

Strategy Update 2025

6 November, 2025

Stockholm

Speakers from Volvo Cars

- Håkan Samuelsson, President and CEO
- Erik Severinson, Chief Commercial Officer
- Francesca Gamboni, Chief Industrial Operations Officer
- Anders Bell, Chief Engineering and Technology Officer
- Fredrik Hansson, Chief Financial Officer
- Michael Fleiss, Chief Strategy and Product Officer
- Jenny Åström, Head of Communications
- Maria Dagman (moderator)

Håkan Samuelsson

Good morning to all of you and welcome. This is a bit of a classic room for Volvo. Maria and I, we were talking a bit here before, and almost exactly four years ago, we were standing here and I remember we rang the bell for listing the company, and my reaction was, was that only four years ago? So that's probably because a lot of things has happened. But it's a good time to give you a bit new insight into where we are going, and I will return to that. But before I do that, I think I should introduce the team who is here with me. Because we have some new people in the team, and they are really the people who will now lead the way, putting this company back on track. So, who do we have? Erik Severinson, he's now Head of the Commercial Operations, Michael Fleiss, Product Strategy and Product Planning, and CFO, Fredrik Hansson, I think he's well known to you. Where do we have the other guys? Where is Anders Bell? There he is hiding behind Fredrik. R&D CTO sitting beside Francesca Gamboni, Industrial Operations Procurement. She will talk today about how we will save cost.

And then we have two members also who will only be here to answer potential questions, not present. Hanna Fager, People Officer, and Helen Hu, who is Legal, but also will now head up Communication, Public Affairs, and Corporate Affairs, I think we will call it. Okay, so we'll have an expanded responsibility in the team. Did I forget somebody? No? That's the team that will now put Volvo back on track. Because I think you could say that without saying sounding too cocky.

And what did we do? We started in April. Then we presented a turnaround program. We need to rapidly come back to better performance. We presented the SEK 18 billion cost and cash program, which you saw already in quarter three is now starting to deliver a bit faster than we thought, to be honest. After summer, we then changed a bit course and say now it's time to start focusing on top line growth and sales. And we reorganised our commercial operations. Erik, then came in leading that. And Erik, you will, of course, today tell us your ideas about how to revitalise and turn around our commercial operations. That's very important. And today we come then to the third step, which is updating our strategy. First, the reason for all of this is really so define a steady course forward for the company. Because in this very turbulent time, so I think it's very important to have a steady course, what do we want to do with the company and also securing continuity when it

comes to succession. So we need now strong team. So that's one of my missions, really to build a team that knows exactly the course and can do that without getting nervous and losing traction in the future.

And we will also do this in a bit different way than a conventional business plan type of report with very clear targets and quantified performance per year. I think it's really important to define what we want to do. And you will, of course, decide is this the right thing to do or not. That's up for people investing in our company to decide. But I think it's really important to define this is what we want to do and that you are right on that. And then, of course, I think we should also give you indication what could the value be of these different blocks that we're going to talk about. But I think it's wrong to just focus on giving exact targets quantified. So we will not do that in time. It will just, this is the value of the block. It will materialize in the years to come. I think that's much better instead of focusing on target and then going out doing more of the same that will not deliver anything. So we need to be clear on that we want to do something differently and better. So that's how we will work.

And we will then build this strategy on three external challenges coming to our industry. And I think it's really important for us all in this industry. If we want to stay in business, we need to have an answer to these challenges. The first one is really CO2 reduction climate, which boils down to electrification. That's the best way to solve that. Secondly, globalisation was nice when we had it, but right now, we will get something else. The world will regionalise, there will be trade, trade restrictions, tech restrictions and barriers, tariffs. We read every day about that. So you need to have an answer on that.

And the third is hyper competition. Okay, we always say that it's a really bloody competition going on, but it will be worse. And that is easy to understand, because the core industry was dominated by western players, European and Americans now, and Japanese sorry, and Koreans, but Western. Now there is a new big player knocking on the door and really taking already half of the Chinese market. That's already causing big problems for the people in China, the Westerners, especially the Germans. Now they will, of course, use this capacity also outside. So realistically they will take a big chunk of the market and then it get crowded for everybody else in the remaining part.

So I think expect hyper competition. And how do we now react to that? That's the question. And you're going to get the answer from the speakers here as they go into it. But I believe we from Volvo have a unique possibility to have good answers on these three challenges.

And the first then is electrification. I mean, that's really one of the absolute best ways of reducing CO2, because it's good for the climate. But even more important, if it's really going to have an impact, it's also good for customers, is really a better car. Everybody knows that has driven an electric car. It's only one thing that has to be fixed. Why are people not buying EVs? No, you need longer range. It has to be. You have to drive as long as with a normal car, and you should be able to charge it in the same time it takes to fill up and go into the bathroom for a normal car. That will also happen. And most importantly, it should have the same price. We will talk about that today.

When that has happened, I think we will have a totally different growth in this sector, which is already growing. So, if you believe electrification will come, and we are absolutely convinced it's an opportunity for the company, don't try to slow it down, rather stupid. If something is changing, you should accelerate. So good luck for those who want to lobby about slower legislation and so on. We are not doing that. We will be ready 2030 with electric cars for all. But we are also not blue-eyed. We will of course also need some back, we'll say, bridge solutions for countries, regions, and

customer, who really still cannot charge. So, I mean, a pragmatic approach, but we will be ready. And if the industry wants to survive, we should pick up, we should accelerate, not slow down. Another really important thing, which really is not directly connected to electrification but is developed now in parallel, we need to have a core compute system. If we're going to have new features in the car fast, you cannot have that in a hundred different boxes and relying on suppliers. You need to be able to have one software you can run on your own platform. A really painful step to change a car into that direction. I can only be glad that we are through that now.

Of course, maybe you could think we could have done it a bit faster. But, it's a really big step and it took us a couple of years, but now we have a good foundation to be a really core compute one software car. So it's a good investment. So we will then have these all-electric cars and the smart bridge cars to a very good total investment by having good cooperation with Geely and utilising parts from their platforms to do this faster.

End of globalisation. We need to go into regions. So if we want to stay, and that is absolutely our target, Volvo should continue being a global brand because a strong brand needs to be global. It cannot be a local brand. Then you need to regionalise, then you need to have strong, empowered, more autonomous regions, China, US and then the rest, which is easier because it's closer to us. But we will start having America and China more autonomous. Do the marketing, do the sales in a way that is suitable to your market and we will also produce the cars locally and within more regional adaptations to really fulfill the expectations of the customers.

And with the regionalisation, something else is really important. We need to modernise the way we sell cars. We need to listen to customers' expectations. Erik will talk about that also. They have really three rather simple expectations. What does the product look like? All of you have tried to understand that in a configurator knows that we are not too good at that today, has to be much simpler and easier. Second question, what's the price? All of us know also that's not the easiest question to get a good answer on. It depends, they say. And then the third question, when can I get the car? Normally it's not very accurate answer when it comes, it's more or less "Let's see, could take longer or shorter."

So we need to be also with the regionalisation come closer to customer. And the exact answer is not the same in all regions. A strong global brand, Volvo, will remain in all regions when other brands are getting nervous and pulling back, which is happening. A lot of Americans are leaving China, a lot of Europeans have trouble. We will stay, and we will do that with the unique connection we have with China and through Geely.

Third, hyper competition. Yes, it will be tough. So we need to be smart when it comes to lower our investments. Still having the program we need. Michael will talk about that. How we then can create and build this bridge cars for customers who are still not ready for all-electric. And how can we bring down the material hardware cost? Francesca will tell us about that. And I mean, getting access to the absolutely lowest cost structure in the world, which is a supply net in China, it's not that easy as to go there and knock on the door. But through our connection with Geely, we have, of course, an absolutely unique opportunity to get benefit from this very low-cost supply network.

And very important, I mean, we will have a lot of modularity, common parts on the hardware. But when it comes to software and critical semiconductor components, it's a no-no, of course, that we have to live with a totally regionalised setup, China for China, software and semiconductors will not be the same, very different. But in the West, we will have totally different software and components.

And to summarise, this is other people think that the shyness is now the enemies coming in will make life difficult for us. We are, of course, not in that situation at all. We could with our connection with Geely, this I think will be seen, and we realise that also. But I think from outside, it will be seen more and more as a strength for Volvo to have this unique relationship with the new very tough competition coming in. For us, it's not just the competitors coming in, it's also our partners. So that is really where I wanted to lay the foundation for the discussions, how are we going to answer these three challenges, what is our answer? And for that we should go a bit deeper.

And then first stop in the journey is with Erik and the commercial organisation. So please, Erik, take over.

Erik Severinson

Thank you, Håkan. I'm going to talk a bit about our commercial turnaround or commercial transformation. And the headline is to win customers that stay, and that's really what our task is when you look at our commercial system right now. The automotive industry is a messy place at this point in time. We talked about the hyper competition and the regionalisation. But in order to have a commercial discussion with you today, and in general actually, you need to start with who are you? And to be 100 years old in an industry of more and more infants coming in is a great superpower, and we will need to build on that.

So Volvo, our brand, is something that we can capitalise on in this time of transformation. And we have a very strong brand, which stands for Freedom to Move, by Sweden, for life. Always, Volvo has been founded around the main principle of being human-centric. That was why we, from the early days, focused so much about safety, and that is why we are leading on electrification. And that is also why we're using technology to improve people's lives and not just putting in technology for the sake of technology, and our Scandinavian design is wrapping all that up.

So when we go out in the world, Volvo is a global brand. And that is a great asset to have when we want to drive this transformation. The messier the automotive industry will be from a commercial perspective, from a brand perspective, the more important the brand values and the brand recognition will be. So that is our foundation for our commercial turnaround going forward.

And then when you talk about how we want to drive this company going forward, there's really two things, which we are building our strategic change on right now, and that is to have two thoughts at the same time in our heads all the time. We need to perform here and now, driving profitable growth, focusing on the next day, the next week, the next month, the next quarter, the next year. If we don't do that, from a volume perspective, from a cash generation perspective, from a profitability perspective, everything else is basically semantics.

But at the same time, we need to also have a transformational agenda. We talked and mentioned about electrification and also finding new ways of reaching our customers, offering them modern ways of buying a car. If we don't manage to have both these things at the same time in our heads, we will not succeed in the future. So our future strategy is very much now built on these two words, perform and transform.

So let me talk a bit about growth and the path for growth will be for Volvo Cars through electrification. Now, that has been debated or being discussed, is electrification really happening, and is this really the right strategy?

Well, no matter which type of data you look at, and you probably look at more data than I do, the only thing that is growing within the automotive industry is electrification. This graph shows the premium market. It's the latest S&P numbers divided by region, showing the forecast is from 2025 to 2035. I could have taken any other forecast institute data. It will show the same thing. It's divided on BEVs and non-BEVs.

And what you can see here and forecast is always a guess. But what you can see, of course, is that the only thing that is growing is BEV, and the rest is shrinking. And this is actually even including PHEVs on the bottom half, which is an electrified car, which up until 2030, also will have some growth, which we're also betting on. So, for 1% car brand like us, with a strong brand, global recognition, the path to growth is to bet on the growing segment, not on the shrinking segment. So yes, electrification is the right path to growth for Volvo Cars.

And if you take that then, and how do we then materialise that into our product portfolio? Our brand is a promise given, our product is a promise kept, we say. And then we need to have an offer for every Volvo customer. And this is in the transitional period. And now it's showing the SUV lineup on the large SUVs in Europe. So this graph basically shows that our current offering we have in the market here now, and the XC90 petrol, for example, has an 18% market share in the large SUV segment. It's number one in that segment among the petrol cars.

The PHEV version of the same car, 22% market share, also number one when it comes to PHEVs in that segment. And the EX90, which we have maybe talked about all the problems for so many years about it, that is currently already number two in its segment at the 23% market share, with the strong retail order growth right now in Europe. So when we succeed having an offer for every customer in a segment where we're trustworthy with the brand that everyone believes in, we have a fantastic track record of being successful.

So our way to growth going forward and succeeding here and now is to replicate this from a product perspective in more segments. And then we have one issue, right, we lack a car. So if you look at this page, it is showing our total portfolio of SUVs. You know about the 30 cluster, EX30 is doing very well in its segment, we have the 40, both ICE and BEV, the 90 I talked about. But we have a gap. The biggest car segment in the world is mid-sized SUVs. The biggest electric car segment in the world is mid-sized SUVs, and we haven't had an offer. From 21st of January we will and Anders will tell you about just how good that offer is, and that's the EX60. By adding the EX60, we will increase the addressable BEV market for this company by 200%. Today we're addressing roughly 25% of the market. We will address 75% of the market by just adding this car.

So this is massively important for us. And also complementing this portfolio with bridge products such as the XC70 going forward, which is electric force with a backup plan, will also help driving growth in this company. And this is not now me talking about something that might happen in 2029, three, four years out. No, this will happen nine weeks out here in Stockholm on the 21st of January. So this is coming. Investments for this has been done. Harvest time is now.

So I'm very confident about that we will have the right lineup. But is there a demand for BEVs right now? If I look at the market here and now and look at the numbers, does the customer buy better electric vehicles? So this graph is showing our year-over-year retail order pace growth, meaning how much more orders we're taking versus last month for BEVs and for the total company. The blue line is our total year-on-year order growth right now. In Europe, this is year to date. And the red line is the BEV order growth.

And as you can see, there has been a shift from, I would have loved to said from September and onwards, but it's actually happened before my time. So it's already in June. We see a momentum in Europe on electric cars right now, on BEVs especially. There is a very much growing market for all products fully-electric in Europe right now. That momentum we will continue to fuel with the launch of a car such as the EX60. And we're having successes on the EX30 as well. And we're seeing pickup pace also in the order pace on the EX90 in Europe. So the customer demand is here right now.

When we come with the right offering, we will have a fantastic opportunity to drive electric growth in Europe, that is. And for the customers that are not there, as Håkan also said, we'll continue to invest in the plug-in hybrid products, which is a good bridge technology. So then why are customers not buying a BEV? Because there is some hesitation still. Now I would love to say objectively a BEV is a better car, but you might say I'm biased. I am. But I still think a BEV is a better car.

If you look at the running cost of a battery electric vehicle, it's lower. It's lower than what you will ever achieve on a combustion engine car. The performance is better. It's more silent, acceleration is better. The interior space of an electric vehicle is equivalent to a normal combustion engine car one size bigger, and it's more sustainable. It is a better car. But we need to solve three things. We need to solve the range excitement among our customers, we need to solve the charging time and we need to find a price point that is equivalent than today's cars.

And when it comes to the first two, we need to have electric vehicles that will go as far as combusting any car and then we need to charge as fast as your average stop of a vehicle is. I mean, what we will launch now in nine weeks from now, you will have a car where you will need to go to the toilet long before the battery runs out. And when you're back from the toilet, the car has charged. When we reach that point, there is no hassle of having a fully electric car on that 1% journey you're making 2 times per year to the mountains, etcetera. It will be as convenient as driving a combustion engine vehicle or a plug-in hybrid for that matter as well.

And many markets, when they get the product like that, they will converge. Sweden, I think, is a fantastic opportunity now. Us coming with some of our competition, we will convert that market. But even more importantly, people will not get more money to buy cars for just because we want to sell them electric vehicles. So we need to find price points that is equivalent to where we are buying cars today. And this car will be priced as a PHEV.

Most sold variant for Volvo Cars in Europe right now is an XC60 T6 PHEV. We know there is a customer demand at those price points, so we will price this vehicle at parity where we are pricing our current best-sold cars. And we will do that with a better margin. And Anders will explain you how we will achieve that and how we will achieve the cost benefits of our new electric vehicles. But when we have these three problems solved, I don't see much reason to be honest, why I shouldn't drive an electric car.

So we are ready to go electric when the customer are from a product perspective. But when the customer hesitates, we will also have a good bridge, which we will hear more about later. So that is about what we will sell, but we also need to talk about how we will sell it. It's so funny when you come into this industry and I've been here for long, it's so conservative and it takes so long time to change. And sometimes when we drive change in this industry, we look at it from a company perspective. What would we want to do? How do we think is the smartest way of selling a car to our customers to you?

V O L V O

But we need to think about how do you want to buy a car? That should be the starting point for our discussion around how we want to sell vehicles, for example. And you're buying a car in the same way as your parents bought the car, more or less. And that might be good. Some customers want that, and they should have that opportunity. But some of you will want to have a different purchase experience. And that's what I want to talk about. And now, Håkan stole my thunder a bit because he said, what is it that the customer really want to understand when they're buying a vehicle, or in anything, actually. You want to know what is included, what do I get, what will it cost, and when will I get it? And actually, I would add, can I get it now?

So what we will have, and I will talk you through it in the coming two slides, but a simple offering fewer variants, where you can have an all-inclusive offer, including energy, including wall boxes, including insurances, etcetera. You have that hassle-free car ownership. That is something that we will have. Transparency, online purchase option, sign-up, this is your monthly fee that is very much appreciated by customers. We know that. And delivery precision. It's not only about precision, you're in a lease contract or in your company car, you're returning it in three months, you order now, you want to get the new car in three months from now. But you might also come in looking for a second car for the household, your daughter just turned 18 yesterday, and I need the car tomorrow. We should have a solution for those customers as well. Instant delivery. And how will we do it? Now you're all thinking about how will they put that on the balance sheet and all that. I'll get to that.

But if we solve these three things, we know the customer will appreciate this. And we have talked about flipping markets and changing our commercial system for many years now. That has been maybe a little bit of an introvert discussion. We have done many good things. The markets where we come the furthest on this is probably UK. UK now we have record market share, almost 4% market share, having record sales and we're also getting our best earnings that we ever had in that market.

Now there are good learnings from UK but we need to take that to the next level and take the good things from what we've learned and putting that into a new way of offering cars, which I will talk about in the next slide. But the important thing, what you need to remember as well, I will not stand here and say we will flip all the markets of Europe within the coming six months. It's not about flipping a market. It's about finding the right customer offer. And when you find the right customer offer, we will have a smart way of scaling it.

So what we will do is that, as a next step, in Sweden, starting in Q1 next year, we will extend and have a new offering, basically. Clear consumer-friendly monthly price for electric cars with allinclusive option including energy. We know we can include energy in this because we can control the charging of the vehicle, smart charging. We can charge the car when the prices are low. We can offer the customer bidirectionality. We can do this in a very profitable way from our side, and it also gives a lot of hassle-free thinking for the customer.

At the same time, having an instant delivery option in our offering without building a massive stock as well as a tailor-made option. We're not taking that away for you that want to go to the car salesman and sit down and go through all the specs and the roof rates and the size of the wheels and the color of the seats and all that. That option will, of course, be there. But also for you that comes in the day after your daughter's 18-year birthday, and want that yellow EX30 that she's talked about for so long, and you want it now, we should be able to serve you as well.

And continuous implementation of AI-supported online shopping. I mean, today when you come into a car showroom, someone helps you. A salesman comes and asks you, how can I help you? What can I do? What do you want? When you come into a core configurator, you get exposed to 50 different choices, and you need to pick. And if I choose that choice, that changes, and that choice that changes. We can do that much smarter in a much more. We're using AI or an AI assistant agent to have a more conversational core configurator engine. And also simplify the amount of choices that the customers need to make online, helping them get into the right product much faster. This will be continuous rollout as well.

And when we combine all this, then we have something that we know the customer wants. We have today, currently in Sweden, 7,000 current care by Volvo customers, which Care by Volvo is like the first iteration of this. So we know the demand is there. Those customers come to me now and say, I like this product so much, please, please don't discontinue Care by Volvo. Continue with that, because I like it as a customer. There are tons of discussions internally on how to do it, and we have learned how not to do it in many ways. But the customer demand for this kind of product is there. We know that.

So we talked about what we will sell, we talked about how we will sell it. And now I'm going to talk a little about how do we tell our customers who we are and what we can offer them in a new way. Because one way of course in a commercial transformation is also to reach our customers, and we need to do that at the lower cost than we're spending today. We need to find more efficiency in our marketing, basically.

And one way of thinking differently about this is to instead of having a budget-based marketing spent equally across the product portfolio, each country get their own share based on the revenue, and then they do use central assets to go into market and use billboards and TV apps. There is a much more targeted way of doing this, and we have some examples already now where we will change our strategy targeting specific consumer groups, which we're not so present in today. For example, maybe the Latino community in US, in Miami, for example, that's an interesting community for us being family-oriented. We are not very strong in that one. How can we work towards those, how can we work towards certain Halo locations? If I'm successful in Miami, I will be successful in Florida. I don't need to spend all my money evenly across Florida. I can focus on that part of Miami.

But also putting our marketing behind our products in a different way. Instead of spending as much money on an XC60 as on the EX60, I can focus it around the EX60 and get the traction across the portfolio by focusing my resources on one car. And this is the example to the right here is Adam Scott. He is a American actor sitting in an EX90 and the tagline is of a family car, but it's always the best kept secret. Adam Scott is a big Volvo fan, and we're putting him in the EX90, and we're reaching a new kind of audience with him because we're using him as a person towards an influencer community has a wide following base, of course, and we're using it behind one car, and customer sees that, they come in, and they buy an XC90 maybe. But it's much more efficient to come this targeted approach for US with the person that is relevant for that market on a product that people are interested in to drive traffic to the showrooms.

But then maybe the most important thing on changing the marketing is to have a much more digitalised way of looking at marketing, to have signal-based optimisation, meaning that I can see what works, I can see where I get traffic, I can steer ads to certain channels. I know if I find traction in a certain channel in Miami for Hispanic people with a certain model, I can steer more efforts there. And when you enter through one of those apps or through one of those channels, you end

immediately up in an online buying journey. To connect a digitalised marketing approach with an online offering is massively efficient.

We have seen examples now in Sweden, where we're running it. We have a lead to offer conversion rate, which is more than 70% up versus what we've had before. And we think this will give up to 20% reduction of marketing spend per car going forward.

So to sum it all up, what will this then mean in terms of numbers? So what is our ambitions that we think we should try to achieve with this? First of all, growth. Well, of course, growth will drive profitability. That might be between 2 percentage points to 3 percentage points. That will happen through electrification, through a diversified product lineup and through 100 years of heritage and a strong global brand.

Commercial excellence. There's so much to do in this conservative industry and it's about giving the customer a better option to buy cars. That will inherently drive efficiency on our end as well. 1 percentage point maybe lower commercial cost per sold car, less top-line leakage, reduced marketing spend, simplified car offer and improved customer delivery precision.

And the last one there, improved customer delivery precision and simplified car offer, will also allow us to reduce inventory. So we can reduce inventory by having a central stock. We can use that in an off balance setup with the parties we have in the markets today. But that is enabled by having much fewer offers fewer variants. If I have 50 variants instead of 500,000, it's much easier for me to predict what cars I need to build to get them to a customer even before the customer has ordered the car. So basically ordering cars from pipeline by a drastic reduction of variance that will enable that as well. And also a complete change on how we are driving our order-to-delivery process using much more digitalised tools, predictability, et cetera, through AI.

So this is our ambitions. This is what Håkan has signed me up for, and this is what we are looking forward to deliver now under our perform and transform strategy. And I think that was my last slide.

And by that, I'll hand over to Michael and he will talk about the future.

Michael Fleiss

Good morning, also from my side. I'm Michael. I'm heading the Product and Strategy team in Håkan's management team, and I've started two months ago after Håkan called me and wanted me to come back, because I was at Volvo before, but I was sometimes away. But now I'm back and I'm so happy to be back in this team.

So, I will talk about the five pillars for our strategy. The first one is fully electric is our future, and it has been and it will be even more right now, because we have now products which are even more profitable than our plug-in hybrids. But we need to cater for our customers who are not ready yet for transforming into a BEV. So, we will increase our bridge to electrification.

To become more profitable, we will work even closer with our colleagues at Geely and harvest on the low-cost supply chain and on the speed-to-market with our colleagues from Geely. Fourth pillar is regionalisation. Håkan talked about it. We will separate our markets into Americas, China, and then Europe. And the last point is core computing, a strong software-defined vehicle which we, which Anders has created on the EX90, but even better now on the EX60.

V O L V O

So, starting with electrification. Electrification is there, and it's the fastest-growing market in the industry, and we will be on it more than our competition. This is a great opportunity for us, and we will be very successful in that. And we are transforming faster than any of our legacy competition. On this graph, I show you competitor A, B, and M, and you see on the dark blue that's the BEV car share, and in the light blue it's the PHEV car share. And you can see clearly, Volvo has in the past, based on registered cars, outperformed this competition. And we will grow even further and even stronger in this market, and we will grow in this market profitably.

But electrification has slowed down a little bit, and this graph is demonstrating what we call as tipping points. So, when the BEV curve is intersecting with the ICE curve and the dotted lines are forecast two years ago and the solid lines are the current forecast from S&P. You can see that the tipping points are changing, but still, as Erik said, the strongest growing segment is the BEVs.

So, to summarise this one here, BEVs are growing the strongest, ICE is decreasing, tipping point have changed by two to three years, and we need to find a solution for our customers who are not ready yet to buy a BEV. So how do we do that? First of all, we have a fantastic lineup of electric cars. You see the EX30, EX40, EC40, ES90 and EX90. And you see a preview of our EX60 here. So, the taillights you can see how it looks like. And on 21st of January, you will see the full car and its full potential. And as Erik said, Anders will talk more about this fantastic car.

So, we have a fantastic lineup in the biggest profitable market segment in the world. With the EX60, we will increase even more market share because that is the biggest-selling car segment in the world, the D-SUV segment. And with our EX60 priced as a PHEV, we will make even more money than with a PHEV.

So, but we have customers who are not ready yet. So, our transition to BEVs from 20% to 100% will probably take a little bit longer. And for our customers who are not ready yet, we need to find a solution. And our solution is to first of all sensibly invest into our SPA1 and CMA products. So, we will have significant design changes and hardware changes for all of these cars in the next 12 months to refresh our best-selling products on SPA1 and CMA.

Then comes the bridge to electrification. So how does it look right now? We have started in the very past with pure ICE cars, then mild hybrids, plug-in hybrids and then BEVs. And this bridge is not long enough. So, what we will do now? We will first upgrade our PHEV cars, as I said earlier, with these CMA and SPA1 cars. But then the big news is we will create the second generation of PHEV cars. These cars will be like a BEV, they will drive like a BEV, they will have the infotainment like a BEV, and they will feel like a BEV. But you have a backup engine for customers who are living in an area, which is not ready yet for this infrastructure and they cannot charge, or for customers who doesn't want a BEV yet.

So, I separate our customers in three clusters. One, customers who are transformed. They are already here. Customers which will be transformed. They might buy this car here, drive it, enjoy the BEV feeling of that car, and probably fill the car up once or twice a year. Next car will be a BEV because they enjoy so much a BEV. And the third group of customers is the ones which are transitioning later, and they will probably stay a little bit longer on that car. So, we have a solution for all of our customer segments, and the second segment to be transformed. I'm pretty sure that we'll buy this car, the next car will be a BEV.

And we will do all of that, as I said, by strengthening our margins. As Erik said, we will price our EX60 BEV as the PHEV, and we will have more margins with the BEV. And we are also on a good

way to have price parity between a BEV and a ICE car. So, Anders will talk more about how we have created such a fantastic low-cost EX60, and I'm sure you will be convinced about that car when you see it in January.

Next pillar. As I said in the beginning, we reinforce our collaboration with Geely because we want to make more cost-effective products and bring them faster to the market. So how do we do that? We have done it in the past. First column, XC40/EX40, one of our most-selling products built on a CMA platform, together developed with Geely, in a JV. Super successful product, EX30, is built on a small platform from Geely. Volvo didn't have it. So, we participated on Geely's small platform and built an EX30 on that platform. With that, we created a premium B segment, which was not existing. Super successful in the market. And then the XC70, our first second-generation plug-in hybrid, where we say it's a battery car with a backup plan.

But that's not enough. So we need to further increase our collaboration with Geely to really go down in costs. So how we do that? We divide our cars in modules, and these modules will be standardised together with Geely in a so-called CBP, Commodity Business Plan. This is something, which Volvo has done for decades. But the news is now that we do that together with Geely. So, we work together with our colleagues from Geely, to look into each module and think about how can we make this module common. Take a climate compressor. You can see we have a lot of climate compressors in our group. If you modify them so that they are common, all of a sudden we can use all the same climate compressor. By that we increase the volume of that product, we will reduce the amount of investment, and we will reduce the price by the higher volume. So, it's a fantastic opportunity to improve our costs on the hardware by not changing our high quality and safety standards. And we will improve our profitability without changing our brand.

Next item is the regionalisation. So, the world is going for electrification for sure. But as Håkan said, the globalisation is over. So, we have separated our markets in China, Europe and US. And we have done that to make sure that we have a car for each market. So, we need to listen more to our customers in these regions, create a car for these customers with the features the customers want in that market to avoid logistic cost and tariff costs.

And we have two examples of that already. We recently announced in US that we will bring a new hybrid into that market, tailored for that market, tailored for the customer, produced in US. And another example is the XC70, which we have already launched in China, tailored for the market, built on China technology, with China software in super-fast speed and in very low cost. And this car is targeting the new energy vehicle market, which is a clearly growing segment. Without our superpower Geely, we wouldn't have been able to do it in that fast time and at that low cost.

This car was launched recently, and we have really good sales volumes on that one. So, success story in China and we may bring it to Europe.

That car is a BEV car with a backup engine as I said. Almost 1,200 kilometer driving without recharging or refuelling, 200 kilometer electric range. Due to our component sharing with Geely, we have lower costs and we are quicker to the market. And this product is made for our Chinese customers with China technology.

And then the last point for my presentation, core computing. As I said, I came back to Volvo two months ago. In the last few years, which I have not been at Volvo, I have been probably watching Volvo like you, and my heart was bleeding to see how difficult it was for Volvo to go through the painful story of SPA2 delays and high investment. But Anders has changed that. He has fixed the

SPA2, especially now after the latest quality improvement with the new software. So the car is ready.

So, what has come out this painful journey? We have a truly software-defined car. We are one of the few OEMs in the world who have such a technology. Others have tried, they have failed. Others are still trying and they're investing much, much more money in Germany, and then they invest even more money in US to get where we are. So, you could say it was a bad time. But overall, we have created a fantastic product. And this software-defined vehicle technology, we are now rolling out not only to our BEV cars, so the EX90, the ES90 and the EX60 will have it. But, we will also roll it out to our hybrid cars, the most important hybrid cars.

By that, we create a customer feeling business software in our hybrid cars, like our BEV customers enjoy it. And even more important, we increase our volume on the core computing. By that, we reduce the cost, and we reduce our internal cost because Anders has to take care of less software variants. It's only one software variant for all of our cars in the future.

So painful journey, but super successful technology, and we will build on that in the future. And with that technology, we will grow profitably.

So, to summarise, again, the world is going electric, and we are ready to go electric with the world when our customers are. And with our new products, we will grow profitable in this biggest growing segment in the world. Our bridge to electrification will be longer. And we have fantastic plug-in hybrids, which we call a BEV car with a backup engine.

We increase our synergies with Geely to participate on low cost and fast time to market and have solutions for the Chinese market to grow profitably there. Our regional approach is targeting our customers in the markets, Americas and China, and we will avoid logistic cost and tariff costs as a result. And again, the core computing system with one software track. So really reduce the cost of the software internally and create a better product for our customers, not only for BEVs, also for hybrids.

With that, I hand over to my colleague Francesca, and she will talk more about how we do the cost reductions.

Francesca Gamboni

Yes. Good morning. I am Francesca Gamboni, Chief Industrial Operation Officer at Volvo Cars. Basically, I oversee procurement, manufacturing and supply chain. So in a nutshell, I oversee all the variable product cost. And this is exactly what I'm going to talk to you about today, is our variable product cost. And I hope I'll manage to transfer to you how we are confident that on the product cost we will do a step change in our cost competitiveness this year and in the following years by leveraging our superpower, what we call in procurement, our superpower, which is being part of the Geely Group.

So again, as said, I will explain you the ways we will do it. So I think you will understand that is a concrete way of working that is going to bring value to our way we are working.

I will start by saying how we are going to do it. So basically, we have five levers that we use in order to leverage this cost competitiveness. This step change in cost competitiveness. We go through

leveraging scale, and I'll go through each one of them and you will see that it is absolutely concrete and that there are real ways of doing, and the benefit is enormous, and is really huge. And especially the benefit is unique because we are the unique carmaker that is capable of accessing this great opportunity, which is the Geely group.

So starting with the first areas, the first way, leveraging scale. So, what do I mean with leveraging scale? Well, it goes by itself that if you go in front of a supplier with 700,000 volumes or with 3,000,700, it changes. You enter from a different door and you have a red carpet instead of entering from the back door. So that's obviously goes by itself and is obvious. But also we are, in the BEV world, we are playing together with the third BEV biggest producer in the world. So that also changes the relation that we have and changes how important we are in front of the supplier. So that obviously doesn't need any explanation.

But that's not the only advantage that we have. By also putting together the supplier panel, we access innovation and technology and a network and an ecosystem and a Chinese ecosystem, which we would never be able to access on our own because we do not have the contact and we do not have the capability of accessing. So, this opens doors also to a lot of innovation and technology, which obviously gives us a competitive advantage versus other OEMs. But, of course, to do this, what do we need? We need to have a common supplier panel. And that is obviously the base in the beginning.

Good news, we have 130 common suppliers today together with Geely. 130 common suppliers representing 75% of our spend. So that's the good news, because it's the majority. Now, if you would ask how many suppliers do we have? We have 500, but 130 represents 75%, because obviously we go first for the biggest spend, because that's where we can gain the biggest value.

Our plan is to increase this share of common suppliers and get to 200 common suppliers in the next couple of years. So, increasing, 50%. This will bring our spends with common suppliers up to 90%. So, basically, we will have the totality of the spends, the great majority of the spent on common suppliers.

How do we get to commonalise the suppliers? We basically at each RFQ for the ones on automobile, with Request for Quotations that we have, we obviously open up to the supplier of the other company. And that's how you get in more suppliers in our supplier panel. So that's basically the way that we are increasing the supplier panel.

We have started harvesting already this last six months, and you have seen the result, the good results in our in our SEK18 billion challenge, where you have seen that part of it was variable cost reduction. And that was going in the right direction. And we have seen that we are get cost savings when we have a joint negotiation and a joint approach, we get cost savings up to 8%. So this is quite encouraging. It's quite good. We are just at the beginning, but it's extremely encouraging. We have started with semiconductors, with batteries, with wheels, with steel, and we are going all in, also in displays, cameras, sensors. So, there is all the commodities, one by one, we are entering in all the commodities where we have joint supplier panel, common suppliers with joint negotiation.

Doing joint negotiation is, for the people who know the procurement, is not only advantageous, because you have a bigger role in front of the supplier. But also, because you can share the should cost. Now I'll explain what a should cost is. People think that procurement is just going out for dinner with the supplier and coming back with a discount. It's a bit more complex than that. Basically, you need to be prepared. So, when you go to a supplier, you prepare and you come back

with a should cost, meaning, what would be the cost that you think the supplier can reduce by introducing a number of improvements. And because you are competent in manufacturing, in procurement, in supply chain, so you study what are the areas that you are going to challenge your supplier with. And, of course, every carmaker does the same. But if we can share together with Geely the should cost, so challenge the should cost, they have other ideas, other bases, other references, other ways of doing things. So it would help us having a more complete should cost. Having a should cost which will allow us to challenge even further the productivity and the competitiveness of our supplier. So that's the second advantage.

And that's the first areas, the first lever. And we have five. But maybe I'll take less for the other ones. But still, I hope I'll manage to transfer how important these are and what is the opportunity behind it. Cost benchmarking, what does it mean? So, we have teared down our XC40, XC60, ES90, and we have looked at what are the compared costs, and look at what are the opportunities. And as I, as my colleagues also have repeated, we will never compromise on safety, sustainability, and quality, never ever. But there are still some very good opportunities that we can identify by comparing solutions, by comparing costs.

And of course, you could say we could also tear down one car of one of the ABM competitors that we have. But again, you can tear down, you can compare, but you don't have ideas of what the cost is and where the opportunities are. And of course, you can find opportunities, but not as much as if you can really deep dive on what the solutions are and where the opportunities are. So that's another great opportunity, and I'm at the second one.

Third one, culture and best practice sharing. We are as we mentioned also by Michael, in terms of time to market, we are not comparing only the product, but we are comparing together with, we are benchmarking together with Geely also on processes. So, how they are doing things compared to us? And again, it is a fact, I mean, it's not only a legend, it is a fact that the Chinese speed, it's a reality. The Chinese are faster, are faster than we are. And they are faster because in some ways, sorry. And they are faster, sorry, I think it's my phone, so.

I thought, that's why I thought no, no, so I'm not going to answer. So bad moment.

Okay. So again coming back. So again, we are comparing processes, we are comparing processes to find best practices. So, they are faster and again repeat again without compromising quality, sustainability, and safety, still, there is some learning. For example, on average, they have 12 months quicker time to market than we have. And why? Because they have an agile industrialisation and ramp up which, where we can learn a lot of things, where we can learn. It's a best practice that we can look into, and we are looking into it. And of course, again we don't compromise with our steps and with the way the focus we put on quality, sustainability, and safety. But still in our decision-making process, we see that we can improve, so we can really be faster in taking decisions and recouping some time to market. So again, the third pillar is the best practice sharing and the culture where there is a lot of learning from both sides, to be honest.

The fourth pillar is the increased commonality. Now Michael has mentioned this. So CBP, what is it? When you source a strategy, when you source a commodity, you are in the execution you source. But we also build strategies on our commodities. So this is normal. Every car maker has commodity strategies. We haven't invented them. So the CBP is, maybe they are called differently, but it's the strategy of a commodity. So, by commodity, you decide what is the technological roadmap that you have, what is the sourcing strategy that you have. So, you look a bit further on what is the evolution of that commodity and how you're going to go for it.

You decide, for example, if you're on the sourcing, you regionalise, you double source, you how you cover risks, what kind of players you want to play with, how, where, what kind of technology you want to follow. And that's something that is just a long-term strategy. The CBP is the long-term strategy. What is different is that now we do it together with Geely. So we do the strategy together with Geely, which means that we include in our strategy also elements like commonality. So, how do we commonalise, scalability, for example, reduction of complexity. So, we introduce these elements on which we look together into together with Geely.

Now, what is the advantage? Now, from a procurement perspective, I explained you why is an advantage to go to the supplier with a bigger volume. Maybe different parts, but I'm a more important customer, because I have a bigger volume. If I then can also have a bigger volume on the same component, then I have a second layer of cost reduction, because obviously the fixed cost are spread on a bigger volume. So obviously, I have a second level of cost reduction, which is driven by the commonality.

Last but not least, resilience. That is a very important topic, because again, we know disruption is the new normal. I mean, being supply chain, in the past nobody knew who supply chain manager were, and now today they are raising at CEOs levels, because everybody realised, oops, it's important, it's an important job. I mean, a supply chain manager, I had the question down at the coffee, that a supply chain manager wakes up in every morning and says, what's going to fall on my head today? Because every day there is a disruption. Every day there is something, somewhere. There is a war. There is a ship which gets blocked in the sea, there is geopolitical tensions and trade, and shortages, you name it. So, of course, resilience is very important within the operations. And resilience is all about finding alternative solutions, is all about agility. And if I want to resume it, in a nutshell. It's all about when shit hits the fan, it's all about what kind of alternative solution you can find in order to continue your operations. And that's about the rule of the game in the last decade because again, disruption is the new normal.

If you can count on solutions coming also from another, a different side, obviously, you're more resilient because you have alternative solutions. The ones you can think on, the ones you can access, but also the one Geely can think of and can access. And also in terms of reserving capacity, if we, for example, mention semiconductor crisis, which I think everybody has been affected, if you can reserve capacity together with another player, obviously, you lower your risk, you lower your tied-up capital and risk. So again, resilience, being part of the Geely group is quite important.

So to resume again, we're working on three pillars. The first one is with Geely is on the strategy. Again, I spoke about the CBPs, I spoke about the fact of building a common strategy by commodity. The second one is about execution. So, I spoke about joint negotiations, joint supplier panels. And this is how we go for it the day-to-day. And then I'll say a few words on the steering framework, on the management framework, because this is also important, because again, synergies, and this is, I mean, I have long experience on it, should not be at call, should not be a one-off. So, I arrive, I do big task forces, big synergies, harvest, and then that's it, and then the companies continue, and they go back as they were before.

Synergies means getting at the best cost-competitive position and then staying there. Staying there means that all the best cost positions are at birth, they are not at call. It means that we conceive them at the best cost-competitive position. And to do that, we need to have a management framework, a governance that allows us to do that. So in a nutshell, we have now a governance and a management structure that allows us to do this. A few examples, for example, we have match pairs, means that at every level of procurement, we have a match pair who works hand

in hand, Geely and Volvo. Second example, we have divided all the suppliers with one unique lead. Either the lead is Geely or the lead is Volvo. And that's extremely important when you have one face. Because if all these kind of, I mean, I have a long experience to know that coordinations, they are kind of weak, they don't work. This one face needs to be in front of the supplier.

We have also negotiation waves. So, four negotiation waves per one every season. We go and we go together. Join hackathons, for example. Hackathon is where you generate ideas, where you put cross-functional, all the cross functional and the brain starting to brainstorm and you start generating ideas on how you can reduce cost. Every company kind of has them, we have them joined. So more ideas, collective intelligence, world global intelligence, not only European, but so different way of seeing things and generating ideas.

So these are all areas on which we are working together. And then again, common supplier choice committee. So every time we have a choice committee, which is once you have, at certain point, you nominate for a new business, a supplier, then you have a committee where you decide, yes, from all the different cross functions, yes, this is the right suppliers for criteria A, B, C, D, E and we all agree on it. And now we do it jointly. So again, different perspective and ensuring that we are commonalising the supplier panel.

So it's concrete, it's really concrete, and they are real actions. We have started the harvesting now. We have started then, again, you have seen some results already in the SEK18 billion, let's say, challenge, which is where we are ahead of the game, and variable cost reduction was one of it. And we have a lot to harvest more going forward.

So last slide, which is a positive. I would like to, again, I hope I've managed to share my enthusiasm and also how I strongly believe in that we're going to do this step change and how we're going to really do a step change in our cost competitiveness, which will bring us to a position where we are not only going to be cost competitive like the best ones, but we're going to be the best one because nobody has the opportunity that we have. And that's unique for Volvo because others don't have access. I have a long experience, I never had this opportunity of really accessing the best ones in cost.

And again, we can say many things, but from a cost perspective, really, the Chinese, they see many other aspects. They've developed many other processes and many other, let's say, ways where we have to learn, where we can learn, where we can go there and say, okay, how did you do it? And can I do the same? Can I do it the same and fast, particularly fast, quickly, before the others.

So again, I hope I've managed to transfer why I'm very confident, we are very confident that we will do a step change, and we believe that this will bring and add 2% or 3% of EBIT contribution to our bottom line. So this is all I wanted to share. Thank you.

Anders Bell

All right, welcome back, everybody. I'm going to roll up my sleeves here because this is going to be wild. I'm going to try to cover now in 20 minutes, what I usually don't even attempt of covering in less than two hours. So, bear with me. My name is Anders Bell, Chief Engineering and Technology Officer. I want to keep the engineering in the title because that's kind of the grit, the dirt under the fingernail. Engineering is what we do, technology is what we work with.

So, ideally Chief Engineering Officer, but that abbreviation was already taken, so hence CETO. My job is to lead Volvo Cars engineering through the most profound technology shift in the history of

automotive. So, before now you get a bit concerned because now you're going to talk a lot about technology, tech stuff. But an alternative job description is that I take a small pile of money. Small but still a pile, Fredrik will point out, transform it to technology, which we then pass through Francesca's industrial system and Erik's commercial system and transform that into a big pile. That is basically the job. So, I'm going to talk business and profitability to a very large extent, how we achieve that through clever application of technology.

SPA3. First and foremost, I get a lot of questions. We are super excited. I will come back to this in the end of my presentation as well. Super excited, leading up to 21st of January, I usually say the only thing we haven't invented, I wish I had, is a time machine. Because I always want to go back in time and fix stuff. You can always do things better. But this time I actually want to travel into the future because I can't wait until 21st of January when we come back here to Stockholm to launch what will be the best electric vehicle in the world.

It's a historic moment for us. We are on time, we are on cost and we are on quality. Yes, we are working extremely hard at this point, which we always do, leading up to a big launch. This is arguably the most important launch in the history of the company. We are working extremely hard, as we always do in front of a major launch, especially on a new platform.

So areas of evolution I will cover today kind of keep it in three big piles of topics here. The uncompromised scalable BEV architecture. Remember the word uncompromised, this is important. You need to park that in your memory bank. How we deploy into this architecture cutting edge battery electric vehicle technology, how we apply vertical integration and horizontal optimization to achieve result that benefits the customer and the company.

And together with this, the fully software defined vehicle on a one track software. And this is really the profound change in automotive that is ongoing. We talk a lot about the electrification of the car. The whole industry, will it happen, how fast will it happen, when does it happen in region, what's the technology? This is happening at the same time, the computerization of the car, they could have happened independently, they chose to happen together. The merging of finally of automotive fully merging into the digital society and these are happening at the same time. This is not change plus change. This is change times change, it's change square. This is why it's such a profound moment in time.

So we believe, well, I kind of know, but we believe that SPA3 is the best electric vehicle platform in the world. You all watched IAA Munich, lots of reveals, I come back to some reference points. We also watched it and we are super confident afterwards. We have a really great product, a fantastic platform coming here, where we can scale all the company's business needs in a completely new way from the smallest electric vehicle to the biggest electric vehicle.

Whatever needs the team here will have in terms of size, price, position, markets in the electric vehicle world. We have made a platform that we can deploy to those needs in a very clever way. So to bridge, literally bridge, Michael talked a bit about electric car with a backup plan, the Generation 2 plug-in electric vehicles. Today, I just want to bridge with that to give you context before I go carry on and talk about the uncompromised battery electric vehicle.

The context here is as Håkan mentioned as well. We will have the same core compute software defined vehicle system then in our Generation 2 plug-in electric vehicles. So, they will be essentially on the same technology stack with one track software and share modules and parts.

So these are designed in the same context, in the same tech stack. So, that's how you need to view the plugin Generation 2 technology that we'll be talking about.

This will provide us with peak effectiveness. Cost, scalability, modularity, upgradeability. Let's stop on upgradability for a while. Why is upgradability important? Because we need to, in this fast moving, hyper competitive automotive industry. We need to make sure that the cars rolling out of the factory every day is competitive over time. We cannot let them degrade over time and then we replace them five, six, seven years later. We need to continuously upgrade with the latest development in technology, efficiency, cost, customer satisfaction, every single day.

Proof point. We are now in two weeks away cutting over to the 800-volt system on EX90. The 800-volt system which is launched in the EX90. Now we're cutting over current EX90 cars, massive cost reduction, faster range, higher performance, everybody's happy, and that also goes into SPA3, same system.

So, the technology and the sharing of the technology and progressions between the cars and be able to upgrade continuously over time is a key factor in this, which also leads to manufacturing efficiencies not only for ourselves, but also across the supply chain. So, what have we done in SPA3? And this is kind of where I could talk for a long time on how removing the constraints of the combustion engine opens up completely new ways to scale and modularise a car.

So we talk about the software defined vehicle. We also need to talk about the energy defined vehicles. Electric vehicle defined around energy found on the car. But we also need to acknowledge that we are leaving the combustion defined vehicle. We don't talk about the combustion defined vehicle because that's been the car since it was born over 100 years ago. Removing the constraints of the combustion engine in the uncompromised battery electric vehicle platform allows us to create unified setup for batteries, eMachine, HVAC Chassis, Electrical. Battery, you can see over here, this is a EX60 battery pack over here. So if this is the big box of Lego, then you go down and look at the battery pack itself. It's another box of Lego inside the box of Lego.

So, the battery pack already designed here around the cells is modularised to provide all sizes and price positions across a wide range of products from the smallest Volvo electric vehicle to the biggest Volvo electric vehicle. High and low, tall or short, we can do them all. It's all cleverly designed on how we standardise the extrusions, the power electronics all around a standardised form factor large prismatic cell which Francesca can go to any region, any supplier, any chemistry. As long as it fits in that blue box over there, we can consume it.

So, onto proof points of what have we done to ensure high margin great electric vehicles, I'll give you a few examples. We talked previously about megacasting. How this takes 100 parts, make them into one which you machine and then directly put into the car, replacing 100 parts, 100 parts that need to be shipped, handled, welded, put together. We're saving around 35% on the cost of the rear floor. Also how we integrate the battery pack into the vehicle. The battery pack is actually the floor of the vehicle. There is an opening when you build the body structure, the battery pack completes the car, we actually mount the seats directly on top of the battery pack, saving 25% cost. And if we double click on this one, here's the generational journey on Battery technology system evolution at Volvo cars. From 2020, late 2020 when we launched the first EX40 then called XC40 Recharge, I think I wasn't around.

You can visually see here the progression over the last five, six years. How we evolved from working on adapted combustion engine platforms and then making BEVs out of them to where we are today

on SPA2. Running production. Massive step in cost reduction per kilowatt hour. Going up in energy density, increasing the total pack size, the capability. We can make larger packs, we don't need to fill them all. Reducing our CO2 footprint and taking out 40% charging time from where we are today on the 800-volt system. That's over the course of a few years. Then we take another step. Now we are truly designing on an uncompromised battery electric vehicle architecture and we find completely new ways to design the simplicity. You can visually see here how much more efficient it is. Another 25% of cost on kilowatt hour level. Plus we get 20% higher energy density to how we design a structural pack. Another 40% reduction in CO2 footprint, another 15% in charging time. I think we're going to increase that even more, I got some good news yesterday.

So, this is the S curve of how we improve performance, improve range, improve charging time, improve and get cost down. Completely breaking the traditional automotive equation and breaking the cycle of being stuck in the combustion world and embracing all in on electricity.

Next example thermal System or HVAC, here, I didn't even put Gen 1 because that would be a combustion system. Kind of apples and pears. Gen 2 here is 2024 launched SPA2 EX90 system. Very good thermal system. Look at what we've done for Gen 3 in SPA3. 20% cost reduction which is on a thermal system that's been around for not 100 but tens of years and just continues to optimize. Taking a step like that is unheard of at 50% improved cooling capacity and 33% lower energy consumption consumption.

So you get a 20% lower cost, you get 50% better cooling capacity. What does that mean? It means we can pre-heat the pre-cool, or preheat the pack so you can have faster charging. It also means we can keep the cells in the optimal durability temperature quicker so we can guarantee the lifetime of the battery will outlast the car. It's all these little things. 33% lower energy consumption, you get much longer range. That will be evident when we launch the EX60. This is a key contributor to how we can achieve that range.

Third example, drive units. Another core key technology for a battery electric vehicle. So this is Gen 1, perfectly good first generation. Two years later we replaced what we launched in CMA 2020, late 2020. Two years later we launched, replaced the first generation drive units with our first in house design drive unit and cut over into the model year 2024 for CMA cars. 16% cost reduction, 45% increase in torque, 30% up in power, slight up on weight, which was acceptable, 6 percentage points of efficiency, I'm going to stop a little. So we're talking about 86% efficiency, 91%, 93% that's overall efficiency. See, I'm going to take a little detour when we talk about efficiency and electric cars. So, I'm going to do a pop quiz.

So if you have an electric car, let's say 85 kilowatt hour battery pack, which is kind of average for a pretty long range car, you're fully 100% charged. It's been on your home charger overnight. You go out in the morning, it's 100% charged. You're like ready. What did we say, Ben? Happy as Larry and ready to take on anything that comes at you that day. You have all your charge apps and everything. If you're traveling far, exactly where to go.

Do you know how much energy you have in that pack translated to petrol expressed in litres? I don't expect anybody to know. You will have around 9 litres translated to megajoules to kilowatt hours. You are actually starting your day with 9 liters of energy in your car and you're happy as Larry. That's how efficient? This is why the electric vehicle is a superior product. You know this. What is the efficiency of a combustion engine? This is 93.

That's on a really, really good day, Michael. In reality, in Scandinavia, you will have days at 18. The efficiency of the product is so much higher, and this is generation three. So this one is in production in CMA and SPA2. Now we're cutting over to the 800-volt system. So ES90 is already here. EX90 will be here in two weeks. And we're launching SPA3 EX60 with this guy. Inhouse design, in-house manufactured and another step up in efficiency, taking the weight back, power up. Torque, we're perfectly fine. We don't need more.

This is the speed of development. This is the s-curve of fully embracing electric vehicle technology, realising to make kick-ass electric cars, you need to have dedicated platforms. You need to vertically integrate yourself to a level where you can horizontally optimise the system. Otherwise, you will not win in electric vehicles.

So putting this together in context, I'm going to kind of start assembling this again. In-house hardware vertical integration doesn't mean we make everything ourselves. We make this guy inhouse, we make the battery pack in-house. This system we buy. That's perfectly fine as long as we can do the system integration and all the software integration. Because then we can optimise the system across.

This unlocks that we can, for instance, with small compromises, allow the electric drive unit to produce excessive heat in corner cases, that allows us to remove the auxiliary heater from the thermal system, saving EUR 150 per car. You can only do that when you do this. Another example, we have a brake system up here somewhere.

We can take a raw signal from the brake system, pass through the inverter to control the vehicle motion of the car, removing corner cases, that's normally dimensioning the drive unit and the drive unit mounts to take about EUR 50 of cost because we don't need, we can remove those constraints because we have a flat topology system. We do the in-house software so we can, with confidence, downgrade some of the stupid parts of this system and save money and wait because we know we don't need to design for those cases anymore.

These are a few examples on how we assemble everything together. And again, it's the combination of compromised battery electric vehicle platforms and all in-house software integration that is the key.

On software, we now have merged all our cars to one software track. So it means that EX90, ES90, EX60, and all these new cars, including Generation 2 plug-in hybrids, will all be from the same software master. I will come to that shortly. This unlocks faster speed, efficiency in development. It means, basically, every single function or fix we do, we need to do once it's ready for all cars. This is a massive change for a car company, truly becoming not only a car company but a software company as well. You need to be both.

What does it mean for our customers? Because all this talk, the tech stuff here, the technology platform, what does it mean for our customers? There's literally no end to where we'll go in this journey. Immediately, we will have safer costs, we can provide more efficient costs, we can integrate in your ecosystem, in your apps, we have widgets for Apple, we have other solutions for Google, we can launch more innovative functions, an outstanding user experience and faster, better quality software updates.

For us, as a business, it's also massive. A few of the examples I mentioned on the technology side before is only possible thanks to this approach. We can continue to provide first-rate car for our

customers, we can lower cost. We become a much more efficient company. But most importantly, on the software side, we're moving the complexity from the hardware layer to the software layer.

And most importantly, all the development in the software realm will be accumulative. Meaning, what we do tomorrow is built on what we did today. Meaning that what we do in five years, which I have no clue what we'll do in five years, I know it's going to be awesome. We'll be build on all the stuff we've done the next five years. We will build new functions on top of the capabilities we launched. There will be new functions on top of the combination functions we already achieved.

And how does this work? This is profound. Having one software master where all the developers, signal database management, all the improvements and new features goes into one master, and where we, through configuration management and signal databases, can steer the right software module to the right core, right market, right customer, is a massive change for us. Super hard to master. But once you're there, you're there, then you have the platform.

We are going to structure this into four major planned releases per year. But this is not just releasing for the EX90, these are releases that goes to the entire fleet. So all the cars on the road, all the cars coming out of the factory, and all the cars that are on the drawing board that we have yet to reveal are getting releases from the same master. Four times per year, two of them aligned with our big factory cutovers, which happens in quarter four and two, but all with meaningful upgrade for the customers. Of course, we can do hot fixes in between. We really don't want to do that ideally, but of course, we can always do minor tweaks and fixes in between, but four meaningful releases per year from one unified master.

Very few car companies have come to this point. It's super hard to master, it's super hard to get there. But once you're there, now we can polish the machine. And now we pressure tested it so much, so now we have a true diamond here. And now we know exactly what great looks like, and we are going to keep polishing every single facet of this diamond for the years to come.

So, in a nutshell, SPA3, uncompromised battery electric vehicle, it's on time, on cost and quality, cutting-edge BEV technology, which you can only achieve through vertical integration and horizontal optimization. And all our cars, at the highest, they're born digital, designed to be software defined from ground up, and all deployed on one track software. So all of this, and I get a lot of request questions, how about, which is your key competitors, and how will the EX60 do in relation to the Neue Klasse and all that?

You have to wait until 21st of January, but I called it before Munich. Håkan said it afterwards as well. We have something really, really great coming here. Behind this smiley is, I mean, these are traditional automotive metrics. But we have all the reasons in the world to smile here. We have the 'Neuest' Klasse EX60. We love a good competition, all the respect for what they've achieved in Germany here. So we really thrive. And there's also, I think Håkan mentioned, we love the fact that there are more choices for the customer, and we love competition because it keeps us on our toes. But we have a real winner coming here, not only in a spec sheet, but as a total integrated product. All right, that's it for me. Thank you very much. Handing over to Fredrik.

Fredrik Hansson

So we have smiling engineers, we've had crying engineers for a few years. I'm glad to see they're smiling now. So now we've heard the strategy in a lot of different areas, and I'm going to try to sort of summarise what that means for us in terms of financial potential and what our pathway to higher profitability and cash flow generation is.

And I'm starting with recapping a bit, because our pathway that we've talked about now for a couple of months stays high. Same on the highest level. It is about electrification, regionalisation, and profitability. We believe that we are extremely well-positioned as the world electrifies, and we will use those opportunities. And we are also bringing down spend to secure that profitability comps regardless from the SEK 18 billion cash program and beyond. And the SEK 18 billion program is a bit in the near term, that's what we're promising for 2026. We've talked about this a lot. I talked about it in the Q3 report just a couple of weeks ago. But in short, we are executing, we are ahead of plan, and it is already now helping our financials.

But today is not about the near term, today is about the longer term. So I want to talk about what that means financially. And as Håkan said in the beginning, this is not about providing guidance or a detailed timeline as to when we reach what profit. But we are showing the fundamental pieces of our strategy. So we want to show what that means in terms of structurally building a more profitable company.

And our strategy builds a company for long-term value creation. We are building a company that should structurally achieve higher than 8% EBIT. We are building a company that should generate very strong positive cash flows. And if I jump into each of these, starting with EBIT, I want to sort of size a bit the strategic opportunities. What are these building blocks or puzzle pieces that we talked about, and how much will they contribute to bottom line as compared to where we stand today?

And starting with what Erik was talking about, profitable electrified growth, we see a 2% EBIT improvement potential from electrified growth. And I think the keyword there is electrified, because we're talking about more profitable electrified products. Growth is a factor, but not the key factor for our profitability here to be noted.

We're doing that by expanding our offer. We're doing that based on SPA3, which we believe is the best web platform in the world. And we're also extending our bridge to electrification with groundbreaking second-generation PHEVs, starting with the electric motor and adding a small combustion engine as a backup. And I think this is an important point, so I'm going to sort of make it again, because we are extremely well-positioned for profitable electric growth. And it starts here and now.

So if you look at the left-hand side, and this is going to be a bit complicated, but we are expanding our addressable market here and now, starting with the EX60. If we look today, this is the premium market where we have offers, what size cars we have offers in. And today we're touching 65% of the premium market, that is the Volvo models we have, 65% of the volume.

If we look at BEVs, we're actually only touching 25% of the market volume out there. We have the EX30 in the B segment, we have the EX40 in the C segment, we have the EX90 in the E segment. And with that, as Michael showed, we're still leading in terms of share of BEV cars among traditional players. We have the highest share of BEV sales among all players, despite the fact that we're only playing in 25% of the market.

And with the EX60, that will start to ramp up next year, we're basically increasing that with 200% as Erik said. We're going from 25% addressed market to a 75% addressed market, because that is the most important segment in the world. It's the Tesla Model Y segment. It's the most important segment for Volvo. The XC60 today is by far our best-selling car. We haven't even had an offer, and

next year we have, and it's a very beautiful, we haven't shown the car, beautiful rear headlights, and more to come.

So the pie is expanding. And when the pie is expanding, we're quite confident that we have good opportunities, because the right-hand side shows what we have done with the pie we had before. This is our track record looking at year-to-date data in the premium segment. If we look at all cars, Volvo has an 80% market share globally.

If we look at BEVs and in the BEV segments we sell, we actually have twice the market share. We're at 17% market share. And on PHEVs, we're even 3 times larger than on average. That means that our brand, as Erik talked about, is extremely well-positioned for the electrified future. We're punching really below our weight in terms of offer, but we are taking significant market shares in relation. And this is sort of the cornerstone of our strategy, right? We want to be a bigger company as the world electrifies, and we are already on that track. This is year-to-date data. Now we're expanding the market, which means new opportunities.

In terms of addressing the market, we need to do it with the right product. And as we said, we believe we have the best EV platform in the world. The engineers are smiling on the left-hand side. I'm also smiling on the right-hand side, because as Erik said, this is now priced as the PHEV. It's actually affordable, you don't need to pay more, but we will get better margins, hence, I'm smiling. The customers will also smile, because you also get better features. This is a better car, better performance in basically all aspects. More to come on this on January 21st. This is not the reveal of the car. But no, we're a bit too excited to not share this with you now.

Second pillar in sizing this is synergies and variable cost reductions. And as Francesca alluded to, 2% to 3% cost reductions. This is about executing on the structured way of working we have already established. And the big, big opportunity is then the hardware collaboration with Geely, basically the third largest BEV player in the world, and also tapping into China technology and more local China products without large investments. And I think this is such a unique point for us that it's worth double clicking on, because we have something extremely unique in terms of access to China cost, China scale, and China technology for China.

Geely is the best player to be with. If you look on the left-hand side here, this is the current yearto-date ranking in terms of global market shares on websites. So, Geely has as a totality 10% global market share, slightly less than Tesla right now. But Geely is also growing at 25% a year. That is scale. Francesca talked about what scale gives you. You cannot find more scale than this, especially not in China. And that means that on a global level, we work on hardware. Software, we keep east and west separate. But on hardware, we have 75% common suppliers in terms of spend, and we're increasing that. We're now working through that to get the cost savings out. And Francesca showed some examples of what it can mean.

The other important point when it comes to controlling investments is that Geely has scale in Eastern technology for China. A Chinese consumer uses a different infotainment system. They have a different voice assistant, they have different apps, they have different ADA systems, they have different AI algorithms. All of that we don't need to reinvent and pay for ourselves. We can piggyback on Geely for those products in China.

And lastly, we can do more than that. We can share components and co-develop platforms, creating cars like the XC70, and there's more to come to make real, tailored products. And as Michael showed, taking us out of the traditional premium in China into the new energy vehicle

sector, really competing also with the local Chinese with the latest and greatest China for China technology.

Third pillar, then, indirect cost reductions 1% to 2%. And part of this we've already started. The cost and cash program we talk about is a lot about indirect. We've seen some of the savings already in Q3. Here, the key is keeping fixed cost discipline, making sure that we leverage all opportunities not to grow our fixed cost base. And there's ample opportunities with AI and automation and making that flat. One big opportunity that we will start to leverage a lot more is what Anders talked about, one-track software development. We're also reducing hardware complexity, but on one-track software development, it's worth repeating, right? That will on a cost perspective, investment perspective, enable a lot of synergies.

We're now stopping reinventing the wheel. If we build a feature for one car, that feature exists in the other car. It's completely groundbreaking as compared to how automotive works. That means lower cost. But more importantly for the customers, that means that now we're out of the quality swamp, we can start to surprise and delight. We can build features at scale for all our cars and spend our time on that. And as we are basically one of the first three players to market with this, which already have now two products in the market, which are working at quality, that means that we're past the learning curve. Super expensive and painful learning curve, but we're past it.

Lastly, on indirect, we are doing a commercial turnaround. Part of that is also marketing efficiency and reducing our selling expenses, as Erik showed. So that all ties into that. We also have some headwinds, if you will, or negatives. Depreciation and amortisation, we have invested a lot, and I will talk more about investments in a minute, but that investment will start to go online. So, paying for the past product investments, paying for the very critical infrastructure investments we made into electrification, and the first software-defined vehicle platform, and the one-track software will take a toll on our margins.

So if we look at the totality here, this is sort of the delta from where we stand today. These are sizings to give you a flavor of the type of potential we see. These are not one-to-one fully additive. But what we are saying is that we are confident that we with this strategy will build -structurally build a company for the long term that is delivering more than 8% EBIT. So that was EBIT.

Let's talk about cash flows, and I like them strong and positive. A big part of EBIT is, of course, helping cash flow as well. That will help improve the operating cash flow. So I'm not going to focus on that, because I just talked about it. I'm going to talk about investments, because that's more here and now. And when we talk about investments, we are now finalising a lot of one-off infrastructure investments that will last for decades.

What you see on this page are things that will have a return between 20 years and 40 years plus. We're building a new plant in Kosice. Many dollar signs, but it's a BEV dedicated plant in the EU, which will be completed in 2027. Then we have that capacity, and that will stand there for 40 years. We're not building another plant next to it. We have cell to body, we have megacasting and e-motors. All of those Anders talked about. Those are building blocks into making SPA3 so costefficient. But they're also quite big investments. But now we have done them, and we are finalising them. So recapping what Anders said, a 25% pack cost reduction both on system level but also on the actual pack excluding the cells. We have megacasting, 35% reduction on the rear floor. A big component. E-motors, big component, 40% cost reduction.

And then lastly, of these big infrastructure investments is the software-defined vehicle platform. It's really doing the base software to get the first EX90 car out, which we are now building on. And we'll be working on the software on forever, I guess.

Big painful experience, big price tag. But it is done. And that's the key with our investments. We have a big investment mountain. We're coming down that mountain quite quickly. You saw the completion dates on the previous slide. This mountain is now behind us. If I look at a lot of our competitors, I would argue this mountain is ahead of them, and I would not want to be them.

So how do we do this then? Well, we're finalising the one-off infrastructure investments that I talked about. We will have structurally lower investments in a lot of areas. One-track software is one enabler for that. And then in China, we have access to high-tech, low-cost China-for-China technology through Geely, meaning we don't need to reinvent the wheel and spend all our money from start to build an eastern software ecosystem.

What we're also doing here is maintaining a low level. We talk internally about affordable investment frames. You can argue if that's a good word or not, but it's really emphasising the capital and cost discipline we've instilled in the company. We will, of course, do great return on investment, but we are prioritising within the frames we have. We will keep investment levels down.

And if you look at this graph, it's actually not adjusted for inflation and FX. So if you were to do that now, if you're in 2018, that's actually 45% higher. So this is a structurally very low level in absolutes.

So with that, we're building for the long-term value creation. We have the right strategy for it, taking us into the future. It will create more than 8% EBIT and strong positive cash flows.

Final remarks, Håkan.

Håkan Samuelsson

So, before we go into questions, let me summarise a bit. I think we talked about the challenging future, the new really challenges, which will come to all of us in the industry. And what answers do we really have then? And what unique answers. Because, as saying, we will continue more or less the same, but we will try harder, is not very credible. We need to define a way forward, and I think that's clear. And these are then really, I think, the most important six points.

One is electrification is an opportunity for Volvo. We have said that several times. But I think we're way too pessimistic in believing this will not happen. And in a way, it's good, of course, because the more of our competitors believing this will not happen, the more our competitors slow down and go back to diesel, the better for us. But even, I mean, you saw the growth rate, even if it's a bit slower, totally irrelevant. We have a huge market, which is definitely big enough for us. And this is our opportunity to come out in a totally different pecking order than we were in the diesel and petrol field.

And as you see, our Geely, our owner, is number three in the world. I think very few people realise they are way before Toyota, Ford, General Motors and Kia. And if you believe in electrification is the future, you cannot wait until it's complete and then jump in. You have to jump in early. And we will definitely do that. But okay, let's have a bit of hedging here also with the long-range hybrid generation too. But of course, that would be enormously expensive if we started from scratch, doing it ourselves. Okay, but then let's do that in a smart way together with Geely synergies. I mean, then we get this insurance in a very low-cost way. But the future is, of course, the all electric cars.

V O L V O

We will also remain a strong global brand. I mean, you talked about, Erik, our brand values. They are very global. I mean, there is no difference. Everybody in the world believe it's important with safety. They believe it's important with sustainability. It's important to have a company that's human-centric. We are all humans in all continents. There is no reason to regionalise the brand. But we really need to regionalise operations and exactly what type of cars we have. And that will secure that we will remain a global brand when many others will go back being an American brand or European brand only. That will not happen with Volvo.

And then in this hyper competition, we have really, Francesca, you call it superpower, like Spiderman or something. But okay, our superpower is this unique synergies. And I think you explained very well also. This is not something you can start teaming up and say, let's coordinate our things. We know this takes three years, four years to build up the trust and cooperation that is needed to have match pairs and have common sourcing. And say, we take care of this part, you take care of that, cannot be done overnight. Very unique.

And this is, of course, I call it, affordable BEVs. We're not going into the budget segment, but BEVs will never happen because of subsidies or incentive systems. So they will come and go. They could help a bit in the beginning. But the only one that can drive transformation is, of course, we have good cars and they have to be affordable. And that, I think, Anders showed in a very convincing way. How are we able to price this new car as if it had been a normal hybrid car? Yes. Then if you don't want to pay with margins, then you have to have smart changes in this design.

Then you need megacasting, cell-to-body, all of that, and one software. If you think you're going to have a software-defined car in 150 different boxes from suppliers, good luck. No, you need to have it in one box, in one computer. Then you can speed up and you bring down cost and quality will improve. And that has been a painful process. But now we are through. We are ready and we will have it in the 90 and the 60, all cars, very important stack.

And I think investors are most nervous about this. Volvo has invested for the future a bit too long. If you go back, we have done that for 20 years. We have always invested a lot. So now we really need to say, okay, now we need to be smart, use the synergies to avoid to come down to an affordable level. It can only be done with synergies. And then of course, with a certain discipline. We need to use our organisation, need to do the prioritisation. This is an affordable frame. We cannot in EMT do that by cutting afterwards. And this will happen, we will be down and you saw the curve. And that will secure, of course, a positive cash flow, which we need because we need to invest also in new products that will come.

And last but not least, we need to stop talking about flipping the market agent, models, commissions, margin. Who cares about that? If you are a customer, you want to know what the product look like, what does it cost and you hate hearing that your neighbor got the same car cheaper. You need transparency on pricing and real owners pricing and fast delivery times. The times for 1.4 million combination and upselling is gone. Nobody wants it. Customer doesn't want it. Production is a nightmare for Production. Let's package cars and bring them to customer, as they want them. And I think that is really the key what Erik said.

So this is my six points. And before we go into question and answer, let me then a bit go back. As I started by going back four years, now I saw 6th of November. I recognised that date from history class. And everybody who has Swedish history know that 393 years ago that was a day where the fog was very tight over the battlefield in Germany. And it took till mid-day until the visibility returned. No more comparison with that. But today, now we are mid-day. So hopefully the visibility

has cleared a bit also for you, what we want to do in the future to meet this new challenges. But maybe there is still some fog. So let's go into question and answer, Maria, and you will lead us to clarify the last things.

Q&A Session

Maria Dagman (moderator)

All right. Before we open up to the room, we released a press release this morning and we have seen some comments on that. So I would like to start with that. A question for you, Håkan. So the early comments are then from the market and it's based on the release. We said that we will see an 8% EBIT margin. When do you expect that to happen?

Håkan Samuelsson

That is the question. And I think we have tried to answer it a bit. Let's summarise again. I mean, normally when we do this type of events, I think we have focused too much about targets and results. Too little on what do you really want to do differently. Because I'm obsessed with more of the same will not be a success factor. We need to change, do something differently. So let's today try to focus on that. This is what we want to do and be clear on that instead of just being very precise on targeting 4.8 billion or whatever.

But of course, we as a management, if we want to do things differently, we must have an idea what is the value of that. And then we said, okay, let's also present the value of the blocks, but exactly how they will materialise will not go into. But this strategy consists of these elements and it will be executed in the years to come. But we will give no more guidance. Exactly when that happens, I think we will also come back to you, of course, every quarterly report. And we will, of course, then come back to this question. But today I would stop here.

Maria Dagman (moderator)

Yes, Clear. Thank you. Yes. And for the ones in the room, please use the microphone so the online people can hear you as well.

Hampus Engellau, Handelsbanken

And I have questions more on, on the product side. Maybe a little bit multiple question, but it's relates to the EX60, XC60, and XC70. And my question is, firstly, what will make you bring the XC70 to Europe? Secondly, will there be a second-generation plug-in hybrid of the XC60? And how do you see the EX60 playing that? And, is there possibility today to take the XC70 to the US? Thank you.

Michael Fleiss

Probably starting with the XC70 in Europe. As I said, this car was made for China with China technology. So we have said that we will bring that car to Europe, but we need to, obviously, make it

ready for Europe. So that will take some time, but the plan is to bring that to Europe. Why do we do that? Because this is the first BEV car with a backup engine. So we believe that market in Europe especially is not really there yet, but we believe we can create a market there. And again, these cars will help either to convince our customers who are short before buying a BEV, or we will keep our customers with this product for the ones who doesn't have the infrastructure available. On the XC60 then, as we said, we will launch, how should I say, we will upgrade our cars. And obviously, XC60 will be part of this upgrade program. If we bring the second generation to that one? So first let us upgrade that car and then we will see if we bring a second generation PHEV to that one also.

Erik Severinsson

I think maybe I can chime in without commenting in detail on future product plans. So, you know, Hampus that will be the standard answer, right? On the EX60, your question was also a little bit how that fits in the market with having both an XC60 and an XC70. And I think that fits really well, because we see plug-in hybrids being a very clear transition into BEVs. So people taking a plug-in hybrid, learning how to charge the next car is BEV. And today we have not had a next car for the XC60P head buyers, and that's where the EX60 will be such a fantastic addition to our portfolio. So I'm actually very happy from a commercial perspective, looking at the lineup in the mid-size SUV cluster with all those three cars actually.

Mattias Holmberg, DNB Carnegie

Thank you. Matthias Holmberg with the DNB Carnegie. You've talked a lot today about the deeper cost and sourcing synergies with Geely, and given that your relationship with Geely goes quite far back, I'm interested in why now and what's changed, and why wasn't this done earlier? And also, I'm curious to hear if this will increase your Chinese content in your vehicles, and also how you balance the cost benefits versus the, say, local content risk that you could then face in the US or EU. Thank you.

Håkan Samuelsson

Maybe I can start, and then you can fill in a bit general. I mean, it's a good question. You could always put that question. Of course, if you find some new way of working, you could always say, why haven't you done it earlier? It just takes time to build up the cooperation, I would say, and to learn how to work in this deep way, as Francesca said it will take some time. I think another factor is also, of course, to really have a good cooperation, you need to be on an equal level. And I think it's no secret that Geely ten years ago was very different from Geely today. They have done an enormous development and is now, of course, on a level. They are much more possible for us to have a very fruitful advanced cooperation. That is my starting point. But you can add, maybe Francesca.

Francesca Gamboni

Hi, indeed. I mean, as I use to say, I tend to look forward when I drive instead of looking in the rear mirror. So why? But again, I think the organisations were not, now they are mature. They were not mature enough for this kind of collaboration in the past. And again, as Håkan said, it takes time to get to that collaboration.

When we talk about the content, having same suppliers. And as you see, we have 130 suppliers which are common suppliers, it doesn't mean producing everything in China. It means having the same suppliers, which are all global suppliers. And in fact, that we're going in the opposite direction then as Håkan was talking about. We are regionalising, especially a number of commodities, as you know, for example, batteries, we are localising batteries. I mean, everybody knows that today the best and the highest technology on batteries is Chinese, but doesn't mean it has to be produced in China. And we are localising the batteries in Europe and looking also in the US, because we want to have more regional content.

So again, going in the other direction, having access to a bigger supplier panel and to bigger possibilities, not only in terms of power as a customer in front of the supplier, but also in terms of other suppliers that might have innovation and technology, which could be interesting for us, doesn't mean producing everything in China. It means simply having the access to different suppliers, which could be Chinese. Like, for example, in the batteries, there's no mystery that today they are far advanced than all the other suppliers in the world.

Maria Dagman (moderator)

Good. We'll bring a question from online also. So this is from J.P Morgan, José. And this is also for you, Francesca and Fredrik as well. 'Thank you for a great presentation. Do you see an opportunity to produce Geely group vehicles in the dedicated Volvo Cars plants, further leveraging the potential of cost saving and tech progress?'

Francesca Gamboni

So indeed, indeed. I mean, this is something quite normal, sharing capacity within the automotive industry. I mean, and definitely if you have a strong partnership. So shall there be again opportunities to produce new cars in our plants, which is already the case we share in China, but for example in other continent we will look into it. And if there is capacity and possibility to reduce cost or to share, let's say, capacity, that's definitely open first of all with our partner, with our owner and our partner, where we share obviously a closer partnership. But as usual, like all car makers, there is an opening also of collaboration with other car makers is something. It's always been the case and will always be. We will look case by case.

Fredrik Hansson

And we're doing it with Polestar, I guess.

Maria Dagman (moderator)

And Anders on the tech progress.

Anders Bell

Yes, absolutely. I mean, the platform sharing is not new to us, right? There's still a lot of cars like CMA is a shared platform very successfully. So within the wider group, there's still a lot of cars being built on CMA in China. Also, SPA1, there's a lot of car being built on SPA1 in China still. So collaboration on platforms is absolutely open, something we need to do. And on top of that, kind of we are very, like being where we are on this journey on the software defined vehicle, we kind of, we learned a lot

on stuff that are painful and hard and expensive. That doesn't differentiate the product. Those should absolutely be standardised.

So we're in a position where we're very strongly encouraging standardisation of emerging automotive technology. This is in a world where everybody, like Erik usually says, there are two types of car companies. One, in the software-defined vehicle world, the ones who have completed the transition, which is a very, very, very short list, and the ones who have yet to do it. And we are super open, like the tech stack we developed is in a large extent, the base stuff that the customer doesn't really care about wake up and shut down software download protocol, cybersecurity platform, all the boring stuff that came up. So that's non-competitive, non-product differentiation. It's right for standardisation if you ask me.

Maria Dagman (moderator)

Good. I think we had another one here in the front.

Erik Golrang, SEB

Thank you. Erik Golrang, SEB. Three questions. First one, on pricing of the EX60, you mentioned price parity with the XC60 Hybrid. And I guess the range of that, I mean, it starts at around 560 or so in Sweden and up to 890 or something for the top spec. So, will there be... where in that range will it be, lower end higher end?

Erik Severinson

I think the point I made was that we will price this car where we know there is a customer demand at that price point, and that is in that range of what we're having today, if I put it that way. I will not go into the detail exactly where we place the EX60. But it's also important to remember we're coming with a completely new car, state-of-the-art technology, and it's an electric car. So, of course, it will be also priced as a new car once it comes. But we know that we have a product where there is a customer, and that is the key message. And then there will be a price range on the EX60, as there is a price range on the XC60.

Fredrik Hansson

But maybe adding some flavor, I mean, the average XC60 we have, consumer will pay the same as an EX60.

Erik Severinson

The point I made was that there is a price point for the customers where they're buying cars for today. And at that price point, we were able to offer them an EX60 as well.

Fredrik Hansson

Yes.

Erik Golrang, SEB

Thank you. And then two more questions. You talk about your superpower, which is Geely. I guess, there's still a bit of a flip side to that, the China ties and your US operations on an upside. An update to that would be great. And then lastly, I thought the comments on culture sharing was quite interesting. Can you implement China speed elsewhere?

Maria Dagman (moderator)

Do you want to start Håkan?

Håkan Samuelsson

Yes. China speed, I think Francesca commented on that. We can learn a lot from how they work and they're more holistic thinking, developing cars. But when it comes to the flip side of this, I think we have stressed way too much on that and the public talks a lot about that. We are very well aware of that. But it does not limit us from working in areas as compressor, seat and so on. It's a fantastic opportunity to lower costs.

But when it comes to software and critical semiconductor components, it's a no, no. I mean, that's just accepting the rules in the new world, those areas cannot be shared. So, we need to have cars which are absolutely western in software and electronics. And then we need to have them in China. And then of course you read, here that our competitors are spending billion to develop autopilots and so on, for their Chinese cars with special Chinese chips.

And I think Michael touched that. No, that's a copy and paste for us. We can just take that and put in our Chinese cars, of course, but in the cars we sell in the west, they will be very different. And then the whole process for any restriction in US, that's going on now. It's not so fast anymore with the governmental shutdown. But we know we have done that work, and we have a very close cooperation with our legal teams. And I don't know exactly right now, but it's a normal process. And I would say I'm not in any way nervous about this process. We will continue being present in the US also in the future.

Maria Dagman (moderator)

Good. And yes, follow-up on the culture.

Francesca Gamboni

On the China speed, I mean, I was saying, I discussed already, the, I said already the industrialization, for example, and ramp up in the way they take decision. But also, for example, they have different methods. For example, in the cost estimates, they tend to do the cost estimate saying, okay, let's start with the best of the world. And then, and we see what would be the best cost, the lowest cost. And then we add the specificities of, for example, all the different specs that we have.

And so we add up whether we start to starting with, let's start putting all the context and do the cost estimate with all the context in. And by the time we're finished, I mean, the opportunity is gone. So let's start with the best of the world. And then we strip in everything, we put in all these specific specs. So again, this is something we are learning to go in quicker to start with, okay, where's the opportunity, identify the opportunity, and then you have time to fine-tune on how it is

really for you. But then you grab it, you don't lose it. Otherwise, by the time you're finished, you're already in another world.

Maria Dagman (moderator)

Good. Another question over here.

Agnieszka Vilela, Nordea

Yes. Agnieszka Vilela at Nordea. So on your new generation electric vehicles such as EX60, you say that you aim to achieve a similar or better gross margin compared to the peers. And that's impressive given the fact the content. We still have batteries. So I wanted to ask, like, can you confirm that the product content will be lower? And also, is there a volume prerequisite to reach similar gross margin? Like if you sell half of what you sell now for XC60 will still be able to make a similar margin.

Fredrik Hansson

I think on product and content, and others can add. What we're saying is the performance of an EX60 is actually better, right, on many aspects. So, that's not the comparison. In terms of scale, of course, we assume a scale of the car. We will not next year sell as many EX60s as we sell XC60s. But we're quite confident in the calculations. We have to get to those levels, so.

Maria Dagman (moderator)

Good. Another question then from online viewers. This is from Ross MacDonald, and this is on the residual value. So, on BEV growth, a key consumer hesitation relates less to BEV price, but to BEV depreciation. How do you think about residual values for BEVs over time as technology continues to improve? And how can you mitigate against any residual value weakness if EU policymakers delay 2035 span.

Erik Severinson

I can take that. I think it's a good question, and it's a relevant question. Also, if you want to do your lease calculations, you do have to know what the residual value. But you should also ask yourself what would the residual value be of a petrol car five years from now. And I think sometimes in these discussions we forget that aspect of it. There is what Anders explained, that state of the art technology base for an electric car. There's nothing saying in any way that should have a lower residual value than a combustion engine vehicle at that time. I would argue quite the opposite.

I would be more nervous buying a diesel three years from now than buying a BEV three years from now. And I think that if you look at the technology and the efficiency of electric vehicles, we can make them last longer. So, I would argue electric vehicles should have a higher residual value, and we now have discussion. I meet with the residual value setters on an almost weekly basis right now, ahead of the EX60 launch, and they are starting to see this as well. So I am very confident that the value of BEVs will last and they will last better than the value of combustion any cars.

Maria Dagman (moderator)

Good. Yes. Another question from the audience.

Sam Perry, BNP

Hi, there. Thanks. Sam Perry from BNP. You've spoken a lot about how your future is tied to EV growth. Can you just talk a bit about how you view the US market in that context, given it could be sort of stagnating from an EV penetration perspective, and maybe without further investments in your ICE offering there, you'd have an aging fleet relative to the peers, and with upward pressure on pricing from tariffs.

And then second question would be around the Geely cost savings. Would you consider using the HORSE JV, which they have with Renault for powertrain sourcing, further down the line, as a potential avenue for cost savings?

Erik Severinson

Should I start with a market question and you take the other one. So, I think looking at the US market right now and looking at the electrification phase, if you go back a few years to time, I think we all estimated that electrification would be a bit more of a linear journey. It's not. It's going differently in different geographies. And also, you shouldn't look at US as a country; you should look at US as a continent. There is a certain electrification pace in California, there is a different one in Texas and there's another different one in Boston, right?

And when we look at US right now, it's so important for us to see that's probably where overall the market is transitioning a bit slower. That's where we need our bridge. That's where we had the communication just a few months back on bringing the XC60 to Charleston plant and also continue to invest in that plant in a next-generation plug-in hybrid. Now with the underlying trend of growth, electrification is still the same. It's just that the pace is slightly different in US.

Francesca Gamboni

Yes, and on Horse, it's already our supplier. So it's already a common supplier and it's where we get our engines. And definitely, yes, we share it and we manage it together and we find opportunities together, and we cost benchmark together, and great opportunities on this was already there before. So again, a lot of opportunities on that side.

Michael Fleiss

And you can probably add on the Horse side, I mean, we talk about a lot about Geely synergies. We are doing that or Horse does it together with Geely and even with Renault. So there's even more synergies on that.

Francesca Gamboni

Even more synergies, indeed.

Maria Dagman (moderator)

Good. Yes. Another question.

Nikita Papaccio, Deutsche Bank

Hi, thanks for presentation. This is Nikita Papaccio from Deutsche Bank. Two questions for me, please. The first one, I appreciate that you are not giving any timeline, but if you're thinking about this 2% to 3% margin improvement coming from electrified growth, what do you think you will need in terms of models on SPA3 or Gen 2 plug-in hybrids to reach this 2% to 3% margin?

Fredrik Hansson

A big part is naturally SPA3 and the lower cost position we have there. And as that mix shifts into the portfolio that will stand for a big share of that profit increase. But I can't really go into details without being time bound. So, I will leave it there.

Håkan Samuelsson

But you can also, so we have a very high market share already today in plug-in hybrids. So I think this Generation 2 is more prolonging that in time to be able to have that solution longer. I would say the growth will come from affordable BEV cars, which suddenly start performing as petrol cars. That is the growth.

Nikita Papaccio, Deutsche Bank

Okay, thank you. And my second question is on Luminar and LiDAR systems. I mean, last week Luminar announced that you stopped ordering their lidar sensors for ES90 and EX90 and delayed decision for your upcoming new model generation. Could you, I mean, I thought LiDAR systems are relevant for your safety and ADAS functionalities. Could you maybe explain your thoughts here and if you are considering replacing Lumina with maybe a Geely supplier? Thank you.

Anders Bell

So, it's a good question and I think to look back at LiDAR, you talk about LiDAR, you need to talk about automation of driving, and you need to talk about, go back a few years and kind of what we thought was the right thing a few years ago. Not only us, but the general industry, how fast will we move into more and more advanced automation, and what does it take to get there? Has changed a lot significantly over the years.

LiDAR is still a very powerful and supremely important technology for us. But we are also learned a lot during the last few years, how to create very powerful functionality more based on cameras and radars. So, we already plan to reduce our dependency, if you call it that, on LiDAR for our supervised autonomy functions. So now, with the unfortunate recent developments industrially, we are just accelerating that a bit, so we can keep on producing without LiDAR and keep on developing very powerful functionality on the ADAS system, which is the approach. And you mentioned safety, which is important, right? This is our kind of fundamental approach to automation. We're all about safety.

This is how the company was started. We also approach ADAS and automation of driving from a safety perspective. Our vision is to get to zero. We need to accelerate our journey towards zero because that's the only goal we can have really. And zero implies removing the human from the equation because humans are imperfect. So fundamentally, we need to design systems or cars that

helps the imperfect human to stay safe, and that implies automation. So, we're still investing heavily, and we'll continue to roll out more and more advanced automation functions in the stack presented, which now spans also to our generation two plug-in hybrids.

Håkan Samuelsson

Maybe in addition to that, I mean, I think also we should say we have now, with technical development, sees opportunity to have supervised systems without LiDARs. So, I don't see any risk here if there will be disturbances in the supply chain either. So, LiDAR is maybe pushed into the unsupervised systems coming some years from now. That's where we need the LiDAR. But right now, it's no risk in supply shortage, I would say.

Maria Dagman (moderator)

Yes. No, maybe, yes, absolutely. I'll bring you the mic.

Mattias Holmberg, DNB Carnegie

Thank you. Just one follow-up on the investment trajectory you showed there on the slide. I think the definition was a bit different. It excluded JVs and associate, but underlying, is there any change to what you showed now compared to the update you gave us this spring? And if so, what are the changes?

Fredrik Hansson

Yes, we exclude the JVs and associates to look at sort of the core Volvo business. It makes it a bit cleaner, but, the history hasn't changed. But if we look at the future, we are lowering our investments. Part of the cost and cash action program, we talked about taking down investments, and we're putting these affordability frames, if you will, to make sure that we structurally stay on a lower level. And that's a lot about leveraging synergies in our own systems for China products, leveraging synergies with Geely, taking the decision to go to one track software and structural changes in what we do. So, it is showing.

Håkan Samuelsson

We're coming down to the flat level faster.

Fredrik Hansson

Yes.

Maria Dagman (moderator)

Yes. Another question over here.

Unidentified guest

I guess to Fredrik again. The headwind from the depreciation and amortizations of 2 percentage point to 3 percentage point, when do you expect it to appear? Will it be gradual or will it come in faster?

Fredrik Hansson

It is it's coming gradually, I guess, as things go online. I think a big chunk of that is linked to the infrastructure investments we talked about where some are just done, some are completed next year and then in 2027 you have the plant, of course. So it will be gradual.

Maria Dagman (moderator)

Good. Another question from the online audience here then. This is from Simon Shapiro. What platform will the new PHEVs for the EU and US be based on? A few follow-up left. Let's start there.

Michael Fleiss

BEVs or PHEVs, sorry?

Maria Dagman (moderator)

PHEVs. New PHEVs for the US and EU.

Michael Fleiss

Yes. For sure we can say these cars will be built with a lot of commonality with our modules I talked about in the CBP. So we will have a vast majority of the technology being shared within the Geely group.

Maria Dagman (moderator)

And then further upgrades to the facelifted SPA plug-in hybrids, SPA3 with engines?

Anders Bell

Good question.

Michael Fleiss

Good question. Anders showed, I think very good how he has used the package space for the engine, so.

Håkan Samuelsson

He filled the hole there with radiator or something, so Yes.

Anders Bell

If I may, I mean, this is what I try. I only got 20 minutes. I could spend, as I said, two hours on it easily. But we start, you need to start from the right area. I think there's various, if you start, if you build your future being all battery electric vehicle, and you start with a massive compromise, you're not going to win. You need to start with a compromise less battery electric vehicle, which is what we've done on SPA3. That needs to be a SPA, so that where your entire future depends on your success, there.

There's various ranges of how do you value that? The compromise. The compromise, if you build BEVs on a basically a adapted combustion engine platform, you will have compromises in the entire front end of the car, your front overhang, your L113, the big packaging, all the stuff that you shouldn't care about as car customers. You will basically, you carry that into all your BEV cars.

Various studies kind of depending on who you talk to, say, well, how do you transform that into cost penalty between a EUR 1,000 to EUR 2,000 is what you can find online as a reference.

And I say they're probably in the higher end of that range. If the inefficiencies you bring, you will put on your battery electric vehicle, because you're on an adapted platform. And I say that's a low number. So we need to start from having the absolute benchmark on compromised BEV and then figure out how do you solve the bridge. That's the right way to do it. But the most important thing when we talk about platforms is the square I try to draw around, where I draw around both.

Platforms are still interesting. Platform are interesting. But we talk more about architectures, the cross usage between the different platforms on the high-value components, and most importantly, that they all are in one software track. This is why I talk about tech stack more than platforms these days. Because platforms interesting is the modularity between them and the fact that you have them on one software master in one tech stack.

What do I mean with tech stack? Well, it's everything designed deliberately to co-exist, that's important to remember. So everything inside that box is very meticulously designed to fit together with cross usage, with modularity, with commonality, with one software, that's the tree we are continuously pruning, which is like all that minimizing complexity on creating all the customer offers on et cetera. That's the machine that is spitting out the products which end of the day put food on the table.

Maria Dagman (moderator)

Yes. Good to clarify. Thanks. Another question from the audience here.

Owen Paterson, Jefferies

Hi, it's Owen Paterson from Jefferies. Just two questions, please. The first one is, you've spoken or Volvo has spoken in the past about kind of closing the ASP gap to peers. So just kind of thinking again bridging to 8% EBIT margin. Does that assume continued progress closing that gap? Then the second question is on working capital. So we've kind of spoken about investments within cash flow. There's a few puts and takes. There seems to be like there's the cash action plan, but, and growth. And there's also inventory reduction. Where does that all net out? Do you think, is working capital going to be a contributor to cash in the next kind of couple years? Thanks.

Maria Dagman (moderator)

Fredrik or Erik?

Erik Severinsson

Big question, and then you take the difficult part of the question.

Fredrik Hansson

Yes.

Erik Severinsson

Yes. And also, ASP marketing spend is basically what you're talking about, the marketing spend efficiency. And, I want to comment on your statement that we're less efficient than the industry. That's not relevant. If we are, we aren't. But put it this way, what we need to do, we need to find a different way of reaching our customers and reaching our customers in a much more efficient and much more targeted way. And that's what I want to try to explain.

And by doing that, your conversion rate or your cost of converting a consumer from a lead into an offer is dramatically reduced, and your conversion rate is then by that also increased. And we see by doing these things we can take our marketing spend per vehicle down by up to 20%. That is the ambition that we're having.

Håkan Samuelsson

To be able to sell more cars.

Fredrik Hansson

Was your question on marketing or average sales price?

Owen Paterson

Kind of average sales price.

Fredrik Hansson

So, will we price as BMW, I guess, is the question. You think about that. I answer the working capital. Working capital, I mean, we see that we will be able to grow without tying up capital. In terms of releasing working capital, we are working on it as part of the cost and cash action plan. I think I showed in Q3 quite drastic step change reductions we've done in inventory. Of course, that has a limit. I think, as Erik alluded to, how we're now re-gearing our commercial system that will release even more inventory, but it is not the main cash driver, if you will. Some trimming opportunities, but a lot has been harvested.

Håkan Samuelsson

But I would always add then when you talk about working capital, okay, the factory stock is on our balance, but then how many cars are on the dealer stocks, which is not on our balance, but they are

in some way indirectly still paid by us. So, I think it's really important to bring down the physical total stock, and that you can do only with complexity reduction, and exactly the concept we talk about. So, but you will not see it in working capital. But there will also be benefits coming from that.

Francesca Gamboni

And also, better synchronization between the production plan and the sales plan, which is what we are doing day by day in a better coordination. And you see the results.

Erik Severinson

And if your question was pricing versus competition, then I misunderstood you. We won't comment in detail on the pricing versus competition. What we're saying today that we will price our new car EX60 in a price point where we know that there is a customer base already today. I think that's the key message.

Håkan Samuelsson

As we always do.

Erik Severinson

Yes, but with a margin.

Maria Dagman (moderator)

Let's move on to next one.

Magnus Dagel, Dagens industri

Magnus Dagel, Dagens industri. We see that the CapEx is going down. Can you give any indication of a dividend? Will there ever be a dividend in Volvo Cars?

Håkan Samuelsson

I hope so. But of course, I think it's a good question. A bit premature to answer it, really. First, we need to bring the company back to positive cash flow and to profitability. And that's what we are focusing on now. And when there will be a profit, it's of course something what the board should decide on after we have closed the year. So we will close in January. So that's where you will get a signal about dividends from the board, if there are any. I don't know. Let's see.

Maria Dagman (moderator)

Good. We have a few minutes left on the Q&A sessions. Any other questions from the room? No. I'll turn to the chat then. XC70, we have talked about. So no, but then if there are no other questions from the room, I would just like to give the opportunity to you, Håkan, to have some final words before we close this.

Håkan Samuelsson

What should I say then? Basically, I think I already said that. I hope we gave you now a bit of a new approach to this because I think if we talk about strategy or leadership, I always focus on something, I say doing the right things beat, beats doing things right and sweating more. So it's very important that the company has an ability and intelligence to decide and dare to decide. This is what we want to do, and that will deliver the results.

And as we already learned at Scania many years ago that we said this is how we do it, we have modularity, and then we always answer journalists and investors. A result that comes from hard work and doing the right thing. So, but we know it will be much better than it is today because we will do things smarter now. So I hope we manage to communicate that we have a clear path and ideas how we will do things differently to meet these three challenges that everybody will meet now. And if you don't have a good answer to those three, I think those companies will have big problems staying in business. And I hope we show us that we at least have an idea. We will do this. And then I think it's up for us to prove that we will deliver result from that. And we will tell you how fast this will materialize. And US investors and new investors have to decide, basically, is this a company that really will be stronger five years from now? Then we should look, take a look at Volvo.

I don't think you should take a look at Volvo if you believe what's happening with the business cycle, is this going up or down? Should I short it, or what should I do? Okay, we have those shareholders also. That's good for liquidity. But I think we need more shareholders that believe in our story. And I think now in IR, we will concentrate on communicating this story and following up, telling you what's happened, will it deliver, and gradually build up confidence in the company so that we can attract more shareholders. And if we get more shareholders interested in buying this, we will have a bigger free float. And, I think that's something we also want to have, but it is based on that we have a good company, which is performing and that we have more people wanting to invest in the company.

So, I think that is my closing remark. And just at the end, just to say thank you all for coming, and thank you for your big interest in the company. I think that's a big commitment for us and a big trust that we need to fulfil, and then deliver back to you and all other investors better performance. So thank you for coming!