

REPORT ON THE THIRD QUARTER 2016



- » In Q3 2016 net sales decreased by 6% to SEK 68.8 billion (73.3). When adjusted for currency movements and acquired and divested units the sales decrease was also 6%.
- » Adjusted operating income in Q3 2016 amounted to SEK 4,846 M (5,087), corresponding to an operating margin of 7.0% (6.9). Adjusted operating income excludes a provision for the settlement with the European Commission of SEK 190 M in Q3 2016 and restructuring charges of SEK 434 M in Q3 2015.
- » Currency movements had a negative impact on operating income of SEK 45 M.
- » Operating cash flow in the Industrial Operations was positive in an amount of SEK 2.1 billion (neg. 3.3).

SEK M unless otherwise stated	Third quarter		First nine months	
	2016	2015	2016	2015
Net sales	68,758	73,309	219,355	232,879
Adjusted operating income ¹	4,846	5,087	15,434	15,662
Adjusted operating margin, %	7.0	6.9	7.0	6.7
Operating income	4,656	4,653	13,795	18,808
Operating margin, %	6.8	6.3	6.3	8.1
Income after financial items	4,120	4,188	12,872	16,517
Income for the period	2,612	3,073	8,391	12,502
Diluted earnings per share, SEK	1.27	1.51	4.10	6.14
Operating cash flow in Industrial Operations, SEK bn	2.1	-3.3	-1.3	3.6
Return on shareholders' equity, 12 months rolling, %			12.7	11.7
Net order intake, number of trucks	39,480	42,648	134,948	148,969
Deliveries, number of trucks	41,155	47,338	139,935	151,277
Net order intake, number of construction equipment	9,237	7,898	32,875	35,298
Deliveries, number of construction equipment	9,731	9,754	33,667	35,743

¹ Adjusted operating income excludes a provision for the settlement with the European Commission of SEK 190 M in Q3 2016 and restructuring charges of SEK 434 M in Q3 2015. For more information on adjusted operating income, please see note 6.

CEO'S COMMENTS

Maintained margins despite declining sales – continuous improvements and cost control in focus



In the third quarter, profitability improved slightly as better underlying performance offset the impact from lower volumes. Sales decreased by 6% to SEK 69 billion. The adjusted operating income amounted to SEK 4.8 billion, corresponding to an operating margin of 7.0% due to a positive cost development and a strong European truck market.

Volumes in our truck business were down in all markets except Europe where activity remained high. Total deliveries of trucks decreased by 13%. The downward correction in the North American market continued and there is still a need to take down dealer inventories. Production volumes have gradually been adjusted downwards to meet the lower demand and further steps will be taken. Expectations of unit growth in other truck markets are limited and therefore focus will be on the service business and continuous improvements. The truck business continued to improve its profitability and the adjusted operating margin increased to 8.2% despite 13% lower volumes.

In September, IAA, Europe's leading trade show for transport and logistics took place. During the show, the Volvo FH was awarded first position in the prestigious Fehrenkötter-test, with victories in both fuel consumption and total cost of ownership. The multi-brand test stretches over 2.5 years in real-life customer operations and shows a leading position for Volvo FH in Euro 6-execution.

During the quarter Volvo's fully autonomous truck was the first in the world to be tested in operations deep underground in the Kristineberg Mine in Sweden. The self-driving truck is part of a development project aimed at improving the transport flow and safety in the mine.

Volvo CE operates in a market with continued low demand. Deliveries are the same as last year's third quarter but sales are down 3%. Operating margin improved slightly to 5.2% despite flat volumes and an un-favorable product mix. On the positive side orders increased slightly across all regions but from low levels in the BRIC regions. We see no immediate increase of demand and continue the internal work to focus on Volvo CE's strongholds. During the quarter Volvo CE displayed a range of innovations such as a hybrid wheel

loader with the potential to improve fuel efficiency by up to 50% and autonomous wheel loader and hauler prototypes.

Volvo Buses' deliveries were down by 7% in the quarter and while the development was good in Europe, deliveries in Asia and South America declined. The profitability decreased slightly, impacted by negative currency development. Volvo Buses also had a successful week at IAA and showed several new features such as Volvo Dynamic Steering, which benefits the driver by facilitating the operation of the bus. In addition, the market leading range of sustainable public transport solutions attracted a lot of interest.

Volvo Penta continues to have a good performance with a strong operating margin of 14.5%. This is largely due to a strong development in Europe and innovative products, giving Volvo Penta a competitive edge in the market.

Volvo Financial Services is reinforcing activities to deliver bundled solutions to the customer. This is further leveraging VFS contribution to grow the Group's service business. The credit portfolio continued to perform well and VFS had a return on equity of 13.3%.

Given current market conditions we will continue to have strong focus on cost control and optimized utilization of our regional value-chains.

The outlined strategy, with Brand and Business Area driven organizations with decentralized accountability, continues to develop according to expectations. The aim is to get even more customer-centric organizations by capturing the service potential, simplifying our business portfolios and driving efficiency and motivation through continuous improvements.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE THIRD QUARTER 2016

Net sales

In the third quarter of 2016, the Volvo Group's net sales decreased by 6% to SEK 68,758 M (73,309). Adjusted for currency movements and acquired and divested operations, net sales decreased by 6% compared with the previous year.

Vehicle sales decreased by 10% adjusted for currency movements. The decrease was primarily an effect of the slowdown in the North American truck market, which was partly counterbalanced by improving demand for the Group's products in Europe. Adjusted for currency movements, service sales increased by 1%.

Operating income

Adjusted operating income in Q3 2016 amounted to SEK 4,846 M (5,087), corresponding to an operating margin of 7.0% (6.9). Adjustments in Q3 2016 refer to a provision

related to the settlement of the EU competition investigation amounting to SEK 190 M and in Q3 2015 to restructuring charges of SEK 434 M.

The lower adjusted operating income is primarily an effect of lower sales of new vehicles when compared to the third quarter of 2015. This was partly off-set by a positive market mix with higher volumes in Europe, SEK 173 M lower selling and administrative expenses, lower material costs, higher earnings in the service business as well as SEK 208 M lower R&D expenses as a consequence of higher capitalization. Earnings were also impacted positively by lower credit losses in China, amounting to SEK 96 M (293) in Volvo CE. Unfavorable currency movements compared to the same quarter last year had a negative impact of SEK 45 M.

Reported operating income in Q3 2016 amounted to SEK 4,656 M (4,653).

Net sales by market area SEK M	Third quarter		Change %	First nine months		Change %
	2016	2015		2016	2015	
Europe	29,280	27,137	8	94,695	87,431	8
North America	18,057	24,851	-27	60,939	77,232	-21
South America	4,012	4,320	-7	10,507	12,492	-16
Asia	12,886	12,163	6	39,810	40,320	-1
Africa and Oceania	4,523	4,837	-6	13,404	15,405	-13
Total	68,758	73,309	-6	219,355	232,879	-6
Of which:						
Vehicles ¹	49,054	54,608	-10	162,013	176,345	-8
Services	16,960	16,552	2	49,653	49,808	0
Financial Services revenue	2,823	2,825	0	8,248	8,439	-2
Eliminations	-80	-676	88	-559	-1,713	67

¹ Including construction equipment machines and Volvo Penta engines

Consolidated Income Statement, Volvo Group SEK M	Third quarter		First nine months	
	2016	2015	2016	2015
Net sales	68,758	73,309	219,355	232,879
Cost of sales	-52,573	-56,042	-168,386	-178,896
Gross income	16,184	17,266	50,969	53,983
Research and development expenses	-3,289	-3,497	-10,413	-11,524
Selling expenses	-6,375	-6,460	-19,563	-20,560
Administrative expenses	-1,135	-1,223	-3,843	-4,240
Other operating income and expenses	-810	-1,348	-3,496	-3,411
Income/loss from investments in Joint Ventures and associated companies	61	-75	39	-43
Income from other investments	20	-10	103	4,603
Operating income	4,656	4,653	13,795	18,808
Interest income and similar credits	65	58	186	204
Interest expenses and similar charges	-497	-568	-1,380	-1,683
Other financial income and expenses	-103	45	272	-811
Income after financial items	4,120	4,188	12,872	16,517
Income taxes	-1,509	-1,115	-4,481	-4,015
Income for the period *	2,612	3,073	8,391	12,502
* Attributable to:				
Equity holders of the parent company	2,589	3,071	8,333	12,469
Minority interests	23	3	58	33
	2,612	3,073	8,391	12,502
Basic earnings per share, SEK	1.27	1.51	4.10	6.14
Diluted earnings per share, SEK	1.27	1.51	4.10	6.14

Financial items

Compared with the third quarter of 2015, net interest expense decreased primarily due to lower outstanding debt. Net interest expense amounted to SEK 432 M (510). Net interest expense in the second quarter 2016 amounted to SEK 374 M.

In the third quarter of 2016 other financial income and expenses amounted to SEK -103 M (45). Compared with the previous year Other financial income and expenses were negatively impacted by revaluation of financial assets and liabilities which was partly off-set by a positive realized result and unrealized revaluations of derivatives.

Income taxes

In the third quarter 2016 the tax expense amounted to SEK 1,509 M (1,115) corresponding to a tax rate of 37% (27). The tax expense was affected by a negative revaluation of tax assets of SEK 288 M and the fact the provision of SEK 190 M for the EU competition investigation not being tax deductible.

Income for the period and earnings per share

In the third quarter of 2016 income for the period amounted to SEK 2,612 M (3,073). Diluted earnings per share amounted to SEK 1.27 (1.51).

Operating cash flow in the Industrial Operations

In the third quarter of 2016 operating cash flow in the Industrial Operations was positive in an amount of SEK 2.1 billion (neg. 3.3). The positive cash flow primarily came from operating income, which was partly off-set by a seasonal increase in working capital during the vacation period. The improvement compared to Q3 2015 is primarily due to a lower seasonal reduction of trade payables this year.

Volvo Group financial position

At the end of the third quarter net financial debt, excluding provisions for post-employment benefits, in the Industrial Operations amounted to SEK 7.0 billion, a decrease of SEK 2.0 billion compared to the end of the second quarter and equal to 9.0% of shareholders' equity. Including provisions for post-employment benefits, the Industrial Operations' net financial debt amounted to SEK 26.4 billion which is equal to 33.8% of shareholders' equity. The change is mainly explained by a positive operating cash flow of SEK 2.1 billion in the quarter, reduced by remeasurements of the defined benefit pension obligations of SEK 1.5 billion. The increase in the defined benefit obligations is an effect of a decrease in the discount rates, mainly in Sweden and the UK. During the third quarter, currency movements increased net financial debt by SEK 0.7 billion.

Total assets in the Volvo Group have increased by SEK 23.3 billion since year-end 2015 whereof SEK 20.1 billion is related to currency effects from revaluation of assets in foreign subsidiaries.

At the end of the third quarter the shareholders' equity for the Volvo Group amounted to SEK 88.8 billion compared to SEK 85.6 billion at year-end 2015. The equity ratio was 22.3% compared to 22.9% on December 31, 2015. At the same date the equity ratio in the Industrial Operations amounted to 28.1% (28.6).

Number of employees

On September 30, 2016 the Volvo Group had 96,664 employees including temporary employees and consultants, which was a decrease of 2,837 employees compared with December 31, 2015 and 5,744 employees compared with a year ago.

Number of employees	Sep 30 2016	Jun 30 2016	Mar 31 2016	Dec 31 2015	Sep 30 2015
Blue-collar	47,123	47,768	46,825	47,368	49,328
Of which temporary employees and consultants	5,911	6,060	4,977	4,341	5,528
White-collar	49,541	49,522	51,819	52,133	53,080
Of which temporary employees and consultants	6,147	6,055	6,806	6,696	6,841
Total number of employees	96,664	97,290	98,644	99,501	102,408
Of which temporary employees and consultants	12,058	12,115	11,783	11,037	12,369

BUSINESS SEGMENT OVERVIEW

Net sales	Third quarter		Change	Change	First nine months		Change	Change	12 months	Jan-Dec
SEK M	2016	2015	%	%¹	2016	2015	%	%¹	rolling	2015
Trucks	45,757	50,182	-9	-10	146,106	158,900	-8	-7	201,184	213,978
Construction Equipment	11,539	11,884	-3	-2	37,620	40,041	-6	-3	48,588	51,008
Buses	5,371	5,492	-2	0	17,363	16,291	7	10	24,652	23,580
Volvo Penta	2,465	2,344	5	5	7,484	7,177	4	6	9,712	9,406
Group Functions & Other	1,446	1,843	-22	1	5,089	5,611	-9	6	7,824	8,346
Eliminations	-564	-585	4	4	-1,997	-1,868	-7	-7	-2,865	-2,736
Industrial Operations	66,014	71,160	-7	-7	211,666	226,153	-6	-4	289,095	303,582
Financial Services	2,823	2,825	0	0	8,248	8,439	-2	1	11,008	11,199
Reclassifications and eliminations	-80	-676	88	88	-559	-1,713	67	67	-1,112	-2,265
Volvo Group	68,758	73,309	-6	-6	219,355	232,879	-6	-4	298,991	312,515

¹ Adjusted for exchange rate fluctuations and acquired and divested units.

Adjusted operating income ¹	Third quarter		Change	First nine months		Change	12 months	Jan-Dec
SEK M	2016	2015	%	2016	2015	%	rolling	2015
Trucks	3,756	3,615	4	12,719	11,795	8	17,093	16,169
Construction Equipment	601	576	4	1,753	2,281	-23	1,562	2,090
Buses	232	337	-31	604	552	9	897	845
Volvo Penta	358	316	13	1,113	962	16	1,253	1,102
Group Functions & Other	-634	-266	-138	-2,246	-1,399	-61	-2,819	-1,973
Eliminations	6	8	-25	-28	-1		-33	-6
Industrial Operations	4,318	4,586	-6	13,915	14,190	-2	17,954	18,229
Financial Services	528	501	5	1,519	1,472	3	2,053	2,006
Volvo Group	4,846	5,087	-5	15,434	15,662	-1	20,007	20,235
Adjustments ¹	-190	-434	56	-1,639	3,146	-152	-1,701	3,084
Volvo Group operating income	4,656	4,653	0	13,795	18,808	-27	18,306	23,318

¹ For more information on adjusted operating income, please see note 6.

Adjusted operating margin	Third quarter		First nine months		12 months	Jan-Dec
%	2016	2015	2016	2015	rolling	2015
Trucks	8.2	7.2	8.7	7.4	8.5	7.6
Construction Equipment	5.2	4.8	4.7	5.7	3.2	4.1
Buses	4.3	6.1	3.5	3.4	3.6	3.6
Volvo Penta	14.5	13.5	14.9	13.4	12.9	11.7
Industrial Operations	6.5	6.4	6.6	6.3	6.2	6.0
Volvo Group	7.0	6.9	7.0	6.7	6.7	6.5
Volvo Group operating margin	6.8	6.3	6.3	8.1	6.1	7.5

TRUCKS

Sustained profitability on lower volumes

- » Good demand in Europe, further weakened in North America and continued low in Brazil
- » Profitability sustained – adjusted operating margin of 8.2% (7.2) in spite of volumes being down by 13%
- » Volvo FH overall winner in the prestigious Fehrenkötter-test based on best fuel economy and lowest cost of ownership



Market development

During the third quarter the truck market in Europe continued to develop favorably. As of August registrations in Europe 28 increased by 17% compared with the previous year (Europe 28 excludes the UK, which from the third quarter no longer publish recent registration data). Demand for transport continued to be good, resulting in high capacity utilization of the truck fleets and good customer profitability. Demand for new trucks was also driven by some customers renewing their truck fleets. Demand for trucks in Europe is expected to cool down next year, but to still be on a good level.

North American heavy-duty truck manufacturers continued in a correction mode in the third quarter, lowering production in response to reduced replacement demand and elevated inventories of new and used trucks. While decent economic conditions prevail, retail deliveries are down 19% through September compared to the very strong market in 2015. Virtually the entire decline was registered in the highway tractor segments. It is expected that new retail truck deliveries for North America will finish at around 240,000 for 2016 and come down to 215,000 in 2017.

Through September registrations of heavy-duty trucks in Brazil declined by 29%. However, the market seems to be bottoming out at around 30,000 trucks in 2016. The recovery is expected to be slow and gradual as there is excess capacity in the freight industry and limited replacement need.

In India registrations of heavy-duty trucks rose by 9% through September, driven by continuous good economic activity and good business confidence. The positive development is expected to continue throughout the remainder of 2016 as well as during 2017 and result in an Indian total market that continues to grow.

The Chinese total market for heavy-duty trucks increased by 20% and medium-duty by 17% through September 2016. The Chinese market is expected to have bottomed out and is predicted to recover slowly next year.

In Japan, demand remained good in the first three quarters. Registrations of medium- and heavy-duty trucks increased somewhat compared to the same quarter last year. The Japanese market is assessed as being stable on good levels during the remainder of 2016 as well as in 2017.

Total market development	First nine months		Change %	Full year 2015	Forecast 2016	Change vs. previous forecast	Forecast 2017
	2016	2015					
Registrations, number of trucks							
Europe 28 ¹ heavy-duty (as of Aug)	174,895	149,051	17	270,000	295,000	+5,000	280,000
North America heavy-duty	185,114	228,246	-19	301,700	240,000	unchanged	215,000
Brazil heavy-duty	22,850	32,020	-29	41,600	30,000	unchanged	35,000
China heavy-duty	492,303	408,798	20	550,700	640,000	+30,000	640,000
China medium-duty	158,918	135,606	17	200,400	230,000	+20,000	230,000
India heavy-duty	170,960	157,074	9	209,900	250,000	unchanged	290,000
India medium-duty	56,445	49,225	15	68,200	80,000	unchanged	100,000
Japan heavy-duty	35,929	34,249	5	44,500	45,000	unchanged	45,000
Japan medium-duty	35,408	34,562	2	45,200	45,000	unchanged	45,000

¹From the third quarter registration is no longer available for the UK. Registrations for Europe 28 for the first three quarters 2016 and 2015 include Norway and Switzerland but exclude the UK and Bulgaria. The UK reported 36,238 registered trucks for the full year 2015. Note! Forecast for 2016 and 2017 as well as full year registrations for 2015 include the UK and Bulgaria.

Net order intake per market area		Third quarter		Change	First nine months		Change
Number of trucks		2016	2015	%	2016	2015	%
Europe		19,868	18,715	6	73,058	67,219	9
North America		6,764	10,745	-37	23,123	40,564	-43
South America		2,958	2,176	36	6,967	6,722	4
Asia		7,256	7,556	-4	22,753	24,751	-8
Africa and Oceania		2,634	3,456	-24	9,047	9,713	-7
Total orders		39,480	42,648	-7	134,948	148,969	-9
Heavy duty (>16 tons)		33,484	35,489	-6	110,760	125,778	-12
Medium duty (7-16 tons)		2,963	2,766	7	10,798	10,433	3
Light duty (<7 tons)		3,033	4,393	-31	13,390	12,758	5
Total orders		39,480	42,648	-7	134,948	148,969	-9
Volvo		21,649	23,550	-8	72,090	81,462	-12
UD		4,764	4,626	3	15,466	15,954	-3
Renault Trucks		9,164	9,905	-7	35,804	35,643	0
Mack		3,903	4,567	-15	11,588	15,910	-27
Total orders		39,480	42,648	-7	134,948	148,969	-9
Non-consolidated operations							
VE Commercial Vehicles (Eicher)		10,712	11,341	-6	33,840	33,993	0

Orders and deliveries

Total net orders decreased by 7% in the third quarter, compared with the third quarter last year, and deliveries declined by 13%.

Orders in Europe increased by 6% with orders for Volvo up 12% whereas orders for Renault Trucks were almost flat. Production in Europe has been adjusted in order to meet the increased order intake earlier in the year and deliveries increased by 11% in the quarter. However, as lead-times now have been reduced to normal levels, production will be slightly adjusted in the fourth quarter.

In North America order intake declined by 37% compared to the same quarter last year and deliveries came down by 46% in total. The decline in both orders and deliveries compared with 2015 was caused by the market correction and dealers focusing on reducing their inventories. Production in the Group's North American manufacturing system was lowered in the quarter and will be further reduced in the fourth quarter to allow for further inventory reduction at dealers.

Order intake in South America increased by 36% in the third

quarter, although from low levels, reflecting some improvement in export related segments of the market as well as dealers exiting a period of destocking. Deliveries were down 21% as a consequence of the continuous unstable demand in the Brazilian market.

In Asia order intake decreased by 4% in the third quarter. Deliveries were down 3%, primarily driven by lower deliveries of Volvo Trucks in Asia.

Net sales and operating income

During the third quarter of 2016, the truck operation's net sales amounted to SEK 45,757 M, which was 9% lower than the third quarter last year. The decrease in sales was mainly driven by lower new vehicle sale in North America. Adjusted for currency movements net sales decreased by 10%, with sales of vehicles decreasing by 13% and service sales by 1%.

Adjusted operating income in the third quarter amounted to SEK 3,756 M (3,615) corresponding to an operating margin of 8.2% (7.2). Adjustments in Q3 2016 refer to an additional

Deliveries per market area		Third quarter		Change	First nine months		Change
Number of trucks		2016	2015	%	2016	2015	%
Europe		20,510	18,408	11	70,161	60,531	16
North America		8,309	15,329	-46	31,088	49,118	-37
South America		2,413	3,060	-21	6,852	7,961	-14
Asia		6,923	7,173	-3	22,740	23,221	-2
Africa and Oceania		3,000	3,368	-11	9,094	10,446	-13
Total deliveries		41,155	47,338	-13	139,935	151,277	-7
Heavy duty (>16 tons)		34,255	40,831	-16	115,802	129,178	-10
Medium duty (7-16 tons)		3,328	3,204	4	11,560	10,789	7
Light duty (<7 tons)		3,572	3,303	8	12,573	11,310	11
Total deliveries		41,155	47,338	-13	139,935	151,277	-7
Volvo		22,353	25,495	-12	74,923	82,865	-10
UD		4,919	4,725	4	15,493	14,914	4
Renault Trucks		9,920	10,495	-5	34,792	33,144	5
Mack		3,963	6,623	-40	14,727	20,354	-28
Total deliveries		41,155	47,338	-13	139,935	151,277	-7
Non-consolidated operations							
VE Commercial Vehicles (Eicher)		10,442	9,373	11	33,394	25,207	32
Dongfeng Commercial Vehicle Company (Dongfeng Trucks) ¹		28,614	24,654	16	78,897	77,395	2

¹ Deliveries as of August 2015 and August 2016.

Net sales and operating income		Third quarter		Change	First nine months		Change
SEK M		2016	2015	%	2016	2015	%
Europe		20,061	18,721	7	65,493	60,611	8
North America		11,556	17,720	-35	39,785	55,614	-28
South America		2,836	3,047	-7	7,528	8,576	-12
Asia		8,073	7,284	11	23,831	23,259	2
Africa and Oceania		3,230	3,410	-5	9,469	10,841	-13
Total net sales		45,757	50,182	-9	146,106	158,900	-8
Of which:							
Vehicles		33,373	37,888	-12	109,536	122,064	-10
Services		12,384	12,294	1	36,570	36,836	-1
Adjusted operating income ¹		3,756	3,615	4	12,719	11,795	8
Adjustments ¹		-190	-368	48	-2,524	3,412	-174
Operating income		3,566	3,247	10	10,195	15,207	-33
Adjusted operating margin, %		8.2	7.2		8.7	7.4	
Operating margin, %		7.8	6.5		7.0	9.6	

¹ For more information on adjusted operating income, please see note 6.

provision of SEK 190 M related to the settlement in the EU competition investigation and in Q3 2015 to restructuring charges of SEK 368 M.

Earnings were positively impacted by a favorable market mix with increased volumes in Europe, higher earnings in the service business, lower selling expenses as a consequence of the efficiency program, lower R&D expenses as a consequence of higher capitalization as well as lower material costs. This was partly off-set by lower sales volumes and the lower capacity utilization in the production system in North America.

Compared with the third quarter of 2015 currency movements had a positive impact of SEK 189 M.

Reported operating income amounted to SEK 3,566 M (3,247).

Events in the quarter

Volvo Group participated in the industry leading trade fair IAA in Hannover, Germany in September. At the fair it was announced that Volvo Trucks had been appointed winner of the prestigious Fehrenkötter-test, which had participation from

seven new Euro-6 trucks of the major European brands. The trucks have been tested for more than 30 months in real-life customer operations. On top of winning the overall evaluation, which focuses on total cost of ownership, the Volvo FH also had the best fuel economy.

Volvo Trucks North America unveiled an innovative SuperTruck concept vehicle in the third quarter, whose combination of advanced aerodynamics, vehicle and powertrain technologies dramatically boosted freight and fuel efficiency. The SuperTruck program was a five-year research and development initiative in collaboration with U.S. Department of Energy (DOE). Volvo Group has recently been selected by DOE to also participate in the second SuperTruck program.

In September Volvo's fully autonomous truck became the first in the world to be tested in operations deep underground in the Kristineberg Mine, Sweden. The self-driving truck is part of a development project aimed at improving the transport flow and safety in the mine. The truck will cover a distance of 7 kilometers, reaching 1,320 meters underground in the narrow mine tunnels.

CONSTRUCTION EQUIPMENT

Continued decline in the global market

- » Lower demand in most markets except Europe and India, stabilization on very low levels in China
- » Slight margin improvement despite flat volumes and unfavorable product mix
- » Showcasing innovations and prototypes in electromobility, automation and connected worksite solutions



Market development

Through August the European market continued its upward trend, rising 8%, mainly driven by a recovery in France as well as growth in Germany and Italy. However, growth in these markets was tempered by a slowdown in the UK as well as a further decline in Russia, from already low levels in 2015.

The North American market was 2% below last year driven by a continued decline in demand for larger machines which was not fully offset by growth in the compact segment. The sharp declines in South America continue with Brazil down 44% due to continued economic uncertainty and low business confidence.

In Asia (excluding China) the total market declined by 4%. Whilst India is continuing to grow strongly, the total market decline was driven by weakness in the Japanese market where Volvo CE is not present. The Chinese market declined by 6%. The excavator segment has showed positive growth since June, while the segment for wheel loaders continues to decline, although at a reduced pace in recent months.

Orders and deliveries

Net order intake in the third quarter increased by 17% compared with the same quarter in 2015, although from low levels. Order intake increased across all regions. In Europe, higher order intake in France and Germany was counterbalanced by lower orders in Norway and Russia.

The increase in North America was partly driven by the launch of compact equipment with Tier IV final compliant engines. In South America the increase in order intake was largely related to SDLG in Brazil.

Order intake in Asia (including China) was 24% higher. This was driven by increased order intake for the Volvo brand in China, mainly for excavators, and the continued strong growth in India as well as increases for SDLG branded products in China and South-East Asia.

In the third quarter, deliveries were at a level similar to last year. Higher deliveries in Europe as well as of SDLG branded products in export markets and in the stabilizing Chinese excavator market were counterbalanced by lower Volvo branded machine sales in the Middle East as well as the Americas.

Total market development	Year-to-date Aug			
	2016	Forecast 2016	Previous forecast	Forecast 2017
Change in % measured in units				
Europe	8	0% to +10%	0% to +10%	-5% to +5%
North America	-2	-10% to 0%	-10% to 0%	-10% to 0%
South America	-36	-35% to -25%	-35% to -25%	-5% to +5%
Asia excl. China	-4	-10% to 0%	-10% to 0%	-5% to +5%
China	-6	-10% to 0%	-15% to -5%	0% to +10%

Net order intake per market area	Third quarter		Change %	First nine months		Change %
	2016	2015		2016	2015	
Number of construction equipment						
Europe	2,603	2,579	1	10,597	10,041	6
North America	1,065	1,003	6	4,197	4,359	-4
South America	420	248	69	744	1,523	-51
Asia	4,527	3,661	24	15,627	17,848	-12
Africa and Oceania	622	407	53	1,710	1,527	12
Total orders	9,237	7,898	17	32,875	35,298	-7

Of which

Volvo	6,285	5,225	20	22,812	23,942	-5
SDLG	2,902	2,643	10	9,955	11,233	-11
Of which in China	2,033	1,965	3	7,759	9,157	-15

Deliveries per market area	Third quarter		Change %	First nine months		Change %
	2016	2015		2016	2015	
Number of construction equipment						
Europe	3,322	3,041	9	11,550	9,740	19
North America	1,179	1,551	-24	4,079	4,697	-13
South America	398	422	-6	834	1,608	-48
Asia	4,328	4,245	2	15,626	18,098	-14
Africa and Oceania	504	495	2	1,578	1,600	-1
Total deliveries	9,731	9,754	0	33,667	35,743	-6
Of which						
Volvo	6,779	7,091	-4	23,604	24,399	-3
SDLG	2,902	2,633	10	9,955	11,221	-11
Of which in China	2,033	1,965	3	7,759	9,157	-15

Net sales and operating income	Third quarter		Change %	First nine months		Change %
	2016	2015		2016	2015	
SEK M						
Europe	4,583	4,247	8	14,846	13,424	11
North America	2,476	3,065	-19	8,258	9,464	-13
South America	400	477	-16	955	1,731	-45
Asia	3,423	3,444	-1	11,588	13,224	-12
Africa and Oceania	657	651	1	1,973	2,198	-10
Total net sales	11,539	11,884	-3	37,620	40,041	-6
Of which:						
Construction Equipment	9,158	9,447	-3	30,624	32,753	-7
Services	2,381	2,437	-2	6,997	7,287	-4
Adjusted operating income ¹	601	576	4	1,753	2,281	-23
Adjustments ¹	-	5	-	-	-87	-
Operating income	601	581	3	1,753	2,195	-20
Adjusted operating margin, %	5.2	4.8		4.7	5.7	
Operating margin, %	5.2	4.9		4.7	5.5	

¹ For more information on adjusted operating income, please see note 6.

Net sales and operating income

In the third quarter of 2016, net sales decreased by 3% to SEK 11,539 M (11,884). Adjusted for currency movements net sales were down by 2%.

Adjusted for currency movements, net sales of machines were 2% lower compared with the third quarter of 2015 while service sales were down by 1%.

Adjusted operating income increased to SEK 601 M (576) corresponding to an operating margin of 5.2% (4.8). Adjustments refer to a reversal of restructuring charges of SEK 5 M in the third quarter of 2015.

Compared to the third quarter of 2015, adjusted operating income was positively impacted by lower costs for credit losses in China amounting to SEK 96 M (293), which was partly off-set by a negative product mix with a larger portion of small machines and unfavorable currency movements in an amount of SEK 104 M.

Reported operating income amounted to SEK 601 M (581).

Events in the quarter

The third quarter saw Volvo Construction Equipment showcase a range of futuristic concepts and innovations, from electromobility to automation and connected worksite solutions, at the company's Xploration Forum, held in Eskilstuna, Sweden. Highlights at the event included the LX1 prototype hybrid wheel loader – a machine with the potential to improve fuel efficiency by up to 50%, and a prototype autonomous wheel loader and articulated hauler working together. The HX1 fully autonomous, electric load carrier concept was also unveiled. The HX1 prototype forms part of an ongoing connected site project that aims to transform the quarry and aggregates industry by reducing carbon emissions by up to 95% and total cost of ownership by up to 25%.

BUSES

Lower volumes impacted profitability

- » Order intake decreased by 7%
- » Adjusted operating margin of 4.3% (6.1)
- » First order for Volvo 7900 Electric



In Europe, the bus market has continued to improve and increased by 10% during the first eight months of 2016, mainly driven by large tender volumes in Norway and high demand in the UK and Southern Europe. The North American market is stable on a good level driven by growth in the economy and federal funds for the transit and commuter coach market. Demand in Brazil remains on very low levels as a consequence of the negative development in the economy. Many Asian markets are affected by lower exports to China and a slowdown in domestic demand.

During the quarter 1,931 buses were delivered compared to 2,080 units in the third quarter of 2015. Order intake totaled 1,987 buses, compared to 2,147 units during the third quarter 2015. The lower deliveries and order intake were mainly driven by the negative market development in Asia and South America.

Major orders in the quarter were 126 double-decker hybrid buses to the UK, 135 buses to San Antonio in the US and 102 units to Taiwan. Volvo Buses also received an order for 4 full electric buses to Luxembourg. This is the first order for the series-produced Volvo 7900 Electric, which reduces energy consumption by 80%.

Net sales decreased by 2% to SEK 5,371 M (5,492).

Adjusted for currency fluctuations, sales were flat when compared with the same period 2015. Adjusted for currency movements vehicle sales decreased by 1%, while service sales increased by 1%.

Buses reported an adjusted operating income of SEK 232 M (337) and a margin of 4.3% (6.1). Adjustments refer to restructuring charges of SEK 9 M in Q3 2015. Earnings were negatively impacted by lower volumes, a negative market and product mix and currency effects. These were partly offset by reduced costs. Compared with the third quarter of 2015, operating income was negatively impacted by changes in currency exchange rates in an amount of SEK 138 M.

Reported operating income amounted to SEK 232 M (328).

During the quarter, Volvo Buses reduced its ownership in Shanghai Sunwin Bus Corporation from 50% to 19.5%, after a unilateral capital increase by the JV-partner SAIC Motor Corporation Limited. Volvo Buses also divested its 40% ownership in Shanghai Green Bus Drive System Ltd to SAIC Motor Corporation Limited.

Net order intake and deliveries	Third quarter		Change %	First nine months		Change %
	2016	2015		2016	2015	
Number of buses						
Total orders	1,987	2,147	-7	6,375	5,763	11
Total deliveries	1,931	2,080	-7	6,766	5,855	16

Net sales and operating income SEK M	Third quarter		Change %	First nine months		Change %
	2016	2015		2016	2015	
Europe	1,628	1,511	8	5,158	4,797	8
North America	2,245	2,437	-8	7,795	7,399	5
South America	410	448	-8	992	1,076	-8
Asia	678	696	-3	2,244	1,711	31
Africa and Oceania	410	400	2	1,175	1,308	-10
Total net sales	5,371	5,492	-2	17,363	16,291	7
Of which:						
Vehicles	4,358	4,484	-3	14,340	13,252	8
Services	1,014	1,008	1	3,023	3,039	-1
Adjusted operating income ¹	232	337	-31	604	552	9
Adjustments ¹	-	-9	-	-	-14	-
Operating income	232	328	-29	604	537	12
Adjusted operating margin, %	4.3	6.1		3.5	3.4	
Operating margin, %	4.3	6.0		3.5	3.3	

¹ For more information on adjusted operating income, please see note 6.

VOLVO PENTA

Profitability remains strong

- » Continued sales growth, with new customers in industrial off-road engines
- » Operating margin of 14.5% (13.5)
- » Innovation award for engine & propulsion system of the year at Cannes Yachting Festival



The overall marine leisure market remains flat, with signs of a slight increase. The gasoline segment is still declining, but Volvo Penta is gaining market share. In September, Volvo Penta was awarded engine & propulsion system of the year by Yachts France Magazine at the World Yachts Trophies 2016 ceremony, highlighting Volvo Penta IPS as an innovation for the yacht segment.

The marine commercial market is impacted by turmoil in the oil and gas industry. Volvo Penta's new marine diesel 8-liter engine was revealed to the public at the SMM, an international maritime trade fair in Hamburg, Germany.

For industrial off-road engines, the market is fragmented – with stability in the material handling segment and low demand in the construction segment. The downturn in mining continues due to low commodity prices. Volvo Penta continues to gain new customers within the off-road engine segment.

The market for industrial power generation engines shows a slight positive development in Asia, Middle East, Africa, and the export-oriented European market. The domestic

European and North American markets also show stable development, but on low levels.

Net order intake during the third quarter was 7,780 units, which was 7% lower than last year driven by fewer orders in the marine leisure gasoline segment. A total of 8,823 engines were delivered in the third quarter, a decrease of 6% compared to the preceding year.

Net sales increased by 5% to SEK 2,465 M (2,344). Adjusted for currency movements, net sales also increased by 5%.

Adjusted for currency, net sales of engines increased by 1% mainly driven by a positive product mix while net sales of services increased by 14% primarily driven by higher marine leisure volumes due to increased boating activity in Europe and North America.

Operating income amounted to SEK 358 M (316). The operating margin was 14.5% (13.5), positively impacted by favorable segment mix. Compared with the third quarter of 2015, operating income was impacted positively by changes in currency exchange rates in an amount of SEK 16 M.

Net order intake and deliveries		Third quarter		Change	First nine months		Change
Number of Engines		2016	2015	%	2016	2015	%
Total orders		7,780	8,328	-7	27,651	29,650	-7
Total deliveries		8,823	9,428	-6	28,254	28,798	-2

Net sales and operating income		Third quarter		Change	First nine months		Change
SEK M		2016	2015	%	2016	2015	%
Europe		1,192	1,070	11	3,829	3,433	12
North America		531	550	-3	1,606	1,594	1
South America		74	70	6	198	276	-28
Asia		541	495	9	1,461	1,449	1
Africa and Oceania		128	159	-19	390	425	-8
Total net sales		2,465	2,344	5	7,484	7,177	4
Of which:							
Engines		1,655	1,630	2	5,263	5,165	2
Services		810	714	13	2,221	2,012	10
Adjusted operating income ¹		358	316	13	1,113	962	16
Adjustments ¹		-	-	-	-	-16	-
Operating income		358	316	13	1,113	945	18
Adjusted operating margin, %		14.5	13.5		14.9	13.4	
Operating margin, %		14.5	13.5		14.9	13.2	

¹ For more information on adjusted operating income, please see note 6.

FINANCIAL SERVICES

Continued strong performance

- » Stable volume and penetration levels
- » Continued good portfolio performance
- » Solid profitability



The customer finance business continued to record good results due to low credit losses and price realization. During the quarter, operating income improved to SEK 528 M (501).

New business volume and the penetration rate remained stable, despite increased competition in many markets.

Overall portfolio performance continued to be strong, highlighted by all-time low levels of overdue and credit losses in most of Europe. In North America, the portfolio continued to perform well, although returning to more

normalized business cycle conditions. The economy in Brazil remains in a recession, and focus continues to be on executing downturn management activities, which have mitigated the negative effects.

During the quarter, VFS syndicated approximately SEK 1.1 billion of the credit portfolio across a number of markets, effectively reducing concentration risks and freeing up credit capacity to support sales.

Financial Services SEK M	Third quarter		First nine months	
	2016	2015	2016	2015
Number of financed units	12,010	11,922	36,061	35,668
Total penetration rate ¹ , %	27	26	25	25
New financing volume, SEK billion	13.4	13.3	39.0	39.9
Credit portfolio net, SEK billion			126	122
Credit provision expenses	173	172	447	588
Operating income, SEK M	528	501	1,519	1,472
Credit reserves, % of credit portfolio			1.42	1.40
Return on shareholders' equity, rolling 12 months, %			13.3	13.4

¹ Share of unit sales financed by Volvo Financial Services in relation to the total number of units sold by the Volvo Group in markets where financial services are offered.

IMPORTANT EVENTS

Volvo reached settlement with the European Commission

On July 19, 2016 the Volvo Group announced that it had reached a settlement with the European Commission putting an end to a long-running EU antitrust investigation. As part of the settlement Volvo in October paid a fine of EUR 670 M corresponding to SEK 6.3 billion. The amount is mainly covered by provisions made in 2014 and 2016, in total EUR 650 M (SEK 6.1 billion). An additional provision had a negative impact of EUR 20 M (SEK 190 M) on the operating income in the third quarter of 2016.

Previously reported important events

- New truck organization
- Volvo completed sale of IT operation
- Annual General Meeting of AB Volvo
- Additional provision in connection with EU competition investigation

Detailed information about the events is available at www.volvogroup.com

CONSOLIDATED INCOME STATEMENT THIRD QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	66,014	71,160	2,823	2,825	-80	-676	68,758	73,309
Cost of sales	-51,003	-55,021	-1,649	-1,698	80	676	-52,573	-56,042
Gross income	15,011	16,139	1,174	1,127	-	-	16,184	17,266
Research and development expenses	-3,289	-3,497	-	-	-	-	-3,289	-3,497
Selling expenses	-5,906	-6,008	-469	-453	-	-	-6,375	-6,460
Administrative expenses	-1,125	-1,213	-10	-10	-	-	-1,135	-1,223
Other operating income and expenses	-643	-1,184	-168	-164	-	-	-810	-1,348
Income/loss from investments in Joint Ventures and associated companies	61	-75	-	-	-	-	61	-75
Income from other investments	20	-10	0	0	-	-	20	-10
Operating income	4,128	4,153	528	501	-	-	4,656	4,653
Interest income and similar credits	65	58	-	-	-	-	65	58
Interest expenses and similar charges	-497	-568	0	0	-	-	-497	-568
Other financial income and expenses	-104	45	0	0	-	-	-103	45
Income after financial items	3,592	3,688	529	501	-	-	4,120	4,188
Income taxes	-1,330	-967	-179	-148	-	-	-1,509	-1,115
Income for the period *	2,262	2,721	350	353	-	-	2,612	3,073
* Attributable to:								
Equity holders of the parent company							2,589	3,071
Minority interests							23	3
							2,612	3,073
Basic earnings per share, SEK							1.27	1.51
Diluted earnings per share, SEK							1.27	1.51

Key operating ratios, %

Gross margin	22.7	22.7	-	-	-	-	23.5	23.6
Research and development expenses as percentage of net sales	5.0	4.9	-	-	-	-	4.8	4.8
Selling expenses as percentage of net sales	8.9	8.4	-	-	-	-	9.3	8.8
Administrative expenses as percentage of net sales	1.7	1.7	-	-	-	-	1.7	1.7
Operating margin	6.3	5.8	-	-	-	-	6.8	6.3

CONSOLIDATED OTHER COMPREHENSIVE INCOME THIRD QUARTER

SEK M	2016	2015
Income for the period	2,612	3,073
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-1,253	-682
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	1,575	-1,721
Share of OCI related to Joint Ventures and associated companies	-9	13
Accumulated translation difference reversed to income	-44	53
Available-for-sale investments	25	14
Change in cash flow hedges	27	-11
Other comprehensive income, net of income taxes	321	-2,333
Total comprehensive income for the period *	2,933	740
* Attributable to:		
Equity holders of the parent company	2,886	742
Minority interests	46	-2
	2,933	740

CONSOLIDATED INCOME STATEMENT FIRST NINE MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	211,666	226,153	8,248	8,439	-559	-1,713	219,355	232,879
Cost of sales	-164,050	-175,585	-4,896	-5,024	559	1,713	-168,386	-178,896
Gross income	47,616	50,568	3,353	3,415	-	-	50,969	53,983
Research and development expenses	-10,413	-11,524	-	-	-	-	-10,413	-11,524
Selling expenses	-18,148	-19,171	-1,415	-1,389	-	-	-19,563	-20,560
Administrative expenses	-3,814	-4,210	-30	-30	-	-	-3,843	-4,240
Other operating income and expenses	-3,108	-2,889	-388	-522	-	-	-3,496	-3,411
Income/loss from investments in Joint Ventures and associated companies	39	-43	-	-	-	-	39	-43
Income from other investments	103	4,605	0	-2	-	-	103	4,603
Operating income	12,276	17,336	1,519	1,472	-	-	13,795	18,808
Interest income and similar credits	186	204	-	-	-	-	186	204
Interest expenses and similar charges	-1,380	-1,684	0	0	-	-	-1,380	-1,683
Other financial income and expenses	272	-811	0	0	-	-	272	-811
Income after financial items	11,354	15,045	1,519	1,472	-	-	12,872	16,517
Income taxes	-3,993	-3,546	-489	-469	-	-	-4,481	-4,015
Income for the period *	7,361	11,499	1,030	1,003	-	-	8,391	12,502
* Attributable to:								
Equity holders of the parent company							8,333	12,469
Minority interests							58	33
							8,391	12,502
Basic earnings per share, SEK								
							4.10	6.14
Diluted earnings per share, SEK								
							4.10	6.14
Key operating ratios, %								
Gross margin	22.5	22.4	-	-	-	-	23.2	23.2
Research and development expenses as percentage of net sales	4.9	5.1	-	-	-	-	4.7	4.9
Selling expenses as percentage of net sales	8.6	8.5	-	-	-	-	8.9	8.8
Administrative expenses as percentage of net sales	1.8	1.9	-	-	-	-	1.8	1.8
Operating margin	5.8	7.7	-	-	-	-	6.3	8.1

CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST NINE MONTHS

SEK M	2016	2015
Income for the period	8,391	12,502
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-3,732	749
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	4,727	-1,266
Share of OCI related to Joint Ventures and associated companies	-91	48
Accumulated translation difference reversed to income	-49	43
Available-for-sale investments	-88	-3,954
Change in cash flow hedges	54	-28
Other comprehensive income, net of income taxes	821	-4,408
Total comprehensive income for the period *	9,212	8,094
* Attributable to:		
Equity holders of the parent company	9,144	7,981
Minority interests	68	113
	9,212	8,094

CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Sep 30	Dec 31	Sep 30	Dec 31	Sep 30	Dec 31	Sep 30	Dec 31
	2016	2015	2016	2015	2016	2015	2016	2015
Assets								
Non-current assets								
Intangible assets	38,757	36,314	141	102	-	-	38,897	36,416
<i>Tangible assets</i>								
Property, plant and equipment	55,323	53,554	65	64	-	-	55,387	53,618
Assets under operating leases	21,980	20,616	18,543	18,253	-6,940	-6,338	33,583	32,531
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	11,390	11,148	-	-	-	-	11,390	11,148
Other shares and participations	797	893	10	8	-	-	807	902
Non-current customer-financing receivables	0	3	55,829	52,163	-1,022	-1,204	54,808	50,962
Prepaid pensions	58	34	-	-	-	-	58	34
Non-current interest-bearing receivables	2,472	1,138	-	500	-1,110	-487	1,361	1,150
Other non-current receivables	4,618	3,271	193	140	-138	-143	4,674	3,268
Deferred tax assets	14,523	12,582	1,042	868	-	-	15,565	13,450
Total non-current assets	149,917	139,552	75,823	72,098	-9,210	-8,172	216,530	203,478
Current assets								
Inventories	49,965	44,194	283	196	-	-	50,248	44,390
<i>Current receivables</i>								
Customer-financing receivables	19	9	51,937	52,404	-790	-792	51,167	51,621
Tax assets	2,602	1,537	209	624	-	-	2,810	2,161
Interest-bearing receivables	2,218	2,600	26	14	-1,131	-827	1,114	1,788
Internal funding	1,786	7,963	-	-	-1,786	-7,963	-	-
Accounts receivable	30,931	28,577	591	525	-	-	31,522	29,101
Other receivables	14,480	14,259	1,026	1,327	-555	-1,667	14,951	13,920
Non interest-bearing assets held for sale	3,340	3,314	-	-	-	-	3,340	3,314
Marketable securities	6,031	3,344	-	-	-	-	6,031	3,344
Cash and cash equivalents	16,225	17,866	4,167	3,651	-629	-469	19,763	21,048
Total current assets	127,598	123,664	58,238	58,741	-4,891	-11,717	180,945	170,687
Total assets	277,515	263,216	134,061	130,839	-14,101	-19,890	397,475	374,165
Equity and liabilities								
<i>Equity attributable to the equity holders of the parent company</i>								
Equity attributable to the equity holders of the parent company	76,153	73,350	10,730	10,460	-	-	86,883	83,810
Minority interests	1,869	1,801	-	-	-	-	1,869	1,801
Total equity	78,022	75,151	10,730	10,460	-	-	88,752	85,610
<i>Non-current provisions</i>								
Provisions for post-employment benefits	19,465	13,621	53	53	-	-	19,518	13,673
Provisions for deferred taxes	872	546	3,168	2,949	-	-	4,040	3,495
Other provisions	9,040	9,286	243	214	35	35	9,319	9,536
<i>Non-current liabilities</i>								
Bond loans	56,194	47,776	-	-	-	-	56,194	47,776
Other loans	12,768	17,123	12,578	11,581	-1,022	-1,204	24,325	27,500
Internal funding	-46,597	-42,442	46,187	42,712	411	-270	-	-
Other liabilities	23,548	20,359	858	733	-4,835	-4,554	19,571	16,538
Current provisions	11,130	14,104	57	67	45	6	11,232	14,176
<i>Current liabilities</i>								
Loans	55,309	50,339	10,187	8,480	-1,860	-1,488	63,636	57,331
Internal funding	-41,954	-40,234	45,950	49,013	-3,996	-8,780	-	-
Non interest-bearing liabilities held for sale	295	573	-	-	-	-	295	573
Trade payables	49,650	55,250	510	398	-	-	50,160	55,648
Tax liabilities	2,844	1,113	317	209	-	-	3,161	1,322
Other liabilities	46,929	40,652	3,223	3,970	-2,878	-3,635	47,273	40,986
Total equity and liabilities	277,515	263,216	134,061	130,839	-14,101	-19,890	397,475	374,165
Key ratios, %								
Shareholders' equity as percentage of total assets	28.1	28.6	8.0	8.0	-	-	22.3	22.9
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	42.8	41.3
Return on operating capital, 12 months rolling	19.1	25.0	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling	-	-	13.3	13.4	-	-	12.7	18.4

CONSOLIDATED CASH FLOW STATEMENT THIRD QUARTER

SEK bn	Industrial operations		Financial services		Eliminations		Volvo Group Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Operating activities								
Operating income	4.1	4.2	0.5	0.5	0.0	0.0	4.7	4.7
Depreciation tangible assets	1.6	1.6	0.0	0.0	-	-	1.6	1.6
Amortization intangible assets	0.8	0.8	0.0	0.0	-	-	0.8	0.8
Depreciation leasing vehicles	0.7	0.6	1.1	1.0	0.0	0.0	1.8	1.6
Other non-cash items	0.2	0.4	0.2	0.2	0.0	0.0	0.3	0.5
Total change in working capital whereof	-2.4	-8.3	2.9	-1.0	0.0	-0.1	0.5	-9.4
<i>Change in accounts receivables</i>	1.5	1.4	0.0	-0.1	0.0	0.0	1.4	1.3
<i>Change in customer financing receivables</i>	0.1	0.1	2.8	-1.2	-0.1	-0.1	2.8	-1.2
<i>Change in inventories</i>	-1.1	1.9	0.0	0.0	0.0	0.1	-1.0	2.0
<i>Change in trade payables</i>	-1.6	-8.7	0.0	0.0	-	0.0	-1.6	-8.8
<i>Other changes in working capital</i>	-1.4	-2.9	0.1	0.3	0.1	0.0	-1.2	-2.6
Interest and similar items received	0.1	0.1	-	-	0.0	0.0	0.1	0.1
Interest and similar items paid	-0.3	-0.3	-	-	0.0	0.0	-0.2	-0.3
Other financial items	-0.1	-0.1	-	-	-	-	-0.1	-0.1
Income taxes paid	-0.8	-0.3	-0.2	-0.3	0.0	0.0	-1.1	-0.6
Cash flow from operating activities	3.9	-1.4	4.5	0.4	0.0	-0.1	8.3	-1.1
Investing activities								
Investments in tangible assets	-1.5	-1.4	0.0	0.0	-	-	-1.5	-1.4
Investments in intangible assets	-0.6	-0.5	0.0	0.0	-	-	-0.6	-0.5
Investment in leasing vehicles	0.0	-0.1	-2.7	-2.5	-	0.0	-2.7	-2.6
Disposals of fixed assets and leasing vehicles	0.4	0.1	1.3	1.3	-	0.0	1.6	1.4
Operating cash flow	2.1	-3.3	3.0	-0.8	0.0	-0.1	5.1	-4.2
Investments and divestments of shares, net							0.0	0.2
Acquired and divested operations, net							0.0	-0.1
Interest-bearing receivables incl. marketable securities							0.5	0.8
Cash flow after net investments							5.7	-3.4
Financing activities								
Change in loans, net							-1.2	3.8
Dividend to AB Volvo shareholders							-	-
Dividend to minority shareholders							-	0.0
Other							0.0	0.0
Change in cash and cash equivalents excl. translation differences							4.5	0.5
Translation difference on cash and cash equivalents							0.2	-0.4
Change in cash and cash equivalents							4.7	0.1

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST NINE MONTHS

SEK bn	Industrial operations		Financial services		Eliminations		Volvo Group Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Operating activities								
Operating income	12.3	17.3	1.5	1.5	0.0	0.0	13.8	18.8
Depreciation tangible assets	4.6	4.8	0.0	0.0	-	0.0	4.7	4.8
Amortization intangible assets	2.3	2.5	0.0	0.0	-	0.0	2.3	2.5
Depreciation leasing vehicles	2.1	2.0	3.0	3.0	0.0	0.0	5.1	5.0
Other non-cash items	2.4	-2.5	0.5	0.6	0.0	0.0	2.8	-1.9
Total change in working capital whereof	-15.1	-11.7	1.9	-6.1	-0.2	0.5	-13.3	-17.4
<i>Change in accounts receivables</i>	-1.0	-0.6	-0.1	0.0	0.0	0.0	-1.1	-0.7
<i>Change in customer financing receivables</i>	0.2	0.0	1.9	-6.7	-0.2	0.0	1.9	-6.7
<i>Change in inventories</i>	-4.2	-4.4	0.0	-0.1	0.0	0.0	-4.2	-4.5
<i>Change in trade payables</i>	-8.0	-6.2	0.1	0.1	-	0.0	-7.9	-6.1
<i>Other changes in working capital</i>	-2.0	-0.6	0.0	0.6	0.0	0.5	-2.0	0.5
Interest and similar items received	0.3	0.3	-	-	0.0	0.0	0.3	0.3
Interest and similar items paid	-1.3	-1.3	-	-	0.0	0.0	-1.3	-1.3
Other financial items	-0.2	-0.2	-	-	-	-	-0.2	-0.2
Income taxes paid	-3.0	-2.2	0.1	-0.2	0.0	0.0	-3.0	-2.4
Cash flow from operating activities	4.4	9.1	7.0	-1.3	-0.2	0.5	11.3	8.3
Investing activities								
Investments in tangible assets	-4.1	-4.4	0.0	0.0	-	0.0	-4.1	-4.4
Investments in intangible assets	-2.2	-1.3	0.0	0.0	-	0.0	-2.3	-1.4
Investment in leasing vehicles	-0.1	-0.3	-7.0	-6.7	-	0.0	-7.1	-7.0
Disposals of fixed assets and leasing vehicles	0.6	0.5	3.9	3.9	-	0.0	4.5	4.4
Operating cash flow	-1.3	3.6	3.9	-4.1	-0.2	0.5	2.3	0.0
Investments and divestments of shares, net							0.2	-2.0
Acquired and divested operations, net							1.4	0.3
Interest-bearing receivables incl. marketable securities							-2.4	1.1
Cash flow after net investments							1.5	-0.6
Financing activities								
Change in loans, net							2.5	-1.6
Dividend to AB Volvo shareholders							-6.1	-6.1
Dividend to minority shareholders							0.0	0.0
Other							0.1	0.1
Change in cash and cash equivalents excl. translation differences							-2.0	-8.3
Translation difference on cash and cash equivalents							0.7	-0.2
Change in cash and cash equivalents							-1.3	-8.4

CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial Operations		Volvo Group	
	Sep 30 2016	Dec 31 2015	Sep 30 2016	Dec 31 2015
<i>Non-current interest-bearing assets</i>				
Non-current customer-financing receivables	-	-	54.8	51.0
Non-current interest-bearing receivables	2.5	1.1	1.4	1.2
<i>Current interest-bearing assets</i>				
Customer-financing receivables	-	-	51.2	51.6
Interest-bearing receivables	2.2	2.6	1.1	1.8
Internal funding	1.8	8.0	-	-
Marketable securities	6.0	3.3	6.0	3.3
Cash and cash equivalents	16.2	17.9	19.8	21.0
Total interest-bearing financial assets	28.7	32.9	134.2	129.9
<i>Non-current interest-bearing liabilities</i>				
Bond loans	-56.2	-47.8	-56.2	-47.8
Other loans	-12.8	-17.1	-24.3	-27.5
Internal funding	46.6	42.4	-	-
<i>Current interest-bearing liabilities</i>				
Loans	-55.3	-50.3	-63.6	-57.3
Internal funding	42.0	40.2	-	-
Total interest-bearing financial liabilities	-35.7	-32.6	-144.2	-132.6
Net financial position excl. post-employment benefits	-7.0	0.3	-9.9	-2.7
Provisions for post-employment benefits, net	-19.4	-13.6	-19.5	-13.6
Net financial position incl. post-employment benefits	-26.4	-13.2	-29.4	-16.3
Key ratios, %				
Net financial position excl. post-employment benefits as percentage of shareholders' equity	-9.0	0.5		
Net financial position incl. post-employment benefits as percentage of shareholders' equity	-33.8	-17.6		

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Third quarter 2016	First nine months 2016
Beginning of period	-26.6	-13.2
Cash flow from operating activities	3.9	4.4
Investments in fixed assets	-2.1	-6.4
Disposals	0.4	0.6
Operating cash flow	2.1	-1.3
Investments and divestments of shares, net	0.0	0.2
Acquired and divested operations, net	0.0	1.4
Capital injections to/from Customer Finance operations	0.6	1.9
Currency effect	-0.7	-3.9
Dividend paid to AB Volvo shareholders	0.0	-6.1
Dividend paid to minority shareholders	-	0.0
Remeasurements of defined benefit pension plans	-1.5	-5.1
Pension payments and costs, net	0.0	0.0
Other changes	-0.3	-0.1
Total change	0.2	-13.2
Net financial position at end of period	-26.4	-26.4

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Sep 30 2016	Dec 31 2015
Total equity at the end of previous period	85.6	80.0
Shareholders' equity attributable to equity holders of the parent company at beginning of period	83.8	78.3
Income for the period	8.3	15.1
Other comprehensive income	0.8	-3.5
Total comprehensive income	9.1	11.5
Dividend to AB Volvo's shareholders	-6.1	-6.1
Share-based payments	0.0	0.1
Other changes	0.0	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	86.9	83.8
Minority interests at beginning of period	1.8	1.7
Income for the period	0.1	0.0
Other comprehensive income	0.0	0.0
Total comprehensive income	0.1	0.1
Other changes	0.0	0.0
Minority interests at end of period	1.9	1.8
Total equity at end of period	88.8	85.6

QUARTERLY FIGURES

Income Statements, Volvo Group						First nine months	First nine months
SEK M unless otherwise stated	3/2015	4/2015	1/2016	2/2016	3/2016	2016	2015
Net sales	73,309	79,636	71,707	78,890	68,758	219,355	232,879
Cost of sales	-56,042	-61,757	-55,400	-60,412	-52,573	-168,386	-178,896
Gross income	17,266	17,879	16,307	18,478	16,184	50,969	53,983
Research and development expenses	-3,497	-3,844	-3,449	-3,675	-3,289	-10,413	-11,524
Selling expenses	-6,460	-7,134	-6,524	-6,664	-6,375	-19,563	-20,560
Administrative expenses	-1,223	-1,529	-1,342	-1,366	-1,135	-3,843	-4,240
Other operating income and expenses	-1,348	-768	502	-3,189	-810	-3,496	-3,411
Income/loss from investments in Joint Ventures and associated companies	-75	-100	-201	179	61	39	-43
Income from other investments	-10	6	52	32	20	103	4,603
Operating income	4,653	4,511	5,344	3,796	4,656	13,795	18,808
Interest income and similar credits	58	52	66	55	65	186	204
Interest expenses and similar charges	-568	-683	-453	-429	-497	-1,380	-1,683
Other financial income and expenses	45	20	343	32	-103	272	-811
Income after financial items	4,188	3,901	5,299	3,453	4,120	12,872	16,517
Income taxes	-1,115	-1,305	-1,510	-1,462	-1,509	-4,481	-4,015
Income for the period *	3,073	2,597	3,789	1,991	2,612	8,391	12,502
* Attributable to:							
Equity holders of the parent company	3,071	2,589	3,767	1,977	2,589	8,333	12,469
Minority interests	3	8	22	14	23	58	33
	3,073	2,597	3,789	1,991	2,612	8,391	12,502
Key operating ratios, Volvo Group, %							
Gross margin	23.6	22.5	22.7	23.4	23.5	23.2	23.2
Research and development expenses as percentage of net sales	4.8	4.8	4.8	4.7	4.8	4.7	4.9
Selling expenses as percentage of net sales	8.8	9.0	9.1	8.4	9.3	8.9	8.8
Administrative expenses as percentage of net sales	1.7	1.9	1.9	1.7	1.7	1.8	1.8
Operating margin	6.3	5.7	7.5	4.8	6.8	6.3	8.1
Key operating ratios, Industrial operations, %							
Gross margin	22.7	21.6	22.0	22.8	22.7	22.5	22.4
Research and development expenses as percentage of net sales	4.9	5.0	5.0	4.8	5.0	4.9	5.1
Selling expenses as percentage of net sales	8.4	8.6	8.7	8.1	8.9	8.6	8.5
Administrative expenses as percentage of net sales	1.7	2.0	1.9	1.8	1.7	1.8	1.9
Operating margin	5.8	5.1	7.0	4.3	6.3	5.8	7.7
EBITDA, Industrial operations, %							
Operating income Industrial operations	4,153	3,976	4,851	3,297	4,128	12,276	17,336
Product and Software development, amortization	702	701	672	667	699	2,039	2,253
Other intangible assets, amortization	90	91	90	92	94	276	269
Tangible assets, depreciation	2,198	2,418	2,230	2,219	2,265	6,714	6,843
Total depreciation and amortization	2,990	3,210	2,993	2,978	3,058	9,029	9,365
Operating income before depreciation and amortization (EBITDA)	7,143	7,186	7,844	6,275	7,186	21,305	26,701
EBITDA margin, %	10.0	9.3	11.3	8.2	10.9	10.1	11.8
Net capitalization of research and development							
Capitalization	433	863	806	749	609	2,164	1,275
Amortization	-635	-639	-622	-618	-650	-1,890	-2,048
Net capitalization and amortization	-202	223	184	131	-41	274	-773

QUARTERLY FIGURES

Net sales						First nine months 2016	First nine months 2015
SEK M	3/2015	4/2015	1/2016	2/2016	3/2016		
Trucks	50,182	55,077	48,037	52,313	45,757	146,106	158,900
Construction Equipment	11,884	10,967	12,452	13,630	11,539	37,620	40,041
Buses	5,492	7,289	5,258	6,734	5,371	17,363	16,291
Volvo Penta	2,344	2,228	2,340	2,679	2,465	7,484	7,177
Group Functions & Other	1,843	2,736	1,870	1,773	1,446	5,089	5,611
Eliminations	-585	-868	-672	-762	-564	-1,997	-1,868
Industrial Operations	71,160	77,429	69,285	76,367	66,014	211,666	226,153
Financial Services	2,825	2,760	2,701	2,724	2,823	8,248	8,439
Reclassifications and eliminations	-676	-553	-279	-200	-80	-559	-1,713
Volvo Group	73,309	79,636	71,707	78,890	68,758	219,355	232,879

Operating income						First nine months 2016	First nine months 2015
SEK M	3/2015	4/2015	1/2016	2/2016	3/2016		
Trucks	3,247	4,310	3,741	2,888	3,566	10,195	15,207
Construction Equipment	581	-150	341	810	601	1,753	2,195
Buses	328	322	59	313	232	604	537
Volvo Penta	316	140	366	389	358	1,113	945
Group Functions & Other	-328	-641	366	-1,092	-634	-1,361	-1,548
Eliminations	8	-5	-22	-11	6	-28	-1
Industrial Operations	4,153	3,976	4,851	3,297	4,128	12,276	17,336
Financial Services	501	534	493	499	528	1,519	1,472
Volvo Group	4,653	4,511	5,344	3,796	4,656	13,795	18,808

Adjusted operating income ¹						First nine months 2016	First nine months 2015
SEK M	3/2015	4/2015	1/2016	2/2016	3/2016		
Trucks	3,615	4,374	3,741	5,222	3,756	12,719	11,795
Construction Equipment	576	-191	341	810	601	1,753	2,281
Buses	337	294	59	313	232	604	552
Volvo Penta	316	140	366	389	358	1,113	962
Group Functions & Other	-266	-574	-519	-1,092	-634	-2,246	-1,399
Eliminations	8	-5	-22	-11	6	-28	-1
Industrial Operations	4,586	4,039	3,966	5,631	4,318	13,915	14,190
Financial Services	501	534	493	499	528	1,519	1,472
Volvo Group	5,087	4,573	4,459	6,130	4,846	15,434	15,662

¹ For more information on adjusted operating income, please see note 6.

Operating margin						First nine months 2016	First nine months 2015
%	3/2015	4/2015	1/2016	2/2016	3/2016		
Trucks	6.5	7.8	7.8	5.5	7.8	7.0	9.6
Construction Equipment	4.9	-1.4	2.7	5.9	5.2	4.7	5.5
Buses	6.0	4.4	1.1	4.6	4.3	3.5	3.3
Volvo Penta	13.5	6.3	15.6	14.5	14.5	14.9	13.2
Industrial Operations	5.8	5.1	7.0	4.3	6.3	5.8	7.7
Volvo Group	6.3	5.7	7.5	4.8	6.8	6.3	8.1

Adjusted operating margin						First nine months 2016	First nine months 2015
%	3/2015	4/2015	1/2016	2/2016	3/2016		
Trucks	7.2	7.9	7.8	10.0	8.2	8.7	7.4
Construction Equipment	4.8	-1.7	2.7	5.9	5.2	4.7	5.7
Buses	6.1	4.0	1.1	4.6	4.3	3.5	3.4
Volvo Penta	13.5	6.3	15.6	14.5	14.5	14.9	13.4
Industrial Operations	6.4	5.2	5.7	7.4	6.5	6.6	6.3
Volvo Group	6.9	5.7	6.2	7.8	7.0	7.0	6.7

QUARTERLY FIGURES

Share data	3/2015	4/2015	1/2016	2/2016	3/2016	First nine months 2016	First nine months 2015
Earnings per share, SEK ¹	1.51	1.27	1.85	0.97	1.27	4.10	6.14
Earnings per share, SEK ¹ , 12 months rolling	4.68	7.42	7.18	5.62	5.38	-	-
Diluted earnings per share, SEK	1.51	1.27	1.85	0.97	1.27	4.10	6.14
Number of outstanding shares in millions	2,030	2,031	2,031	2,031	2,031	2,031	2,030
Average number of shares before dilution in millions	2,030	2,031	2,031	2,031	2,031	2,031	2,030
Average number of shares after dilution in millions	2,032	2,032	2,032	2,032	2,033	2,033	2,032
Number of own shares in millions	98	98	97	97	97	97	98
Average number of own shares in millions	98	98	98	98	97	97	98

¹ Earnings per share are calculated as Income for the period (excl. Minority interests) divided by the weighted average number of shares outstanding during the period.

NOTE 1 | ACCOUNTING PRINCIPLES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted and definitions are consistent with those described in the Volvo Group Annual Report 2015 (available at www.volvogroup.com). There are no new accounting principles applicable from 2016 that significantly affects the Volvo Group.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The parent company applies the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities.

NOTE 2 | RISKS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favorable profitability. Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. Volvo works continuously to identify, measure and manage risk, and in some cases Volvo can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Volvo's control, the aim is to minimize the consequences.

The risks to which the Volvo Group is exposed are classified into three main categories:

External-related risks – such as the cyclical nature of the commercial vehicles business, intense competition, changes in prices for commercial vehicles and government regulations;

Financial risks – such as currency fluctuations, interest levels fluctuations, valuations of shares or similar instruments, credit risk and liquidity risk and;

Operational risks – such as market reception of new products, reliance on suppliers, protection and maintenance of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital.

For a more elaborate account of these risks, please refer to the Risk Management section on pages 107-109 in the Volvo Group Annual Report 2015 (available at www.volvogroup.com).

Risk updates for the period

Short-term risks, when applicable, are also described in the respective segment section of this report.

An increase in demand could potentially result in delivery disturbances due to suppliers' financial instability or shortage of resources.

Uncertainty regarding customers' access to the financing of products in emerging markets might have a negative impact on demand.

Volvo verifies annually, or more frequently if necessary, the goodwill value of its business areas and other intangible assets for possible impairment. The size of the surplus value differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment.

Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities as of September 30, 2016, amounted to SEK 15.7 billion, the same level as December 31, 2015. The gross exposure of SEK 15.7 billion is partly reduced by counter guarantees and collaterals. The contingent liabilities for credit guarantees for construction equipment in China have decreased. However, including both contingent liabilities and on-balance sheet exposure the credit risk is still significant, and in the third quarter of 2016 an additional cost for credit losses of SEK 96 M was recognized. The decrease in the contingent liabilities for credit guarantees are offset by increased tax claims and residual value guarantees.

In July 2016, the Volvo Group reached a settlement with the European Commission in the EU competition investigation. As part of the settlement, Volvo has paid fine of EUR 670 M (SEK 6.3 bn). The amount was mainly covered by provisions made in 2014 and 2016, in aggregate EUR 650 M (SEK 6.1 bn). An additional provision had a negative impact of EUR 20 M (SEK 190 M) on the operating income in the third quarter of 2016. The full fine was paid in October 2016. Following the adoption of the European Commission's settlement decision, the Volvo Group will be dealing with private damages claims from customers and other third parties alleging that they suffered loss by reason of the conduct covered in the decision. At this stage it is not possible to make a reliable estimate of the amount of any liability that could arise from any such proceedings.

In the matter regarding the competition investigation initiated by the Korean Fair Trade Commission (KFTC), a decision was rendered in August 2016 by the High Court in Seoul which found in favor of Volvo's appeal of the fine imposed by KFTC of approximately SEK 133 M (as of September 30, 2016). The KFTC filed an appeal of the High Court decision to the Supreme Court in September 2016. The previously disclosed contingent liability corresponding to the fine amount remains.

The other legal proceedings and investigations described in note 21 and note 24 in the Volvo Group Annual Report 2015 are progressing but no material changes have occurred in these matters in the third quarter of 2016.

NOTE 3 | CORPORATE ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments

Volvo has not made any acquisitions or divestments during the third quarter that have had a significant impact on the Volvo Group.

Volvo completed the sale of its external IT operation and related assets and the outsourcing of its IT infrastructure during the first quarter. The divestment resulted in a positive effect on operating income and net financial debt of SEK 885 M.

During the third quarter the Volvo Group decreased the share of ownership in the joint venture Shanghai Sunwin Bus

Co to less than 20% and thus discontinued equity method accounting. The remaining share in the company was reclassified to Other shares in participations.

Assets and liabilities held for sale

At the end of the third quarter assets amounting to SEK 3,340 M and liabilities amounting to SEK 295 M are classified as held for sale. This mainly pertains to the planned divestment of the North American used truck business, Arrow Truck Sales, and real estate properties.

NOTE 4 | CURRENCY AND FINANCIAL INSTRUMENTS

Fair value of financial instruments

Valuation principles and principles for hedge accounting for Volvo Group financial instruments, as described in Volvo Group Annual Report 2015 Note 30 (available at www.volvogroup.com), have been consistently applied throughout the reporting period.

Financial instruments in the Volvo Group reported at fair value through profit and loss consist mainly of marketable securities (see balance sheet) and interest-, currency- and raw material derivatives. Derivatives with positive fair values

amounted to SEK 3.9 billion and derivatives with negative fair values amounted to SEK 1.5 billion as of September 30, 2016. The derivatives are accounted for on gross-basis.

Financial liabilities valued at amortized cost, reported as current and non-current bond loans and other loans, amounted to SEK 143.2 billion in reported carrying value with a fair value of SEK 147.9 billion. In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 1.0 billion.

Currency effect on operating income Industrial operations	Compared to third quarter 2015			Compared to second quarter 2016		
	Third quarter 2016	Third quarter 2015	Change	Third quarter 2016	Second quarter 2016	Change
SEK M						
Net flow in foreign currency			-413			54
Realized and unrealized gains and losses on hedging contracts	32	-3	35	32	0	32
Unrealized gains and losses on receivables and liabilities in foreign currency	69	-154	223	69	19	50
Translation effect on operating income in foreign subsidiaries			109			144
Total currency effect on operating income Industrial operations			-45			280

Applicable currency rates	Quarterly exchange rates		Close rates	
	Third quarter 2016	Third quarter 2015	Sep 30 2016	Sep 30 2015
BRL	2.63	2.42	2.64	2.07
CNY	1.28	1.35	1.29	1.32
EUR	9.52	9.44	9.64	9.42
USD	8.52	8.48	8.62	8.39
JPY	0.0833	0.0694	0.0855	0.0699

NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 582 M (544) and purchases from associated companies amounted to SEK 565 M (537) during the third quarter of 2016. As of September 30, 2016, receivables from associated companies amounted to SEK 500 M (637) and liabilities to associated companies to SEK 452 M (515). Sales to joint ventures

amounted to SEK 447 M (518) and purchases from joint ventures amounted to SEK 291 M (177) during the third quarter of 2016. As of September 30, 2016, receivables from joint ventures amounted to SEK 167 M (319) and liabilities to joint ventures to SEK 154 M (194).

NOTE 6 | OTHER INFORMATION

Adjusted operating income							
SEK M	1/2015	2/2015	3/2015	4/2015	1/2016	2/2016	3/2016
Trucks	3,775	4,405	3,615	4,374	3,741	5,222	3,756
Construction Equipment	352	1,353	576	-191	341	810	601
Buses	104	111	337	294	59	313	232
Volvo Penta	292	353	316	140	366	389	358
Group Functions & Other	-407	-726	-266	-574	-519	-1,092	-634
Eliminations	5	-14	8	-5	-22	-11	6
Industrial Operations	4,121	5,482	4,586	4,039	3,966	5,631	4,318
Financial Services	474	497	501	534	493	499	528
Volvo Group	4,595	5,979	5,087	4,573	4,459	6,130	4,846

Adjustments							
SEK M	1/2015	2/2015	3/2015	4/2015	1/2016	2/2016	3/2016
Restructuring charges related to Efficiency program in 2015							
Trucks	-127	-701	-368	-837	-	-	-
Construction Equipment	-75	-17	5	41	-	-	-
Buses	0	-5	-9	-8	-	-	-
Volvo Penta	-16	-	-	-	-	-	-
Group Functions & Other	-11	-76	-62	-67	-	-	-
Industrial Operations	-229	-799	-434	-871	-	-	-
Financial Services	0	0	0	-	-	-	-
Volvo Group	-229	-799	-434	-871	-	-	-

Other items (segment)							
Capital gain on sale of shares in Eicher Motors Ltd. (Trucks)	2,471	2,137	-	-	-	-	-
Favorable outcome in arbitration case (Trucks)	-	-	-	772	-	-	-
Favorable outcome in arbitration case (Buses)	-	-	-	37	-	-	-
Capital gain from sale of external IT-operation (Group functions & other)	-	-	-	-	885	-	-
Provision for EU investigation (Trucks)	-	-	-	-	-	-2,334	-190

Total adjustments (Restructuring charges related to Efficiency program in 2015 + Other items)							
Trucks	2,344	1,436	-368	-65	-	-2,334	-190
Construction Equipment	-75	-17	5	41	-	-	-
Buses	0	-5	-9	29	-	-	-
Volvo Penta	-16	-	-	-	-	-	-
Group Functions & Other	-11	-76	-62	-67	885	-	-
Industrial Operations	2,242	1,338	-434	-62	885	-2,334	-190
Financial Services	0	0	0	-	-	-	-
Volvo Group	2,242	1,338	-434	-62	885	-2,334	-190

Operating income							
SEK M	1/2015	2/2015	3/2015	4/2015	1/2016	2/2016	3/2016
Trucks	6,120	5,841	3,247	4,310	3,741	2,888	3,566
Construction Equipment	277	1,336	581	-150	341	810	601
Buses	104	106	328	322	59	313	232
Volvo Penta	276	353	316	140	366	389	358
Group Functions & Other	-418	-802	-328	-641	366	-1,092	-634
Eliminations	5	-14	8	-5	-22	-11	6
Industrial Operations	6,363	6,821	4,153	3,976	4,851	3,297	4,128
Financial Services	474	497	501	534	493	499	528
Volvo Group	6,837	7,317	4,653	4,511	5,344	3,796	4,656

PARENT COMPANY

Income from investments in Group companies for the third quarter includes dividends amounting to SEK 1,373 M (-).

Investments in tangible assets amounted to SEK 1 M (7).

Financial net debt amounted to SEK 38,233 M (42,577) at the end of the third quarter.

Income Statement				
SEK M	Third quarter		First nine months	
	2016	2015	2016	2015
Net sales¹	172	218	408	614
Cost of sales ¹	-172	-218	-408	-614
Gross income	0	0	0	0
Operating expenses ¹	-271	-273	-1,110	-1,094
Income from investments in Group companies	1,232	-179	915	55
Income from investments in joint ventures and associated companies	-	-	71	55
Income from other investments	-	-	19	4,615
Operating income (loss)	961	-452	-105	3,631
Interest income and expenses	-214	-283	-696	-909
Other financial income and expenses	-	3	11	-4
Income after financial items	747	-732	-790	2,718
Income taxes	178	133	548	502
Income for the period	925	-599	-242	3,220

¹ Of net sales in the third quarter, SEK 146 M (188) pertained to Group companies, while purchases from Group companies amounted to SEK 122 M (168).

Other comprehensive income				
Income for the period	925	-599	-242	3,220
<i>Items that may be reclassified subsequently to income statement:</i>				
Available-for-sale investments	-	-	-	-3,995
Other comprehensive income, net of income taxes	925	-599	-242	-3,995
Total comprehensive income for the period	925	-599	-242	-775

Balance Sheet		
SEK M	Sep 30 2016	Dec 31 2015
Assets		
Non-current assets		
Intangible assets	-	8
Tangible assets	12	41
Financial assets		
Shares and participations in Group companies	61,183	60,766
Receivables from Group companies	47	54
Investments in joint ventures and associated companies	10,397	10,397
Other shares and participations	8	13
Deferred tax assets	663	157
Total non-current assets	72,310	71,436
Current assets		
Current receivables from Group companies	71	28,627
Tax assets	1,023	-
Other current receivables	349	116
Total current assets	1,443	28,743
Total assets	73,753	100,179
Shareholders' equity and liabilities		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	24,826	31,115
Untaxed reserves	4	4
Provisions	153	128
Non-current liabilities ¹	13,976	13,976
Current liabilities ²	24,903	45,065
Total shareholders' equity and liabilities	73,753	100,179

¹ Of which SEK 13,973 M (13,973) pertains to Group companies.

² Of which SEK 24,382 M (44,470) pertains to Group companies.

Events after the balance sheet date

For important events after the balance sheet date, see page 13 of this report. No other significant events have occurred after the end of the third quarter 2016 that are expected to have a substantial effect on the Volvo Group.

Göteborg, October 21, 2016
AB Volvo (publ)

Martin Lundstedt
President and CEO

This report has not been reviewed by AB Volvo's auditors.

NET ORDER INTAKE

Net order intake of trucks by brand	Third quarter		Change %	First nine months		Change %
	2016	2015		2016	2015	
Number of trucks						
Volvo						
Europe	11,675	10,401	12	40,688	35,792	14
North America	3,223	6,600	-51	12,472	25,951	-52
South America	2,759	1,984	39	6,300	5,753	10
Asia	3,089	3,621	-15	8,938	10,188	-12
Africa and Oceania	903	944	-4	3,692	3,778	-2
Total Volvo	21,649	23,550	-8	72,090	81,462	-12
Heavy duty (>16 tons)	20,927	22,818	-8	69,609	79,309	-12
Medium duty (7-16 tons)	722	732	-1	2,481	2,153	15
Total Volvo	21,649	23,550	-8	72,090	81,462	-12
UD						
North America	20	98	-80	67	121	-45
South America	-	39	-	97	138	-30
Asia	3,970	3,673	8	12,852	13,042	-1
Africa and Oceania	774	816	-5	2,450	2,653	-8
Total UD	4,764	4,626	3	15,466	15,954	-3
Heavy duty (>16 tons)	3,346	3,154	6	10,242	10,446	-2
Medium duty (7-16 tons)	1,296	1,258	3	4,643	4,933	-6
Light duty (<7 tons)	122	214	-43	581	575	1
Total UD	4,764	4,626	3	15,466	15,954	-3
Renault Trucks						
Europe	8,193	8,314	-1	32,370	31,427	3
North America	36	34	6	181	171	6
South America	7	15	-53	16	46	-65
Asia	197	248	-21	963	1,502	-36
Africa and Oceania	731	1,294	-44	2,274	2,497	-9
Total Renault Trucks	9,164	9,905	-7	35,804	35,643	0
Heavy duty (>16 tons)	5,308	4,950	7	19,321	20,113	-4
Medium duty (7-16 tons)	945	776	22	3,674	3,347	10
Light duty (<7 tons)	2,911	4,179	-30	12,809	12,183	5
Total Renault Trucks	9,164	9,905	-7	35,804	35,643	0
Mack						
North America	3,485	4,013	-13	10,403	14,321	-27
South America	192	138	39	554	785	-29
Asia	-	14	-	-	19	-
Africa and Oceania	226	402	-44	631	785	-20
Total Mack	3,903	4,567	-15	11,588	15,910	-27
Heavy duty (>16 tons)	3,903	4,567	-15	11,588	15,910	-27
Total Mack	3,903	4,567	-15	11,588	15,910	-27

DELIVERIES

Delivered trucks by brand	Third quarter		Change %	First nine months		Change %
	2016	2015		2016	2015	
Number of trucks						
Volvo						
Europe	11,585	9,389	23	38,867	32,628	19
North America	4,645	9,147	-49	17,228	30,134	-43
South America	2,262	2,701	-16	6,148	6,769	-9
Asia	2,645	3,048	-13	8,915	9,525	-6
Africa and Oceania	1,216	1,210	0	3,765	3,809	-1
Total Volvo	22,353	25,495	-12	74,923	82,865	-10
Heavy duty (>16 tons)	21,688	24,916	-13	72,480	81,036	-11
Medium duty (7-16 tons)	665	579	15	2,443	1,829	34
Total Volvo	22,353	25,495	-12	74,923	82,865	-10
UD						
North America	40	28	43	128	67	91
South America	-	46	-	244	138	77
Asia	4,022	3,611	11	12,563	11,841	6
Africa and Oceania	857	1,040	-18	2,558	2,868	-11
Total UD	4,919	4,725	4	15,493	14,914	4
Heavy duty (>16 tons)	3,263	3,173	3	10,044	9,453	6
Medium duty (7-16 tons)	1,545	1,366	13	4,880	4,955	-2
Light duty (<7 tons)	111	186	-40	569	506	12
Total UD	4,919	4,725	4	15,493	14,914	4
Renault Trucks						
Europe	8,925	9,019	-1	31,294	27,903	12
North America	43	49	-12	116	168	-31
South America	5	26	-81	11	170	-94
Asia	256	501	-49	1,260	1,814	-31
Africa and Oceania	691	900	-23	2,111	3,089	-32
Total Renault Trucks	9,920	10,495	-5	34,792	33,144	5
Heavy duty (>16 tons)	5,341	6,119	-13	18,551	18,335	1
Medium duty (7-16 tons)	1,118	1,259	-11	4,237	4,005	6
Light duty (<7 tons)	3,461	3,117	11	12,004	10,804	11
Total Renault Trucks	9,920	10,495	-5	34,792	33,144	5
Mack						
North America	3,581	6,105	-41	13,616	18,749	-27
South America	146	287	-49	449	884	-49
Asia	-	13	-	2	41	-95
Africa and Oceania	236	218	8	660	680	-3
Total Mack	3,963	6,623	-40	14,727	20,354	-28
Heavy duty (>16 tons)	3,963	6,623	-40	14,727	20,354	-28
Total Mack	3,963	6,623	-40	14,727	20,354	-28

This information is information that AB Volvo (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 7.20 CET on October 21, 2016.

This report contains forward-looking statements that reflect the Board of Directors' and management's current views with respect to certain future events and potential financial performance. Although the Board of Directors and the management believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business and operating initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

This report does not imply that the Company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with Nasdaq Stockholm, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

Financial calendar

Report on the fourth quarter 2016	February 1, 2017
Annual and Sustainability Report 2016	March 2017
Annual General Meeting 2017	April 4, 2017
Report on the first quarter 2017	April 25, 2017
Report on the second quarter 2017	July 20, 2017
Report on the third quarter 2017	October 20, 2017

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