



*Freedom to move
in a personal, sustainable
and safe way.*



VOLVO CAR GROUP

INTERIM REPORT FIRST SIX MONTHS 2020

First Six Months 2020

- Retail sales 269,962 (340,826) units
 - Revenue MSEK 111,759 (130,095)
 - Operating income (EBIT) MSEK –989 (5,519)
 - Net income MSEK –1,171 (3,398)
 - Cash flow from operating and investing activities MSEK –12,803 (–2,759)
- Volvo Cars recovered gradually from the Covid-19 situation. With the exception of the Charleston plant, the recovery has allowed for production to resume in all factories. Retail sales have picked up, first in China and then in the US and Europe.

Key figures (MSEK)	First six months 2020	First six months 2019	Change %	Full year 2019
Revenue	111,759	130,095	–14.1	274,117
Research and development expenses	–5,978	–5,942	0.6	–11,446
Operating income (EBIT)	–989	5,519	–117.9	14,303
Net income	–1,171	3,398	–134.5	9,603
EBITDA	6,819	13,300	–48.7	29,851
Cash flow from operating and investing activities	–12,803	–2,759	–364.0	11,573
Net cash	11,781	12,521	–5.9	25,214
Gross margin, %	15.5	18.9		19.0
EBIT margin, %	–0.9	4.2		5.2
EBITDA margin, %	6.1	10.2		10.9

All amounts are in MSEK unless otherwise stated. Amounts in brackets refer to the same period for the preceding year, unless otherwise stated. All performance measures are further described on page 24.



CEO Comment

The first half of 2020 has been challenging, for our company and for the wider economy. We were on a successful growth path, we were on course to deliver on our volume ambition – and then the Covid-19 pandemic struck.

So it will come as no surprise that our performance was affected by the pandemic. Year-on-year sales fell considerably, which influenced revenue and profit.

We mitigated the impact of the pandemic in a proactive and pragmatic way, acting to protect our people and our business. We temporarily closed our plants as regions were hit by the pandemic, we implemented worktime reduction in Europe with the help of government support and we collaborated closely with our supply chain partners.

“We are well positioned for a strong recovery.”

We took additional measures to safeguard liquidity, by managing costs and further strengthened our liquidity position with additional credit facilities. These and other measures ensured that the impact of the pandemic was managed in a prudent and effective way.

The downturn we saw in the first half of 2020 had a temporary impact on our business but the fundamentals are strong and our strategy remains the right one, as the market development shows.

In China, we already saw a return to solid growth in the second quarter, as customers returned to our retailers. We see a similar upturn in the US and Europe and therefore expect a strong recovery in the second half of the year.

We took market share in several key markets, our SUV models remain popular and demand for our electrified Recharge models continues to grow strongly, reaching 17 per cent of total global sales in June.

We expect customers to want a sustainable economic recovery and we anticipate demand for electrified cars to accelerate, which means we are well positioned going into the second half of the year with our current product portfolio and the start of production of the fully electric XC40 P8 Recharge.



During the first half, we also strengthened our digital services and online sales channels. This pandemic has been strengthening our confidence that these strategic ambitions are the right ones and that an accelerated transformation of our business is needed. We will continue to focus on and invest in electrification, online sales and connectivity.

We also took steps to secure the necessary competence to deliver in these focus areas. By focusing on our transformation and issuing notice for a reduction of 1,300 white collar positions in non-prioritised areas, we will ensure we have the resources to deliver long-term growth and continuous alignment of our operations with our strategic ambitions.

To summarise: market conditions made the first half of 2020 challenging but I am confident that we are well positioned for a strong market recovery in the second half of the year. If the market recovers as we expect, we anticipate sales volumes to return to the levels we saw in the second half of 2019 and it is also our ambition to return to similar profit levels and cash flow.

Håkan Samuelsson
Chief Executive Officer

Sales and Market Development

First Six Months

Since the end of January, the pandemic has affected Volvo Cars' business in many ways, including weakening markets and temporary shutdowns of factories and dealerships. The Chinese manufacturing plants were temporarily closed after the Chinese New Year for four to five weeks, depending on location. The plants in Sweden and Belgium resumed production third week of April after three and four weeks of shutdown respectively. The US plant closed in late March, restarted production beginning of May but closed again in June due to supply chain disruptions. Actions are underway in order to restart the US production. The fact that we were able to close down production also created conditions for a better balance between production and demand without building up too much inventory.

In total, Volvo Cars' global retail sales decreased by 20.8 per cent to 269,962 cars during the reporting period. Total production volumes and wholesales decreased by 17.8 and 19.5 per cent respectively. On the positive side, the recovery from the Covid-19 situation has gained pace, and Volvo Cars took market shares in all its major regions. Sales developed positively throughout May and June from a very low level in April, June being on par with last years' level. With China being the front runner, the US and Europe added positively to the recovering sales during the latter part of the half year.

Altogether production, retail sales and wholesales decreased significantly during the first half year as an effect of the pandemic. Considering the recovery, there are many positive signs for the second half of 2020.

China continued to be Volvo Cars' largest market representing 24.4 per cent of global retail sales, closely followed by the US and Sweden representing 16.0 and 9.0 per cent respectively. Altogether, the SUV portfolio (XC40, 60 and 90 models) accounted for 68.5 (60.7) per cent of total retail sales, the XC60 being the company's top selling car.

The S60 sales increased by 23.8 per cent resulting from higher demand in Europe and in China where it was launched in January 2020. Also, growth of 10.5 per cent related to sales of the XC40, mainly in China, contributed positively. The XC60 remained Volvo Cars' global bestseller with sales of 78,761 (97,208) units, followed by the XC40 and XC90 with sales of 68,359 (61,864) and 37,918 (47,818) units respectively. While retail sales of the majority of the car models declined, the sharp decrease in V40 sales were attributable to the seized production in July 2019.

During the first six months, sales of Volvo Cars' plug-in hybrid vehicles, the Recharge line-up, increased by 79.8 per cent, generating a share of 14.0 (6.2) per cent of total retail sales.

	First six months 2020	First six months 2019	Change %
Retail sales (units)			
Europe	123,198	174,653	-29.5
China	65,741	67,741	-3.0
US	43,255	50,120	-13.7
Other	37,768	48,312	-21.8
Retail sales total	269,962	340,826	-20.8
<i>Whereof Recharge line-up vehicles</i>	<i>37,775</i>	<i>21,015</i>	<i>79.8</i>
Wholesales	277,999	345,146	-19.5
Production volume	290,563	353,285	-17.8

EUROPE

Market

New car registrations in Europe decreased by nearly 40 per cent for the total passenger car market, and around 34 per cent for the premium car market. January and February registrations were impacted by major taxation changes in some countries which started in 2020, pulling registrations to December 2019. The rest of the half year was heavily impacted by the Covid-19 pandemic which resulted in restricted movements in several European markets, as well as closing down the vast majority of dealerships. Consequently, new car registrations dropped significantly. In June, the decrease narrowed to around 22 per cent, an improvement compared to April and May.

Volvo Cars

In Europe, retail sales decreased by 29.5 per cent, to a major degree driven by Covid-19 pandemic effects during March and April. In the beginning of the year, the new tax systems contributed to a decline in some markets, also for Volvo Cars. Retail sales improved gradually in Sweden, Germany and the UK during the two last months of the reporting period, mainly as a result of strong demand for the XC models. June stood out as the year-on-year decline reduced to 6.6 per cent. Overall, Volvo Cars' market share increased during the reporting period.

Sales of Recharge line-up cars increased to 24.3 per cent of total retail sales, mainly driven by the V60 and XC40.

Overall, order intake improved gradually from a relatively low level as a consequence of the pandemic breakout, to around 80 per cent of last year's level by end of June 2020.



CHINA

Market

The passenger car market in China declined by around 26 per cent, less so the premium car market which declined by 6.0 per cent. In particular, the SUV premium segment declined by around 3 per cent whereas the sedan premium segment declined approximately 11 per cent. The decline was mainly driven by containment measures related to the Covid-19 pandemic in February, with March to June showing signs of recovery.

Volvo Cars

Retail sales decreased by 3.0 per cent. Since mid-March, showroom traffic and sales performance started to pick up in China, and Volvo Cars' manufacturing plants have resumed production. The XC40 and S60 were the top selling cars, contributing to the double-digit growth during April to June, leading to a slight market share increase for Volvo Cars during the reporting period.

Sales of Recharge line-up cars increased to 3.2 per cent of total retail sales in China, mainly driven by the S90.

US

Market

The US vehicle sector recorded a decrease of around 24 per cent, driven by drops in passenger car and light truck sales of around 36 and 18 per cent, respectively. The premium car market of imported cars in Volvo Cars' served segment declined by around 22 per cent. Overall industry sales drop began in the middle of March and hitting the bottom at 47 per cent in April as an effect of the Covid-19 pandemic containment measures. Before then, sales increased year-on-year approximately 1 and 5 per cent during January and February respectively, and started to recover during May and June with 30 and 27 per cent respectively.

Volvo Cars

In the US, sales decreased by 13.7 per cent during the half year. Volvo Cars recorded a slight recovery towards the end of the period, with an increase year-over-year of 4.5 per cent in June. Despite a decline in sales of most carlines, the V60 and XC40 being the exceptions, Volvo Cars gained market shares.

Sales of Recharge line-up cars increased by 15.8 per cent, mainly driven by the XC90.

OTHER VOLVO CAR MARKETS

In Volvo Cars' other markets, retail sales declined by 21.8 per cent. The decrease was mainly a result of the decrease in Canada of 37.0 per cent, due to containment measure effects from the Covid-19 pandemic, as well as a 19.9 per cent decrease in Japan. On the contrary, Korea grew by 20.4 per cent, mainly driven by sales of S segment models, and by the V60. Turkey grew by 5.3 per cent, as sales of V and XC segment models increased.

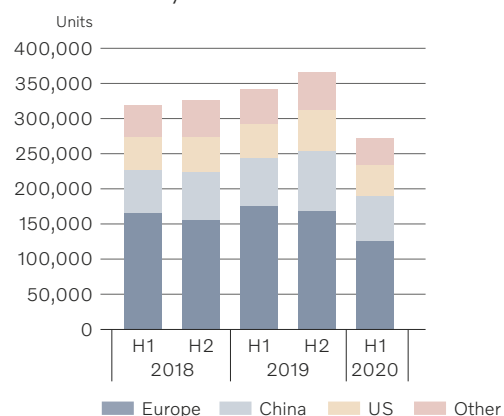
Sales of the Recharge line-up cars in Volvo Cars' other markets increased by 44.9 per cent, mainly driven by the S60 and V60.

VOLVO CAR GROUP

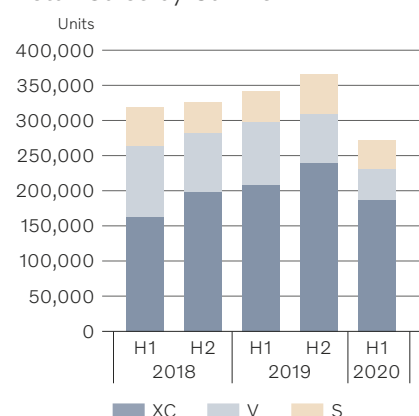
Top 10 Retail sales by market (units)	First six months 2020	First six months 2019	Change %
China	65,741	67,741	-3.0
US	43,255	50,120	-13.7
Sweden	24,385	31,742	-23.2
Germany	20,972	26,142	-19.8
United Kingdom	17,769	30,036	-40.8
Belgium	8,437	12,872	-34.5
Japan	7,427	9,268	-19.9
France	6,880	10,428	-34.0
Italy	6,555	10,888	-39.8
Korea	6,440	5,349	20.4

Retail sales by model (units)	First six months 2020	First six months 2019	Change %
XC60	78,761	97,208	-19.0
XC40	68,359	61,864	10.5
XC90	37,918	47,818	-20.7
V60/V60 Cross Country	31,273	35,931	-13.0
S60/S60 Cross Country	20,458	16,529	23.8
S90	18,455	26,964	-31.6
V90/V90 Cross Country	12,386	21,265	-41.8
V40/V40 Cross Country	2,352	33,247	-92.9
Total	269,962	340,826	-20.8

Retail Sales by Market



Retail Sales by Carline



Events During the First Six Months

Preliminary discussions initiated to combine Volvo Car AB (publ.) and Geely Automobile Holdings Limited (Hong Kong 0175), announced on February 10

Volvo Car AB (publ.) and Geely Automobile Holdings Limited (Hong Kong 0175) announced that they are considering combining their businesses to create a strong global group, which would accelerate financial and technological synergies between the two companies.

Acceleration of structural transformation

On April 29, Volvo Cars gave notice for a reduction of 1,300 white-collar positions in its Swedish operations, and continued to review and reduce consultancy contracts, concerning around 300 consultants. Although the notices are part of the ongoing realignment of the Volvo Cars' operations in line with its long-term ambitions for competence shift and structural cost reductions, the Covid-19 pandemic has increased the pertinence of the measures announced. The estimated cost for the restructuring has been taken in full the first half year.

Governmental support received in several countries

Due to the Covid-19 pandemic, Volvo Cars has reduced the working time during the second quarter for a major part of its employees and applied for governmental support in several countries. The grants related to Covid-19 amounted to MSEK 1,074. Since July 1, the majority of the employees are back from reduced working hours.

SEK 10.7bn Revolving Credit Facility and SEK 4.0bn Credit Facility signed

A new revolving credit facility of SEK 10.7bn, has been signed in addition to Volvo Cars' undrawn EUR 1.3bn facility. Furthermore, the SEK 1.5bn facility was refinanced with a new SEK 4.0bn credit facility with the same financing partner, Swedish Export Credit Corporation.

Both facilities are partly guaranteed by the Swedish Export Credit Agency (EKN).

Chengdu plant powered by 100 per cent renewable electricity

This is the latest concrete step towards Volvo Cars' ambition to have climate neutral manufacturing by 2025. It is taking Volvo Cars' global renewable electricity mix in its manufacturing network to 80 per cent, and will reduce the Chengdu plant's CO₂ emissions by over 11,000 tonnes per year.

Volvo Cars partners with Waymo

Volvo Cars and its strategic affiliates Polestar and Lynk & Co International, are establishing a strategic partnership with Waymo, a subsidiary of Alphabet, the parent company of Google. Waymo is a world leader in self-driving technology development and the exclusive partner for Volvo Cars in advanced autonomous driving technology. The companies will first work together with the intention to integrate Waymo's fully self-driving technology – the Waymo Driver – into an all-new mobility-focused electric vehicle platform for ride-hailing services.

Covid-19

On March 11, the World Health Organisation (WHO) characterised Covid-19 as a pandemic. It has become clear that it has had a significant, not easily quantifiable, impact on our societies and businesses. During the first six months of the year, the pandemic continued to spread across the globe. It has since the end of January affected Volvo Cars' business in many ways. First and foremost, the health and safety of the employees were safeguarded, resulting in Covid-19 cases at a level below national average. Volvo Cars took a series of measures ranging from temporary plant closures, adapted work environments in the factories and offices, as well as the possibility to work from home. Volvo Cars has also been affected by lower demand and supply chain disruptions. Sales volumes, profit and cash flow have been severely impacted. The pandemic has also had effects on areas such as risks related to the used car business that has affected the result during the first half year. For more details on the financial development, see page 8 onwards.

Volvo Cars has taken, and is still taking, actions as instructed by the authorities, in addition to actions necessary to mitigate the effects on its business. The Chinese manufacturing plants were temporarily closed after the Chinese New Year for four to five weeks (depending on location). The plants in Belgium and Sweden resumed production on April 20th after four and three weeks of shutdown respectively. The US plant closed on March 26, restarted production on May 11 and was closed again in June due to supplier disruptions. Actions are underway in order to restart the US production. In summary, production has gradually ramped up, and Volvo Cars has experienced recovery in terms of demand during the latter part of the reporting period.

Moreover, Volvo Cars has taken further measures in order to reduce costs going forward, such as the announced structural transformation including a reduction of 1,300 white-collar positions in Sweden, reduction of the number of consultants and other cost mitigation actions related to material and fixed costs. Considering the signs of recovery during the later part of the half year, the measures taken lay a good foundation for a strong recovery going forward.

Volvo Cars' primary focus is still the health and safety of the employees and actions have been taken to adhere to authorities' demands. Volvo Cars has focused, and will continue to focus on safeguarding its people and on ensuring that the company is going back to normalised production and deliveries as soon as it is possible and safe.

Financial Summary

The comparative figures refer to the consolidated income statement of the first six months 2019 if not otherwise stated.

Volvo Cars wholesales decreased 19.5 per cent to 277,999 (345,186) cars mainly as a consequence of the Covid-19 pandemic. Despite the decreased volumes, the sales mix continued to be strong with a continuously increasing share of SUVs and revenue decreased less than volumes, by 14.1 percent to MSEK 111,759 (130,095). Revenues related to sold licenses were in line with previous year. Other revenue, such as rentals, used car sales, as well as parts and accessories, decreased by MSEK 2,626, mainly due to the Covid-19. The exchange rate effect in revenue was positive and amounted to MSEK 1,070.

Gross income amounted to MSEK 17,279 (24,645), resulting in a gross margin of 15.5 (18.9) per cent. The decrease in gross margin was mainly related to Covid-19, i.e. lower sales volumes, price competition and increased risks in the used car business. Furthermore, gross margin was affected negatively by a re-call of certain older car models no longer in production. The negative effects were partly offset by received government grants and reduced material cost as an effect of the continuous focus on cost reductions. In total, cost of sales decreased by 10.4 per cent to MSEK -94,480 (-105,450). The foreign exchange rate effect in cost of sales amounted to MSEK -1,736. The net effect of foreign exchange rate in gross income amounted to MSEK -666.

In order to mitigate the negative effects from Covid-19, measures were taken to adapt the cost structure. Disciplined cost efficiency activities were implemented to meet both short- and longer-term challenges. Short-term, plants were temporarily closed in all regions and lay-offs with governmental support were implemented in several European markets, as well as in the US. Governmental support related to Covid-19 amounted to MSEK 1,074, mainly related to lay-offs in Sweden and tax subsidies in China. In other countries, such as Belgium and the US, support has been received by payments from the governments directly to the employees. Furthermore, in order to realign our operations and reduce personnel cost long-term, a restructuring with a notice of 1,300 white-collar positions

was announced in Sweden. The short- and long-term measures are in addition to the 2019 announced cost efficiency measures, which partly mitigated the effect of the decreased volumes.

Volvo Cars continued to invest in new technology such as electrification, connectivity and new car models, but at a somewhat lower pace, as an effect of the temporary lay-offs. The research and development expenses were in line with last year and amounted to MSEK -5,978 (-5,942). For details regarding research and development expenses, see table on page 9.

Administrative expenses decreased to MSEK -4,231 (-4,702), mainly due to reduced manning. Selling expenses decreased to MSEK -7,057 (-8,073) as a result of cost efficiency programs.

Other operating income and expenses, net, was in line with previous year and amounted to MSEK -214 (-356). The foreign exchange rate effect on operating assets and liabilities amounted to MSEK -296. Share of income in joint ventures and associates decreased to MSEK -788 (-53), mainly driven by companies in a development phase such as Polestar.

Despite cost reductions in all areas, the operating Income (EBIT) decreased to MSEK -989 (5,519), resulting in an EBIT margin of -0.9 (4.2) percent. The negative EBIT margin is mainly a result of Covid-19 effects, including volume effects, price competition and increased risks in the used car business, partly offset by governmental support. Furthermore, it was affected by non-recurring items of MSEK -1,679 (—) including restructuring costs and costs for re-call of cars. Adjusted for non-recurring items, the operating income was positive. The net effect of foreign exchange rate in EBIT amounted to MSEK -1,318.

Net financial items amounted to MSEK -328 (-555). The effective tax rate was -11.0 (25.8) per cent, mainly due to tax losses carryforward. Net income amounted to MSEK -1,171 (3,398). Net income in relation to revenue was -1.0 (2.6) per cent.

VOLVO CAR GROUP

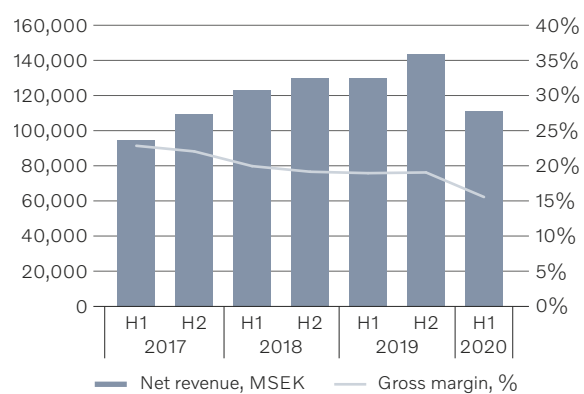
Changes to revenue (MSEK)

Revenue HY 2019	130,095
Volume, sales mix and pricing	-16,860
Foreign exchange rates	1,070
Used cars, parts and accessories	-2,546
Revenue HY 2020	111,759
Change %	-14.1

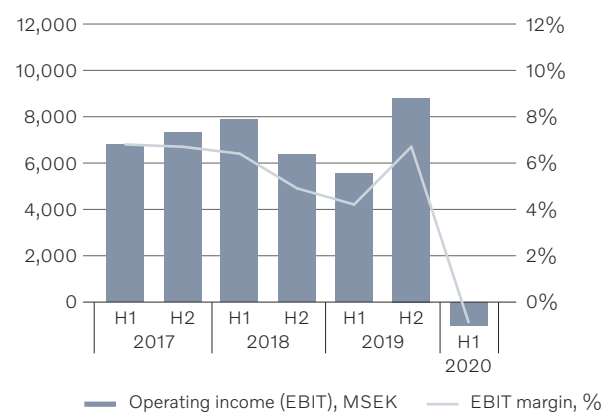
Changes to Operating income (EBIT) (MSEK)

EBIT HY 2019	5,519
Volume, sales mix and pricing	-6,020
Foreign exchange rates	-1,320
Governmental support related to Covid-19	1,074
Non-recurring items incl. restructuring and recall	-1,679
Other	1,437
EBIT HY 2020	-989
Change %	-117.9

Net Revenue & Gross Margin



Operating Income & EBIT Margin



Research and development (MSEK)	First six months 2020	First six months 2019	Change %
Research and development spending	-7,329	-7,158	2.4
Capitalised development costs	3,901	3,700	5.4
Amortisation and depreciation of Research and development	-2,550	-2,484	2.7
Research and development expenses	-5,978	-5,942	0.6

FIRST SIX MONTHS 2020 – CASH FLOW

The presented figures refer to the consolidated figures for the first six months 2020 if not otherwise stated. The comparative figures for the cash flow items refer to the consolidated cash flow statement for the first six months 2019 if not otherwise stated. The comparative figures for the balance sheet items refer to the consolidated balance sheets of December 31, 2019 if not otherwise stated.

CASH FLOW

Cash flow from operating and investing activities amounted to MSEK –12,803 (–2,759).

Cash flow from operating activities amounted to MSEK –3,473 (7,363), and consisted of the negative operating income of MSEK –989 (5,519), adjusted for depreciation and amortisation of MSEK 7,808 (7,781) together with income tax paid and financial items of MSEK –2,420 (–3,133). Adjustments for other items not affecting cashflow had an effect of MSEK 3,243 (–1,608), mainly due to non-recurring items such as restructuring and re-call expenses together with share of income in joint ventures and associates. Change in working capital amounted to MSEK –11,115 (–1,196), mainly relating to increased inventory and decreased accounts payable. The Covid-19 situation has impacted both demand and supply. Lower production volumes led to the decrease in accounts payables of MSEK –6,023 (–284). Cash flow from inventory amounted to MSEK –4,022 (–5,240) and is partly due to lower demand and disturbances in the supply chain, in addition to normal seasonal effects. Changes in other working capital assets/liabilities had an effect of MSEK 1,151 (2,332) where MSEK 4,404 is related to prolonged credits on payments to tax authorities. During the end of the period, demand and sales increased, which led to an improved working capital and a positive cash flow in the second quarter.

Cash flow from investing activities amounted to MSEK –9,330 (–10,122). Investments in tangible assets amounted to MSEK –5,108 (–5,998), mainly driven by investments in facilities for upcoming production of recharge cars as well as tooling. Investments in intangible assets amounted to MSEK –4,218 (–4,239) as a result of continuous investments in new and upcoming car models and new technology.

Cash flow from financing activities amounted to MSEK 4,187 (1,565), mainly related to proceeds from credit institutions of MSEK 4,703 (842), largely refinanced credit facility with the Swedish Export Credit Corporation, and sale of marketable securities of MSEK 3,065 (–2,705). Repayments of liabilities to credit institutions amounted to MSEK –3,052 (–1,525), which is a combination of scheduled amortisations and refinancing of the credit facility mentioned above. Repayments of interest-bearing liabilities amounted to MSEK –680 (–629).

Total cash and cash equivalents including marketable securities have decreased to MSEK 43,812 (55,515). Net cash decreased to MSEK 11,781 (25,214). Including undrawn credit facilities of MSEK 24,282 (13,593), liquidity amounted to MSEK 68,094 (69,108).

EQUITY

Total equity decreased to MSEK 62,879 (63,648), resulting in an equity ratio of 26.7 (26.3) per cent. The change is attributable to the negative net income of MSEK –1,171 partly offset by a positive net effect in other comprehensive income of MSEK 402. The latter is related to a positive change in cash flow hedge reserve from unrealised hedge contracts of MSEK 1,745 (net of tax), whereof hedge contracts recycled to income statement amounted to MSEK 1,719. The change in value of cash flow hedges is mainly due to a strengthened SEK. This was partly offset by a negative foreign exchange translation effect, including hedges of net investments in foreign operations of MSEK –678 (net of tax). Re-measurements of provisions for post-employment benefits gave an effect of MSEK –665 (net of tax), mainly due to lower interest rates.

Cash flow statement (MSEK)	First six months 2020	First six months 2019	Change %
Cash flow from operating activities	–3,473	7,363	–147.2
Cash flow from investing activities	–9,330	–10,122	7.8
Cash flow from operating and investing activities	–12,803	–2,759	–364.0
Cash flow from financing activities	4,187	1,565	167.5
Cash flow for the period	–8,616	–1,194	–621.6

EVENTS AFTER THE REPORTING PERIOD

Zenuity divided into two parts

In April, Volvo Cars and Veoneer, the automotive safety equipment company, announced their intention to divide Zenuity, the 50/50 joint venture focused on the development of assisted and autonomous driving software, in order for each company to focus more effectively on their respective strategies. On July 1, the two companies signed and implemented the final agreement whereby Volvo Cars acquires, through a wholly-owned stand-alone subsidiary, certain part of Zenuity's net assets and personnel. The initial focus will be on the development of technology for Volvo Cars' next generation Scalable Platform Architecture, the SPA 2, that could over time fundamentally change road safety. Around 600 of the 800 people currently working for Zenuity, will join the new company within Volvo Cars. In

addition to personnel, certain assets have also been acquired. The total preliminary purchase price for the acquisition amounts to MSEK 555 and has resulted in an estimated goodwill of MSEK 448 in Volvo Cars. The remaining part of Zenuity will be integrated into Veoneer and will focus on the continued development and commercialization of advanced driver assistance. A full disclosure of the business combination will be presented in the Volvo Car Group Annual Report 2020.

Employees back from reduced working time

Since July 1, the majority of Volvo Cars' employees are back from the reduced working time implemented during the second quarter as a consequence of the Covid-19 pandemic.

RISKS AND UNCERTAINTY FACTORS

Risks are part of all daily business activities as well as risk mitigation. In order to achieve Volvo Cars' short- and long-term objectives, enterprise risk management is part of the daily activities at Volvo Cars.

We are closely following the impacts of the Covid-19 situation, taking measures to mitigate the effects. So far, the measures have proven to be effective. As a result of supply constraints and declining demand, and as the safety and well-being of our employees is our top priority, we closed our manufacturing plants temporarily. After preparing production facilities and offices to new safety standards, we have been able to resume production in all our plants, US being the exception due to supply chain disruptions. They are closely monitored and actions are underway in order for us to restart the US production. In China, our retail sales figures reflect an increased demand, and consequently production and sales are coming back to normal thanks to positive effects from our combined efforts, and the recovery in the Chinese society. Moreover, sales in Europe and the US, especially during May and June, are increasing and order intake is picking up. For information regarding Volvo Cars' expectations on its business in relation to the Covid-19 situation, please see the Outlook paragraph below.

In order to mitigate higher tariffs Volvo Cars relocated vehicles between markets and reallocated production.

Furthermore, the development of Brexit is monitored closely and actions are taken in order to mitigate the potential short- and long-term impacts.

For a more in-depth analysis of risks, see the Volvo Car Group Annual Report 2019 page 65.

EMPLOYEES

During the first six months, Volvo Cars employed on average 36,278 (41,603) employees (full time equivalents) and 3,256 (4,734) agency personnel. The decrease in full time employees is mainly a result of temporary lay-offs during the second quarter, and to some extent cost efficiency activities related to the competence shift announced during the second half of 2019. Volvo Cars continues the development of future mobility technologies within the areas of e. g. electrification and connectivity, as well as the development of current and future car models.

PARENT COMPANY

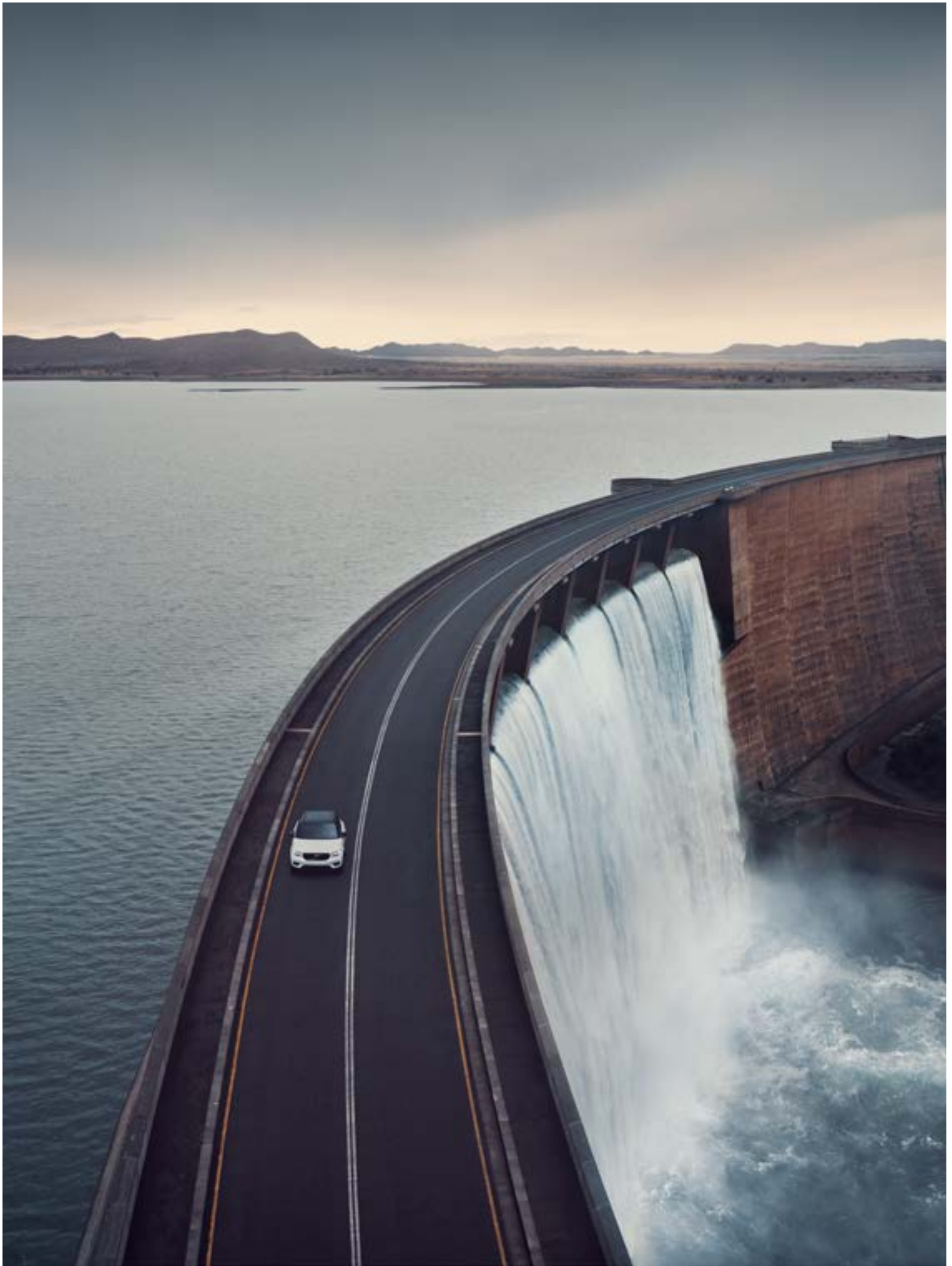
The parent company conducts no operations and has no employees. The income statements and balance sheets for the parent company are presented on page 19.

OUTLOOK 2020

The uncertain economic outlook makes it challenging to guide on 2020 performance. The Covid-19 pandemic, which had an unprecedented impact across the sector, clearly influenced first half of 2020 results. With the support of an attractive product portfolio, we expect to be well positioned to benefit from a strong market recovery in the second half of the year. If the market develops as we expect, we anticipate sales volumes to return to a level comparable with the second half of 2019 and it is also our ambition to return to similar profit levels and cash flow. Volvo Cars will continue to invest in new technologies and new products to lay the foundation for future growth.

This report contains statements concerning, among other things, Volvo Car Group's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent Volvo Car Group's future expectations. Volvo Car Group believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions, however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forwardlooking state-

ment. Such important factors include, but may not be limited to: Volvo Car Group's market position, growth in the automotive industry, and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of Volvo Car Group, its associated companies and joint ventures, and the automotive industry in general. Forward-looking statements speak only as of the date they were made and, other than as required by applicable law, Volvo Car Group undertakes no obligation to update any of them in light of new information or future events.



Consolidated Income Statements

MSEK	Note	First six months 2020	First six months 2019	Full year 2019
Revenue	2	111,759	130,095	274,117
Cost of sales ¹⁾		-94,480	-105,450	-222,047
Gross income		17,279	24,645	52,070
Research and development expenses		-5,978	-5,942	-11,446
Selling expenses		-7,057	-8,073	-17,287
Administrative expenses		-4,231	-4,702	-9,489
Other operating income		1,253	1,453	3,868
Other operating expenses		-1,467	-1,809	-3,245
Share of income in joint ventures and associates		-788	-53	-168
Operating income		-989	5,519	14,303
Financial income		387	255	575
Financial expenses		-715	-810	-1,710
Income before tax		-1,317	4,964	13,168
Income tax		146	-1,566	-3,565
Net income		-1,171	3,398	9,603
Net income attributable to				
Owners of the parent company		-1,737	2,166	7,115
Non-controlling interests		566	1,232	2,488
		-1,171	3,398	9,603

1) Reclassification of research and development expenses to Cost of sales amounted to MSEK 362 for the first six months of 2019. For further information see Note 1 – Accounting principles.

Consolidated Comprehensive Income

MSEK	First six months 2020	First six months 2019	Full year 2019
Net income for the period	-1,171	3,398	9,603
Other comprehensive income			
<i>Items that will not be reclassified subsequently to income statement:</i>			
Remeasurements of provisions for post-employment benefits	-848	-2,069	-3,780
Tax on items that will not be reclassified to income statement	183	443	792
<i>Items that may be reclassified subsequently to income statement:</i>			
Translation difference on foreign operations	-670	1,298	947
Translation difference of hedge instruments of net investments in foreign operations	-10	-165	-139
Change in fair value of cash flow hedge related to currency and commodity price risks	478	-3,559	-4,220
Currency and commodity risk hedge contracts recycled to income statement	1,719	497	1,003
Tax on items that may be reclassified to income statement	-450	664	691
Other comprehensive income, net of income tax	402	-2,891	-4,706
Total comprehensive income for the period	-769	507	4,897
Total comprehensive income attributable to			
Owners of the parent company	-1,201	-1,056	2,182
Non-controlling interests	432	1,563	2,715
	-769	507	4,897

Consolidated Balance Sheets

MSEK	Note	June 30, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets		33,960	32,786
Property, plant and equipment		67,700	69,738
Assets held under operating leases		3,724	3,243
Investments in joint ventures and associates		6,503	7,408
Receivables on parent company		54	54
Other long-term securities holdings		386	296
Deferred tax assets		7,552	7,275
Other non-current assets	3	4,781	3,253
Total non-current assets		124,660	124,053
Current assets			
Inventories		42,133	38,911
Accounts receivable	4	14,295	13,243
Current tax assets		1,469	987
Other current assets	3	9,233	8,855
Marketable securities	3	524	3,518
Cash and cash equivalents	3	43,288	51,997
Total current assets		110,942	117,511
TOTAL ASSETS		235,602	241,564
EQUITY & LIABILITIES			
Equity			
Equity attributable to owners of the parent company		52,682	53,883
Non-controlling interests		10,197	9,765
Total equity		62,879	63,648
Non-current liabilities			
Provisions for post-employment benefits		13,816	12,583
Deferred tax liabilities		1,088	975
Other non-current provisions		7,857	7,291
Liabilities to credit institutions	3	7,478	4,489
Bonds, non-current	3	16,446	21,643
Non-current contract liabilities to customers		5,931	5,210
Other non-current interest bearing liabilities		4,958	5,076
Other non-current liabilities	3	3,953	4,913
Total non-current liabilities		61,527	62,180
Current liabilities			
Current provisions		6,779	8,357
Liabilities to credit institutions	3	2,797	4,105
Bonds, current	3	5,240	—
Current contract liabilities to customers		20,549	20,478
Accounts payable	4	37,969	44,876
Current tax liabilities		506	1,302
Other current interest bearing liabilities		1,155	1,073
Other current liabilities	3, 4	36,201	35,545
Total current liabilities		111,196	115,736
TOTAL EQUITY & LIABILITIES		235,602	241,564

Condensed Changes in Consolidated Equity

MSEK	June 30, 2020	Dec 31, 2019
Opening balance	63,648	61,251
Net income for the period	-1,171	9,603
Other comprehensive income, net of income tax	402	-4,706
Total comprehensive income	-769	4,897
Issue of preference shares	—	4,989
Redemption of preference shares	—	-5,745
Capital injection into joint venture under common control ¹⁾	—	1,153
Dividend to shareholders ²⁾	—	-2,897
Transactions with owners	—	-2,500
Closing balance	62,879	63,648
Attributable to		
Owners of the parent company	52,682	53,883
Non-controlling interests	10,197	9,765
Closing balance	62,879	63,648

1) Refers to the effect of Geely's capital injection into Polestar, see Note 4 – Related party transactions.

2) The proposed distribution of the non-restricted equity in the Annual report 2019 has been revised and all funds have been carried forward.

Consolidated Statement of Cash Flows

MSEK	First six months 2020	First six months 2019	Full year 2019
OPERATING ACTIVITIES			
Operating income	-989	5,519	14,303
Depreciation and amortisation of non-current assets	7,808	7,781	15,548
Interest and similar items received	249	255	572
Interest and similar items paid	-657	-465	-854
Other financial items	-301	-250	-607
Income tax paid	-1,711	-2,673	-4,089
Adjustments for other items not affecting cash flow	3,243	-1,608	-2,415
	7,642	8,559	22,458
Movements in working capital			
Change in inventories	-4022	-5,240	-3,066
Change in accounts receivable	-1,207	-1,931	694
Change in accounts payable	-6,023	-284	1,969
Change in provisions	-1952	38	926
Change in contract liabilities to customers	938	3,889	6,503
Change in other working capital assets/liabilities ¹⁾	1,151	2,332	2,890
Cash flow from movements in working capital	-11,115	-1,196	9,916
Cash flow from operating activities	-3,473	7,363	32,374
INVESTING ACTIVITIES			
Investments in shares and participations, net	-168	55	-235
Dividend received from joint ventures and associates	7	49	64
Investments in intangible assets ¹⁾	-4,218	-4,239	-9,176
Investments in tangible assets	-5,108	-5,998	-11,807
Disposal of tangible assets	157	11	353
Cash flow from investing activities	-9,330	-10,122	-20,801
Cash flow from operating and investing activities	-12,803	-2,759	11,573
FINANCING ACTIVITIES			
Proceeds from credit institutions	4,703	842	1,361
Proceeds from bond issuance	—	8,221	8,221
Repayment of liabilities to credit institutions	-3,052	-1,525	-3,553
Repayment of interest bearing liabilities	-680	-629	-1,356
Proceeds from preference shares issuance	—	—	5,011
Redemption of preference shares	—	—	-5,745
Dividend paid to shareholders	—	-2,894	-2,897
Investments in marketable securities, net	3,065	-2,705	-1,985
Other	151	255	112
Cash flow from financing activities	4,187	1,565	-831
Cash flow for the period	-8,616	-1,194	10,742
Cash and cash equivalents at beginning of period	51,997	40,170	40,170
Exchange difference on cash and cash equivalents	-93	1,285	1,085
Cash and cash equivalents at end of period	43,288	40,261	51,997

1) For comparison reasons, the line items Investments in intangible assets, change in other working capital assets/liabilities and Adjustments for other items not affecting cash flow have been restated for the first six months 2019. For more information, see Consolidated Statement of Cash Flows in the Volvo Car Group Annual Report 2019.

Condensed Parent Company Income Statements

MSEK	First six months 2020	First six months 2019	Full year 2019
Administrative expenses	-9	-8	-19
Operating income	-9	-8	-19
Financial income ¹⁾	323	1,746	11,835
Financial expenses	-304	-246	-599
Income before tax	10	1,492	11,217
Income tax	-4	4	14
Net income	6	1,496	11,231

Other comprehensive income and net income are consistent since there are no items in other comprehensive income.

1) Received dividend in March and December 2019 of MSEK 1,512 and MSEK 9,768 respectively

Condensed Parent Company Balance Sheets

MSEK	June 30, 2020	Dec 31, 2019
ASSETS		
Non-current assets	32,811	34,011
Current assets	9,006	3,890
TOTAL ASSETS	41,817	37,901
EQUITY & LIABILITIES		
Equity		
Restricted equity	51	51
Non-restricted equity	15,833	15,827
Total equity	15,884	15,878
Non-current liabilities	20,568	21,760
Current liabilities	5,365	263
Total liabilities	25,933	22,023
TOTAL EQUITY & LIABILITIES	41,817	37,901

NOTE 1 – Accounting principles

The interim report has been prepared in accordance with IAS 34 – Interim Financial Reporting and the Swedish Annual Accounts Act. The Volvo Car Group applies International Reporting Standards (IFRS) as endorsed by the European Union. The parent company applies RFR 2 – Reporting for legal entities and the Swedish Annual Accounts Act. The accounting principles in this report are, in all material aspects, consistent with those described in the Volvo Car Group Annual Report 2019 (available at www.volvocars.com).

Volvo Car Group recognises revenue related to customer contracts for the delivery of development of customer unique IP. Revenue is recognised when control over the customer unique IP has been transferred to the client. Revenue is recognised when control is transferred and this is made over time in accordance to the contractual terms between the parties. An input-based method is applied as this depicts progress in the project. Up until the second quarter 2019, expenses related to the delivery of unique IP (now classified as customer contracts) were capitalised as an intangible asset, an asset expensed when transferred to the customer. The change has not had any effect on either the balance sheet or the net income presented in this report.

Governmental support

As an effect of the ongoing Covid-19 pandemic, Volvo Car Group has recognised Governmental support during the first sixth months 2020 amounted to MSEK 1,074. The governmental support was mainly related to support for temporary lay-offs in Sweden and tax subsidies in China and has been recognised as a cost reduction.

In other countries, where the Group has many employees, such as Belgium and the US, employees have received the support directly, hence there are no material supports recognised during the first sixth months.

Our assessment is that there is no risk of repayment related to the Governmental support recognised during the reporting period. The accounting principle for Government Grants is described in the Volvo Car Group Annual Report 2019.

NOTE 2 – Revenue

Revenue allocated to geographical regions:

MSEK	First six months 2020	First six months 2019	Full year 2019
China	24,282	27,174	60,530
US	16,493	20,031	40,110
Europe	54,786	63,208	130,983
<i>of which Sweden</i>	12,266	12,632	26,092
<i>of which Germany</i>	8,951	9,743	20,343
<i>of which United Kingdom</i>	6,947	9,000	16,911
Other markets	16,198	19,682	42,494
<i>of which Japan</i>	3,755	3,759	7,937
<i>of which South Korea</i>	2,596	2,219	4,623
Total	111,759	130,095	274,117

Revenue allocated to category:

MSEK	First six months 2020	First six months 2019	Full year 2019
Sales of products and related goods and services ¹⁾	101,946	120,236	251,107
Sales of used cars	6,785	7,233	15,840
Revenue from subscription, leasing and rental business	1,426	1,120	4,177
Sales of licenses and royalties	1,000	919	1,648
Other revenue	602	587	1,345
Total	111,759	130,095	274,117

1) Includes realised effect of cash flow hedge contracts amounting to MSEK –1,997 (–958).

NOTE 3 – Fair value of financial instruments

Valuation principles for financial instruments as described in Volvo Car Group Annual Report 2019 Note 20 – Financial risks and financial instruments, have been consistently applied throughout the reporting period. The comparative figures in this note refer to December 31, 2019.

In Volvo Car Group's balance sheet, financial instruments reported at fair value through the income statement consist of derivatives, equity investments as well as commercial papers, see table 'Financial instruments recorded at fair value through the income statement' in this note. Fair value of financial instruments is established according to three levels, depending on market information available. All derivative financial instruments and commercial papers that Volvo Car Group holds as of June 30, 2020 belong to level 2. In level 3, the amount invested in other long-term securities holdings of MSEK 386 (296) is valued based on internal valuation methods. No transfers between the levels of the fair value hierarchy have occurred. Valuation of financial instruments at fair value, belonging to level 2, is based on prevailing market data and on a discounting of estimated cash flows using the deposit/swap curve of the cash flow currency and include risk assumptions. For currency option instruments, the valuation is based on Black & Scholes formula. Fair value of commodity contracts is calculated by discounting the difference between the contracted forward price and the contracted forward price that can be obtained on the balance sheet date for the remaining contract period.

The total fair value of the derivative portfolio as of June 30, 2020, amounted to MSEK –3,254 (–5,574). The major part is related to cash flow hedging of currency risk. The table below shows the percentage of the forecasted cash flows that were hedged expressed in nominal terms and in Cash Flow at Risk (CFaR), which is the maximum loss at a 95 per cent confidence level in one year. The CFaR is based on the cash flow forecast, market volatility and correlations.

	0–24 months		25–48 months	
	June 30, 2020	Dec 31, 2019	June 30, 2020	Dec 31, 2019
Nominal hedge %	38	31	4	6
CFaR incl. hedges %	26	36	2	11

NOTE 3 – Fair value of financial instruments – continued**Financial instruments recorded at fair value through the income statement**

MSEK	June 30, 2020	Dec 31, 2019
<i>Other non-current assets</i>		
Derivative assets	489	214
Other long-term securities holdings	386	296
<i>Other current assets</i>		
Derivative assets	655	121
<i>Marketable securities</i>		
Commercial papers	—	1,101
<i>Cash and cash equivalents</i>		
Commercial papers	—	6,219
Total assets	1,530	7,951
<i>Other non-current liabilities</i>		
Derivative liabilities	1,492	2,455
<i>Other current liabilities</i>		
Derivative liabilities	2,906	3,454
Total liabilities	4,398	5,909

For financial liabilities valued at amortised cost, reported as current and non-current liabilities to credit institutions and as bonds, the carrying amount totalled MSEK 31,961 (30,237), see table below.

Financial liabilities valued at amortised cost

MSEK	Carrying amount	Fair value	Carrying amount	Fair value
	June 30, 2020		Dec 31, 2019	
Bonds and liabilities to credit institutions	31,961	31,880	30,237	31,163
Total	31,961	31,880	30,237	31,163

Carrying amount of financial liabilities recorded at amortised cost, as stated in the table above, includes the MEUR 500 fixed interest rate bond issued in May 2016. The carrying value of this bond is MSEK 5,240 (5,229). Volvo Car Group has hedged this fixed interest rate bond into a variable interest bond, hence a part of the bond is valued at fair value through the income statement, amounting to MSEK 14 (20) and the remaining part is valued at amortised cost. Interest rate swaps have been used as hedge instruments and the fair value of these instruments has been recognised in the income statement as well, neutralising the effect of the fair value adjustment on the bond. The fair value of part of the bond is calculated applying a level 2 method, which is discounting the future interest coupon payments and the face value of the bond, using the deposit/swap curve of the cash flow.

NOTE 4 – Related party transactions

The information in the table below includes all assets and liabilities to related parties. Besides from non-current assets of MSEK 719 (—) all assets and liabilities are current.

Sales of goods, services and other

MSEK	First six months 2020	First six months 2019	Full year 2019
Related companies ^{1) 2)}	1,980	2,209	4,133
Associated companies and joint ventures ¹⁾	651	499	1,320

Purchases of goods, services and other

MSEK	First six months 2020	First six months 2019	Full year 2019
Related companies ¹⁾	-1,955	-673	-1,487
Associated companies and joint ventures ¹⁾	-1,238	-1,201	-2,603

	Receivables		Payables	
	June 30, 2020	Dec 31, 2019	June 30, 2020	Dec 31, 2019
Related companies ¹⁾	7,877	7,209	3,212	2,927
Associated companies and joint ventures ¹⁾	1,052	733	311	408

1) Related companies are companies within the Geely sphere of companies. Joint ventures within the Geely sphere are presented as Related companies.
2) License revenue in the first six months represent a value of MSEK 899 (884), whereof 857 (871) refer to the Polestar Group.

Investments in Polestar Group, by Geely, amounted to MRMB — (900) for the first six months 2020. 50 per cent of these investments has had an effect on equity in Volvo Car Group.

GENERAL DEFINITIONS

Volvo Car Group and Volvo Cars

Volvo Car AB (publ.), Volvo Car Corporation and all its subsidiaries.

Volvo Car AB (publ.), with its registered office in Gothenburg, is majority owned (97.8 per cent) by Geely Sweden Holdings AB, owned by Shanghai Geely Zhaoyuan International Investment Co., Ltd., registered in Shanghai, China, ultimately owned by Zhejiang Geely Holding Group Ltd., registered in Hangzhou, China.

Volvo Car AB (publ.) holds shares in its subsidiary Volvo Car Corporation and provides the Group with certain financing solutions. Volvo Car AB (publ.) indirectly, through Volvo Car Corporation and its subsidiaries, operates in the automotive industry with business relating to the design, development, manufacturing, marketing and sales of cars and thereto related services. Volvo Car Group and its global operations are referred to as "Volvo Cars".

Associated companies

Associated companies are companies in which Volvo Car Group has a significant but not controlling influence, which generally is when Volvo Car Group holds between 20 and 50 per cent of the shares.

Joint venture companies

Joint ventures refer to companies in which Volvo Car Group, through contractual cooperation together with one or more parties, has a joint control over the operational and financial management.

Retail sales

Retail sales refer to sales to end customers (including a portion of cars used as customer loaner and demo cars) and is a relevant measure of the demand for Volvo Cars from an end customer point of view.

Wholesales

Wholesales refer to new car sales to dealers and other customers including rentals.

Europe

Europe is defined as EU+EFTA+UK.

Passenger cars

Passenger cars are vehicles with at least four wheels, used for the transport of passengers, and comprising no more than eight seats in addition to the driver's seat.

Rechargeable vehicles

Electrified vehicles are defined as plug-in hybrids and fully electric vehicles.

Agency personnel

Agency personnel is referred to as specific competence that is sourced externally and assigned to meet fluctuating business resource needs.

DEFINITIONS OF PERFORMANCE MEASURES

Performance measures disclosed in the interim report are those that are deemed to give a relevant view of Volvo Car Group's financial performance for a reader of the interim report. For a reconciliation of performance measures, refer to page 25.

Gross margin

Gross margin is Gross income as a percentage of revenue and represents the per cent of revenue that Volvo Cars retains after incurring the direct costs associated with producing the goods and services sold.

EBIT

EBIT represents earnings before interest and taxes. EBIT is synonymous with operating income which measures the profit Volvo Car Group generates from its operations.

EBIT margin

EBIT margin is EBIT as a percentage of revenue and measures Volvo Car Group's operating efficiency.

EBITDA

EBITDA represents earnings before interest, taxes, depreciations and amortisation, and is another measurement of the operating performance. It measures the profit Volvo Car Group generate from its operations without effect from previous periods' capitalisation levels.

EBITDA margin

EBITDA margin is EBITDA in percentage of revenue.

Equity ratio

Total equity divided by total assets, is a measurement of Volvo Car Group's long-term solvency and financial leverage.

Net cash

Net cash is an indicator of Volvo Car Group's ability to meet its financial obligations. It is represented by cash and cash equivalents and marketable securities less liabilities to credit institutions, bonds and other interest-bearing non-current liabilities.

Liquidity

Liquidity consists of cash and cash equivalents, undrawn credit facilities and marketable securities.

Revenue

Revenue is the sales price for goods or services net of discounts and certain variable marketing expenses.

Capital expenses

Expenses that the group capitalises and recognises as an investment in the balance sheet.

VOLVO CAR GROUP

RECONCILIATION TABLES OF PERFORMANCE MEASURES

Gross Margin	First six months 2020	First six months 2019	Full year 2019
Gross income in % of revenue	15.5	18.9	19.0

EBIT Margin	First six months 2020	First six months 2019	Full year 2019
Operating income (EBIT) in % of revenue	-0.9	4.2	5.2

EBITDA/EBITDA Margin	First six months 2020	First six months 2019	Full year 2019
Operating income	-989	5,519	14,303
Depreciation and amortisation of non-current assets	7,808	7,781	15,548
EBITDA	6,819	13,300	29,851
EBITDA in % of revenue	6.1	10.2	10.9

EQUITY RATIO	June 30, 2020	Dec 31, 2019
Total equity	62,879	63,648
Total assets	235,602	241,564
Equity in % total assets	26.7	26.3

NET CASH	June 30, 2020	Dec 31, 2019
Cash and cash equivalents	43,288	51,997
Marketable securities	524	3,518
Liabilities to credit institutions (non-current)	-7,478	-4,489
Bonds (non-current)	-16,446	-21,623
Other interest-bearing non-current liabilities	-84	-84
Liabilities to credit institutions (current)	-2,797	-4,105
Bonds (current) ¹⁾	-5,226	—
Net cash²⁾	11,781	25,214

1) The bonds are presented above at amortised cost. The MEUR 500 bond is recognised in the balance sheet with a fair value adjustment and the fair value component amounted to MSEK 14 (20).

2) The net cash calculation excludes financial liabilities related to the new leasing standard IFRS 16 amounting to MSEK -6,029 (-6,065).

LIQUIDITY	June 30, 2020	Dec 31, 2019
Cash and cash equivalents	43,288	51,997
Marketable securities	524	3,518
Undrawn credit facilities	24,282	13,593
Liquidity	68,094	69,108

VOLVO CAR GROUP

The President and Chief Executive Officer certifies that the interim report gives a fair view of the performance of the business, position and income statements of Volvo Car AB (publ.) and Volvo Car Group, and describes the principal risks and uncertainties to which Volvo Car AB (publ.) and the Volvo Car Group is exposed.

Gothenburg July 20th 2020

Håkan Samuelsson
Chief Executive

REVIEW REPORT

Volvo Car AB (publ) org. nr 556810-8988

Introduction

We have reviewed the condensed interim financial information (interim report) of Volvo Car AB (publ.) as of June, 2020 and the six-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The proce-

dures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Gothenburg, July 20, 2020

Deloitte AB

Jan Nilsson
Authorized Public Accountant

The publication date of the Volvo Car Group interim report for the full year 2020 is yet to be decided.

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V O L V O