



## **Jim Rowan – AGM 2024 keynote speech**

### **Introduction**

Good afternoon everyone, and welcome to our 2024 Annual General Meeting. It's good to see so many of you have come to join us here in Gothenburg. I also would like to extend a warm welcome to our Board of Directors.

I stand here before you today as CEO of a company that is making good progress towards our strategic ambitions. In 2023, we continued to meaningfully improve the operational performance of the company. We increased our market share in the premium EV segment in many geographies. We booked record earnings in 24 markets in every region: from US, Canada and Mexico; to Germany, the UK and Turkey; to Thailand, India and South Korea. We improved our EV margins, we grew our revenues and profits. And we continued to work on new and meaningful technologies in software, AI, core computing, batteries, electric motors and next generation body structures.

We did all of this while staying true to our values and building our brand strength aligned to our key focus areas of safety, sustainability, human-centric technology and Scandinavian design. A good indication of this was that we greatly improved our rating from 78 to 16 in the Financial Times Diversity Leaders index of over 850 companies – we were over 70 places above the next automotive company on the list.

At the same time, 2023 was not an easy year. There is still plenty of turbulence in the marketplace and in the world around us. While we stabilised and made our supply chain more robust, inflationary pressure and high interest rates remain. Conflicts continued, and geopolitics increased its impact on businesses, with additional threats yet to come.

However, compared to the pandemic years most of these headwinds remain manageable, relatively speaking. And we kept our strategic transformation firmly on track. I also believe that when there is so much uncertainty in the world, customers gravitate towards companies with a strong brand purpose that provides a cushion of safety and trust. I believe that trust has played a part in our 2023 performance.

### **Review of 2023**

As a result, we realised the best-ever year in our 97-year history. We reported record volume sales of almost 709K cars, up 15 per cent. A record electric vehicle (EV) share of total sales of 16 per cent, up from 11 per cent – the best EV share of all legacy premium car manufacturers in 2023. Record revenues of 399 bn SEK, up 21 per cent. And finally, record profits of 25.6 bn SEK, an increase of 43 per cent year over year.

These results come from a sure-footed execution of our strategy and are a testament to our people, our supply partners, our dealerships and our customers. We delivered industry leading gross margins in EVs, only surpassed by Tesla. Even better: we did it with only two cars in the same segment, the EX40 and EC40, whereas our legacy competitors have a much broader EV portfolio.

But it's not only our EVs that are performing well. We have continued to upgrade our plug-in and mild hybrid models, and that has allowed us to maintain premium pricing across our entire range. This is all part of a global phenomenon at Volvo Cars: as mentioned earlier, we booked record

earnings in 24 markets, all across the world in every region – in Europe, Asia and the Americas. And we will continue to improve in 2024, as three new electric cars hit the roads this year. This takes our total EV offering from two cars to five cars, powered by the latest technologies.

Our EX30 small SUV is already up and running – tens of thousands of cars are in transit and many customers are already behind the wheel. This is a great car that expands our portfolio and provides customers with an attractively priced premium electric car.

Then we have the EM90, which is also already in production. This is an important car for China, as we put our stake in the ground and gear up for growth in the premium EV market.

Finally, we have our EX90 flagship SUV, which is set to go into production in the first half of this year. This car represents a big technology shift for our company, which I will address in more detail shortly.

On top of that, we will also continue to invest in upgrading our popular hybrid models, which are a very important stepping stone for many customers on the way to full electrification. Together these cars make up a broad and very attractive portfolio of EVs and hybrids for the global marketplace of today, and provide a strong bridge to an electrified future.

## **2024 outlook and clarified ambitions**

We expect 2024 to be another record year. I don't believe there are many automotive companies today that can express this confidence in the future. The reason Volvo Cars can, is because we have a strong product portfolio of hybrid and EV technology. We have cars in many segments and sizes – 30, 40, 60, 90, sedans, wagons and SUVs. We have a clearly differentiated brand, grounded in industry-leading safety technologies, which are set to usher in another strong year for us.

You'll also have seen that we've clarified our strategic ambitions and want to be more precise as we approach the middle of the decade. We have reiterated that by 2025, we expect to be 50 per cent fully electric and aim to have reduced our CO<sub>2</sub> emissions per car by 40 per cent, based on our own reference of 2018.

The most important change is that we'll focus even more on value over volume. So rather than working towards a specific volume target, we're setting revenue targets. We remain firm on our ambition to report an EBIT margin above 8 per cent during 2026, based on expected revenues between SEK 550-600 billion. These clarified ambitions further underline that we will focus on sustained, profitable growth.

## **Polestar update**

Earlier this year, we also took new steps with regards to Polestar. Polestar is entering an exciting next phase in its development, under a new business plan, with a strengthened management team and Board of Directors. And with the roll-out of Polestar 3 and Polestar 4 this year, this takes them from a one car company to a 3-car company.

This is a good and natural moment for a transition of our relationship with Polestar. We have clearly communicated that we will no longer provide additional funding to Polestar. This will allow us to fully focus on Volvo Cars and our own investment plans. Instead, Geely will take responsibility for continued operational funding for Polestar going forward.

As a result, we propose to reduce our shareholding in Polestar from 48 to 18 per cent, with 62.7 per cent of our existing shareholding distributed to other shareholders in Volvo Cars. Later today you will vote on this proposal during this AGM.

However, I also want to be clear that the close collaboration between Polestar and Volvo Cars will continue to the benefit of both companies. Whether it's about R&D, manufacturing, commercial or otherwise: where it makes sense we will continue to collaborate and deliver the synergies that exist for both companies.

### **Embracing AI**

Now let's look to the future. 2024 is going to be another milestone year for Volvo Cars, and not just because we anticipate continued operational and financial growth, but because we're on the verge of another major shift in technology, one that will be enabled by AI and exemplified in the new EX90. It is built on Volvo Cars' next generation fully electric car architecture.

Like many others, I believe AI and machine learning can and will have a massive impact on society, technology and on our business. We see the proof points all around us, and in many ways it has only just started. At Volvo Cars, we will deploy AI and machine learning in ways that improve the overall customer experience and make our operations more efficient in a sustainable way. But more than that, we believe AI will help us to further develop the overall safety of the car, especially in the areas of active safety and advanced driver assist systems.

Let me explain to you what I mean. As you know, for almost 100 years, the guiding principle for Volvo Cars has been safety. Our cars are driven by people and they are the most precious cargo inside our cars. Throughout our 97-year history, we've introduced numerous safety innovations, constantly pushing forward and helping to take automotive safety standards to new heights. The EX90 represents a technological leap that will help to further boost safety. Decades of safety research and innovation have gone into its design.

However, the work of safety innovation is never done. People still get hurt in traffic. The latest statistics from the USA alone show that almost 44,000 people were killed in road traffic accidents in 2023. That's the equivalent of almost two fully populated 747 airplanes every single week. Realising a future where the latest technology can ensure that cars simply do not crash anymore, is our goal and something we will continue to invest in.

We are on the verge of another breakthrough in safety inside and around our cars. With the help of in-house software and strong partnerships with leading technology companies such as NVIDIA, Qualcomm and Google, we can take significant leaps in reducing collisions and get ever closer to that vision.

Our next generation of cars will be equipped with a highly advanced core computing system. The NVIDIA system-on-a-chip contains deep learning accelerators and is built for the specific purpose of AI applications and edge computing. We can now collect data from the real world at a scale that is incomparable to what is possible today. Instead of developing features based on data from hundreds of cars, we will now be able to develop them based on data from hundreds of thousands of cars.

You'll understand this is an exciting prospect for our safety engineers. We have always set our aims based on real-world traffic, going beyond meeting legal and rating requirements by analysing real-world accidents and aiming to reduce injuries for everyone in and around our cars. Our in-house Accident Research Team has visited the sites of accidents for more than 50 years, collecting

and analysing data from more than 40,000 accidents involving more than 70,000 people. This gives us a head start as we head into a future where that data and experience can be augmented by AI and machine learning technologies.

We are industry-leading in the way we work with safety, and we see a future in which we can continue to learn and improve, but at a faster pace than ever before. Our unique, high-quality data set is also the primary reason why we develop our safety systems in-house, rather than relying on an external supplier. Because we truly believe no other company is committed to and can advance safety better than our own team.

However, as I indicated before, the AI capabilities available on the next generation of Volvo cars are not limited to just safety. They can also be used for other areas – such as battery management, connectivity and improved user benefits that continually improve the customer experience. This is a massive opportunity, that I think many companies are only just beginning to realise. But at Volvo Cars, we have been working on this for a while.

You may recall this slide, of our future technology stack and the key areas that we need to harness to be successful. I showed you this image also last year, but it hasn't become any less relevant since then. We're making good progress in many of these areas, not least thanks to the various hardworking teams across the entire company, including those in software, connectivity and customer engagement.

We have also made great strides in our in-house electrical propulsion systems, which is an important part of our journey – but its only one part of a much bigger strategy. Obviously we will keep developing our batteries, e-motors and inverters, but we've got our electrical propulsion systems pretty much figured out and they are becoming more and more efficient. And our plug-in hybrids can also benefit from our improved knowledge in electrical propulsion.

But for me, the next frontier is about software, silicon, connectivity and data. That combination of technology can be deployed to help keep even more people safe on the road, to create more product benefits, and to better serve our customers around the world. We are making brave and bold investments for the future. These are tough technologies to crack, but we have made headway in these areas and in some cases we are already ahead of our competitors.

## **Summary**

Back to the present then, to wrap up. As I see it, the last two years have been about laying strong foundations upon which we can build in 2024 and beyond. We're building momentum, increasing the tempo, and creating something special. We had a good 2023, and we expect to have an even better 2024.

We have a strong product portfolio, with great hybrid and fully electric cars already in the market, and some great additions to that portfolio coming shortly. And yes, we have had some delays and challenges, but through those experiences we have gained invaluable knowledge, built resilience and fostered a strong team spirit.

At the end of the day, all companies are differentiated by people. Technologies and services are developed and provided by people, as are cars, pricing strategies, marketing campaigns and everything in between. We have fantastic people in this company, and now you see the fruits of all their hard work coming through in our results. So I would like to give my heartfelt thanks to all our employees for their hard work, dedication and energy. You have made our progress so far happen.

Going forward, we'll need to stay focused. We know our gameplan, we know what we want to get done and we're resolute. I'm an engineer, not an archeologist. I don't enjoy researching history as much as I do creating the future. When you're in a race with several strong competitors, it's very difficult to do that looking backwards or even sideways. You need to stay focused, you need to look ahead.

And when I look ahead, I like what I see. I honestly and fundamentally believe that what we do in next two to three years, will be decisive and position us for the next decade. There's still a lot of heavy lifting ahead, but we are facing in the right direction, we have the right people, the right products and the right strategy.

We have a committed and experienced workforce, a collaborative dealership network, an experienced Board of Directors, a loyal customer base, a supportive investor community, and a collective will and determination to succeed.

Thank you.