

## **Volvo Cars Q1 2025 Pre-Close Call**

Below is the information that will be discussed on the scheduled call with analysts and investors before the start of the silent period on 29 March ahead of the publication of our Q1 2025 report on 29 April.

### **Macro-economic environment**

The macroeconomic environment has continued on a soft tone, with sluggish economic data.

Consumer confidence in Europe has weakened somewhat in Q1 vs Q4 2024, and industry indicators are still also on relatively muted levels. Survey data from early 2025 indicate a moderate expansion in the services sector, while the industrial sector continues to face challenges due to subdued demand. The ECB reduced its deposit rate to 2.50% in early March 2025, aligning with market expectations.

In the US, the Federal Reserve has maintained the federal funds rate at 4.25% to 4.50% during its recent meetings, pausing its rate-cutting cycle after three consecutive reductions in late 2024. Overall, the US economy has seen its macro indicators coming in weaker than expected in 2025, with concerns that the economic activity will slow down.

On top of that, we have also seen an escalation within geopolitics where various tariffs have been introduced. Concerning already implemented US tariffs on Mexico & Canada, tariffs on steel & aluminium import as well as an additional levy on Chinese goods, and recently also the proposed tariffs on EU export, Volvo Cars are both indirectly and directly impacted. We are at this point not quantifying the amount.

For the overall automotive sector, S&P has continued to lower the market forecasts for 2025 and the premium market is now expected to shrink slightly globally.

European new car registrations decreased 2.6% in January, 3.4% in February, and is down around 3% YTD (according to ACEA). US light vehicle sales YTD February has increased around 2% YoY (according to US SAAR data). China retails also saw an increase around 1% YoY February YTD (according to the China Passenger Car Association), but the European OEMs continue to underperform the market.

### **Revenues**

- QTD up until February, retail deliveries are down 2% vs the same period in 2024. As of February QTD, 1,828 EX90s have been delivered to customers.

- Q1 2024 was supported by a quick ramp up of the EX30, which boosted wholesales affecting the comparable number in Q1. We also said during our Q4 call that the steep decrease in inventory in Q4 2024 would have the effect in that the retailers would need some time to adjust. This will have a dampening effect on wholesales in Q1.
  - As said on the Q4 conference call, this means that wholesale 2025 will be lower than retail deliveries for the full year of 2025, whereof a majority of that effect is in Q1.
- Revenue from contract manufacturing was 3,0 bn in Q4 vs 5,4 bn in Q3. For Q1 we have no information available to share at this stage.

### **Gross margins consolidated**

- As we communicated on the conference call on reporting day of Q4, we had a couple of effects affecting gross margin, primarily inventory reduction and sale of cars on balance sheet. As communicated in Q4, those effects were combined approximately negative 1.5 p.p. and was of one-time character in Q4 24.
- As communicated during the Q4 call, we see pricing continues to normalise and maintain our focus on value over volume, but incentives have increased over the last year.
- Since wholesale volumes are expected to be lower than retail deliveries, there will be an effect on gross margins from lower volumes.
- February QTD the SEK has strengthened, which all else equal, leads to lower revenues and lower gross margins (net positive USD exposure).
- As of November 2024, the EX30 is subject to higher tariffs as it is imported from China.
- Start of production of EX30 in Ghent will be in H1 2025 and expected with volumes fully ramped up in H2 2025.

### **EBIT-margin excluding JVs**

- Q1 2024 was supported by a quick ramp up of the EX30, therefore wholesales were higher than retail deliveries. We also said during our Q4 call that the steep reduction of our inventory in Q4 would have the effect that the retailers would need some time adjust, which also will have a dampening effect on wholesales in Q1.
  - This means that wholesales in Q1 2025 will be challenging from a year-on-year perspective as well as compared to retail deliveries.

- As communicated in recent quarters, we have also entered a period which we will not benefit from declining raw material costs year-on-year.
- We are also expected to increase the depreciation and amortisation in 2025 vs 2024.

### **EBIT-margin including JVs**

- As communicated in Q2 2024, we no longer account for Polestar's earnings as of Q3 2024.
- As communicated on November 14 we intended to sell our 30% stake in Lynk & Co which was completed in Q1 25 following approval from shareholders on the EGM during the quarter. We accounted for Lynk & Co earnings until the deal closed on February 14.

### **Free cash flow**

- As was communicated in our Q4 earnings call, we have the ambition to reach a positive free cash flow for the full year of 2025. An improvement of working capital is expected to support this ambition as well as the first payment from our divestment of our shares in Lynk & CO.
- Q1 is normally the weakest quarter in terms of free cash flow generation.
- During Q1, Volvo Cars has received the first payment for our 30% stake in Lynk & Co, which corresponds to 70% of the total CNY 5,4 bn transaction. The remaining payment is due in Q1 2026. The capital gains tax as a whole will be paid in April 2025.

### **Other items**

- ES90 was revealed and is the second car on the SPA2 platform. Production starts during Q3, and the first cars will be delivered in Q4.