

## **Volvo Cars Q4 2024 Pre-Close Call**

Below is the information that will be discussed on the scheduled call with analysts and investors before the start of the silent period on 7 January ahead of the publication of our Q4 2024 report on 6 February.

### **Macro-economic environment**

The overall macroeconomic environment has remained subdued with high uncertainties. Looking at macroeconomic data, Europe has been even weaker than expected during 2024, and consumer confidence has remained soft in the region. Geopolitical risks have accelerated in all regions during the course of the year. This includes the US, where the president-elect has indicated possible increased tariffs which has also led to higher uncertainty.

For the overall automotive sector, S&P has continued to lower the market forecasts for both Q4 and 2025. The downward revisions have primarily affected the premium segment, both for the remainder of 2024 and into 2025.

Total car market registrations increased 1% in Europe in October but declined slightly in November (according to ACEA), whereas US light vehicle sales increased in October and November (according to US SAAR data). China also saw an increase YoY in October and November (according to the China Passenger Car Association), but European OEMs continue to underperform the market.

### **Revenues**

- QTD up until November, retail deliveries are up 4% vs the same period in 2023. As of November QTD, 1 106 EX90s have been delivered to customers (YTD 1231). As earlier stated, as we ramp up production of EX90, wholesale of EX90 will be higher than EX90 retail deliveries in Q4.
- As in earlier quarters, the EX30 has a negative mix impact on revenues year-on-year.
- Revenue from contract manufacturing was 5,4 bn in Q3 vs 2,7 bn in Q2. For Q4 we have no information available to share at this stage.

### **Gross margins consolidated**

- As we communicated on the conference call after Q3, we are aiming for further inventory reduction during Q4 which might potentially have a negative effect on margins.

- As communicated during the Q3 call, we see pricing continues to normalize and maintain our focus on value over volume, but that incentives continue to increase although still not at pre-pandemic levels.
- November QTD the SEK has weakened, which all else equal, leads to higher revenues and higher gross margins (net positive USD exposure).
- As of November, the EX30 is subject to higher tariffs as it is imported from China.

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

- Q4 is usually a stable quarter with volumes the highest for the year.
- As communicated earlier, we are also entering a period when we will not benefit from declining raw material costs year-on-year, as they already fell significantly in Q3 23.
- After the one-time effect of EX90 amortisation in Q3, amortisations will be higher in Q4 (around the levels seen in Q2, which was communicated in Q3).

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

- As communicated in Q2, we no longer account for Polestar's earnings as of Q3.
- As communicated on November 14 we aim to sell our 30% stake in Lynk & Co. We will continue to account for Lynk & Co earnings until the deal is closed, which is expected to happen in Q1 2025 (as earlier communicated).

#### **Free cash flow**

- As was communicated in our Q3 earnings calls we have the ambition to reach a single digit negative free cash flow for the full year of 2024. A reduction of inventory will support this ambition (also highlighted on the Q3 conference call).
- Normally there is a lot of activity on the cash flow during the last couple of weeks, ahead of the full year closing.
- Q3 YTD free cash flow was negative 12,5 bn.

#### **Other items**

- As communicated on 30 October we have initiated a process to take full ownership of NOVO Energy. As also communicated it is not expected to impact Volvo Cars' other planned investments or its targets on cash flow.