

VOLVO

Capital Markets Presentation



Commercial

Growth

Outgrow the market to 1.2 million cars by mid-decade

Double digit yearly growth in all regions

Combined with price improvements

Strengthen brand to achieve the required conquest and improvement in willingness to pay

Electrification

Grow by winning in the fastest growing part of the market, i.e. the BEV segment

Total BEV share by mid-decade: 50%

EMEA > 70%

APAC > 35%

Americas > 50%

Online / Digitisation

Drive a better consumer experience/cost for the total system by 100% omni-channel:

Seamless omni-channel set-up with volvocars.com as the base

Optimized network of retail partners

Shared consumer data and digital system for efficient marketing, administration and customer care

National online prices and simplified offering structure

Shared inventory flows



Better consumer experience/cost for the total system

US

Due to franchise laws, we must legally transact through the retailers, but we can steer price and consumer data via shared incentives.

EUROPE

To achieve this, we must legally “flip”, i.e., moving from wholesale model to direct to consumer.

CHINA

Different digital ecosystem, where we already share consumer data and have opportunities to set price in the current setup.

The key implications of a “flip” in EU/EFTA

Impact to

Customer

Clarity for consumer

- *What?*: Clear car offer
- *How much?*: Transparent and national online prices
- *When?*: Clear delivery times

Seamless journey

Better consumer experience

The key implications of a “flip” in EU/EFTA

Impact to

Retailer

Focus on core customer value adding activities

Optimized cost structure and improved capital efficiency

Avoid losing business to disruptors

“Smaller” P&L and balance sheet

Long term sound economics

The key implications of a “flip” in EU/EFTA

Impact to

Volvo Cars

Scalable and consistent consumer experience

Efficient marketing, sales and distribution cost

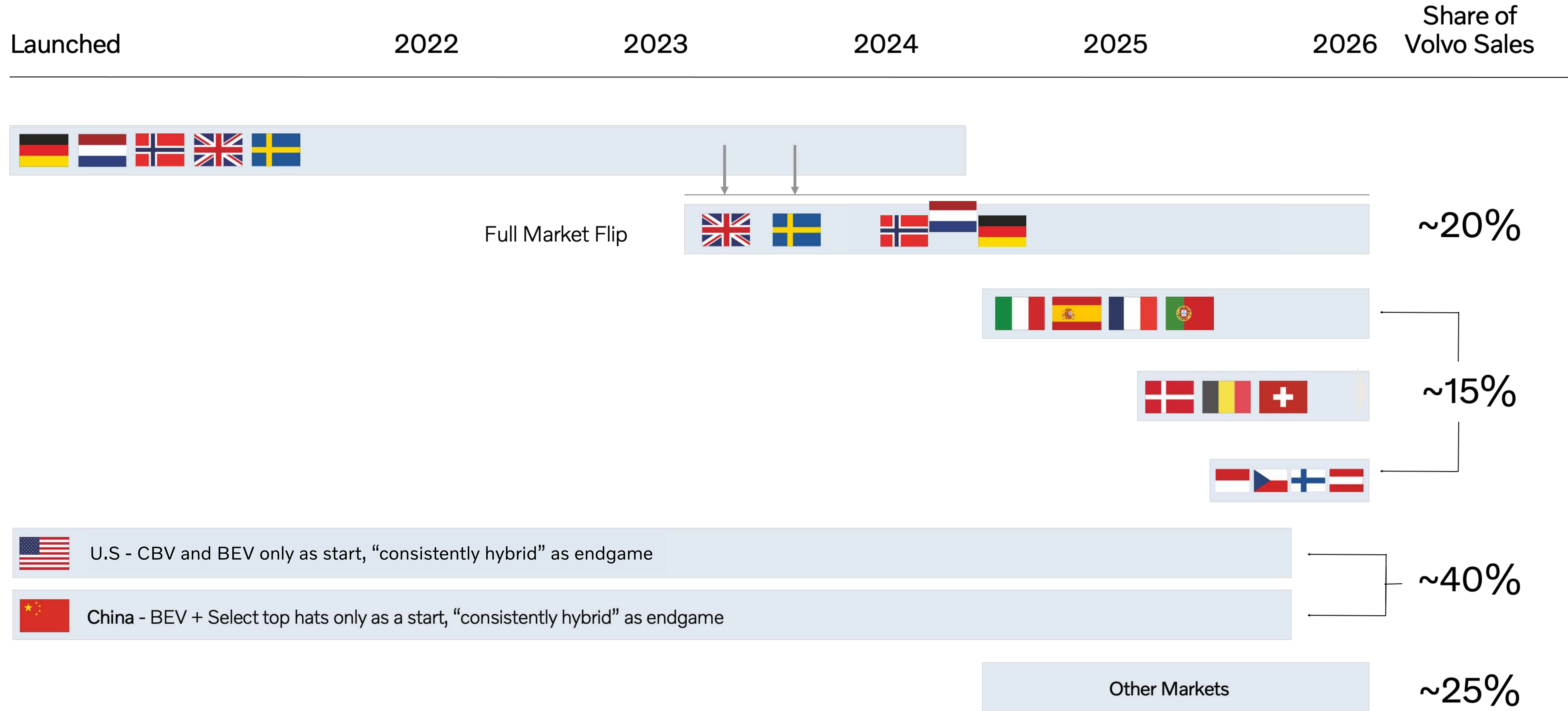
Responsibility for digital infrastructure, direct consumer contacts and online price setting

Inventory rationalization for full system but all on our books

Direct customer relationships with potential for cross-selling and up-selling

Competitive go to market set-up +
A platform for further growth

Pacing the transformation



Care by Volvo - subscription

	Role	Key risks
CBV FIXED 36-month contract	<p>Principally same as lease offerings but handled more in-house</p> <p>A tool for improved loyalty with focus on customer lifetime value</p>	<p>Residual value risk</p> <p>Credit risk</p>
CBV FLEX Subscription with 3-month notice	<p>A good premium conquest tool with lower initial commitment for the consumer</p> <p>Share of flex contracts capped to 10% of total sales to balance risk/opportunities</p>	<p>As for fixed, and in addition:</p> <ul style="list-style-type: none">+Churn risk+Residual value risk more accentuated

Status of UK, our lead transforming market



Retailer contracts to be ready by year end 2022

Building and launching digital solutions

B2B for SME launched April 2022

B2B for large enterprises via Lease Co's launched July 2022

Other solutions before mid-year 2023 e.g.

- Sales to large enterprises
- Down-payment
- Trade-in and insurance opt-in capabilities

When all solutions are ready, we close the wholesale channel; mid-year, 2023

Fund-based solution together with Optio fully operational; mid-year, 2023

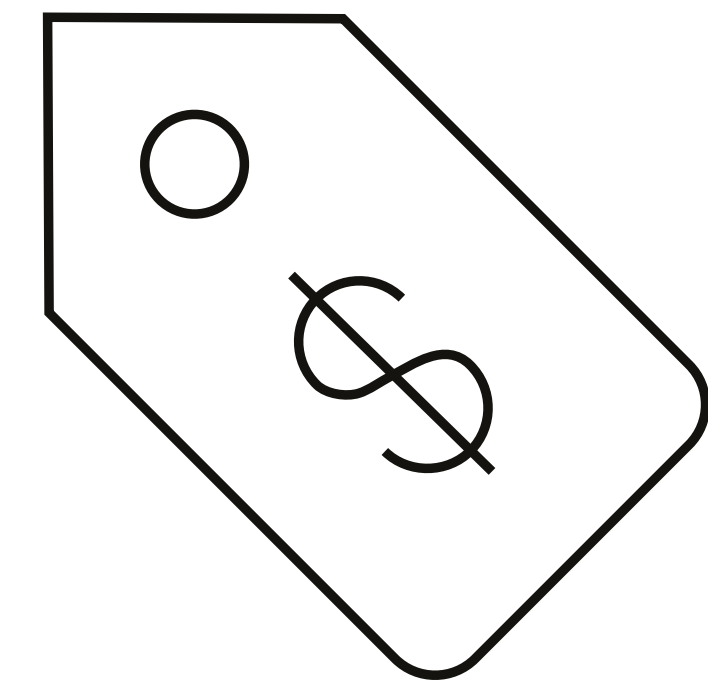
Directional channel/contract mix for the UK

Contract Portfolio

		Cash	Loan (CS)	Financial Lease (PCP)	Lease (PCH/BCH)/ CBV Fixed	CBV Flex	Totals
Channel Portfolio	B2C						50%
	Private Customers	0-5%	10%	15%	15-20%	5%	50%
	B2B						30%
	SME Fleet				5%	5%	10%
	Large Fleet	20%					20%
	Demo/Internal/MDR						20%
	Rental	10%					10%
	Demo	5%					5%
	Internal			5%			5%
	Totals	35-40%	10%	20%	20-25%	10%	100%

 Funded by new fund solution together with Optio

Why a new way of doing car financing; fund-based structure



Fund-based solution
together with Optio

Better consumer experience

Smother flow with a fully coordinated independent vehicle purchasing platform

Full control of the customer journey

Including better control of pricing and churn

Enables future sales of software/additional services

Flexible asset base and timing

Reduce value chain leakage and efficient source of capital

Optimized pricing for customers through direct access to debt investor capital

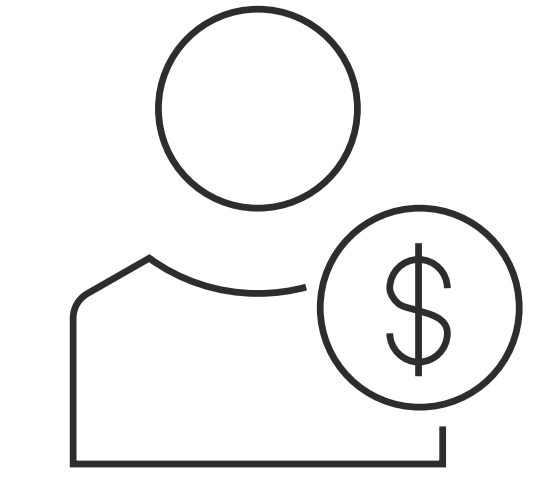
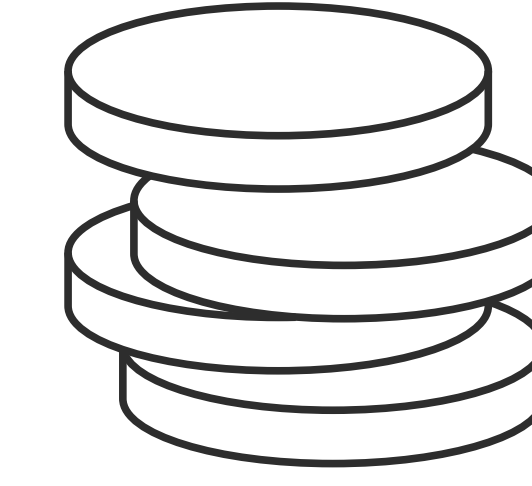
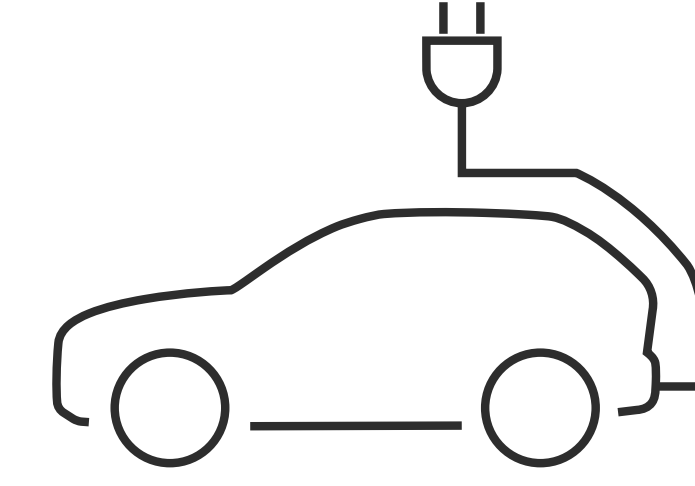
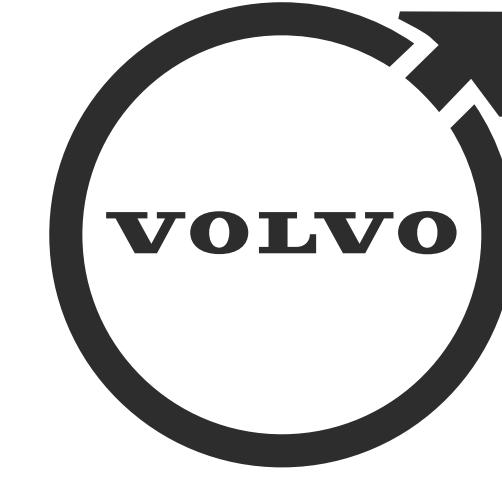
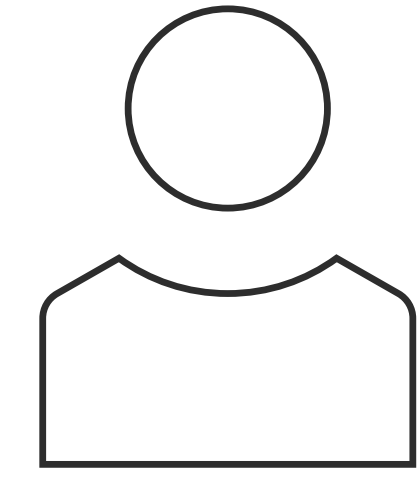
Green and sustainability treatment

Efficient structure through centralized operations

Catalyst for effective setup across EMEA

Rolling out fund structure opens up opportunities for new forms of partnerships

Fund-based financing setup



CUSTOMER

VOLVO CARS

POOLS OF CARS/SPVs

FUND - OPTIO

DEBT INVESTOR

ROLE

- Enjoy mobility

- Customer facing
- Online experience
- Originator of contracts
- Product owner
- Service provider to Special Purpose Vehicle (e.g., credit approval process, invoicing, fleet admin activities)

- Car owner at national level
- Rental fee holder

- Managing assets
- Fund valuation
- Investor relations

- Provide capital for return

RISK

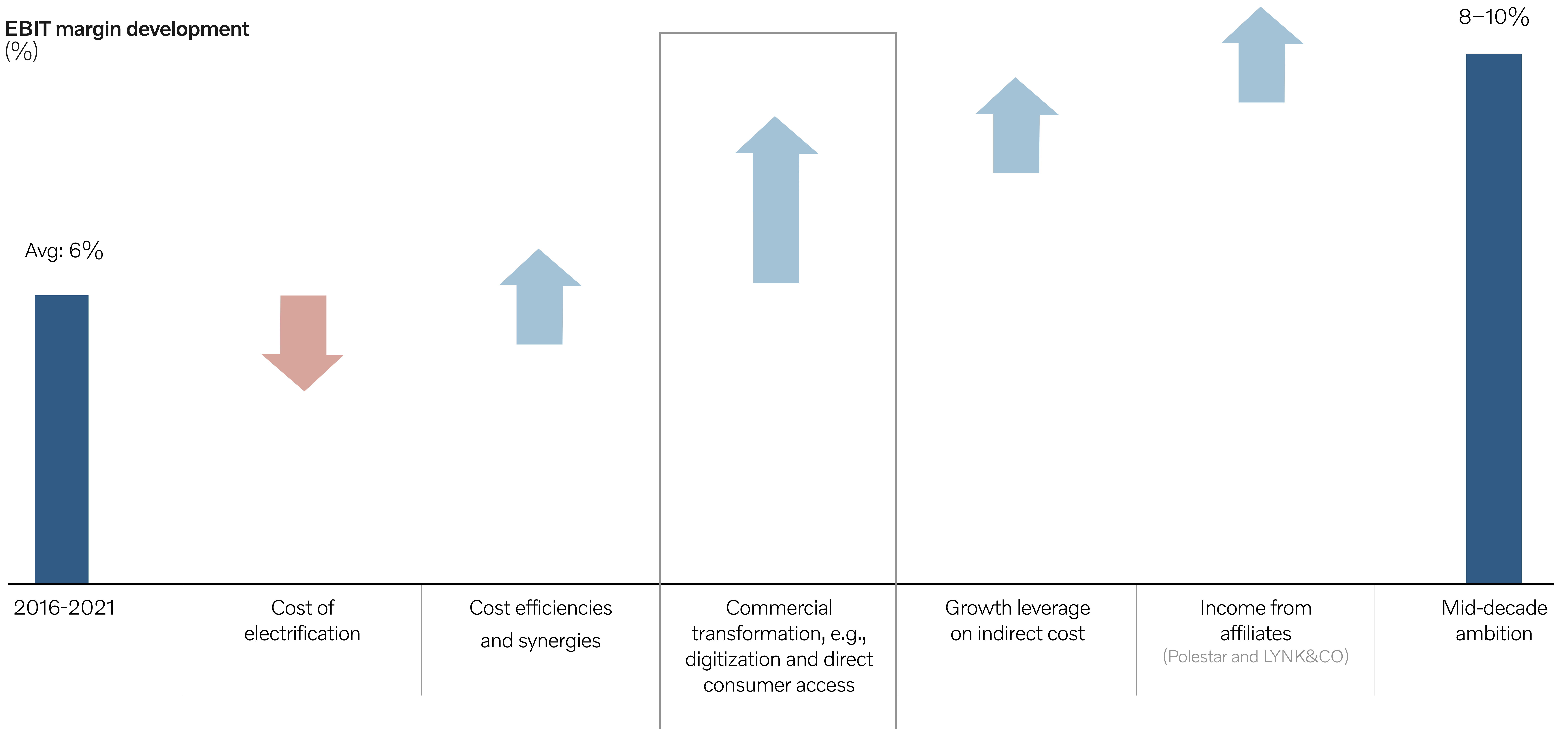
- Residual value risk
- Churn risk
- Customer credit risk on service contract

- Limited (some execution risk)

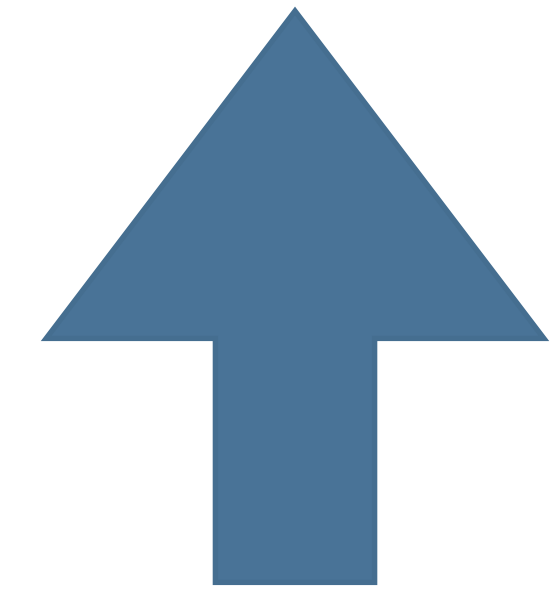
- Customer credit risk on rental contract
- Counterparty risk on Volvo Cars

Reaching 8–10% EBIT

EBIT margin development (%)



Financial implications



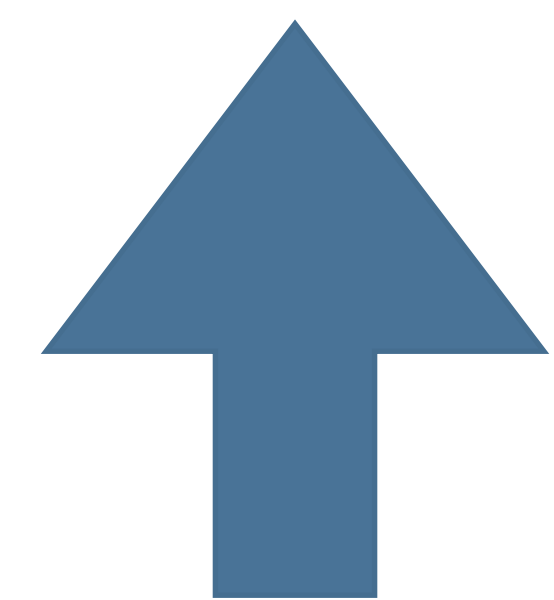
Revenue improvements
- growth and pricing

Medium



Improve capital efficiency

Medium



Productivity increase
and cost reduction

Medium



Better capture of value
chain opportunities

Small mid-decade, but big potential long-term

Financial implications

Revenue improvements - growth and pricing

Continued strengthening the brand to increase willingness-to-pay

Better price control

Stronger residual value based on better control of used cars

Financial implications

Productivity increase and cost reduction

Improve digital back-bone systems to simplify and automate admin

Reduce manual labor for Volvo Cars and retailers

Efficiency in marketing by better use on consumer data

Improved economy of scale at retailers by optimization of the retail network

Better consumer experience leading to stronger loyalty which gives lower conquest need (conquest is more expensive)

Commercial transformation

Financial implications

Improve capital efficiency

Improve physical car capital efficiency through joint compounds and flow across retailers (and markets)

Financial implications

Better capture of value chain opportunities

Direct consumer contact and digital set-up enables better financial services value capturing

Better leverage of insurance opportunity

Potential to expand “For Life services”

Volvo's role in car financing

		Americas	EMEA	APAC
Car Financing 30-35 k SEK/year	Today	BoA	Bank/lease partners, e.g., Santander, BNPP, VFB	Genesis On-balance LeaseCo
	Future	BoA	Fund-based solution for direct operational lease Bank partners for direct financial products and wholesale	Off-balance LeaseCo Genesis

Volvo's role in car insurance

		Americas	EMEA	APAC
Car Insurance 10-15 k SEK/year	Today	Liberty	If, Allianz, Baloise, Helvetica etc.	External
	Future	An improved customer value proposition and also towards a more active participation from Volvo Cars in the business	An improved customer value proposition and also towards a more active participation from Volvo Cars in the business	External

Evolve our business idea

Volvo app as “For Life Platform”

FROM

A product you buy a few times
in your lifetime

TO

A larger ecosystem and
community that consistently
supports your life





VOLVO

EX90