VOLVO CAR GROUP

INTERIM REPORT FIRST SIX MONTHS 2021

First Six Months 2021

- Retail sales increased 41.0% to 380,757 (269,962) units resulting in a total of 773,000 sold cars for the last 12 months.
- Recharge line-up grew significantly and accounted for 25% (14%) of total sales.
- Revenue increased 26.3% to MSEK 141,131 (111,759) driven by strong demand and positive mix effects.
- Operating income increased to MSEK 13,238 (–989), corresponding to an EBIT margin of 9.4% (–0.9%).
- Net income was MSEK 9,627 (–1,171). Basic earnings per share was SEK 163.63 (–35.99).
- Cash flow from operating and investing activities was MSEK –6,899 (–12,803).
- Volvo Cars' investment in Polestar increased its value as a private placement triggered a valuation effect of MSEK 2,039 for Volvo Cars.
- Volvo Car Group distributed an ordinary dividend of MSEK 4,288(—), and an extraordinary dividend of MSEK 6,000 (—) during the period.
- In May the Board announced its intention to evaluate the possibility of an Initial Public Offering (IPO) later this year. A final decision to list will be subject to market conditions and there can be no certainty that a listing will proceed.
- Volvo Cars announced that it will become fully electric by 2030.
- Volvo Cars initiated the process of carving out all combustion engine operations. A major step was taken in June when Volvo Cars distributed its shares in Powertrain Engineering Sweden AB and in Volvo Car Services 5 AB, to the majority owner.
- Fully electric Volvo C40 was launched, to be offered online only.
- In June, Volvo Car Group and Northvolt announced the intention to join forces in battery development and production.
- Lila Tretikov and Diarmuid O'Connell were elected new Directors and Winnie Kin Wah Fok resigned from the board.
- Björn Annwall was appointed CFO, succeeding Carla De Geyseleer in April 2021.

Key figures (MSEK)	First six months 2021	First six months 2020	Change %	Last twelve months (LTM)	Full year 2020	Full year 2019
Revenue	141,131	111,759	26.3	292,205	262,833	274,117
Research and development expenses	–7,148	–5,978	19.6	–12,532	–11,362	–11,446
Operating income (EBIT)	13,238	–989	1,438	22,743	8,516	14,303
Net income	9,627	–1,171	922	18,586	7,788	9,603
Basic earnings per share, SEK	163.63	–35.99	554	313.78	114.15	127.30
EBITDA	20,918	6,819	206	37,064	22,965	29,851
Cash flow from operating and investing activities	–6,899	–12,803	46.1	19,184	13,282	11,573
Net cash	24,090	11,781	104	24,090	35,241	25,214
Gross margin, %	21.3	15.5		20.1	17.5	19.0
EBIT margin, %	9.4	–0.9		7.8	3.2	5.2
EBITDA margin, %	14.8	6.1		12.7	8.7	10.9
Return on Invested Capital, %	19.5	7.0		19.5	8.4	14.5

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 32.

CEO Comment

The one word that summarises Volvo Car's performance over the last decade is transformation. This theme also characterises the first half of 2021. The company continued to grow strongly despite the industry-wide semiconductor shortage, but more importantly, we demonstrated that we are a leader of the ongoing transformation in the automotive industry.

Volvo is not alone in its desire to offer electric cars to customers in new ways. Our ambition is therefore not merely to transform, but that Volvo Cars should be the fastest transforming company in the sector. The company will be fully electric by 2030.

"We continued to deliver on our transformation strategy, to become a fully electric car company by 2030."

With this in mind we have set specific ambitions for the middle of this decade. They are:

- Sales of 1.2 million cars a year
- Profit margin of 8 – 10 per cent
- 40 per cent reduction of CO_2 full life cycle footprint per car
- 50 per cent of sales will be fully electric cars
- 50 per cent in-house software
- 50 per cent of sales online
- To be an employer of choice and preferred development partner

These ambitions underline our commitment to electrification, sustainability, safety, tech leadership, and strong customer relations. These factors have driven our growth and transformation so far and will continue to do so in the future.

The first half was a period of strong growth. Sales volumes rebounded 41 per cent compared to the pandemic affected period in 2020, but we also saw strong growth of 12 per cent compared to the first six months of 2019, a more relevant comparison without the pandemic disruption. Our 12-month rolling sales volume is approximately 775,000 cars, just shy of the 800,000 target we set ourselves 10 years ago.

The company also demonstrated its underlying resilience. All our regions reported solid growth with improved market shares and our sales mix strengthened, with an increasing share for our SUV models.

I am particularly proud that 25 per cent of our global volume is now comprised of chargeable cars – the highest proportion of total sales among traditional car makers. This bolsters our aim to be the fastest transforming company in the industry.

We are growing profitably. The reported revenue was SEK141bn with an operating income of SEK13.2bn for the first 6 months – the best-ever result for Volvo Cars. Combined with H2 2020 the operating income for the last twelve months amounted to SEK22.7bn.

As part of the move towards full electrification, we launched our second fully electric model, the Volvo C40 Recharge. This car, as all fully electric models, will be available exclusively through volvocars.com. We are now operational with online sales in seven markets, with transparent consumer offerings including care packages of service, wear & tear as well as full insurance. Our subscription offering, Care by Volvo, had a five-fold increase in the first six months to over 10,000 contracts. I fully expect this trend to continue and accelerate further.

Securing sustainable batteries is key for our transformation. We are therefore planning to join forces with Northvolt as a strategic partner for joint development and manufacturing of next generation battery cells.

To ensure focus on electrification, we are carving out our internal combustion engine operations into a new unit – Aurobay, in which Geely Holding will be a main shareholder.

Zenseact, our autonomous drive software company, broadened its investor base. ECARX invested and is now holding a 15 per cent ownership.

Polestar, our strategic affiliate, conducted a successful private placement earlier this year and we have topped up our investment as our clear ambition is to remain as a main shareholder.

Looking forward

In May, the Board announced that it is evaluating a possible initial public offering (IPO) on Nasdaq Stockholm. An IPO would broaden our ownership base and improve access to international capital markets to help secure our transformation. The evaluation process continues.

Looking at the remaining half year we reiterate our full year outlook. Unless supply of semiconductors improves, we expect flat sales and revenue growth for the second half year compared with the same period last year, despite strong customer demand.

Volvo Cars has a decade long track record of successful transformation. The car industry is changing more than ever and we have a strong determination to be the fastest transformer.

Håkan Samuelsson
Chief Executive

Sales and Market Development First Six Months

Volvo Cars set a sales volume record during the first half year with global retail sales increasing by 41.0% to 380,757 (269,962) cars, reaching a total of 772,508 cars delivered to customers during the last 12-month period.

Markets in general rebounded compared with the same period in 2020 and growth was especially strong in China and the US, where Volvo Cars' sales increased by 44.9% and 47.4% respectively. The comparative figures for 2020 was significantly affected by the Covid-19 situation, but volume growth was strong in comparison with 2019, where China and the US also saw a strong increase in volumes of 40.6% and 27.2% respectively.

During the first six months of 2021 we also saw very strong demand for the Recharge line-up of electrified models, which contributed to the growth with an increase in sales of 148.3% reaching 93,795 (37,775) cars sold. In Europe, 40.9% (24.3%) of the sales volume consisted of Recharge cars, while the corresponding global percentage reached 24.6% (14.0%). This positive development underpins our ambition to reach 50% sales of battery-electric vehicles by mid-decade and become a fully electric car company by 2030. In March, we launched our second fully electric model, the C40 Recharge, which will be sold via volvocars.com. Production start is planned for the second half of 2021.

The direct online sales channel is continuously being rolled out with an expanded online offer. The subscription offer Care by Volvo has good traction, and saw a fivefold increase to 10,089 (1,786) active contracts in seven markets.

The global shortage of semi-conductors impacted the whole automotive industry and Volvo Cars was no exception. A real recovery is not expected until 2022 with even more delay for the most advanced semi-conductors. For Volvo Cars, the constraints during the first half of 2021 were mitigated through reallocation and temporary production halts, resulting in lower inventory levels and an improved pricing position as demand remained high. Following continuously high demand for the company's XC-models and the Recharge line-up and Volvo Cars ability to adapt the production plans, both wholesales and production volumes increased significantly by 28.4% and 22.6% respectively.

China continued to be Volvo Cars' largest market representing 25.0% (24.4%) of global retail sales, followed by the US and Sweden representing 16.7% (16.0%) and 7.9% (9.0%) respectively. Driven by high demand and production adjustments, the SUV carline (the XC40, XC60 and XC90 models) continued to increase its share in the portfolio and accounted for 75.1% (68.5%) of total retail sales. Sales of the XC40, which continued to be the best-selling model, increased by 72.8%, the XC60 and XC90 increased by 44.1% and 42.9% respectively. The S60 and S90 also saw year-on-year growth, while the V60 and V90 were almost flat. The V40 was discontinued.

Retail sales (units)	First six months 2021	First six months 2020	Change %	First six months 2019
Europe	166,822	123,198	35.4	174,653
China	95,252	65,741	44.9	67,741
US	63,754	43,255	47.4	50,120
Other	54,929	37,768	45.4	48,312
Retail sales total	**380,757**	**269,962**	**41.0**	**340,826**
Whereof Recharge line-up vehicles	*93,795*	*37,775*	*148.3*	*21,015*
Wholesales	**356,893**	**277,999**	**28.4**	**345,146**
Production volume	**356,133**	**290,563**	**22.6**	**353,285**

EUROPE

Market

The total passenger car market in Europe increased by 25% and the premium car market grew by 30%. The high growth rate was mainly driven by market rebounds after last year's pandemic-related shutdowns. Despite the large percentage increase, the passenger car market has not fully recovered to pre-pandemic levels, as the sales volume was still lower than in the same period in 2019.

Volvo Cars
In Europe, retail sales increased by 35.4%, leading to increased market share in most European countries for the reporting period. Sales of Recharge line-up cars increased to 40.9% (24.3%) of total retail sales, reaching a retail delivery of 68,170 (29,918) cars, mainly driven by the XC40 and XC60. Norway had substantial growth of 91.7%, which was fuelled by accelerated demand for electrified vehicles, and a similar trend was noted in the UK and Sweden, where retail deliveries increased by 52.7% and 23.4% respectively. Sales in Germany increased by a modest 6.7%, gradually picking up with a strong orderbook by the end of the period. On the other hand, Germany saw strong growth through the Care by Volvo direct sales channel with 3,670 active contracts.

CHINA

Market
The Chinese passenger car market rebounded and grew 32%. The premium car market outperformed the mass market with growth of 38%, mainly driven by premium electric vehicles. In particular, the SUV premium segment and the sedan premium segment increased by 41% and 35% respectively.

Volvo Cars
Retail sales increased by 44.9%, supported by market recovery due to Covid-19. Compared with 2019, a pre-pandemic period, sales grew by 40.6%. The XC60 was the top selling car, followed by the S90, while the V90 had the biggest increase, followed by S60, which is sold exclusively via the direct online sales channel with growing success.

Sales of Recharge line-up cars increased to 4.3% (3.2%) of total retail sales in China, reaching a retail delivery of 4,133 (2,072) cars, driven by S90 and XC60.

US

Market
The US vehicle sector recorded an increase of 16%, driven by the growth in passenger car and light truck sales of 22% and 14% respectively. The premium car market of imported cars in Volvo Cars' served segment grew by 44%. The market continued to demonstrate strength from a strong economic environment, although constrained by semi-conductor shortage.

Volvo Cars
In the US, sales increased 47.4% when many states implemented stay-at-home orders due to the pandemic. Compared with same period in 2019, sales grew by 27.2%, which reflects strong demand for the Volvo car models. The XC90 and XC60 were the top selling cars, with the XC60 having the biggest year-over-year increase, followed by the XC40. Successful digital advertising and consumer acceptance and great collaboration though the retailer network has also led to a strong increase in the Care by Volvo offer in the US.

Sales of Recharge line-up cars increased to 15.8% (4.2%) of total retail sales in US, reaching a retail delivery of 10,074 (1,812) cars, mainly driven by the XC90 and a strong demand for electrified vehicles in California, where 51.1% of our total sales were Recharge models in the month of June.

OTHER VOLVO CAR MARKETS

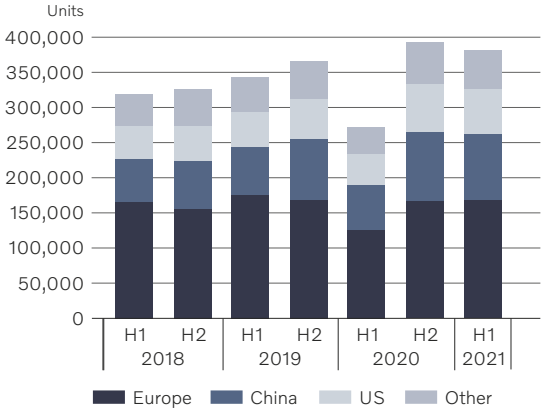
Retail sales in Volvo Cars' other markets was fuelled by the rebound from the pandemic such as Canada, Australia and Russia, resulting in an overall increase of 45.4%. Moreover, Turkey and Korea continued to grow by 80.5% and 18.5% respectively in the first half of 2021 after reporting the strongest full-year sales in the company's history, during 2020. Sales in Japan increased by 13.5%, despite new virus outbreaks and a slower economic recovery. In Brazil, where demand for recharge models is particularly strong, sales increased by 41.8%.

Sales of the Recharge line-up cars in Volvo Cars' other markets increased to 20.8% (10.5%) of total retail sales, driven by the XC models.

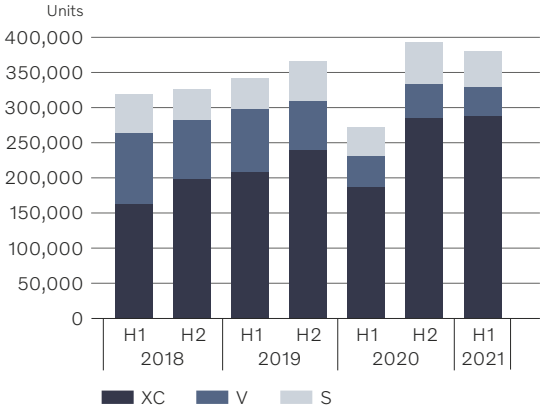
Top 10 Retail sales by market/country (units)	First six months 2021	First six months 2020	Change %	Full year 2020
China	95,252	65,741	44.9	166,617
US	63,754	43,255	47.4	110,129
Sweden	30,082	24,385	23.4	53,701
United Kingdom	27,125	17,769	52.7	46,508
Germany	22,386	20,972	6.7	46,871
Italy	12,140	6,555	85.2	17,700
Belgium	11,012	8,437	30.5	17,706
France	10,143	6,880	47.4	16,526
Netherlands	9,195	6,234	47.5	16,164
Japan	8,428	7,427	13.5	15,542

Retail sales by model (units)	First six months 2021	First six months 2020	Change %	Full year 2020
XC40	118,121	68,359	72.8	185,406
XC60	113,500	78,761	44.1	191,696
XC90	54,177	37,918	42.9	92,458
V60/V60 Cross Country	31,225	31,273	–0.2	64,912
S60/S60 Cross Country	26,359	20,458	28.8	52,251
S90	25,653	18,455	39.0	46,027
V90/V90 Cross Country	11,696	12,386	–5.6	25,569
V40/V40 Cross Country	26	2,352	–98.9	3,394
Total	**380,757**	**269,962**	**41.0 %**	**661,713**

Retail Sales by Market



Retail Sales by Carline



Events during the period

Potential IPO
In May the Board announced that it is evaluating a possible initial public offering (IPO) on Nasdaq Stockholm later this year. A final decision to list will be subject to market conditions and there can be no certainty that a listing will proceed.

Volvo Cars to be fully electric by 2030
In March, Volvo Cars announced its ambitious plans to become a fully electric car maker by 2030. This means phasing out all cars with an internal combustion engine, including hybrids, from the line-up, which is a step towards becoming a climate neutral company by 2040.

Volvo Cars launched a new, pure electric C40 recharge
In March, Volvo Cars launched the C40 Recharge, the first Volvo model ever to be designed to be pure electric from the start and offered online only. The car is based on the CMA platform and is planned to be produced in Ghent, starting in autumn 2021.

Tripling production capacity in Ghent
Volvo Cars announced its intention of tripling electric car manufacturing capacity at the Ghent plant in Belgium as the company is preparing to meet the fast, growing demand for its Recharge line-up of chargeable cars.

Separation of the ICE powertrain operations
Volvo Cars continued to deliver on its plan to separate the combustion engine operations into a stand-alone business, with the intention of subsequently combining these activities with those of Geely.

On 30 June, following a decision by the EGM on 31 May 2021, the combustion engine operations in Skövde, including the facility, were divested from the Group, through a dividend distribution of the shares in Powertrain Engineering Sweden AB and Volvo Car Services 5 AB, to the main shareholder Geely Sweden.

In July, Volvo Cars advanced the plan and agreed to create a jointly owned company together with Geely Holding. The

company will be called Aurobay and Geely Holding will be the main shareholder. For more information see page 13, *Events after the reporting period*.

Private placement in Polestar Group
In March 2021, the strategic affiliate Polestar Automotive Holding Ltd Group raised MUSD 550 in external capital from group of long-term financial investors. The private placement was conducted through newly issued shares and marks the first time that external investors have backed Polestar's products, brand, industrial capability, financial ambitions, and high growth potential. The private placement somewhat diluted Volvo Cars ownership in Polestar. The valuation effects in connection with the transaction amounted to MSEK 2,039 and were recognised as income from shares in joint ventures and associates.

Volvo Cars and Northvolt announced Joint Venture plans
In June, Volvo Car Group and Northvolt announced a non-binding intention to join forces in battery development and production. The first step of the 50/50 owned company is aimed at setting up a research and development centre in Sweden that will become operational in 2022. As a second step the plans are to establish a new factory in Europe with potential capacity of up to 50 gigawatt hours (GWh) per year. The aim is for production to start in 2026.

MEUR 1,300 sustainability-linked revolving credit facility signed
Volvo Cars signed a MEUR 1,300 sustainability-linked revolving credit facility, replacing an undrawn MEUR 1,300 credit facility signed in 2017. The successful transaction underlines the growing confidence in Volvo Cars' financial and operational transformation.

In March, the MSEK 10,700 revolving credit facility signed in May 2020 with a group of four Nordic banks and partly guaranteed by the Swedish Export Credit Agency was terminated more than one year ahead of its original maturity date at the request of Volvo Cars.

Dividends to shareholders
The Annual General Meeting in March decided to distribute a dividend of MSEK 158 (—) to preference shareholders. Furthermore, an additional dividend of MSEK 4,130 (—) was distributed to the shareholder Zhejiang Geely Holding Group Co., Ltd. by the 50 per cent owned Chinese subsidiary Daqing Volvo Car Manufacturing Co., Ltd.

A dividend of MSEK 6,000 (—) was adopted by the EGM held on 31 May 2021. MSEK 21 (—) was distributed to preference shareholders, while the remainder of the dividend amounting to MSEK 5,979 (—) was distributed to Geely Sweden Holdings AB on 30 June 2021 as a transfer of the shares in Powertrain Engineering Sweden AB and Volvo Car Services 5 AB. The net effect in equity amounted to MSEK 5,530, as the fair value of the shares was higher than their carrying amount.

Changes in the Board of Directors
In March 2021, Lila Tretikov and Diarmuid O'Connell was appointed as Directors.

Lila Tretikov is a leading expert in artificial intelligence and business transformation and brings extensive innovation and technology experience to the Board. Diarmuid O'Connell has valuable experience within the areas of electrification and premium car brands, and has deep knowledge about retail models and direct-to-consumer business, as well as connectivity, autonomous drive and related energy transition topics.

Winnie Kin Wah Fok resigned from her position on the Board.

Changes in Executive Management
Chief Executive Håkan Samuelsson's contract was extended to the end of 2022.

Björn Annwall was appointed Chief Financial Officer in April 2021, succeeding Carla De Geyseleer.

Acquisition of Upplands Motor
After the acquisition of Upplands Motor was approved by relevant authorities the transaction was closed January 13, 2021. The acquisition price was MSEK 493.

Financial Summary

FIRST HALF YEAR 2021 – INCOME AND RESULT

The comparative figures refer to the consolidated income statement for the first six months 2020 unless otherwise stated.

Volvo Cars' revenue increased by 26.3 per cent to MSEK 141,131 (111,759). Wholesale volumes increased by 28.4 per cent to 356,893 (277,999) cars. The comparative figures were strongly affected by the Covid-19 situation. During the period, all major markets – Europe, China and the US – reported growth. The sales mix continued to be strong, with a continuously increasing share of XC models and the Recharge line-up as the main drivers. The increase in revenue was mainly related to volume and mix effects, as well as an increase in other revenue of MSEK 7,090, which was mainly a result of increased sales of rentals, used cars and parts and accessories. The positive effects were partly offset by a negative exchange rate effect including hedges of MSEK –8,989. Revenue adjusted for exchange rate effects increased by 34.3 per cent to MSEK 150,120.

Gross income increased by 74.3 per cent to MSEK 30,111 (17,279), resulting in a gross margin of 21.3 (15.5) per cent. The increase in gross margin was mainly related to the higher sales volumes. In total, cost of sales increased by 17.5 per cent to MSEK –111,020 (–94,480), which is considerably less than the increase in revenue. The effect was related to the higher production volumes following the strong demand of XC and Recharge models, offset by reduced material cost per car, despite the general increase in raw material prices, as an effect of the continuous focus on cost reductions. Furthermore, foreign exchange rate effect including hedges had a positive effect on gross income of MSEK 5,689.

Research and development expenses amounted to MSEK –7,148 (–5,978). The increase reflects Volvo Cars' increased investments in new technology, such as electrification, connectivity, and new car models but is also partly due to somewhat lower activity during the first six months of 2020, as an effect of the Covid-19 situation. For details regarding research and development expenses, see the Research and Development table on page 11.

Administrative expenses decreased to MSEK –3,612 (–4,231), reflecting a higher proportion of capitalised digitalisation expenses. Selling expenses increased to MSEK 8,970 (–7,057) due to increased expenses for digitalisation and commercial transformation but also reflecting the fact that Advertising and Sales Promotion expenses in 2020 decreased significantly as an effect of the Covid-19 situation.

Other operating income and expenses, net, increased to MSEK 861 (–214), mainly due to a positive exchange rate effect on operating assets and liabilities, which amounted to MSEK 776. Share of income in joint ventures and associates increased to MSEK 1,996 (–788), mainly related to the positive effect of MSEK 2,039 from the Polestar private placement (see page 8 for details), and the dividend of MSEK 1,175 received from Zenuity, offset by negative operational results in joint ventures in a developing phase.

Operating Income (EBIT) increased to MSEK 13,238 (–989), resulting in an EBIT margin of 9.4 (–0.9) per cent. The increased EBIT margin is mainly a result of the significant growth in sales volumes and the favourable product mix, together with the cost reduction measures taken and the positive effects from the dividend from Zenuity as well as the private placement in Polestar. Positive effects have been partly offset by the net effect of foreign exchange rates including hedges of MSEK –1,365. EBIT, adjusted for non-recurring items, amounted to MSEK 9,958 (–384). For a summary of non-recurring items affecting EBIT, see table on page 11.

Net financial items decreased to MSEK –1,261 (–328), mainly driven by the market revaluation of the investment in Luminar of MSEK –706. The effective tax rate increased to –19.6 (–11.1) per cent, mainly due to a higher taxable income, offset by increased results from shares in JVs, mainly Polestar and Zenuity (see above) that are non-taxable. Net income amounted to MSEK 9,627 (–1,171). Net income in relation to revenue was 6.8 (–1.0) per cent. Earnings per share amounted to 163.63 (–35.99) and ROIC amounted to 13.0 (–1.0).

Research and development (MSEK)	First six months 2021	First six months 2020	Change %
Research and development spending	–9,397	–7,329	28.2
Capitalised development costs	4,813	3,901	23.4
Amortisation of Research and development	–2,564	–2,550	0.5
Research and development expenses	**–7,148**	**–5,978**	**19.6**

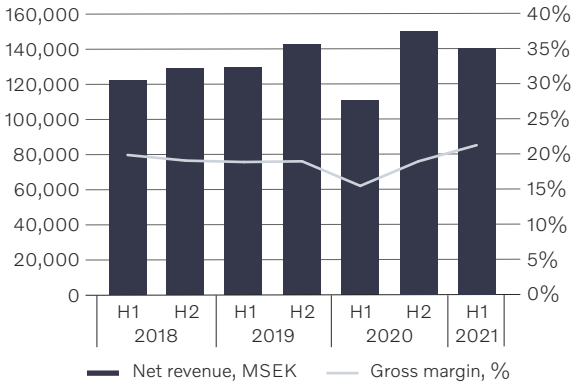
Changes to revenue (MSEK)	
Revenue first six months 2020	**111,759**
Volume	23,105
Sales mix and pricing	8,394
Foreign exchange rates	–8,990
Sale of licences	–227
Other[1)]	7,090
Revenue first six months 2021	**141,131**
Change %	**26.3**

Changes to Operating income (EBIT) (MSEK)	
EBIT first six months 2020	**–989**
Volume	5,055
Sales mix and pricing	3,725
Government grants	128
Sale of licences	–60
Foreign exchange rates	–1,365
Non-recurring items affecting EBIT	3,885
Other[2)]	2,859
EBIT first six months 2021	**13,238**
Change %	**1,438.5**

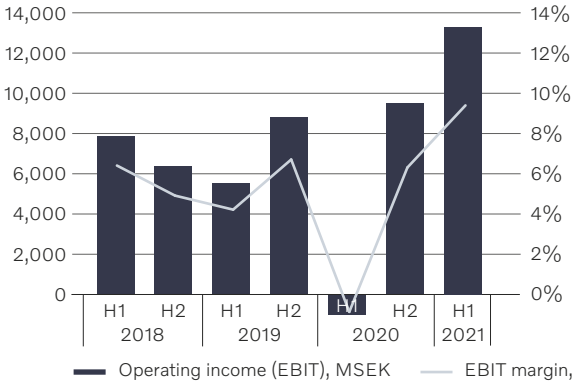
1) Including used cars, parts and accessories.
2) Including used cars, parts and accessories, as well as cost efficiencies.

Non-recurring items affecting EBIT (MSEK)	First six months 2021	First six months 2020
Dividends from Zenuity	1,175	—
Valuation effect in connection with the private placement in Polestar Automotive Holding Ltd	2,039	—
Government grants related to Covid-19	66	1,074
Recall and restructuring cost	—	–1,679
Total	**3,280**	**–605**

Net Revenue & Gross Margin



Operating Income & EBIT Margin



FIRST SIX MONTHS 2021 – CASH FLOW

The presented figures refer to the consolidated figures for the first six months 2021 unless otherwise stated. The comparative figures for the cash flow items refer to the consolidated cash flow statement for the first six months 2020 unless otherwise stated. The comparative figures for the balance sheet items refer to the consolidated balance sheets of December 31, 2020 unless otherwise stated.

CASH FLOW

Cash flow from operating and investing activities amounted to MSEK –6,899 (–12,803).

Cash flow from operating activities amounted to MSEK 1,044 (–3,473) and consists of operating income of MSEK 13,238 (–989), adjusted for depreciation and amortisation of MSEK 7,680 (7,808), together with income tax paid of MSEK –2,413 (–1,711). In addition, financial items and other items not affecting cashflow had an effect of –1,504 (2,534), with items not affecting cash flow having been affected by the separation of the ICE powertrain operations (see *Events during the period* for more information). The change in working capital amounted to MSEK –15,955 (–11,115). The negative effect in working capital was mainly related to normal seasonality, but was also affected by the repayment of the temporary governmental support from 2020. Cash flow from inventory amounted to MSEK –3,025 (–4,022) and the negative effect in accounts receivable amounted to MSEK –1,120 (–1,207). The cash flow from accounts payable amounted to MSEK –7,570 (–6,023), mainly related to the global shortage of semi-conductors with lower production levels. The change in other working capital assets/liabilities had a negative effect of MSEK –3,680 (1,151), the majority of which was attributable to the temporary deferred payroll tax and VAT related governmental support.

Cash flow from investing activities amounted to MSEK –7,945 (–9,330). Investments in property, plant and equipment amounted to MSEK –5,473 (–5,108), mainly driven by investments in facilities for upcoming production of Recharge cars as well as in tooling. Investments in intangible assets amounted to MSEK –5,348 (–4,218) as a result of continuous investments in new and upcoming car models and new technology, such as electrification technology and the XC90 Recharge. Investments in shares and participations amounted to 1,527 (–168) and were primarily related to Polestar (see Note 4 - Related party transactions for more information). Dividends received from joint ventures and associates amounted to MSEK 1,287 (7), and were mainly related to the dividend of MSEK 1,175 (—) from Zenuity.

Cash flow from financing activities amounted to MSEK –7,457 (4,187) and was mainly related to the repayment of our first issued bond of MSEK –5,065 (—) and dividend paid to our shareholders of MSEK –4,867 (—), offset by investments in marketable securities, net, of MSEK 3,131 (3,065). The net result of repayments to and proceeds from credit institutions was MSEK 94 (1,651), reflecting scheduled repayments and new borrowings. Repayments of interest-bearing liabilities amounted to MSEK –677 (–680).

Total cash and cash equivalents including marketable securities decreased to MSEK 53,590 (69,679). Net cash decreased to MSEK 24,090 (35,241). Including undrawn credit facilities of MSEK 13,147 (24,700), liquidity amounted to MSEK 66,737 (94,379).

EQUITY

Total equity increased to MSEK 73,190 (70,418), resulting in an equity ratio of 28.9 (26.8) per cent. The change is attributable to the positive net income of MSEK 9,627 and a positive effect in other comprehensive income of MSEK 2,988 offset by dividends to shareholders of MSEK –9,843, including MSEK 179 to preference shareholders and MSEK 4,134 to minority shareholders. For further information, see *Events during the period.*

The change in other comprehensive income is related to a positive foreign exchange translation effect, including hedges of net investments in foreign operations of MSEK 1,860 (net of tax) and remeasurements of provisions for post-employment benefits of MSEK 2,141 (net of tax), mainly due to higher interest rates. This was partly offset by a negative change in cash flow hedge reserve from unrealised hedge contracts of MSEK –1,013 (net of tax), whereof hedge contracts recycled to the income statement amounted to MSEK 278. The change in value of cash flow hedges is mainly due to a weakened SEK against both GBP and USD.

Cash flow statement (MSEK)	First six months 2021	First six months 2020	Change %
Cash flow from operating activities	1,046	–3,473	130.1
Cash flow from investing activities	–7,945	–9,330	14,8
Cash flow from operating and investing activities	–6,899	–12,803	46.1
Cash flow from financing activities	–7,457	4,187	–278.1
Cash flow for the period	–14,356	–8,616	–66.6

EVENTS AFTER THE REPORTING PERIOD

Aurobay – a new jointly owned company will be created to merge the existing combustion engine (ICE) operation
In July 2021, Volvo Cars took further steps in its plan to become a fully electric car maker by taking the decision to create the new jointly owned company Aurobay. The company will initially be jointly owned by Geely Holding and Volvo, with Geely as the main shareholder. The intent is that the new company will consolidate the full ICE powertrain operations including the Skövde and Zhangjiakou Operations. The new company will be operational by the end of 2021 and will be a global supplier of complete powertrain solutions including next generation combustion engines, transmissions and hybrid solutions.

ECARX invested in Zenseact AB
In July 2021, ECARX, a related company with the same ultimate shareholder as Volvo Cars, but outside the Geely sphere of companies, acquired 15 per cent of the shareholding in Zenseact AB, through a directed share issue. The consideration amounted to MSEK 907.

In July, we reached an agreement with ECARX for the joint development based on Android infotainment platforms.

Volvo Cars intends to increase its shareholding in Polestar
Polestar Automotive Holding Ltd is an affiliate owned and controlled by Volvo Car Group and PSD investment Ltd. During July 2021, Volvo Cars signed an agreement with PSD Investment Ltd to acquire a smaller part of their shares in Polestar. The transaction is subject to certain conditions and approvals and is estimated to be finalised during 2021. After the transaction, Polestar will remain a joint venture, jointly controlled by Volvo Car Group and PSD Investment Ltd.

Volvo Cars to acquire the remaining shareholding in the "Chinese Operations"
In July 2021, Volvo Cars and Geely Holding entered into an agreement with the intention for Volvo Cars to acquire the remaining shareholding of the already fully consolidated "Chinese Operations", i.e. the non-controlling interest in the manufacturing plants in Daqing and Chengdu, as well as the R&D centre in Shanghai. The completion of these transactions is subject to regulatory approvals in China, and closing is expected during 2022–2023.

RISKS AND UNCERTAINTY FACTORS

Risks are part of all daily business activities as well as risk mitigation. To ensure that Volvo Cars is able to achieve short- and long-term objectives, enterprise risk management is part of the daily activities at Volvo Cars. For a more in-depth analysis of risks, see the Volvo Car Group Annual Report 2020 page 52.

The global shortage of semi-conductors

The global shortage of semiconductors during the first half of the year led to temporary production halts in all manufacturing plants in China, the United States, Belgium and Sweden, which differed in extent. The temporary production halts resulted in lost production volumes, which some plants might be unable to recover in 2021. However, due to low inventory levels and high demand, together with Volvo Cars ability to adapt the production plans and focus on the XC-models and Recharge line-up, the global shortage led to positive effects on revenue and profitability. The fact that the global shortage is expected to continue during the remainder of the year, and to some extent in 2022, creates uncertainty and an increased risk of further disturbances in production. Volvo Cars will continue to follow developments closely and take actions accordingly. To what extent Volvo Cars´ sales, revenue and profitability will be affected in coming periods remains uncertain.

Covid-19

The Covid-19 pandemic continued to have a significant impact on people, society and businesses. During the period, vaccines have been rolled out rapidly in many regions where Volvo Cars has its operations and several countries have started to ease their restrictions, while still being cautious of potentially new outbreaks. Throughout the pandemic, Volvo Cars' factories have been operational and employees in the plants have been able to work safely on location. The head office in Sweden also made it possible for employees to return and have the office as the main workplace again. Volvo Cars hopes that the effect of the pandemic on people and societies around the world will continue to decrease and will continue to monitor the development and take necessary actions.

EMPLOYEES

During the first six months, Volvo Cars employed on average 40,691 (36,278) employees (full time equivalents) and 3,629 (3,256) agency personnel. The increase in full time equivalents is mainly due to the temporary lay-offs the company had during the second quarter 2020.

Following the acceleration of transformation after the competence shift, Volvo Cars' employees increased to 40,694 (40,131) and 3,954 (3,331) agency personnel as of June 2021 from the as of position in December 2020.

PARENT COMPANY

The parent company does not conducts any operations and has no employees. The income statements and balance sheets for the parent company are presented on page 21.

OUTLOOK 2021

We anticipate continued growth in sales volume and revenue, as we benefit from a strong product offering and further increases in online sales. Assuming market conditions continue to normalise, this growth, as well as continued cost management, are anticipated to improve profitability to pre-pandemic levels. With ongoing investments in new technologies and new products, we foresee a similar level of capital expenditure as in 2020. Cash flow is expected to remain strong. We also expect a continued reduction in overall CO_2 emissions per car, in line with the company's ambition to reduce these by 40 per cent by 2025.

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 forward-looking statement. 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.

Pixel Technology

Consolidated Income Statements

MSEK	Note	First six months 2021	First six months 2020	Full year 2020
Revenue	2	141,131	111,759	262,833
Cost of sales		–111,020	–94,480	–216,813
Gross income		**30,111**	**17,279**	**46,020**
Research and development expenses		–7,148	–5,978	–11,362
Selling expenses		–8,970	–7,057	–15,710
Administrative expenses		–3,612	–4,231	–8,539
Other operating income		1,875	1,253	2,362
Other operating expenses		–1,014	–1,467	–3,903
Share of income in joint ventures and associates		1,996	–788	–352
Operating income/(loss)		**13,238**	**–989**	**8,516**
Financial income	3	385	387	2,618
Financial expenses		–1,646	–715	–1,588
Income/(loss) before tax		**11,977**	**–1,317**	**9,546**
Income tax		–2,350	146	–1,758
Net income/(loss)		**9,627**	**–1,171**	**7,788**
Net income/(loss) attributable to				
Owners of the parent company		8,244	–1,737	5,834
Non-controlling interests		1,383	566	1,954
		9,627	**–1,171**	**7,788**
Basic earnings per share (SEK)	7	163.63	–35.99	114.15
Diluted earnings per share (SEK)	7	161.21	–35.99	114.08

Consolidated Comprehensive Income

MSEK	First six months 2021	First six months 2020	Full year 2020
Net income/(loss) for the period	**9,627**	**–1,171**	**7,788**
Other comprehensive income			
Items that will not be reclassified subsequently to income statement:			
Remeasurements of provisions for post-employment benefits	2,698	–848	–992[1)]
Tax on items that will not be reclassified to income statement	–557	183	212
Items that may be reclassified subsequently to income statement:			
Translation difference on foreign operations	1,938	–670	–3,401
Translation difference of hedge instruments of net investments in foreign operations	–98	–10	368
Change in fair value of cash flow hedge related to currency and commodity price risks	–1,553	478	2,862
Currency and commodity risk hedge contracts recycled to income statement	278	1,719	3,156
Tax on items that may be reclassified to income statement	282	–450	–1,318
Other comprehensive income, net of income tax	**2,988**	**402**	**887**
Total comprehensive income/(loss) for the period	**12,615**	**–769**	**8,675**
Total comprehensive income/(loss) attributable to			
Owners of the parent company	10,566	–1,201	7,430
Non-controlling interests	2,049	432	1,245
	12,615	**–769**	**8,675**

1) Included in the change of provisions for post-employment benefits full year 2020 is an adjustment due to changes in actuarial calculation method related to the Swedish ITP2 plan amounting to MSEK –473.

Consolidated Balance Sheets

MSEK	Note	June 30, 2021	Dec 31, 2020
ASSETS			
Non-current assets			
Intangible assets		39,741	37,168
Property, plant and equipment		57,399	57,453
Assets held under operating leases		6,518	4,490
Investments in joint ventures and associates		7,948	9,997
Other long-term securities holdings	3	1,778	2,449
Deferred tax assets		7,216	7,164
Other non-current assets	3	6,056	4,758
Total non-current assets		**126,656**	**123,479**
Current assets			
Inventories		40,418	35,513
Accounts receivable	4	17,344	14,776
Current tax assets		1,044	886
Other current assets	3	11,051	10,130
Marketable securities	3	5,140	8,087
Cash and cash equivalents	3	48,450	61,592
Assets held for sale	6	3,440	7,849
Total current assets		**126,887**	**138,833**
TOTAL ASSETS		**253,543**	**262,312**
EQUITY & LIABILITIES			
Equity			
Equity attributable to owners of the parent company		64,269	59,412
Non-controlling interests		8,921	11,006
Total equity		**73,190**	**70,418**
Non-current liabilities			
Provisions for post-employment benefits		11,906	14,187
Deferred tax liabilities		2,067	1,044
Other non-current provisions		9,029	8,155
Liabilities to credit institutions	3	2,767	5,882
Bonds, non-current	3	18,107	20,950
Non-current contract liabilities to customers		5,579	5,630
Other non-current interest-bearing liabilities		5,087	4,815
Other non-current liabilities	3	7,027	4,877
Total non-current liabilities		**61,569**	**65,540**
Current liabilities			
Current provisions		8,549	8,530
Liabilities to credit institutions	3	5,545	2,512
Bonds, current	3	2,997	5,017
Current contract liabilities to customers		20,488	21,842
Accounts payable	4	42,108	46,635
Current tax liabilities		911	1,486
Other current interest-bearing liabilities		1,247	1,160
Other current liabilities	3, 4	35,783	37,423
Liabilities held for sale	6	1,156	1,749
Total current liabilities		**118,784**	**126,354**
TOTAL EQUITY & LIABILITIES		**253,543**	**262,312**

Condensed Changes in Consolidated Equity

MSEK	June 30, 2021	Dec 31, 2020
Opening balance	**70,418**	**63,648**
Net income for the period	9,627	7,788
Other comprehensive income, net of income tax	2,988	887
Total comprehensive income	**12,615**	**8,675**
Transactions with owners		
Shareholder transaction in joint venture under common control[1)]	—	–1,901
Dividend to shareholders[2)]	–9,843	–4
Transactions with owners	**–9,843**	**–1,905**
Closing balance	**73,190**	**70,418**
Attributable to		
Owners of the parent company	64,269	59,412
Non-controlling interests	8,921	11,006
Closing balance	**73,190**	**70,418**

1) Refers to the effect of Geely Holding's divestment in Polestar Automotive (Shanghai) Co., Ltd., see Note 4 - Related party transactions.
2) Dividends to shareholders include dividends to the main shareholder of MSEK –5,530 (—), minority owners of MSEK –4,134 (–4) and preference shareholders of MSEK –179(—). For more information, see section Dividends to shareholders under *Events during the period*.

Consolidated Statement of Cash Flows

MSEK	First six months 2021	First six months 2020	Full year 2020
OPERATING ACTIVITIES			
Operating income/(loss)	13,238	–989	8,516
Depreciation and amortisation of non-current assets	7,680	7,808	14,449
Interest and similar items received	341	249	550
Interest and similar items paid	–708	–657	–1,268
Other financial items	–667	–301	–437
Income tax paid	–2,413	–1,711	–2,856
Adjustments for other items not affecting cash flow	–470	3,243	3,989
	17,001	**7,642**	**22,943**
Movements in working capital			
Change in inventories	–3,025	–4,022	–454
Change in accounts receivable	–1,120	–1,207	–2,137
Change in accounts payable	–7,570	–6,023	5,183
Change in provisions	127	–1,952	–303
Change in contract liabilities to customers	–687	938	3,872
Change in other working capital assets/liabilities	–3,680	1,151	4,848
Cash flow from movements in working capital	**–15,955**	**–11,115**	**11,009**
Cash flow from operating activities	**1,046**	**–3,473**	**33,952**
INVESTING ACTIVITIES			
Investments in shares and participations, net[1)]	1,527	–168	–4,125
Repayment of loans from affiliated companies	—	—	1,251
Dividend received from joint ventures and associates	1,287	7	333
Investments in intangible assets	–5,348	–4,218	–8,574
Investments in tangible assets	–5,473	–5,108	–9,986
Disposal of tangible assets	62	157	431
Cash flow from investing activities	**–7,945**	**–9,330**	**–20,670**
Cash flow from operating and investing activities	**–6,899**	**–12,803**	**13,282**
FINANCING ACTIVITIES			
Proceeds from credit institutions	1,452	4,703	5,011
Proceeds from bond issuance	—	—	5,209
Repayment of bond	–5,065	—	—
Repayment of liabilities to credit institutions	–1,358	–3,052	–4,612
Repayment of interest bearing liabilities	–677	–680	–1,350
Dividend paid to shareholders and/or minority owners[2)]	–4,867	—	–4
Investments in marketable securities, net[3)]	3,131	3,065	–4,692
Other[4)]	–73	151	–396
Cash flow from financing activities	**–7,457**	**4,187**	**–834**
Cash flow for the period	**–14,356**	**–8,616**	**12,448**
Cash and cash equivalents at beginning of period	**61,592**	**51,997**	**51,997**
Exchange difference on cash and cash equivalents	1,214	–93	–2,853
Cash and cash equivalents at end of period	**48,450**	**43,288**	**61,592**

1) Investments amounted to MSEK –460 (–365) and capital repayments from Joint ventures amounted to MSEK 132 (245). The cash flow from the acquisition of Polestar Automotive amounted to MSEK 1,882 (—), see *Note 5 - Acquisitions* for more information.
2) For further information, see Condensed Changes in Consolidated Equity on page 19.
3) Investments amounted to MSEK –6,427 (–524) and matured investments amounted to MSEK 9,558 (3,589).
4) Other is attributable to realised result from financial instruments MSEK –38 (160) and change in Other non-current liabilitities MSEK –35 (–9).

Condensed Parent Company Income Statements

MSEK	First six months 2021	First six months 2020	Full year 2020
Administrative expenses	–8	–9	–17
Operating income	**–8**	**–9**	**–17**
Financial income	409	323	730
Financial expenses	–455	–304	–707
Income before tax	**–54**	**10**	**6**
Income tax	2	–4	–11
Net income	**–52**	**6**	**–5**

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

Condensed Parent Company Balance Sheets

MSEK	June 30, 2021	Dec 31, 2020
ASSETS		
Non-current assets	33,471	40,314
Current assets	2,665	5,956
TOTAL ASSETS	**36,136**	**46,270**
EQUITY & LIABILITIES		
Equity		
Restricted equity	51	51
Non-restricted equity	10,566	15,822
Total equity	**10,617**	**15,873**
Non-current liabilities	18,107	24,950
Current liabilities	7,412	5,447
Total liabilities	**25,519**	**30,397**
TOTAL EQUITY & LIABILITIES	**36,136**	**46,270**

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 Financial 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 Volvo Car Group's Annual Report 2020 (available at www. volvocars.com).

The IASB has published amendments to standards effective after January 1, 2021 or later. These additions have not had any significant impact on the financial statements.

Earnings per share

Basic earnings per share is calculated as net income attributable to owners of the parent company divided by the weighted average number of ordinary shares outstanding during the period, where net income is reduced by preference dividends for preference shares, which are cumulative, and required for the period whether or not the dividends have been declared. Diluted earnings per share is calculated on an "if-converted" basis in respect of the preference shares, which are convertible into ordinary shares. The preference dividends deducted in basic earnings per share are added back and the number of ordinary shares that would be attributable to the preference shares on conversion are added in the denominator. However, such adjustment is made only when it would decrease earnings per share. If it would increase earnings per share, the preference shares are considered anti-dilutive and are not included in diluted earnings per share.

All outstanding share-related incentive programmes are cash-settled, with no option or substantive option to settle in equity instruments, meaning that they do not contain any dilutive features.

Accounting for dilution effects in Joint Ventures

In March, the joint venture company Polestar Automotive Holding Ltd Group ('Polestar') raised MUSD 550 in external capital from a group of long-term financial investors and Volvo Car Group's interest in Polestar decreased. The transaction was accounted for in accordance with IAS 28, whereby the dilution effect, which is the net of the decreased interest and the share of the higher valuation on which the external investment has been based, was recognised in the income statement as share of income from Joint ventures and associates. The positive effect amounted to MSEK 2,039. Polestar is still assessed to be a joint venture between Volvo Cars and the other main owner PSD Investment Ltd, considered the remaining ownership and the shareholder agreement, whereby joint control is considered to be maintained.

NOTE 2 – Revenue

Revenue allocated to geographical regions:

MSEK	First six months 2021	First six months 2020	Full year 2020
China	34,335	24,282	61,236
US	23,771	16,493	40,581
Europe[1)]	60,800	54,786	121,904
of which Sweden	*13,890*	*12,266*	*25,546*
of which Germany	*7,472*	*8,951*	*18,319*
of which United Kingdom	*7,234*	*6,947*	*15,866*
Other markets	22,225	16,198	39,112
of which Japan	*3,733*	*3,755*	*7,345*
of which South Korea	*3,087*	*2,596*	*5,059*
Total	**141,131**	**111,759**	**262,833**

Revenue allocated to category:

MSEK	First six months 2021	First six months 2020	Full year 2020
Sales of products and related goods and services	128,436	101,946	239,563
Sales of used cars	9,501	6,785	16,288
Revenue from subscription, leasing and rental business	1,518	1,426	2,706
Sales of licences and royalties	756	1,000	2,068
Other revenue	920	602	2,208[2)]
Total	**141,131**	**111,759**	**262,833**

1) Europe is defined as EU28+EFTA.
2) Including effects of CO_2 credits.

NOTE 3 – Fair value of financial instruments

Valuation principles for financial instruments, as described in the Volvo Car Group Annual Report 2020, 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, 2020.

In Volvo Car Group's balance sheet, financial instruments recognised at fair value through profit or loss:

- Derivatives (including warrants),
- Holdings of equity investments (including earn-out share rights) and
- Commercial papers.

(see table 'Financial instruments recorded at fair value through the income statement' in this note.)

The fair value of financial instruments is established according to three levels, depending on market information available and included in the valuation.

- Level 1: Instruments are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Instruments are valued based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Instruments are valued based on unobservable inputs for the asset or liability.

Financial instruments recorded at fair value through the income statement

June 30, 2021 (MSEK)	Level 1	Level 2	Level 3	Total
Derivative instruments for hedging of currency risk in future commercial cash flows	—	990	—	990
Derivative instruments for hedging of currency risk related to financial assets and liabilities	—	241	—	241
Derivative instruments for hedging of interest rate risk	—	12	—	12
Commodity derivatives	—	47	—	47
Commercial papers[1)]	—	451	—	451
Other long-term securities holdings	813	—	965	1,778
Total assets	**813**	**1,741**	**965**	**3,519**
Derivative instruments for hedging of currency risk in future commercial cash flows	—	1,712	—	1,712
Derivative instruments for hedging of currency risk related to financial assets and liabilities	—	72	—	72
Derivative instruments for hedging of interest rate risk	—	18	—	18
Commodity derivatives	—	5	—	5
Total liabilities	**—**	**1,807**	**—**	**1,807**

Dec 31, 2020 (MSEK)	Level 1	Level 2	Level 3	Total
Derivative instruments for hedging of currency risk in future commercial cash flows	—	1,907	—	1,907
Derivative instruments for hedging of currency risk related to financial assets and liabilities	—	4	—	4
Derivative instruments for hedging of interest rate risk	—	42	—	42
Commodity derivatives	—	42	—	42
Commercial papers[1)]	—	1,526	—	1,526
Other long-term securities holdings	1,208	—	1,241	2,449
Total assets	**1,208**	**3,521**	**1,241**	**5,970**
Derivative instruments for hedging of currency risk in future commercial cash flows	—	1,341	—	1,341
Derivative instruments for hedging of currency risk related to financial assets and liabilities	—	634	—	634
Commodity derivatives	—	30	—	30
Total liabilities	**—**	**2,005**	**—**	**2,005**

1) Includes MSEK 200 (750) reported as marketable securities and MSEK 251 (776) reported as cash and cash equivalents.

NOTE 3 – Fair value of financial instruments – continued

Most derivative financial instruments and commercial papers that Volvo Car Group holds as of June 30, 2021 belong to level 2. Fair value measurement of financial instruments belonging to level 2 is based on prevailing observable market data and on a discounting of estimated cash flows using the deposit/swap curve of the cash flow currency and includes risk assumptions. For currency option instruments, the valuation is based on the 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 level 2 financial derivative portfolio as of June 30, 2021, amounted to MSEK –517 (–10). The majority is related to cash flow hedging of currency risk. The table below shows the percentage of the forecast 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, FX rates, market volatility and correlations.

	0–12 months		13–24 months		25–48 months	
	June 30, 2021	Dec 31, 2020	June 30, 2021	Dec 31, 2020	June 30, 2021	Dec 31, 2020
Nominal hedge %	45	50	22	19	—	1
CFaR incl. hedges %	43	41	23	13	—	1

Amounts invested in other long-term securities holdings totalled MSEK 1,778 (2,449), with MSEK 813 (1,208) of the holdings categorised as level 1 financial instruments and MSEK 965 (1,241) as level 3. The most substantial level 3 investment is that of share warrants in the listed company Luminar and so-called earn-out share rights in the same company. The valuation of these instruments is based on whether and when Volvo Car Group will fulfil the contractual terms. The assessed risk-free interest rates have been determined at 0,2 per cent and 0,8 per cent. Volatility of the underlying share price has been determined to 84 per cent.

There are also traditional holdings of equity instruments in Luminar. The Luminar shares were listed in December 2020. Before the listing, the equity holdings in Luminar were categorised as a level 3 instrument but are now level 1. No other transfers between the levels of the fair value hierarchy have occurred during the period. The fair value of share warrants and earn-out share rights in the level 3 categorised financial instruments as of June 30, 2021 amounted to MSEK 563 (874) and the financial impact of the same instruments recognised in the income statement is MSEK –311 (—). The share warrants are, as of June 30, 2021 deep in the money with a strike price well under the current list price. The total fair value change amounted to MSEK –707 (—).

There are also other holdings of non-listed equity instruments that are categorised as level 3 and they are valued at fair value when there is information available indicating that the value has changed, for example if there has been a transaction in the instrument during the period.

A sensitivity analysis of level 3 share warrants is presented in the table below. The base valuation is based on an assumed volatility of 84 per cent and a start value of MSEK 497.

Sensitivity analysis for warrants (MSEK)

	Likelihood of triggering event				
Volatility	**–10%**	**–5%**	**0%**	**5%**	**10%**
74%	427	459	491	523	555
79%	430	462	494	526	559
84%	432	465	497	530	562
89%	435	468	500	533	566
94%	438	471	503	536	569

NOTE 3 – Fair value of financial instruments – continued

Financial liabilities valued at amortised cost	Carrying amount	Fair value	Carrying amount	Fair value
MSEK	**June 30, 2021**		**Dec 31, 2020**	
Bonds and liabilities to credit institutions	29,416	30,601	34,361	35,252
Total	**29,416**	**30,601**	**34,361**	**35,252**

The carrying amount of financial liabilities, reported as current and non-current liabilities to credit institutions and as bonds, recognised at amortised cost, are stated in the table above. These financial liabilities include, at December 31, 2020 the MEUR 500 fixed interest rate bond issued in May 2016. The bond matured on May 18, 2021. The carrying amount of the bond at December 31, 2020 was MSEK 5,017. Volvo Car Group had hedged the fixed interest rate bond into a variable interest bond, hence a part of the bond was adjusted for value changes in the hedged risk amounting to MSEK 7 at December 31, 2020 and the remaining part was valued at amortised cost. Interest rate swaps were used as hedge instruments and the fair value of these instruments was recognised in the income statement, neutralising the effect of the fair value adjustment on the bond. The fair value of part of the bond was 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, without considering the credit risk as the hedged risk was interest.

NOTE 4 – Related party transactions

Volvo Car Group has multiple related parties, many of them related to development of new technology. Related parties include companies outside the Volvo Car Group but within the Geely sphere of companies, as well as other companies such as associates and joint ventures. All transactions with related parties are conducted at arm's length. Group companies entered into the related party transactions below during the first six months. The information in the table below includes all assets and liabilities with regard to related parties. Apart from non-current assets of MSEK 1,122 (719), all assets and liabilities are current.

Sales of goods, services and other

MSEK	First six months 2021	First six months 2020	Full year 2020
Related companies [1) 2)]	2,675	2,066	5,131
Associated companies and joint ventures [1)]	708	651	1,303

Purchases of goods, services and other

MSEK	First six months 2021	First six months 2020	Full year 2020
Related companies [1)]	–2,962	–1,955	–7,085
Associated companies and joint ventures [1)]	–855	–1,238	–2,363

	Receivables		Payables	
MSEK	June 30, 2021	Dec 31, 2020	June 30, 2021	Dec 31, 2020
Related companies [1)3)]	12,240	9,248	6,220	5,486
Associated companies and joint ventures [1)]	796	518	457	1,202

1) Related companies are companies within the Geely sphere of companies. Joint ventures within the Geely sphere are presented as Related companies.
2) Revenue from sale of licences and technology in the first six months amounted to MSEK 722 (899).
3) The increase in receivables is mainly related to Polestar and the increase in payables is mainly related to the divestment of Powertrain Engineering Sweden AB and Volvo Car Services 5 AB. For further information related to the divestment, see *Events during the period.*

Significant transactions with related parties

Zenuity AB

In March 2021, Zenuity AB, the joint venture between Volvo Car Corporation and Veoneer Sweden AB, distributed a dividend to its shareholders. Since the investment value of Zenuity AB was zero, the dividend of MSEK 1,175 was recognised as share of income in Volvo Car Group.

The Polestar Group

The comparative number related to transactions with Polestar is affected by the restructuring of the Polestar Group that ocurred in mid-September 2020. The restructuring of Polestar as such did not have any effect on Volvo Car Group's interest in Polestar's underlying operational activities. During the restructuring, the holding company Polestar Automotive (Shanghai) Co., Ltd. sold its subsidiaries (i.e. the operational entities) to a newly formed holding company: Polestar Automotive (Singapore) Pte. Ltd., registered in Singapore. The holding company is a subsidiary of the new parent company Polestar Automotive Holding Ltd, registered in Hong Kong. Transactions with Polestar during the first six months 2021 are presented below as transactions with the Polestar Automotive Holding Ltd Group, while transactions for the comparative period are presented as transactions with the Polestar Shanghai Group.

In January 2021, Geely Holding divested its holding in Polestar Automotive (Shanghai) Co., Ltd. following an agreement signed in December 2020. The company was consequently converted into a wholly-owned subsidiary of Volvo Cars (China) Investment Co., Ltd. The transaction did not have any impact on the Group balance sheet, other than a reclassification of shares in joint ventures of MSEK 1,882 to cash.

NOTE 4 – Related party transactions – continued

Transactions with the Polestar Automotive Holding Ltd Group
Volvo Car Group recognised revenue of MSEK 693 (—) related to the sale of technology licences and development of technology to the Polestar Automotive Holding Ltd Group. The sale of other services, recognised as other income, amounted to MSEK 208 (—). In April 2021, Volvo Car Group sold patents amounting to MSEK 153, which has been recognised as other income. Volvo Car Group's purchases amounted to MSEK 132 (—) and are related to a performance enhancement product provided to the end customers. The purchases have been recognised as cost of sales.

Transactions with the Polestar Shanghai Group
Volvo Car Group recognised revenue of MSEK — (857) related to the sale of technology licences and development of technology to the Polestar Shanghai Group. The sale of other services, recognised as other income, amounted to MSEK — (276). Volvo Car Group's purchases amounted to MSEK — (143) and are related to a performance enhancement product provided to the end customers. The purchases have been recognised as cost of sales.

The Luqiao plant
Volvo Car Group has an agreement with Asia-Europe Automobile Manufacturing (Taizhou) Co., Ltd, "the Luqiao plant", related to the production of the new range of smaller 40-series CMA-based cars, like the XC40. The Luqiao plant is owned by Zhejiang Geely Holding Group Co., Ltd, but is operated by Volvo Car Group.

Transactions with Asia-Europe Automobile Manufacturing (Taizhou) Co., Ltd, "the Luqiao plant"
The support service for operating the plant has resulted in other income of MSEK 156 (160). Volvo Car Group has also sold engines to the plant for its production of Lynk&Co CX11 vehicles. The sales have been recognised as revenue of MSEK 364 (263). Volvo Car Group's purchases of cars from the Luqiao plant amounted to MSEK –1,150 (–1,302) and have been recognised as cost of sales. In addition, Volvo Car Group provided machinery to the plant through a leasing agreement, which resulted in a non-current asset of MSEK 1,047 (719).

Ningbo
Volvo Car Group has several agreements with Ningbo Geely Automobile Research & Development Co., Ltd for research and development of technology of future cars. Volvo Car Group also has an agreement with Ningbo UMD Automobile Transmission Co., Ltd. related to sale of gearboxes for PHEV XC40 plug-in hybrid cars as well as an agreement related to sale of fleet cars to Ningbo Fuhong Auto Sales Co Ltd.

Transactions with Ningbo
The purchase of research and development services from Ningbo amounted to MSEK –391 (—), of which MSEK –290 (—) has been expensed as research and development costs and MSEK –101 (—) has been capitalised as intangible assets. The purchase of gearboxes amounted to MSEK –479 (–243) and has been recognised as cost of sales. The sale of fleet cars amounted to MSEK 588 (86) and has been recognised as revenue.

China-Euro Vehicle Technology AB (CEVT)
Volvo Car Group holds a cost-sharing agreement with China-Euro Vehicle Technology AB regarding development of technology for the CMA platform, where CEVT is the administrator in the cost-sharing project. During 2021, the agreement was amended to include technology updates of the CMA platform to be able to use it for future cars.

Transactions with CEVT
Total purchases from CEVT amounted to MSEK –339 (–36), of which MSEK –315 (–36) has been capitalised as intangible assets and MSEK –24 (—) was expensed as research and development costs.

Dividends
During the first six months 2021, Volvo Car AB (publ.) distributed dividend to the preference shareholders of MSEK 179 (—) and decided to distribute dividend to the shareholder Geely Sweden Holdings AB of MSEK 5,979. The dividend to Geely Sweden Holdings AB was settled at June 30, 2021, through distribution of the entire shareholding in Powertrain Engineering Sweden AB and Volvo Car Services 5 AB. See *Events during the period* for further information. Furthermore, an additional dividend of MSEK 4,130 (—) was distributed to the shareholder Zhejiang Geely Holding Group Co., Ltd. by the 50 per cent owned Chinese subsidiary Daqing Volvo Car Manufacturing Co., Ltd.

In May 2021, Lynk & Co Investment Co., Ltd, the joint venture between Volvo Car Group, Zheijang Jirun Automobile Co., Ltd and Zheijang Haoqing Automobile Manufacturing Co., Ltd, distribute dividend to its shareholders. The dividend of MSEK 703 has not been paid as of June 30, 2021. Furthermore, the joint venture Volvofinans Bank AB, paid dividend of MSEK 107 to its shareholders Volvo Car Corporation and AB Volverkinvest.

NOTE 5 – Acquisitions

Acquisition of Upplands Motor
On January 13, 2021, after approval from competition authorities, Volvo Car Group, through one of its wholly owned subsidiaries, Volvo Personvagnar Norden AB, finalised the acquisition of Upplands Motor. The acquisition of Upplands Motor, the Stockholm-based dealership, is a vital part of Volvo Cars' aim to transform its retail business into a modern customer experience with a seamless interaction between online and offline sales. The acquisition consisted of 100 per cent of the shares in Upplands Motor AB, Upplands Motor Kronåsen AB, Bilpark i Hufvudstaden AB, Upplands Motor Hyrbilar AB, Upplands Motor Personvagnar AB and 10 per cent of the shareholding in Upplands Motor Mark KB and Upplands Motor Fastigheter i Märsta KB.

MSEK	2021
Purchase price	
Purchase consideration	493
Total cost of the acquisition	**493**
Acquired assets and liabilities at fair value	
Intangible assets	5
Tangible assets	1,280
Financial assets	1,336
Deferred tax assets	28
Inventories	334
Current receivables	440
Other current assets	85
Cash and cash equivalents	32
Deferred tax liabilities	–1
Pension and other provision	–202
Other non-current liabilities	–2,237
Current liabilities	–852
Total fair value of net assets	**248**
Goodwill	**245**
Cash effect of business combination	
Purchase consideration	–493
Repayment of debt	292
Acquired cash and cash equivalents	32
Change in cash and cash equivalents due to acquisitions	**–169**

Goodwill attributable to the acquisition is related to estimated synergies with Volvo Cars' current retail operation in the Swedish market and increased income over time from the acquired business.

Acquisition-related costs for 2021 amounted to MSEK 11 and have been reported as administrative expenses in the income statement. Contingent liabilities amounted to MSEK 2 assumed and collateral pledges amounted to MSEK 275. The fair value of the acquired receivables amounted to MSEK 440.

The acquired business contributed revenues of MSEK 1,281 and a net loss of MSEK 8 for the period from January 13 to June 30, 2021.

The total cost of combination and fair values has been determined provisionally and the acquisition analyses may be subject to adjustment during a twelve month period.

Acquisition of Polestar Automotive (Shanghai) Co., Ltd.
In January 2021, Geely Holding ceased to be a shareholder of Polestar Automotive (Shanghai) Co., Ltd. and the joint venture company became a wholly-owned subsidiary of Volvo Cars (China) Investment Co., Ltd. The net assets of the company only consisted of Cash, which corresponded to Volvo Cars' investment value of MSEK 1,882, in line with why the transaction had no material impact on the Group financial statements.

NOTE 6 – Assets and liabilities held for sale

Assets and liabilities held for sale, net, amounted to MSEK 2,284 and are related to the remaining part of the combustion engine operations, carried out in Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd. As per June 30 2021, there are no indications of impairment. No translation differences have been recognised in other comprehensive income related to the reclassified assets and liabilities held for sale. The sale is expected to be completed during 2021. For more information, see *Events during the period* and *Events after the reporting period.*

NOTE 7 – Earnings per share

Basic earnings per share	**First six months 2021**	**First six months 2020**	**Full year 2020**
Net income attributible to owners of the parent company	8,244	–1,737	5,834
Preference share returns relating to the period	–62	–63	–126
Net income attributable to owners of ordinary shares in the parent company	**8,182**	**–1,800**	**5,708**
Weighted average number of ordinary shares outstanding, undiluted	50,000,000	50,000,000	50,000,000
Basic earnings per share (SEK)	163.63	–35.99	114.15

Diluted earnings per share[1]	**First six months 2021**	**Full year 2020**
Net income in basic earnings per share	8,182	5,708
If preference shares had been converted, no preference yield had accrued	62	126
Net income in diluted earnings per share	**8,244**	**5,834**
Weighted average number of ordinary shares outstanding, diluted	51,138,794	51,138,794
Diluted earnings per share (SEK)	161.21	114.08

1) Calculation of diluted earnings per share is made for the period/periods for which the preference share not are considered anti-dilutive. If considered, anti-dilutive the diluted earnings per shares equals basic earnings per share. For first six months 2020 preference share are considered anti-dilutive hence diluted earnings per share equals basic earnings per share.

GENERAL DEFINITIONS

Volvo Car Group and Volvo Cars
Volvo Car Group and Volvo Cars refers to 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 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.

Alternative performance measures presented by Volvo Car Group

The alternative performance measures presented and disclosed in this interim report are used internally by management in conjunction with IFRS measures to measure performance and make decisions regarding the future direction of the business. The Group believes that these alternative performance measures, when provided in combination with reported IFRS measures, provide helpful supplementary information for investors. These alternative performance measures are not a substitute for or superior to IFRS measures and should be used in conjunction with reported IFRS measures. Further, these alternative performance measures, as defined by the Group, may not be comparable to other similarly titled measures used by other groups.

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

EBIT
EBIT is defined as Net income excluding financial income, financial expenses and Income taxes, that is operating income presented in the income statement. EBIT presents the operating income of Volvo Car Group.

EBIT margin
EBIT margin is defined as EBIT as a percentage of revenue. The EBIT margin presents the profitability of the operation in relation to the recognised revenue earned by Volvo Car Group during the accounting period.

EBITDA
EBITDA is defined as EBIT excluding depreciation and amortisation of non-current assets. EBITDA presents an overview of the profitability of Volvo Car Group operations.

EBITDA margin
EBITDA margin is EBITDA as a percentage of revenue. The EBITDA margin presents the profitability of the operation in relation to the recognised revenue earned by the Group during the accounting period.

Return on invested capital, ROIC
ROIC is defined as EBIT divided by invested capital. Return on invested capital ratio gives an overview of how efficient Volvo Car Group is at allocating capital to profitable investments. Invested capital is the amount of net assets needed in day to day operations (total assets less receivables on parent company less other long-term securities holding less cash and cash equivalents less marketable securities plus operating cash (average two-year revenue*10 per cent) less total current liabilities less current liabilities to parent company plus total current interest-bearing liabilities (including liabilities to credit institutions, bonds current, other current interest bearing liabilities) calculated on two-year average figures.

Equity ratio
The equity ratio is defined as total equity divided by total assets in the balance sheet. This measures the Volvo Car Group's long-term solvency and financial leverage level.

Net cash
Net cash is defined as cash, cash equivalents and marketable securities less liabilities to credit institutions, bonds and other interest-bearing non-current liabilities (excluding non-current lease liabilities). Net cash represents Volvo Car Group's ability to meet its financial obligations.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

	First six months 2021	**First six months** 2020	Full year 2020
Revenue	141,131	111,759	262,833
Cost of Sales	–111,020	–94,480	–216,813
Research and development expenses	–7,148	–5,978	–11,362
Operating income, EBIT	13,238	–989	8,516
Net income	9,627	–1,171	7,788
EBITDA	20,918	6,819	22,965
EBIT margin %	9.4	–0.9	3.2
EBITDA margin %	14.8	6.1	8.7
Gross Margin	21.3	15.5	17.5
Equity ratio %	28.9	26.7	26.8
Net cash	24,090	11,781	35,241
Return on invested capital, ROIC	19.5	7.0	8.4

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES, CONTINUED

Operating income, EBIT/EBIT margin, %	First six months 2021	First six months 2020	Full year 2020
Operating income, EBIT	13,238	–989	8,516
Revenue	141,131	111,759	262,833
EBIT margin	**9.4**	**–0.9**	**3.2**

EBITDA/EBITDA margin, %	First six months 2021	First six months 2020	Full year 2020
Operating income, EBIT	13,238	–989	8,516
Depreciation and amortisation of non-current assets	7,680	7,808	14,449
EBITDA	20,918	6,819	22,965
Revenue	141,131	111,759	262,833
EBITDA margin	**14.8**	**6.1**	**8.7**

Gross margin, %	First six months 2021	First six months 2020	Full year 2020
Gross income	30,111	17,279	46,020
Revenue	141,131	111,759	262,833
Gross margin	**21.3**	**15.5**	**17.5**

Operating cash	First six months 2021	First six months 2020	Full year 2020
Average two-year revenue* 10%	27,399	25,784	26,848
Operating cash	**27,399**	**25,784**	**26,848**

Invested capital[1)]	First six months 2021	First six months 2020	Full year 2020
Total assets	244,573	234,819	252,840
Receivables on parent company	–27	–54	–27
Other long term securities holding	–1,082	–318	–1,373
Cash and cash equivalents	–45,869	–41,775	–56,795
Marketable securities	–2,832	–2,380	–5,803
Operating cash	27,399	25,784	26,848
Total current liabilites	–114,990	–110,901	–121,168
Current liabilties to parent company	—	—	—
Total current interest-bearing liabilities	9,491	6,397	6,934
Total invested capital	**116,663**	**111,572**	**101,457**

1) Calculated on two-year average figures.

Return on invested capital, ROIC, %	First six months 2021	First six months 2020	Full year 2020
EBIT (Last twelve months)	22,743	7,795	8,516
Invested capital	116,663	111,572	101,457
Return on invested capital, ROIC, %	**19.5**	**7.0**	**8.4**

Equity ratio	June 30, 2021	Dec 31,2020
Total equity	73,190	70,418
Total assets	253,543	262,312
Equity ratio, %	**28.9**	**26.8**

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES, CONTINUED

Net cash	June 30, 2021	Dec 31, 2020
Cash and cash equivalents	48,450	61,592
Marketable securities	5,140	8,087
Liabilities to credit institutions (non-current)	–2,767	–5,882
Bonds (non-current)	–18,107	–20,950
Other interest-bearing non-current liabilities[2)]	–84	–84
Liabilities to credit institutions (current)	–5,545	–2,512
Bonds (current)[1)]	–2,997	–5,010
Net cash[2)]	**24,090**	**35,241**

1) The bonds are presented above at amortised cost. The MEUR 500 fixed interest rate bond issued in May 2016 (matured in May 2021), was hedged into a variable interest rate bond, hence a part of the bond was valued at fair value through the income statement and the remaining part was valued at amortised cost. As at Dec 31, 2020 the fair value component amounted to MSEK 7.
2) The net cash calculation excludes current MSEK –1,247 (–1,160) and non-current MSEK –5,003 (–4,731) financial liabilities related to IFRS 16.

Other measures presented by Volvo Car Group

Other measures presented and disclosed in this interim report are used internally by management. The Group believes that these measures provide helpful supplementary information for investors. The measures are not a substitute for or superior to the Alternative performance measures or IFRS measures and should be used in conjunction with reported Alternative performance measures and IFRS measures. Further, the measures, as defined by the Group, may not be comparable to other similarly titled measures used by other groups.

Liquidity

Liquidity is defined as cash, cash equivalents, undrawn credit facilities and marketable securities.

Liquidity	June 30, 2021	Dec 31, 2020
Cash and cash equivalents	48,450	61,592
Undrawn credit facilities	13,147	24,700
Marketable securities	5,140	8,087
Liquidity	**66,737**	**94,379**

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 22, 2021

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 30, 2021 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 procedures 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 22, 2021

Deloitte AB

Jan Nilsson
Authorized Public Accountant

The publication date of the Volvo Car Group interim report for the full year 2021 is yet to be decided.

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