

## **Volvo Cars Q4 2025 Pre-Close Call**

The following information will be discussed during the scheduled call with analysts and investors before the silent period begins on 5 January, leading up to the publication of our Q4 2025 report on 5 February 2026.

### **Macro-economic environment**

The global macro environment has remained fragile through the autumn, with recent data showing only limited and uneven signs of improvement. In the euro area, consumer confidence has stayed broadly unchanged since September, with the latest November reading at -14.2 — still well below historical norms and indicating subdued household sentiment.

In the US, consumer sentiment has remained under pressure. The University of Michigan's Index of Consumer Sentiment stood at 51.0 in November, significantly lower than one year ago and showing no material recovery during the autumn, as households remain cautious amid persistent cost-of-living concerns and more mixed labour-market signals.

In China, the economic recovery has remained uneven. Consumer confidence is still subdued, and auto demand has become increasingly discount-driven. At the same time, Chinese exports of electric vehicles continue to grow, amplifying competitive dynamics in Europe.

Regulatory visibility has improved on certain fronts — including the clarification of the US tariff framework — but the broader outlook remains uncertain.

### **State of the industry**

S&P Global has somewhat revised its forecast upwards for automotive sales volumes. The most recent forecast, published in October, shows that the US premium segment is now expected to contract by 2,4% in 2025, Europe to contract by 4,9%, and China premium market to contract by 10%. Globally, the premium segment is now expected to contract by 5% in 2025, compared with the 6% decrease forecasted in August.

### **Revenues**

- As was communicated in Q1-Q3, the second half of the year should show a balance between wholesale and retail deliveries, which implies that lower retail deliveries translate to lower wholesales
- 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 October and November show a -6% volume decline so far during the fourth quarter, with October down -2% and November down -10%.

- Revenue from contract manufacturing was 2.0 bn in Q1 2025, 3.0 bn in Q2 2025, and 3.2 bn in Q3 2025.
- Due to a continued stronger SEK, FX poses a continued headwind
- In Q3 we also said that we were delivering Q1/Q2 orders so the cars sold in Q3 did not fully reflect the developments of higher discounts as those were sold at a higher price point. That effect will instead materialise in Q4.
- 45W ending will, all else equal, affect PHEVs sold in the US with -7,5k USD.

### **Gross margins consolidated**

- Besides the effect from weaker volume development there will be effects from the US tariffs introduced during Q2. As communicated in Q3 we took costs reflecting a 27,5% tariff in July and 15% in both August and September. In Q4 that rate is 15% for all months.
- As previously mentioned, retail sales have quarter to date dropped by 6% which will have a negative effect on the gross margin in the quarter.
- As for revenue higher discounts will have a negative impact on Q4

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

- As seen in Q1-Q3 depreciation and amortisation in 2025 vs 2024 have increased and will continue to increase as we launch new or updated products.
- As we said in Q3, revenue from the sale of CO<sub>2</sub> credits is expected to affect also Q4.  
Negative volume and discounts developments will impact Q4.

### **Free cash flow**

- Historically, Q4 typically demonstrates seasonal stronger cash flow generation as sales typically is higher.
- As pointed out in Q3, the big inventory reduction seen in Q4 2024 will not repeat in Q4 this year.
- Continued investments in SPA3, Kosice and others impact Q4
- Negative volume development quarter-to-date will impact Q4