Volvo Cars Q2 2025 Pre-Close Call

The following information will be discussed during the scheduled call with analysts and investors before the silent period begins on 18 June, leading up to the publication of our Q2 2025 report on 17 July.

Macro-economic environment

The macroeconomic environment has remained subdued, with sluggish economic data. Consumer confidence in Europe continued to weaken so far during Q2, along with industry indicators softening and remaining at muted levels across both the manufacturing and service sectors. In the US, consumer sentiment deteriorated further during April and May, evidenced by survey results related to both the current economic situation and future expectations showing declines compared to Q1 levels, and also significantly weaker than those in 2024.

Uncertainties surrounding tariffs have compounded market concerns. The US tariff rates are at their highest in decades, impacting the global economy. The outlook is unpredictable, with risks of tariff rates either increasing or decreasing. Volvo Cars is affected both indirectly and directly.

S&P Global has continued to revise downward its forecast for automotive sales volumes. The latest forecast published in May, which incorporates estimates following the US tariff announcement, shows a reduction in the premium segment in the US by nearly 6.5% compared to the April forecast. The US premium market is now expected to shrink by 5.5% in 2025. Similarly, the China premium market has faced downgrades, with the premium segment projected to decline by 10% in 2025. The global premium segment is now forecasted to decrease by 3.7% in 2025, versus the earlier forecast of a 1% drop from April.

Revenues

- QTD up until May, retail deliveries are down by 11.3% vs the same period in 2024. Q2 2024 was, as in Q1 2024, supported by a quick ramp up of the EX30, which boosted wholesales in Q2 2024 affecting the comparable number in Q2 2025.
- We also said during our Q1 and Q4 calls that the significant inventory reduction in Q4 2024 would have the effect in that the retailers would have one to two quarters to adjust their inventory levels in 2025.
- As said on the Q1 conference call, this means that wholesale 2025 will be lower than retail deliveries for the full year of 2025, whereof a majority of that effect is in Q1, but that some effect also should be expected in Q2.
- This will have a dampening effect on wholesales in Q2, although not as significant as in Q1.

- Wholesales, and not retail sales, is the best input to use when calculating the volume effect on sales.
- Revenue from contract manufacturing was 3.0 bn in Q4 24 and 2.0 bn in Q1 24. For Q2 we have no information available to share at this stage.

Gross margins consolidated

- Besides the effect from weaker volume development there will be effects from tariffs during Q2. The 25% tariff on cars imported to the US as well as the tariffs on parts will start to kick in during Q2.
- As of November 2024, the EX30 is subject to higher tariffs as it is imported from China, but since production in Ghent has started, the effects will start to subside primarily from Q3 when production is ramped up.
- In Q2 24 we still had an effect of positive price effects in the large order book, following the period of shortage of components.
- Due to a continued stronger SEK, FX is still headwind during Q2 25.

EBIT-margin excluding JVs

- As we said in Q1 we are also expecting to increase the depreciation and amortisation in 2025 vs 2024, following the ramp-up of production of vehicle such as EX90 and ES90.
- There will also be provisions, up to SEK 1,5 bn in Q2 to cover for the anticipated costs related to the SEK 18 bn cost and cash plan.
- Regarding the tariffs, we are taking commercial measures linked to pricing and what cars we sell and ship. And the net effect after these commercial mitigations, we estimate to a 1% to 2% negative on our group EBIT margin.

EBIT-margin including JVs

- As communicated in Q2 2024, we no longer account for Polestar's earnings as of Q3 2024.
- We stopped including Lynk & Co earnings in our accounts following the deal's closure on February 14

Free cash flow

- As communicated in our Q1 earnings call, we have decided to discontinue guidance for 2025 and 2026.
- With the SEK 18 billion cost and cash action program, we are taking additional steps to safeguard cash flow.

- Historically, Q2 typically demonstrates improved free cash flow generation compared to Q1.
- The capital gains tax arising from the sale of Lynk&Co was paid in April 2025, as stated in the Q1 pre-close call. The tax cost was specified in the Q1 25 report, and amounted to RMB 803m.

Other

- Volvo Cars raised EUR 500 million in June from a diverse group of investors by successfully issuing a new green bond. The proceeds will be used to fund the company's ambition to be a leading player in the premium electric car segment and achieve net-zero greenhouse gas emissions by 2040. This includes funding research and development of upcoming electric cars and platforms, and related manufacturing processes.