discontinued. Does this mean that a further developed version of the program will make a comeback? -- when, where? Just help.

Erik Severinsson - Volvo Car AB - Chief Commercial Officer

Yes, I think you need to separate. I think we had a lot of customers that were really happy about the Care by Volvo product as it was in the past. From a customer perspective, it was great. How we choose to do that internally had a lot of challenges with cars on our own balance sheet.

So what we want to achieve now and what we are achieving by rolling this out now starting in Europe, in Sweden already is to have that customer experience, all-inclusive pay-by-month offer together with partners, our retailers, our financing partners. So we have a much more lean and smarter commercial model around it. But I definitely see a demand for that kind of product, especially for premium customers.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Okay. Agnieszka, maybe one more.

Agnieszka Vilela - Nordea Markets - Analyst

Yes, maybe a question to Hakan actually. I think your contract ends by the end of March. Can you share any thoughts about succession planning? Do you feel that you will leave the company in good hands?

Hakan Samuelsson - Volvo Car AB - President, Chief Executive Officer, Director

I will leave the company. Question is when. Now there is, of course, something where the Board is fully occupied now. And as my contract runs out in April, it's something that we should expect getting news about pretty soon. And then there are different alternatives being evaluated.

And I think there will come a message this year about that. And then I'm planning then to be able to not work full time from when my contract runs out. Let's see.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

All right. Maybe we bring this to a close, but maybe this is a good question to end this that I've got to you then, Hakan. 10 years ago, the XC90 and SPA1 position Volvo as a premium brand. And you launched 11 models, 11 new cars after that. Would you say Volvo is in the same place today as it tries to reposition itself as the leading premium car brand with focus on electrification?

Hakan Samuelsson - Volvo Car AB - President, Chief Executive Officer, Director

Absolutely. I think we are now in front of an equally important step. Last time we went from being a sort of Scandinavian family car and want to be premium to into being a real premium. And then we looked at Audi, we looked at BMW. And then I think with the totally new design with the new architecture, we took the step up into premium.

I think everybody would agree on that today. And now our step is seeing now the world electrifies. The world is going more and more into a regional structure. We have a similar opportunity to do it in the right way and come out absolutely as a much stronger company.

And our ambition is, as I said, to be the leading company in this business in all aspects, its size, its profitability, desirability. And if you do this in the right way and you have a right answer and a unique answer to all of the challenges now coming to everybody, we have an equally opportunity as last time.

And putting that program together is really what we are working with right now and, of course, starts the execution of that. And I think we have the right team to do that, and we have the credible plans. So now the hard work starts. And at the end of decade, we will be a totally different company.

Ronojoy Banerjee - Volvo Car AB - Head, Corporate Communications and Global PR

Hakan, thank you. Thank you to everybody else on the panel. And really, thank you very much for joining us on this special day and to all of you online for tuning in. So from all of us here at Volvo Cars, have a great day ahead. Bye-bye.

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