Volvo Group

FOCUSED ACTIVITIES IN Q3

Colleagues – health and safety first

Customers – support
• Secure customer uptime
• Successful ramp-up of supply chain and production
• Reduced contract modifications in Financial Services

Cash – protect the Group
• New and used inventories at good levels
• Minimize CAPEX
• Good liquidity

Cost – turning temporary into permanent cost reductions
Volvo Group
THIRD QUARTER HIGHLIGHTS

- Net sales: Trucks: -20% (excl. FX)  CE: +6%  Services: -1%

- Good volume flexibility in supply chain and production

- OPEX: -26% (R&D cash, Selling & Admin)

- Adjusted operating margin: 9.4% (11.0)

- Operating cash flow in Industrial Operations amounted to SEK 11.7 bn (1.8)

* For information on adjustments, see note 7 in the quarterly report
Volvo Group

VOLUME DEVELOPMENT IN THE THIRD QUARTER

TRUCK DELIVERIES
k units HD/MĐ
12 months 152,203 units

MACHINE DELIVERIES
k units HD/MĐ
12 months 89,426 units

-30%
+20%
Volvo Group

SERVICE SALES DEVELOPMENT

SERVICE SALES, Industrial Operations
SEK bn

12 months SEK 80.6 bn

-8%
-1% excl. FX

20.0
21.2
19.4

Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3

TRUCKS
CONSTRUCTION EQUIPMENT
BUSES
VOLVO PENTA

Excl. FX: -1% 0% -31% 11%
Trucks
These forecasts are based on current visibility, which is low. Uncertainty about the market development is significant due to the ongoing COVID-19 pandemic.
Trucks
HD/MD: QUARTERLY ORDERS 56% AND DELIVERIES -30%

NORTH AMERICA

Orders +150%
 Deliveries -57%

Orders +140%
 Deliveries -33%

EUROPE

Orders +21%
 Deliveries -17%

AFRICA AND OCEANIA

Orders +65%
 Deliveries -20%

Orders +19%
 Deliveries -10%

SOUTH AMERICA

ASIA

Volvo Group
Third quarter 2020
8 2020-10-18
Trucks
MARKET SHARES

NORTH AMERICA
YTD Sep
9.3 9.5
Volvo Mack
6.8 7.0

EUROPE
EU28, YTD Aug
15.3 15.8
Volvo Renault Trucks
8.6 8.7

JAPAN
YTD Sep
17.7 16.6
UD

BRAZIL
YTD Sep
21.3 22.3
Volvo

SOUTH AFRICA
YTD Aug
21.8 18.8
Volvo UD
9.5 9.7

AUSTRALIA
YTD Sep
17.4 17.8
Volvo Mack UD
8.3 7.2 3.1 4.9
Trucks

- Further steps to lead in electrification:
  - Volvo VNR electric for North America
    - In operation with customers today
    - Serial production starting 2021
  - Mack LR electric for North America
    - In-service trials at New York Department of Sanitation and Republic Services
    - Serial production in 2021
- Successful launch of new Volvo range
  - New Volvo FH/FM/FMX range for Europe and International markets well received by our customers
  - Latest generation Volvo FH with I-Save saving up to 10% fuel
Construction Equipment

MARKET ENVIRONMENT

**NORTH AMERICA**
- Forecast 2020: -25% to -15%
- Forecast 2021: 0% to +10%

**EUROPE**
- Forecast 2020: -20% to -10%
- Forecast 2021: 0% to +10%

**CHINA**
- Forecast 2020: +20% to +30%
- Forecast 2021: -15% to -5%

**SOUTH AMERICA**
- Forecast 2020: 0% to +10%
- Forecast 2021: +10% to +20%

**ASIA (excl. China)**
- Forecast 2020: -20% to -10%
- Forecast 2021: 0% to +10%

These forecasts are based on current visibility, which is low. Uncertainty about the market development is significant due to the ongoing COVID-19 pandemic.
Construction Equipment

QUARTERLY ORDERS 40% AND DELIVERIES 20%

NORTH AMERICA

Orders: +30%
Deliveries: -17%

SOUTH AMERICA

Orders: +66%
Deliveries: +4%

AFRICA AND OCEANIA

Orders: +28%
Deliveries: +24%

EUROPE

Orders: +28%
Deliveries: -15%

ASIA

Orders: +44%
Deliveries: +43%
Construction Equipment

- First electric compact machines being delivered to customers in November
- Further concentrating on core product segments - North American Blawnox paver range divested
Buses

- Orders decreased with 21%
- Deliveries decreased with 45%
- Further step taken towards a circular economy:
  - Global agreement with Stena/Batteryloop signed regarding reuse of batteries
- Further strengthening the combined Volvo and Eicher business by transferring of Volvo's Indian operation to VECV
Volvo Penta

- Orders increased with 3%
- Deliveries decreased with 2%
- Service sales +11% following high boating activity
- Rosenbauer’s electric fire truck with Volvo Penta driveline entering customer trials in Amsterdam, Berlin and Dubai
Financial Services

- Increased transport and construction activity improving customers' financial situation
- Reduced number of modification requests
- Penetration continues to improve

PENETRATION RATE, %
12 months moving

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trucks</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>Volvo CE</td>
<td>34</td>
<td>36</td>
</tr>
<tr>
<td>Buses</td>
<td>15</td>
<td>26</td>
</tr>
<tr>
<td>Volvo Group</td>
<td>24</td>
<td>30</td>
</tr>
</tbody>
</table>
Volvo Group

NET SALES PER MARKET

NET SALES
SEK bn

98.7
-5.1
-12.1
-3.1
0.0
-1.6
76.9

Q3 2019  Europe  North America  South America  Asia  Africa and Oceania  Q3 2020

Currency SEK -6.3 bn
## Volvo Group

### Adjusted Operating Income Contributors

**Adjusted Operating Income**

<table>
<thead>
<tr>
<th>Q3 2019</th>
<th>Gross Income</th>
<th>Cash R&amp;D</th>
<th>Net R&amp;D Cap./Amo.</th>
<th>Selling</th>
<th>Admin</th>
<th>Other</th>
<th>Q3 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10,885</td>
<td>-6,089</td>
<td>886</td>
<td>-425</td>
<td>2,319</td>
<td>266</td>
<td>-625</td>
</tr>
</tbody>
</table>

**Currency SEK -1.5 bn**

**For information on adjustments, see note 7 in the quarterly report**

- Selling and Admin
- Cash R&D
- Volume flexibility

- Vehicle volumes
- Capacity utilization
- R&D Cap./Amo.
Trucks

NET SALES AND ADJUSTED OPERATING INCOME

**NET SALES**
- SEK bn
- 12 months SEK 214.5 bn
- -20% (excl. FX -20%)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net Sales (SEK bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2019</td>
<td>60.7</td>
</tr>
<tr>
<td>Q4 2019</td>
<td>64.4</td>
</tr>
<tr>
<td>Q1 2020</td>
<td>64.4</td>
</tr>
<tr>
<td>Q2 2020</td>
<td>47.7</td>
</tr>
</tbody>
</table>

**ADJUSTED OPERATING INCOME**
- SEK bn
- Q3 2019: 7.5
- Q3 2020: 4.5

**ADJUSTED OPERATING INCOME (margin)**
- SEK bn
- 12 months: 7.2% Currency SEK -0.8 bn

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Adjusted Operating Income (SEK bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2019</td>
<td>7.5</td>
</tr>
<tr>
<td>Q4 2019</td>
<td>6.8 (11.1%)</td>
</tr>
<tr>
<td>Q1 2020</td>
<td>7.5 (11.6%)</td>
</tr>
<tr>
<td>Q2 2020</td>
<td>4.5 (9.5%)</td>
</tr>
</tbody>
</table>

*For information on adjustments, see note 7 in the quarterly report*
Construction Equipment

NET SALES AND ADJUSTED OPERATING INCOME

**NET SALES**

- SEK bn
- 12 months SEK 80.4 bn
- -2% (excl. FX +6%)

**ADJUSTED OPERATING INCOME***

- SEK bn
- Q3 2019: 2.2
- Q3 2020: 2.0
- + Machine volumes + Selling and Admin
- - VAT credits impairment in Brazil

**ADJUSTED OPERATING INCOME** (margin)*

- SEK bn
- Q3 2019: 13.9%
- Q3 2020: 12.2%
- 12 months 12.0% Currency SEK -0.4 bn

* For information on adjustments, see note 7 in the quarterly report
Volvo Buses and Volvo Penta

**ADJUSTED OPERATING INCOME**

**Volvo Buses Adjusted Operating Income (margin)**
- 12 months -0.6%
- Currency SEK -168 M

**Q3**
- 254 (4.4%)

**Q4**
- 343 (4.5%)

**Q1**
- 240 (5.2%)

**Q2**
- 230 (5.1%)

**Q3**
- 220 (4.9%)

**Volvo Penta Adjusted Operating Income (margin)**
- 12 months 13.4%
- Currency SEK -103 M

**Q3**
- 630 (19.6%)

**Q4**
- 399 (12.7%)

**Q1**
- 570 (18.6%)

**Q2**
- 450 (14.7%)

**Q3**
- 320 (10.6%)

- **Cost reductions**
- **Service volumes**
- **Vehicle volumes**

*For information on adjustments, see note 7 in the quarterly report*
Financial Services
CREDIT PORTFOLIO AND PROFITABILITY

NEW RETAIL FINANCING
SEK bn
- 12 months SEK 77.5 bn

<table>
<thead>
<tr>
<th>Quarter</th>
<th>SEK bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>17.2</td>
</tr>
<tr>
<td>Q4</td>
<td>19.3</td>
</tr>
<tr>
<td>Q1</td>
<td>17.9</td>
</tr>
<tr>
<td>Q2</td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td></td>
</tr>
</tbody>
</table>

ADJUSTED OPERATING INCOME*
SEK M
- 12 months SEK 1,790 M
- Currency SEK -75 M

<table>
<thead>
<tr>
<th>Quarter</th>
<th>SEK M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>621</td>
</tr>
<tr>
<td>Q4</td>
<td>774</td>
</tr>
<tr>
<td>Q1</td>
<td>423</td>
</tr>
<tr>
<td>Q2</td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td></td>
</tr>
</tbody>
</table>

CREDIT PORTFOLIO & ROE
SEK bn
- Adj. ROE 12 months 9.6%

<table>
<thead>
<tr>
<th>Quarter</th>
<th>SEK bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>142</td>
</tr>
<tr>
<td>Q4</td>
<td>171</td>
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<tr>
<td>Q1</td>
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<tr>
<td>Q2</td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>157</td>
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</tbody>
</table>

* For information on adjustments, see note 7 in the quarterly report.
Q&A

Volvo Group Capital Markets Day
November 5, 14:00-16:30 CET
Virtual event