

## **Volvo Cars Q3 2025 Pre-Close Call**

The following information will be discussed during the scheduled call with analysts and investors before the silent period begins on 24 September, leading up to the publication of our Q3 2025 report on 23 October.

### **Macro-economic environment**

The macroeconomic environment has remained soft, with only modest signs of stabilisation. Consumer confidence in Europe continued to soften through Q3, while industry indicators for both manufacturing and services remain subdued. In the US, consumer sentiment showed no material recovery over the summer months, staying significantly below 2024 levels and pointing to continued caution among households.

Uncertainties around trade policy remain a major headwind. The US has maintained tariff rates at the highest levels in decades, with a 27.5% duty on imported cars in effect. Market concerns are elevated, with the overall economic outlook remaining unpredictable given the risk of further adjustments on the back of volatile macroeconomic data. Volvo Cars is affected both indirectly and directly.

S&P Global has again revised its forecast downward for automotive sales volumes. The most recent forecast, published in August, reflects the full impact of tariffs and weaker demand: the US premium segment is now expected to contract by 4% in 2025. The China premium market is forecasted to decline by 11% in 2025 and globally, the premium segment is now expected to decrease by 6% in 2025, compared with the 1% decline forecasted in March before the US tariffs were announced.

### **Revenues**

- As was communicated in Q1 as well as in Q2 2025, Q1 and Q2 wholesales in 2024 was boosted by the quick ramp-up of EX30, affecting the comparable number in 2025. It was also communicated that this effect was isolated to H1 2025. Hence, wholesale in Q3 is expected to be more in line with retail sales, as was also communicated during the Q2 conference call.
- We also said during our Q4 and Q1 calls that the significant inventory reduction in Q4 2024 would have the effect in that the retailers would have one to two quarters to adjust their inventory levels in 2025. That adjustment was as we have said completed during Q2.
- This means that the underlying factors driving the Q1 and Q2 imbalance between wholesale and retail deliveries no longer remains
- As a reminder, wholesales, and not retail sales, is the best input to use when calculating the volume effect on sales.

- Reported retail sales for July and August shows a -12% volume decline so far during the third quarter.
- Revenue from contract manufacturing was 2.0 bn in Q1 25 and 3 bn in Q2 2025. For Q3 we have no information available to share at this stage.

### **Gross margins consolidated**

- Besides the effect from weaker volume development there will be effects from the US tariffs introduced during Q2, and as previously communicated, we have taken pricing actions to mitigate the impact.
- As of November 2024, the EX30 is subject to higher tariffs as it is imported from China, but since production in Ghent has started, the effects will start to subside from Q3 when production is ramped up, but as communicated, we expect to reach full production pace during Q4.
- As previously mentioned, the retail sales has quarter to date dropped by 12% which will have a negative effect on the gross margin in the quarter.
- Due to a continued stronger SEK, FX poses a continued headwind

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

- As we said in Q1 and Q2 we are also expecting to increase the depreciation and amortisation in 2025 vs 2024, following the ramp-up of production of vehicle such as EX90 and ES90.
- As we said in Q2, revenue from the sale of CO2 credits is expected to affect also Q3 but that the revenues reported in Q2 was related to the full H1 25.

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

- We stopped including Lynk & Co earnings in our accounts following the sale of Volvo Cars ownership in Lynk&Co in February 2025.

### **Free cash flow**

- Historically, Q3 typically demonstrates seasonal weak free cash flow generation as there are plant shutdowns during the normal vacation period.

### **Other**

- An EU-US Joint Statement on August 21, 2025, on the trade deal agreed by both sides, confirmed that there would be an U.S. tariff reduction to 15% on EU cars and car parts, while the EU will bring down its own tariffs on US autos and parts to 0%. The US tariff reduction would take effect from the first day of the month in which the EU submits the necessary legislation to lower its own tariffs. The EU has since submitted that necessary legislation. The US still has to publish an Executive Order to lower its tariffs to 15%, but the effect should be retroactive (as of August 1).

- The EU's legislative proposal to implement a zero tariffs regime on US cars and car parts now rests with the EU Member States and the European Parliament for approval.