

VOLVO

Volvo Group

REPORT ON THE THIRD QUARTER 2017



- » In Q3 2017 net sales increased by 12% to SEK 77.2 billion (68.8). Adjusted for currency movements and acquired and divested units sales increased by 16%.
- » Adjusted operating income amounted to SEK 7,024 M (4,846), corresponding to an adjusted operating margin of 9.1% (7.0). Adjusted operating income excludes a capital gain of SEK 400 M from the sale of the Group's holding in Deutz AG in Q3 2017. Adjusted operating income in Q3 2016 excluded a provision for the settlement with the European Commission of SEK 190 M.
- » Currency movements had a negative impact on operating income of SEK 223 M.
- » Operating cash flow in the Industrial Operations amounted to SEK 0.6 billion (2.1).
- » Mack Trucks' new highway truck, Mack Anthem, launched in North America.

SEK M unless otherwise stated	Third quarter		First nine months	
	2017	2016	2017	2016
Net sales	77,225	68,758	242,999	219,355
Adjusted operating income ¹	7,024	4,846	22,594	15,434
Adjusted operating margin, %	9.1	7.0	9.3	7.0
Operating income	7,424	4,656	22,994	13,795
Operating margin, %	9.6	6.8	9.5	6.3
Income after financial items	7,034	4,120	21,498	12,872
Income for the period	5,515	2,612	16,335	8,391
Diluted earnings per share, SEK	2.69	1.27	7.93	4.10
Operating cash flow in Industrial Operations	622	2,132	14,020	-1,348
Return on shareholders' equity, 12 months rolling, %			21.3	12.7
Net order intake, number of trucks	51,955	39,480	162,842	134,948
Deliveries, number of trucks	46,603	41,155	142,588	139,935
Net order intake, number of construction equipment	13,421	9,237	47,117	32,875
Deliveries, number of construction equipment	14,431	9,731	48,272	33,667

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

CEO'S COMMENTS

Sales increase and continued profit improvement

In the third quarter both the Volvo Group's sales and profitability continued to increase, with an especially strong performance in our construction equipment business. The quarter was also characterized by the completion of an historic upgrade of our North American truck lineup and further successes for our electric buses that continue to make inroads in new markets.

From an overall perspective, market demand is strong, as evidenced by a 32% increase in truck orders and 45% in construction equipment orders. Net sales increased by 12% to SEK 77 billion, with growth in all our businesses. We improved our profitability with Volvo Construction Equipment as the main contributor. Adjusted operating income improved to SEK 7.0 billion (4.8), corresponding to an adjusted operating margin of 9.1% (7.0).

We see high activity levels with many of our customers, supporting the growth of our service business which on a currency adjusted basis increased by 5% in the quarter.

In Europe, demand for trucks continues to be good with support from a strong freight environment. We see demand improving in both North and South America and most markets in Asia are on good levels. Our deliveries of trucks were up by 13% in the quarter with higher volumes in all regions. The adjusted operating margin in Trucks was 8.6%, somewhat better than last year but held back by the stretched situation in parts of our supply chain.

We are moving ahead with a comprehensive renewal of the truck portfolio in North America. Earlier this year Volvo Trucks launched new regional and long haul trucks, and in September Mack Trucks announced an update of its existing range in the vocational and regional haul segments as well as a re-entry into the long haul segment with the new Mack Anthem sleeper cab. These product launches mark the biggest upgrade of our North American truck range in 20 years.

We also continue to invest in new technologies. In Europe, Volvo Trucks announced long and regional haul trucks running on liquefied natural gas or biogas. They have the same performance as the diesel-powered models, but their CO₂ emissions are 20–100% lower depending on choice of fuel.

Demand for construction equipment continues to grow in most markets. Volvo Construction Equipment has successfully managed to respond to the growing market demand with a volume increase of 48% while at the same time taking a significant step up in profitability with an adjusted operating margin of 13.4%.

We also continue to gain market shares within our strongholds in the construction equipment market. During the



quarter we produced the 75,000th articulated hauler, a product segment where we have more than a third of the world market.

Volvo Buses leads the Group on the road to electrification and in October announced a new generation of its all-electric bus. Volvo 7900 Electric is equipped with next generation battery technology, significantly extending the operating range to up to 200 km. The all-electric bus is based on the Group's modular electrical architecture that will also be the base for electrification of trucks, construction equipment and other industrial and marine applications. Volvo Buses had an operating margin of 3.3%.

Volvo Penta's sales increased by 8% driven by both marine and industrial engines and their adjusted operating margin amounted to 13.3%.

Volvo Financial Services delivered a good return on equity with low credit losses. Financial services are key in our work to deepen the relationship with customers, and there is still an untapped potential for VFS to increase the sales of financing and insurance packages for Group products.

In August new financial targets were introduced for the Volvo Group. The Group's profitability target was set to exceed 10% operating margin over a business cycle, while the financial position target is that the Industrial operations shall have no net financial indebtedness, excluding pension liabilities.

Looking ahead to the next couple of quarters, we will be working hard to secure the introduction and the ramp-up of production of the new truck portfolio in North America as well as working together with our suppliers to reduce inefficiencies due to supply constraints for our truck production. We continue to focus on a culture with decentralized accountability and actions that result in higher speed in our continuous improvement work. This focus together with acceleration in our development of new and modular technologies will continue to drive better performance and customer success.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE THIRD QUARTER 2017

Net sales

In Q3 2017, the Volvo Group's net sales increased by 12% to SEK 77,225 M. Adjusted for currency movements and acquired and divested operations, net sales increased by 16%.

Vehicle sales increased by 19% adjusted for currency movements with all regions and business segments contributing to the increase. Adjusted for currency movements, service sales increased by 5%, reflecting higher utilization of customer fleets.

Operating income

Adjusted operating income in Q3 2017 amounted to SEK 7,024 M (4,846), corresponding to an adjusted operating margin of 9.1% (7.0). Adjusted operating income excludes a capital gain of SEK 400 M from the sale of the Volvo

Group's holding in Deutz AG. Adjusted operating income in Q3 2016 excluded a provision of SEK 190 M for the settlement with the European Commission.

Compared with Q3 2016, the higher adjusted operating income is primarily an effect of significantly improved earnings in Volvo Construction Equipment and higher truck volumes. This was partly offset by higher operating expenses and costs related to a stretched situation in parts of the supply chain. Currency movements, compared to Q3 2016, had a negative impact of SEK 223 M.

Earnings for Volvo Construction Equipment in Q3 2017 includes a capital gain of SEK 253 M from the divestment of a dealer in Great Britain, while Q3 2016 included costs of SEK 96 M for credit losses in China.

Reported operating income in Q3 2017 amounted to SEK 7,424 M (4,656).

Net sales by market area SEK M	Third quarter			First nine months		
	2017	2016	Change %	2017	2016	Change %
Europe	31,609	29,280	8	102,994	94,695	9
North America	20,312	18,057	12	62,281	60,939	2
South America	4,417	4,012	10	12,386	10,507	18
Asia	15,586	12,886	21	49,245	39,810	24
Africa and Oceania	5,301	4,523	17	16,093	13,404	20
Total	77,225	68,758	12	242,999	219,355	11
Of which:						
Vehicles ¹	57,201	49,054	17	181,444	162,013	12
Services	17,321	16,960	2	53,398	49,653	8
Financial Services revenue	2,896	2,823	3	8,734	8,248	6
Eliminations	-193	-80	-142	-576	-559	-3

¹ Including construction equipment and Volvo Penta engines

Consolidated Income Statement, Volvo Group SEK M	Third quarter		First nine months	
	2017	2016	2017	2016
Net sales	77,225	68,758	242,999	219,355
Cost of sales	-58,978	-52,573	-183,830	-168,386
Gross income	18,247	16,184	59,169	50,969
Research and development expenses	-3,445	-3,289	-11,565	-10,413
Selling expenses	-6,791	-6,375	-20,980	-19,563
Administrative expenses	-1,273	-1,135	-4,001	-3,843
Other operating income and expenses	-5	-810	-1,016	-3,496
Income/loss from investments in Joint Ventures and associated companies	634	61	1,242	39
Income from other investments	56	20	145	103
Operating income	7,424	4,656	22,994	13,795
Interest income and similar credits	44	65	124	186
Interest expenses and similar charges	-417	-497	-1,367	-1,380
Other financial income and expenses	-17	-103	-253	272
Income after financial items	7,034	4,120	21,498	12,872
Income taxes	-1,519	-1,509	-5,163	-4,481
Income for the period *	5,515	2,612	16,335	8,391
* Attributable to:				
Equity holders of the parent company	5,467	2,589	16,114	8,333
Minority interests	48	23	221	58
	5,515	2,612	16,335	8,391
Basic earnings per share, SEK	2.69	1.27	7.93	4.10
Diluted earnings per share, SEK	2.69	1.27	7.93	4.10

Financial items

Compared with Q3 2016 interest income decreased by SEK 21 M to SEK 44 M while interest expenses decreased by SEK 80 M to SEK 417 M as a consequence of lower debt.

In Q3 2017 other financial income and expenses amounted to SEK -17 M (-103).

Income taxes

In Q3 2017 the tax expense amounted to SEK 1,519 M (1,509) corresponding to a tax rate of 22%. The tax rate was favorably impacted by non-taxable capital gain related to the divestment of shares in Deutz AG as well as recognition of tax assets as a result of increased earnings in certain markets.

Income for the period and earnings per share

In Q3 2017 income for the period amounted to SEK 5,515 M (2,612). Diluted earnings per share amounted to SEK 2.69 (1.27).

Operating cash flow in the Industrial Operations

In Q3 2017, operating cash flow in the Industrial Operations was positive in an amount of SEK 0.6 billion (2.1). The lower cash flow is primarily related to an increase in working capital that was partly offset by higher operating income.

Volvo Group financial position

During Q3 2017 net financial assets in the Industrial Operations, excluding provisions for post-employment benefits, increased by SEK 6.0 billion, resulting in a net

financial asset position of SEK 10.9 billion on September 30, 2017. This equals to 11.9 % of shareholders' equity.

Including provisions for post-employment benefits, the Industrial Operations is in a net financial debt position of SEK 2.5 billion corresponding to -2.7 % of shareholders' equity. The change is mainly explained by a positive operating cash flow, the divestment of shares in Deutz AG and the divestment of Volvo Construction Equipment's dealer in Great Britain, reduced by remeasurements of the defined benefit obligations. The increase in the defined benefit obligations is primarily an effect of decreased discount rates, mainly in Sweden and the US during the quarter. During the third quarter currency movements decreased net financial debt by SEK 0.8 billion.

On September 30, 2017 the shareholders' equity for the Volvo Group amounted to SEK 102.8 billion compared to SEK 97.8 billion at year-end 2016. The equity ratio was 26.1% (24.5). On the same date the equity ratio in the Industrial Operations amounted to 32.2% (30.9).

Number of employees

At the end of Q3 2017 the Volvo Group had 99,631 employees, including temporary employees and consultants, which was an increase of 2,967 employees compared with September 30, 2016. The number of blue-collar employees increased by 2,575 and the number of white-collar employees increased by 392. The increase in white-collar employees is primarily related to Trucks.

Number of employees	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
	2017	2017	2017	2016	2016
Blue-collar	49,698	49,430	47,098	45,744	47,123
Whereof temporary employees and consultants	7,246	7,417	5,961	4,946	5,911
White-collar	49,933	49,553	49,300	49,170	49,541
Whereof temporary employees and consultants	6,236	6,113	6,111	5,929	6,147
Total number of employees	99,631	98,983	96,398	94,914	96,664
Whereof temporary employees and consultants	13,482	13,530	12,072	10,875	12,058

BUSINESS SEGMENT OVERVIEW

Net sales SEK M	Third quarter		Change		First nine months		Change		12 months rolling	Jan-Dec 2016
	2017	2016	%	% ¹	2017	2016	%	% ¹		
Trucks	49,798	45,757	9	12	155,631	146,106	7	4	210,175	200,650
Construction Equipment	15,091	11,539	31	37	49,764	37,620	32	30	62,874	50,731
Buses	6,539	5,371	22	24	19,058	17,363	10	8	27,081	25,386
Volvo Penta	2,662	2,465	8	9	8,444	7,484	13	10	10,853	9,893
Group Functions & Other	1,371	1,446	-5	-5	4,557	5,089	-10	-4	7,222	7,754
Eliminations	-938	-564	-66	-66	-2,612	-1,997	-31	-31	-3,570	-2,955
Industrial Operations	74,522	66,014	13	16	234,842	211,666	11	9	314,635	291,459
Financial Services	2,896	2,823	3	5	8,734	8,248	6	3	11,728	11,242
Reclassifications and eliminations	-193	-80	-142	-142	-576	-559	-3	-3	-804	-787
Volvo Group	77,225	68,758	12	16	242,999	219,355	11	8	325,558	301,914

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

Adjusted operating income ¹ SEK M	Third quarter		Change		First nine months		Change		12 months rolling	Jan-Dec 2016
	2017	2016	%	% ¹	2017	2016	%	% ¹		
Trucks	4,261	3,756	13		14,587	12,719	15		19,341	17,472
Construction Equipment	2,024	601	237		6,101	1,753	248		6,595	2,246
Buses	218	232	-6		639	604	6		906	870
Volvo Penta	353	358	-1		1,252	1,113	12		1,408	1,269
Group Functions & Other	-393	-634	38		-1,581	-2,246	30		-2,158	-2,823
Eliminations	9	6	50		-9	-28	68		-9	-28
Industrial Operations	6,472	4,318	50		20,990	13,915	51		26,082	19,008
Financial Services	553	528	5		1,604	1,519	6		2,172	2,086
Volvo Group	7,024	4,846	45		22,594	15,434	46		28,254	21,094
Adjustments ¹	400	-190	311		400	-1,639	124		1,771	-268
Volvo Group operating income	7,424	4,656	59		22,994	13,795	67		30,025	20,826

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

Adjusted operating margin %	Third quarter		First nine months		12 months rolling	Jan-Dec 2016
	2017	2016	2017	2016		
Trucks	8.6	8.2	9.4	8.7	9.2	8.7
Construction Equipment	13.4	5.2	12.3	4.7	10.5	4.4
Buses	3.3	4.3	3.4	3.5	3.3	3.4
Volvo Penta	13.3	14.5	14.8	14.9	13.0	12.8
Industrial Operations	8.7	6.5	8.9	6.6	8.3	6.5
Volvo Group	9.1	7.0	9.3	7.0	8.7	7.0
Volvo Group operating margin	9.6	6.8	9.5	6.3	9.2	6.9

TRUCKS

Increased sales and good order intake

- » Demand remains high in Europe and increases in North America and China
- » Adjusted operating income SEK 4,261 M (3,756) corresponding to an operating margin of 8.6% (8.2)
- » Important product launches by Mack Trucks in North America



Market development

The truck market in Europe remained strong in Q3 2017. Demand for transport continued to be good, resulting in high capacity utilization for truck fleets and good customer profitability. This has led to continued renewal and expansion of fleets. Demand is expected to continue on a high level in 2018 with a forecast for a total market of 300,000 heavy-duty trucks.

In North America the long-haul and regional haul segments are coming back and the construction segment continued to perform well in the quarter. Good economic conditions, increasing freight rates and stabilized used truck prices contribute to improving demand. The total market forecast for retail sales is upgraded to 235,000 trucks for 2017 and retail sales for 2018 is estimated to increase to 260,000 trucks.

Registrations of heavy-duty trucks in Brazil remained low in Q3 2017. However, the market seems to be bottoming out with some signs of improving order activity. The total market for 2018 is estimated to reach 35,000 heavy-duty trucks.

In India, demand improved during the third quarter after a weaker second quarter following introduction of new emission

regulations on April 1 this year. The market forecast for 2017 is raised to 305,000 heavy- and medium-duty trucks. The 2018 market is expected to reach 320,000 trucks.

The Chinese heavy-duty truck market increased by 78% through September. The increase reflects a good freight environment and higher construction activity. Demand has also been driven by the new weight and dimension legislation that was introduced last year, which led to the need for fleet expansion and early renewal to fulfill the legal requirements being effectively enforced. The total market forecast for 2017 has been raised to an all-time-high level of 1,360,000 medium- and heavy-duty trucks. The need for further fleet expansion in 2018 is expected to be lower and consequently the market is expected to come down to 1,150,000 trucks.

In Japan, the market remained on a good level through September. Demand for heavy-duty trucks for next year is expected to stay stable, although on a slightly lower level following the introduction of new emission regulations as of September, 2017.

Total market development	First nine months		Change %	Full year 2016	Forecast 2017	Change vs. previous forecast	Forecast 2018
	2017	2016					
Registrations, number of trucks							
Europe 28 ¹ heavy-duty (as of August)	176,702	174,895	1	264,600	-	-	-
Europe 30 ¹ heavy-duty	-	-	-	305,400	305,000	+5,000	300,000
North America heavy-duty	171,379	185,114	-7	243,200	235,000	+10,000	260,000
Brazil heavy-duty	21,834	22,850	-4	29,700	30,000	unchanged	35,000
China heavy-duty	874,604	492,303	78	732,900	1,120,000	+240,000	950,000
China medium-duty	174,375	158,918	10	229,000	240,000	+60,000	200,000
India heavy-duty	175,598	170,960	3	219,900	230,000	+15,000	240,000
India medium-duty ²	57,146	56,445	1	73,500	75,000	+15,000	80,000
Japan heavy-duty	35,392	35,929	-1	47,300	48,000	unchanged	45,000
Japan medium-duty	39,630	35,408	12	47,300	47,000	unchanged	40,000

¹ From the third quarter 2016 registration data is no longer available for the UK. Registrations for EU 28 for the year 2016 and first nine months 2017 and 2016 include Norway and Switzerland but exclude the UK and Bulgaria. The UK reported 36,356 registered trucks for the full year 2016. Note! Forecast for EU 30 include the UK and Bulgaria.

² Forecast 2017 includes 5 ton segment (earlier from 6 ton)

Net order intake	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	23,296	19,868	17	80,257	73,058	10
Heavy- and medium-duty	19,408	16,993	14	67,181	60,463	11
Light-duty	3,888	2,875	35	13,076	12,595	4
North America	12,096	6,764	79	33,150	23,123	43
South America	3,725	2,958	26	10,860	6,967	56
Asia	9,478	7,256	31	27,517	22,753	21
Africa and Oceania	3,360	2,634	28	11,058	9,047	22
Total orders	51,955	39,480	32	162,842	134,948	21
Heavy-duty (>16 tons)	44,728	33,484	34	137,918	110,760	25
Medium-duty (7-16 tons)	3,230	2,963	9	11,455	10,798	6
Light-duty (<7 tons)	3,997	3,033	32	13,469	13,390	1
Total orders	51,955	39,480	32	162,842	134,948	21
Volvo	28,232	21,649	30	88,576	72,090	23
UD	5,035	4,764	6	16,212	15,466	5
Renault Trucks	11,925	9,164	30	40,302	35,804	13
Heavy- and medium-duty	7,994	6,253	28	27,013	22,995	17
Light-duty	3,931	2,911	35	13,289	12,809	4
Mack	6,763	3,903	73	17,752	11,588	53
Total orders	51,955	39,480	32	162,842	134,948	21
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	12,404	10,712	16	32,900	33,840	-3

Orders and deliveries

Truck deliveries increased by 13% to 46,603 vehicles in Q3 2017. Net orders in the quarter increased by 32% to 51,955 trucks, driven by a broad-based increase across all regions and brands.

Deliveries of heavy- and medium-duty trucks in Europe increased by 11% to 18,996, while orders increased by 14% to 19,408 trucks. Orders for Renault Trucks' light-duty trucks increased by 35% from a low base previous year. Through August, Volvo Trucks' market share for heavy-duty trucks in Europe was stable at 16.6% (16.7), while Renault Trucks' increased its market share in heavy-duty to 8.5% (8.0).

In North America, deliveries were up 17%. Volvo Trucks' market share came in lower at 8.6% (9.6) through September while Mack's market share remained flat at 7.7% (7.8). The big order intake increase of 79% was driven by both Mack and Volvo reflecting the high activity in both construction and highway segments.

Deliveries in South America increased by 26% in Q3 2017. Volvo Trucks' heavy duty market share in Brazil declined to 17.7% (18.9) through September. Order intake in South America also increased by 26%. A record high harvest in Brazil earlier in the year has increased freight volumes and customers have now started to renew parts of their fleets.

Deliveries	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	22,301	20,510	9	73,589	70,161	5
Heavy- and medium-duty	18,996	17,125	11	62,613	58,344	7
Light-duty	3,305	3,385	-2	10,976	11,817	-7
North America	9,747	8,309	17	27,532	31,088	-11
South America	3,046	2,413	26	7,627	6,852	11
Asia	8,338	6,923	20	24,631	22,740	8
Africa and Oceania	3,171	3,000	6	9,209	9,094	1
Total deliveries	46,603	41,155	13	142,588	139,935	2
Heavy-duty (>16 tons)	39,882	34,255	16	120,721	115,802	4
Medium-duty (7-16 tons)	3,312	3,328	0	10,622	11,560	-8
Light-duty (<7 tons)	3,409	3,572	-5	11,245	12,573	-11
Total deliveries	46,603	41,155	13	142,588	139,935	2
Volvo	25,722	22,353	15	77,952	74,923	4
UD	5,251	4,919	7	14,931	15,493	-4
Renault Trucks	10,530	9,920	6	35,173	34,792	1
Heavy- and medium-duty	7,179	6,459	11	24,077	22,788	6
Light-duty	3,351	3,461	-3	11,096	12,004	-8
Mack	5,100	3,963	29	14,532	14,727	-1
Total deliveries	46,603	41,155	13	142,588	139,935	2
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	12,298	10,442	18	33,155	33,394	-1
Dongfeng Commercial Vehicle Company (Dongfeng Trucks)	39,871	28,614	39	115,859	78,897	47

Net sales and operating income SEK M	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
Europe	21,543	20,061	7	70,318	65,493	7
North America	12,750	11,556	10	38,850	39,785	-2
South America	3,313	2,836	17	9,130	7,528	21
Asia	8,429	8,073	4	26,312	23,831	10
Africa and Oceania	3,762	3,230	16	11,021	9,469	16
Total net sales	49,798	45,757	9	155,631	146,106	7
Of which:						
Vehicles	37,244	33,373	12	116,658	109,536	7
Services	12,553	12,384	1	38,973	36,570	7
Adjusted operating income¹	4,261	3,756	13	14,587	12,719	15
Adjustments ¹	-	-190		-	-2,524	-
Operating income	4,261	3,566	19	14,587	10,195	43
Adjusted operating margin, %	8.6	8.2		9.4	8.7	
Operating margin, %	8.6	7.8		9.4	7.0	

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

Demand outside Brazil continues to be good.

In Asia, truck deliveries increased by 20% in the quarter, primarily related to higher volumes of Volvo trucks, UD Quester and the introduction of the new medium-duty truck, UD Croner. Through September, UD Trucks increased its heavy-duty market share in Japan to 17.3% (16.3). Orders in Asia increased by 31%.

Net sales and operating income

The truck operation's net sales amounted to SEK 49,798 M, which was 9% higher than in Q3 2016. Adjusted for currency movements net sales increased by 12%, with sales of vehicles increasing by 14% and service sales increasing by 5%.

Adjusted operating income in Q3 2017 amounted to SEK 4,261 M (3,756) corresponding to an operating margin of 8.6% (8.2). There were no adjustments in Q3 2017. Adjustments in Q3 2016 referred to a provision for the EU competition investigation of SEK 190 M. Reported operating income amounted to SEK 4,261 M (3,566).

Compared to Q3 2016, the adjusted operating income was positively impacted by higher volumes and increased

earnings in the joint ventures. This was partly offset by higher selling costs, costs related to a stretched situation in parts of the supply chain and higher R&D costs. Compared with Q3 2016, currency movements had a negative impact of SEK 143 M.

Important events

In North America an important step was taken in September with the announcement of an update of Mack Trucks' vocational and regional haul lineup as well as an expansion into the long haul segment with the new Mack Anthem sleeper cab. Together with the launches on the Volvo side earlier in the year, these new products mark the Group's biggest upgrade of the North American truck range in 20 years. The new Mack trucks will be ramped-up in production gradually during the first quarter of 2018.

In Europe, Volvo Trucks announced long haul trucks running on liquefied natural gas (LNG) or liquefied biogas (LBG). The new trucks have the same performance, drivability and fuel consumption as the diesel-powered models, but their CO₂ emissions are 20% lower compared with diesel when running on LNG and 100% lower when running on LBG.

CONSTRUCTION EQUIPMENT

Continued strong performance

- » Market growth across all regions
- » Adjusted operating margin of 13.4% (5.2)
- » Transformation program continues to drive profitability improvements

**Market development**

Through August the European market was up by 15%, driven by the growth in the United Kingdom, France and Italy. The German market is slightly above last year, but has slowed in recent months. The Russian market is 101% above last year and the market continues to recover.

In North America the market is 7% above last year due to growth in demand for compact excavators and larger general purpose excavators. The South American market is 6% above last year, but remains at very low levels.

In Asia (excluding China) the total market is 12% above last year, with continued growth in India and Indonesia which has seen a recovery in the mining segment.

The Chinese market is 74% above last year with strong recovery for both excavators and large wheel loaders.

Orders and deliveries

Order intake increased by 45% to 13,421 machines in Q3 2017. This increase was largely driven by higher intake from China as well as growth in other Asian markets and Russia. In Asia orders increased by 86%. This improvement was driven by SDLG branded wheel loaders as well as both Volvo and SDLG branded excavators in China. Demand in Indonesia, the Philippines and India also increased.

Order intake in Europe increased by 12% due to continued high growth in Russia and stable order intake of Volvo branded products in major European markets.

In North America order intake decreased by 17% as a consequence of dealer destocking in Q3 2017 and high order intake in 2016 related to product introductions. In South America orders declined 2% mainly driven by continued tough economic conditions in Brazil.

Deliveries in the quarter increased by 48% to 14,431 machines. This was primarily driven by higher sales in Asia.

Total market development	Year-to-date Aug			
	2017	Forecast 2017	Previous forecast	Forecast 2018
Change in % measured in units				
Europe	15	+5% to +15%	+5% to +15%	-5% to +5%
North America	7	0% to +10%	-5% to +5%	-5% to +5%
South America	6	-5% to +5%	-5% to +5%	0% to +10%
Asia excl. China	12	0% to +10%	0% to +10%	0% to +10%
China	74	+60% to +70%	+35% to +45%	+5% to +15%

Net order intake	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
Number of construction equipment						
Europe	2,921	2,603	12	12,157	10,597	15
North America	889	1,065	-17	4,430	4,197	6
South America	413	420	-2	1,030	744	38
Asia	8,407	4,527	86	26,980	15,627	73
Africa and Oceania	791	622	27	2,520	1,710	47
Total orders	13,421	9,237	45	47,117	32,875	43
Large and medium construction equipment ¹	10,784	7,189	50	36,210	24,670	47
Compact construction equipment ²	2,637	2,048	29	10,907	8,205	33
Total orders	13,421	9,237	45	47,117	32,875	43
Of which:						
Volvo	7,615	6,285	21	27,972	22,812	23
SDLG	5,752	2,902	98	18,986	9,955	91
Of which in China	4,893	2,033	141	15,969	7,759	106

¹ Excavators >10 tons, wheel loaders engine power >120 hp, articulated haulers, rigid haulers and road machinery products.

² Excavators <10 tons, wheel loaders engine power <120 hp, skid steer loaders and backhoe loaders.

Deliveries	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
Number of construction equipment						
Europe	3,938	3,322	19	13,925	11,550	21
North America	1,461	1,179	24	4,601	4,079	13
South America	359	398	-10	995	834	19
Asia	8,055	4,328	86	26,588	15,626	70
Africa and Oceania	618	504	23	2,163	1,578	37
Total deliveries	14,431	9,731	48	48,272	33,667	43
Large and medium construction equipment ¹	11,165	7,298	53	35,611	24,769	44
Compact construction equipment ²	3,266	2,433	34	12,661	8,898	42
Total deliveries	14,431	9,731	48	48,272	33,667	43
Of which:						
Volvo	8,625	6,779	27	29,127	23,604	23
SDLG	5,752	2,902	98	18,986	9,955	91
Of which in China	4,893	2,033	141	15,969	7,759	106

¹ Excavators >10 tons, wheel loaders engine power >120 hp, articulated haulers, rigid haulers and road machinery products.

² Excavators <10 tons, wheel loaders engine power <120 hp, skid steer loaders and backhoe loaders.

Net sales and operating income	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
SEK M						
Europe	5,179	4,583	13	17,639	14,846	19
North America	3,013	2,476	22	9,736	8,258	18
South America	464	400	16	1,263	955	32
Asia	5,483	3,423	60	18,127	11,588	56
Africa and Oceania	952	657	45	2,999	1,973	52
Total net sales	15,091	11,539	31	49,764	37,620	32
Of which:						
Construction equipment	12,534	9,158	37	41,980	30,624	37
Services	2,557	2,381	7	7,784	6,997	11
Adjusted operating income¹	2,024	601	237	6,101	1,753	248
Adjustments ¹	-	-	-	-	-	-
Operating income	2,024	601	237	6,101	1,753	248
Adjusted operating margin, %	13.4	5.2		12.3	4.7	
Operating margin, %	13.4	5.2		12.3	4.7	

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

Net sales and operating income

In Q3 2017, net sales increased by 31% to SEK 15,091 M (11,539). Adjusted for currency movements net sales increased by 34% compared with Q3 2017, of which net sales of machines increased by 41% and service sales increased by 10%.

Both adjusted and reported operating income amounted to SEK 2,024 M (601), corresponding to an operating margin of 13.4% (5.2). Earnings were positively impacted by higher sales, improved capacity utilization in the industrial system and a capital gain from the divestment of the dealer in Great Britain of SEK 253 M. Q3 2016 was impacted negatively by a provision of SEK 96 M for credit losses in China.

Currency movements had a negative impact on operating income in an amount of SEK 150 M.

Important events

More than half a century after it launched the world's first articulated hauler, Q3 2017 saw Volvo Construction Equipment celebrate the production of its 75,000th articulated hauler. Having produced more than half of the articulated haulers ever made, about 50,000 Volvo haulers are still in regular use around the world.

BUSES

Largest ever order for full electric buses

- » Deliveries up 24%
- » Operating margin of 3.3% (4.3)
- » New Volvo 7900 Electric with next generation of battery technology



The European bus market weakened in Q3 2017 mainly due to low tender activity in northern Europe, which was partly compensated by growth in southern Europe. Asia shows a stable market and the Indian market is gradually recovering, whilst activity in the Middle East remains at a lower level. The North American market is still at a high level with strong demand for both coaches and city buses. In Mexico, the market has recovered with high demand for coaches. Demand continues to be at a low level in Brazil with overcapacity impacting prices.

Volvo Buses delivered 2,391 buses in Q3 2017, an increase of 24% compared to the same period in 2016. This was mainly driven by deliveries in southern Europe and transit buses in North America.

During the quarter Volvo Buses secured a major order of 325 Nova transit buses to TTC in Toronto, Canada.

In October, Volvo Buses announced a new generation of its all-electric bus, the Volvo 7900 Electric equipped with next generation battery technology, significantly extending the

operating range to up to 200 km. Norwegian bus operator Tide Buss has ordered 25 fully electric Volvo buses to operate in the city of Trondheim as of Q3 2019. The fully electric buses are being sold as a complete turnkey package. This is a strategic order for the Volvo 7900 Electric bus and is the largest order so far for fully electric buses.

In Q3 2017 net sales improved by 22% to SEK 6,539 M (5,371) compared to the same period in 2016. Adjusted for currency movements, sales increased by 24%, whereof vehicle sales increased by 29% and service sales by 4%.

Both adjusted and reported operating income amounted to SEK 218 M (232), corresponding to an operating margin of 3.3% (4.3). Operating income was positively impacted by increased volumes, which were more than offset by negative currency movements, costs for a production ramp-up as well as an unfavorable mix. Compared to Q3 2016, currency movements had a negative impact on operating income of SEK 62 M.

Net order intake and deliveries	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
Number of buses						
Total orders	1,869	1,987	-6	7,210	6,375	13
Total deliveries	2,391	1,931	24	6,567	6,766	-3

Net sales and operating income	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
SEK M						
Europe	1,857	1,628	14	5,503	5,158	7
North America	3,172	2,245	41	9,182	7,795	18
South America	262	410	-36	809	992	-18
Asia	873	678	29	2,374	2,244	6
Africa and Oceania	376	410	-8	1,189	1,175	1
Total net sales	6,539	5,371	22	19,058	17,363	10
Of which:						
Vehicles	5,504	4,358	26	15,785	14,340	10
Services	1,035	1,014	2	3,273	3,023	8
Adjusted operating income¹	218	232	-6	639	604	6
Adjustments ¹	-	-	-	-	-	-
Operating income	218	232	-6	639	604	6
Adjusted operating margin, %	3.3	4.3		3.4	3.5	
Operating margin, %	3.3	4.3		3.4	3.5	

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

VOLVO PENTA

Continued sales growth

- » Sales growth continues for industrial off-road and marine segments
- » Operating margin of 13.3% (14.5)
- » Volvo Penta launches 1,000 hp engine for marine leisure



The overall marine leisure market remained flat, with signs of a slight decline in the gasoline segment, but Volvo Penta continues to gain market share. In August at the Sydney International Boat Show, Volvo Penta successfully launched its most powerful marine leisure engine ever – a 13 liter, diesel engine with 1,000 horsepower.

The new 13 liter engine is perfectly matched with an upgraded IPS pod drive, offering customers an even more powerful option. This milestone product can power yachts up to 120 feet. At the Cannes Yachting Festival in September, Volvo Penta announced new large yachts powered by Volvo Penta IPS, including a unique, 110 foot Amer Yacht.

The marine commercial market is still impacted by low demand from customers in the oil and gas industry.

The market for industrial off-road engines continues to show positive signs, with stability in the material handling and mining segments and a continued increase in demand in the construction and agriculture segments. Volvo Penta continues to grow strongly within the off-road engine segment.

The global market for industrial power generation engines is flat, with positive signs in certain sub-segments such as construction.

Net order intake in Q3 2017 increased by 12% to 8,723 units, while deliveries increased by 7% to 9,405 units driven by both the industrial and marine segment.

Net sales increased by 8% to SEK 2,662 M (2,465). Adjusted for currency movements net sales increased by 9%, of which sales of engines increased by 12% while sales of services increased by 3%, negatively impacted by hurricanes in the US and a slow boating season in northern Europe.

Both adjusted and reported operating income amounted to SEK 353 M (358). The operating margin was 13.3% (14.5). Earnings were positively impacted by higher sales, which were more than offset by higher industrial and campaign costs as well as increased operating expenses. Compared with Q3 2016 the currency impact on operating income was positive in an amount of SEK 1 M.

Net order intake and deliveries	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
Number of Engines						
Total orders	8,723	7,780	12	30,677	27,651	11
Total deliveries	9,405	8,823	7	31,027	28,254	10

Net sales and operating income	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
SEK M						
Europe	1,288	1,192	8	4,342	3,829	13
North America	644	531	21	1,844	1,606	15
South America	71	74	-4	202	198	2
Asia	523	541	-3	1,624	1,461	11
Africa and Oceania	136	128	6	432	390	11
Total net sales	2,662	2,465	8	8,444	7,484	13
Of which:						
Engines	1,840	1,655	11	6,057	5,263	15
Services	822	810	1	2,386	2,221	7
Adjusted operating income ¹	353	358	-1	1,252	1,113	12
Adjustments ¹	-	-	-	-	-	-
Operating income	353	358	-1	1,252	1,113	12
Adjusted operating margin, %	13.3	14.5		14.8	14.9	
Operating margin, %	13.3	14.5		14.8	14.9	

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

FINANCIAL SERVICES

Continued good results

- » Strong portfolio performance
- » Good new business volume
- » Improved profitability

Volvo Financial Services (VFS) had record third quarter new business volume due to increased deliveries and stable penetration, despite intense competition in most markets.

During Q3 2017, operating income increased to SEK 553 M (528) mainly due to lower credit provisions which were partly offset by higher operating expenses. The return on equity improved to 14.3% (13.3).

Overall portfolio performance continued to be strong, highlighted by historically low levels of overdues and credit



losses in most markets. In regards to Brazil, while the situation is still difficult, it appears that conditions have stabilized.

During the quarter, VFS syndicated approximately SEK 1.0 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	
	2017	2016	2017	2016
Number of financed units	12,571	12,010	36,379	36,061
Total penetration rate ¹ , %	27	27	25	25
New financing volume, SEK billion	13.8	13.4	40.8	39.0
Credit portfolio net, SEK billion			125	126
Credit provision expenses	126	173	413	447
Operating income, SEK M	553	528	1,604	1,519
Credit reserves, % of credit portfolio			1.39	1.42
Return on shareholders' equity, rolling 12 months, %			14.3	13.3

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 FOR THE VOLVO GROUP

New financial targets for Volvo Group

On August 31, it was announced that the Board of Directors of AB Volvo in its annual review had decided to introduce new financial targets for the Volvo Group.

- The Group's operating margin shall exceed 10% measured over a business cycle.
- Financial Services' target remains unchanged with a return on equity of 12-15% at an equity ratio above 8%.
- The Industrial Operations shall under normal conditions have no net financial indebtedness excluding pension liabilities.

Mack Anthem introduced

On September 15, Mack Trucks introduced its new, next-generation highway truck, the Mack Anthem. The Mack Anthem gives drivers and businesses the tools they need to command the road. The truck features an all-new exterior design with optimized aerodynamics for improved fuel efficiency by up to 3%. Mack Trucks also introduced updated

vocational and regional haul models with all-new interiors to improve ergonomics, while maintaining functionality.

Volvo Group discontinues the process to divest Governmental Sales

On October 17, it was announced that Volvo Group had decided to discontinue the process to divest the Governmental Sales business area, since the offers received did not reflect its value.

Previously reported important events

- Annual General Meeting of AB Volvo
- New heavy-duty Quon and medium-duty Croner from UD
- New Volvo VNR truck for regional haul in North America
- Melker Jernberg appointed President of Volvo CE
- The Volvo Group sold its shares in Deutz AG
- New Volvo VNL long-haul tractor in North America

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	
	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	74,522	66,014	2,896	2,823	-193	-80	77,225	68,758
Cost of sales	-57,441	-51,003	-1,729	-1,649	193	80	-58,978	-52,573
Gross income	17,081	15,011	1,167	1,174	-	-	18,247	16,184
Research and development expenses	-3,445	-3,289	-	-	-	-	-3,445	-3,289
Selling expenses	-6,286	-5,906	-505	-469	-	-	-6,791	-6,375
Administrative expenses	-1,262	-1,125	-10	-10	-	-	-1,273	-1,135
Other operating income and expenses	95	-643	-100	-168	-	-	-5	-810
Income/loss from investments in Joint Ventures and associated companies	634	61	-	-	-	-	634	61
Income from other investments	56	20	0	0	-	-	56	20
Operating income	6,871	4,128	553	528	-	-	7,424	4,656
Interest income and similar credits	44	65	-	-	-	-	44	65
Interest expenses and similar charges	-417	-497	0	0	-	-	-417	-497
Other financial income and expenses	-17	-104	-	0	-	-	-17	-103
Income after financial items	6,481	3,592	553	529	-	-	7,034	4,120
Income taxes	-1,337	-1,330	-182	-179	-	-	-1,519	-1,509
Income for the period *	5,144	2,262	371	350	-	-	5,515	2,612
* Attributable to:								
Equity holders of the parent company							5,467	2,589
Minority interests							48	23
							5,515	2,612
Basic earnings per share, SEK							2.69	1.27
Diluted earnings per share, SEK							2.69	1.27
Key operating ratios, %								
Gross margin	22.9	22.7	-	-	-	-	23.6	23.5
Research and development expenses as percentage of net sales	4.6	5.0	-	-	-	-	4.5	4.8
Selling expenses as percentage of net sales	8.4	8.9	-	-	-	-	8.8	9.3
Administrative expenses as percentage of net sales	1.7	1.7	-	-	-	-	1.6	1.7
Operating margin	9.2	6.3	-	-	-	-	9.6	6.8

CONSOLIDATED OTHER COMPREHENSIVE INCOME THIRD QUARTER

SEK M	2017	2016
Income for the period	5,515	2,612
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-819	-1,253
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	-2,136	1,575
Share of OCI related to Joint Ventures and associated companies	-7	-9
Accumulated translation difference reversed to income	-56	-44
Available-for-sale investments	-52	25
Change in cash flow hedges	-	27
Other comprehensive income, net of income taxes	-3,070	321
Total comprehensive income for the period *	2,445	2,933
* Attributable to:		
Equity holders of the parent company	2,439	2,886
Minority interests	6	46
	2,445	2,933

CONSOLIDATED INCOME STATEMENT FIRST NINE MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	234,842	211,666	8,734	8,248	-576	-559	242,999	219,355
Cost of sales	-179,162	-164,050	-5,244	-4,896	576	559	-183,830	-168,386
Gross income	55,680	47,616	3,490	3,353	-	-	59,169	50,969
Research and development expenses	-11,565	-10,413	-	-	-	-	-11,565	-10,413
Selling expenses	-19,447	-18,148	-1,533	-1,415	-	-	-20,980	-19,563
Administrative expenses	-3,971	-3,814	-30	-30	-	-	-4,001	-3,843
Other operating income and expenses	-694	-3,108	-322	-388	-	-	-1,016	-3,496
Income/loss from investments in Joint Ventures and associated companies	1,242	39	-	-	-	-	1,242	39
Income from other investments	145	103	0	0	-	-	145	103
Operating income	21,389	12,276	1,604	1,519	-	-	22,994	13,795
Interest income and similar credits	124	186	-	-	-	-	124	186
Interest expenses and similar charges	-1,367	-1,380	0	0	-	-	-1,367	-1,380
Other financial income and expenses	-253	272	-	0	-	-	-253	272
Income after financial items	19,893	11,354	1,604	1,519	-	-	21,498	12,872
Income taxes	-4,677	-3,993	-485	-489	-	-	-5,163	-4,481
Income for the period *	15,216	7,361	1,119	1,030	-	-	16,335	8,391
* Attributable to:								
Equity holders of the parent company							16,114	8,333
Minority interests							221	58
							16,335	8,391
Basic earnings per share, SEK							7.93	4.10
Diluted earnings per share, SEK							7.93	4.10
Key operating ratios, %								
Gross margin	23.7	22.5	-	-	-	-	24.3	23.2
Research and development expenses as percentage of net sales	4.9	4.9	-	-	-	-	4.8	4.7
Selling expenses as percentage of net sales	8.3	8.6	-	-	-	-	8.6	8.9
Administrative expenses as percentage of net sales	1.7	1.8	-	-	-	-	1.6	1.8
Operating margin	9.1	5.8	-	-	-	-	9.5	6.3

CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST NINE MONTHS

SEK M	2017	2016
Income for the period	16,335	8,391
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	37	-3,732
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	-4,614	4,727
Share of OCI related to Joint Ventures and associated companies	-28	-91
Accumulated translation difference reversed to income	-56	-49
Available-for-sale investments	-18	-88
Change in cash flow hedges	-11	54
Other comprehensive income, net of income taxes	-4,690	821
Total comprehensive income for the period *	11,645	9,212
* Attributable to:		
Equity holders of the parent company	11,538	9,144
Minority interests	107	68
	11,645	9,212

CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Sep 30 2017	Dec 31 2016	Sep 30 2017	Dec 31 2016	Sep 30 2017	Dec 31 2016	Sep 30 2017	Dec 31 2016
Assets								
Non-current assets								
Intangible assets	35,020	37,768	175	149	-	-	35,195	37,916
<i>Tangible assets</i>								
Property, plant and equipment	51,917	55,812	38	64	-	-	51,955	55,875
Assets under operating leases	22,666	22,752	19,781	19,556	-7,445	-7,615	35,001	34,693
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	10,071	11,643	-	-	-	-	10,071	11,643
Other shares and participations	685	766	10	11	-	-	695	776
Non-current customer-financing receivables	742	965	54,593	57,830	-744	-968	54,590	57,827
Prepaid pensions	92	79	-	-	-	-	92	79
Non-current interest-bearing receivables	2,734	2,481	-	-	-808	-1,222	1,925	1,258
Other non-current receivables	3,895	4,083	218	211	-138	-147	3,976	4,148
Deferred tax assets	12,377	13,332	877	1,068	-	-	13,254	14,399
Total non-current assets	140,199	149,679	75,691	78,888	-9,136	-9,953	206,755	218,615
Current assets								
Inventories	50,489	48,080	264	206	-	-	50,753	48,287
<i>Current receivables</i>								
Customer-financing receivables	653	733	50,564	53,082	-699	-821	50,517	52,994
Tax assets	2,264	1,166	265	193	-	-	2,529	1,359
Interest-bearing receivables	1,753	1,935	12	191	-1,128	-991	638	1,135
Internal funding	13,296	7,503	-	-	-13,296	-7,503	-	-
Accounts receivable	32,947	33,593	921	826	-	-	33,868	34,419
Other receivables	13,165	16,003	1,190	1,348	-541	-940	13,814	16,410
Non interest-bearing assets held for sale	6,266	525	-	-	-	-	6,266	525
Interest-bearing assets held for sale	6	-	-	-	-	-	6	-
Marketable securities	164	1,223	-	-	-	-	164	1,223
Cash and cash equivalents	24,796	19,653	3,628	5,175	-507	-879	27,917	23,949
Total current assets	145,799	130,414	56,843	61,021	-16,171	-11,134	186,471	180,301
Total assets	285,998	280,093	132,535	139,910	-25,306	-21,087	393,226	398,916
Equity and liabilities								
Equity attributable to the equity holders of the parent company								
Equity attributable to the equity holders of the parent company	90,400	84,876	10,607	11,185	-	-	101,007	96,061
Minority interests	1,798	1,703	-	-	-	-	1,798	1,703
Total equity	92,198	86,579	10,607	11,185	-	-	102,805	97,764
<i>Non-current provisions</i>								
Provisions for post-employment benefits	13,492	14,608	64	61	-	-	13,556	14,669
Provisions for deferred taxes	1,956	1,842	2,950	3,429	-	-	4,906	5,270
Other provisions	8,291	9,540	235	252	93	13	8,619	9,804
<i>Non-current liabilities</i>								
Bond loans	46,527	60,653	-	-	-	-	46,527	60,653
Other loans	13,738	13,578	11,181	11,287	-744	-968	24,175	23,898
Internal funding	-40,552	-52,487	45,935	48,071	-5,383	4,415	-	-
Other liabilities	24,627	24,631	1,204	934	-4,918	-5,243	20,912	20,322
Current provisions	10,544	11,164	69	82	42	87	10,654	11,333
<i>Current liabilities</i>								
Loans	49,427	47,976	9,625	10,165	-1,889	-1,644	57,164	56,497
Internal funding	-37,623	-35,777	46,789	49,964	-9,166	-14,187	-	-
Non interest-bearing liabilities held for sale	4,180	148	-	-	-	-	4,180	148
Interest-bearing liabilities held for sale	287	-	-	-	-	-	287	-
Trade payables	56,052	54,790	479	474	-	-	56,531	55,264
Tax liabilities	3,394	544	353	141	-	-	3,747	685
Other liabilities	39,460	42,305	3,043	3,864	-3,341	-3,560	39,162	42,608
Total equity and liabilities	285,998	280,093	132,535	139,910	-25,306	-21,087	393,226	398,916
Key ratios, %								
Shareholders' equity as percentage of total assets	32.2	30.9	8.0	8.0	-	-	26.1	24.5
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	49.7	47.3
Return on operating capital, 12 months rolling	31.4	21.5	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling	-	-	14.3	13.7	-	-	21.3	14.9

CONSOLIDATED CASH FLOW STATEMENT THIRD QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating activities								
Operating income	6,871	4,128	553	528	-	0	7,424	4,656
Depreciation tangible assets	1,588	1,557	2	5	-	-	1,590	1,562
Amortization intangible assets	675	793	9	8	-	-	684	801
Depreciation leasing vehicles	763	707	1,019	1,096	0	1	1,782	1,804
Other non-cash items	-385	154	148	183	-18	-10	-255	327
Total change in working capital whereof	-5,640	-2,428	-1,830	2,888	-191	-2	-7,662	457
<i>Change in accounts receivables</i>	-361	1,523	-53	-45	0	-35	-414	1,443
<i>Change in customer financing receivables</i>	-6	53	-1,686	2,829	-97	-53	-1,789	2,830
<i>Change in inventories</i>	-1,054	-1,077	-72	46	0	10	-1,125	-1,021
<i>Change in trade payables</i>	-3,697	-1,551	-122	-17	0	0	-3,819	-1,568
<i>Other changes in working capital</i>	-522	-1,375	102	75	-94	75	-514	-1,226
Interest and similar items received	45	76	-	-	4	0	49	76
Interest and similar items paid	-207	-250	-	-	14	10	-193	-240
Other financial items	-40	-54	-	-	-	-	-40	-54
Income taxes paid	-1,099	-817	-70	-240	0	0	-1,169	-1,057
Cash flow from operating activities	2,572	3,866	-171	4,467	-191	-2	2,210	8,331
Investing activities								
Investments in tangible assets	-1,427	-1,463	-1	-4	-	-	-1,427	-1,467
Investments in intangible assets	-512	-624	-14	-14	-	-	-526	-639
Investment in leasing vehicles	-46	-13	-2,950	-2,702	-	-	-2,996	-2,715
Disposals of fixed assets and leasing vehicles	35	366	1,421	1,273	-12	-	1,444	1,639
Operating cash flow	622	2,132	-1,714	3,019	-203	-2	-1,294	5,149
Investments and divestments of shares, net							2,165	12
Acquired and divested operations, net							822	2
Interest-bearing receivables incl. marketable securities							234	505
Cash flow after net investments							1,928	5,668
Financing activities								
Change in loans, net							121	-1,157
Dividend to AB Volvo shareholders							-	-
Dividend to minority shareholders							-	-
Other							-27	-16
Change in cash and cash equivalents excl. translation differences							2,021	4,496
Translation difference on cash and cash equivalents							-308	218
Change in cash and cash equivalents							1,713	4,714

CONSOLIDATED CASH FLOW STATEMENT FIRST NINE MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating activities								
Operating income	21,389	12,276	1,604	1,519	-	0	22,994	13,795
Depreciation tangible assets	4,819	4,642	5	10	-	-	4,824	4,652
Amortization intangible assets	2,396	2,314	25	23	-	-	2,421	2,338
Depreciation leasing vehicles	2,105	2,072	3,124	2,986	0	0	5,230	5,058
Other non-cash items	-423	2,394	424	486	-3	-38	-2	2,842
Total change in working capital whereof	-6,771	-15,060	-1,307	1,920	-452	-173	-8,530	-13,313
<i>Change in accounts receivables</i>	-4,023	-1,047	-100	-60	0	-35	-4,122	-1,141
<i>Change in customer financing receivables</i>	130	198	-1,009	1,900	-345	-185	-1,224	1,913
<i>Change in inventories</i>	-7,830	-4,193	-124	21	-	10	-7,953	-4,161
<i>Change in trade payables</i>	3,534	-8,017	24	75	0	-	3,558	-7,942
<i>Other changes in working capital</i>	1,418	-2,001	-99	-16	-107	36	1,212	-1,982
Interest and similar items received	227	260	-	-	-8	36	219	296
Interest and similar items paid	-1,404	-1,253	-	-	11	-2	-1,394	-1,255
Other financial items	-118	-161	-	-	-	-	-118	-161
Income taxes paid	-3,089	-3,040	-407	50	0	0	-3,496	-2,990
Cash flow from operating activities	19,132	4,445	3,469	6,994	-453	-178	22,148	11,261
Investing activities								
Investments in tangible assets	-3,786	-4,106	-3	-19	-	-	-3,789	-4,125
Investments in intangible assets	-1,474	-2,243	-45	-35	-	-	-1,519	-2,277
Investment in leasing vehicles	-54	-50	-8,082	-7,025	-	-	-8,136	-7,076
Disposals of fixed assets and leasing vehicles	202	606	3,878	3,936	-	-	4,081	4,541
Operating cash flow	14,020	-1,348	-782	3,851	-453	-178	12,785	2,325
Investments and divestments of shares, net							2,165	214
Acquired and divested operations, net							822	1,369
Interest-bearing receivables incl. marketable securities							1,731	-2,367
Cash flow after net investments							17,504	1,541
Financing activities								
Change in loans, net							-6,125	2,508
Dividend to AB Volvo shareholders							-6,603	-6,099
Dividend to minority shareholders							-13	-
Other							83	68
Change in cash and cash equivalents excl. translation differences							4,847	-1,983
Translation difference on cash and cash equivalents							-878	696
Change in cash and cash equivalents							3,969	-1,287

CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial Operations		Volvo Group	
	Sep 30 2017	Dec 31 2016	Sep 30 2017	Dec 31 2016
<i>Non-current interest-bearing assets</i>				
Non-current customer-financing receivables	-	-	54.6	57.8
Non-current interest-bearing receivables	2.7	2.5	1.9	1.3
<i>Current interest-bearing assets</i>				
Customer-financing receivables	-	-	50.5	53.0
Interest-bearing receivables	1.8	1.9	0.6	1.1
Internal funding	13.3	7.5	-	-
Interest-bearing assets held for sale	0.0	-	0.0	-
Marketable securities	0.2	1.2	0.2	1.2
Cash and cash equivalents	24.8	19.7	27.9	23.9
Total interest-bearing financial assets	42.7	32.8	135.8	138.4
<i>Non-current interest-bearing liabilities</i>				
Bond loans	-46.5	-60.7	-46.5	-60.7
Other loans	-13.7	-13.6	-24.2	-23.9
Internal funding	40.6	52.5	-	-
<i>Current interest-bearing liabilities</i>				
Loans	-49.4	-48.0	-57.2	-56.5
Internal funding	37.6	35.8	-	-
Interest-bearing liabilities held for sale	-0.3	-	-0.3	-
Total interest-bearing financial liabilities	-31.8	-33.9	-128.2	-141.0
Net financial position excl. post-employment benefits	10.9	-1.2	7.6	-2.7
Provisions for post-employment benefits, net	-13.4	-14.5	-13.5	-14.6
Net financial position incl. post-employment benefits	-2.5	-15.7	-5.9	-17.3
Key ratios, %				
Net financial position excl. post-employment benefits as percentage of shareholders' equity	11.9	-1.3		
Net financial position incl. post-employment benefits as percentage of shareholders' equity	-2.7	-18.1		

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Third quarter 2017	First nine months 2017
Beginning of period	-7.5	-15.7
Cash flow from operating activities	2.6	19.1
Investments in fixed assets	-2.0	-5.3
Disposals	0.0	0.2
Operating cash flow	0.6	14.0
Investments and divestments of shares, net	2.2	2.2
Acquired and divested operations, net	0.8	0.8
Capital injections to/from Financial Services	1.6	1.1
Currency effect	0.8	1.5
Dividend paid to AB Volvo shareholders	-	-6.6
Dividend paid to minority shareholders	0.0	0.0
Remeasurements of defined benefit pension plans	-1.1	0.2
Pension payments and costs, net	0.0	0.0
Other changes	0.1	0.0
Total change	5.1	13.3
Net financial position at end of period	-2.5	-2.5

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Sep 30 2017	Dec 31 2016
Total equity at the end of previous period	97.8	85.6
Shareholders' equity attributable to equity holders of the parent company at beginning of period	96.1	83.8
Income for the period	16.1	13.1
Other comprehensive income	-4.6	5.1
Total comprehensive income	11.5	18.2
Dividend to AB Volvo's shareholders	-6.6	-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	101.0	96.1
Minority interests at beginning of period	1.7	1.8
Income for the period	0.2	0.1
Other comprehensive income	-0.1	0.1
Total comprehensive income	0.1	0.1
Dividend to minority shareholders	0.0	-0.2
Other changes	0.0	0.0
Minority interests at end of period	1.8	1.7
Total equity at end of period	102.8	97.8

QUARTERLY FIGURES

Income Statements, Volvo Group						First nine months	First nine months
SEK M unless otherwise stated	3/2016	4/2016	1/2017	2/2017	3/2017	2017	2016
Net sales	68,758	82,559	77,365	88,409	77,225	242,999	219,355
Cost of sales	-52,573	-63,216	-57,835	-67,017	-58,978	-183,830	-168,386
Gross income	16,184	19,343	19,530	21,392	18,247	59,169	50,969
Research and development expenses	-3,289	-4,218	-3,994	-4,126	-3,445	-11,565	-10,413
Selling expenses	-6,375	-7,303	-6,942	-7,247	-6,791	-20,980	-19,563
Administrative expenses	-1,135	-1,278	-1,286	-1,443	-1,273	-4,001	-3,843
Other operating income and expenses	-810	361	-616	-395	-5	-1,016	-3,496
Income/loss from investments in Joint Ventures and associated companies	61	117	340	268	634	1,242	39
Income from other investments	20	9	-2	91	56	145	103
Operating income	4,656	7,031	7,029	8,540	7,424	22,994	13,795
Interest income and similar credits	65	54	50	30	44	124	186
Interest expenses and similar charges	-497	-467	-463	-487	-417	-1,367	-1,380
Other financial income and expenses	-103	-260	-177	-59	-17	-253	272
Income after financial items	4,120	6,358	6,440	8,023	7,034	21,498	12,872
Income taxes	-1,509	-1,526	-1,624	-2,019	-1,519	-5,163	-4,481
Income for the period *	2,612	4,832	4,816	6,004	5,515	16,335	8,391
* Attributable to:							
Equity holders of the parent company	2,589	4,815	4,730	5,916	5,467	16,114	8,333
Minority interests	23	17	85	88	48	221	58
	2,612	4,832	4,816	6,004	5,515	16,335	8,391
Key operating ratios, Volvo Group, %							
Gross margin	23.5	23.4	25.2	24.2	23.6	24.3	23.2
Research and development expenses as percentage of net sales	4.8	5.1	5.2	4.7	4.5	4.8	4.7
Selling expenses as percentage of net sales	9.3	8.8	9.0	8.2	8.8	8.6	8.9
Administrative expenses as percentage of net sales	1.7	1.5	1.7	1.6	1.6	1.6	1.8
Operating margin	6.8	8.5	9.1	9.7	9.6	9.5	6.3
Key operating ratios, Industrial operations, %							
Gross margin	22.7	22.6	24.6	23.6	22.9	23.7	22.5
Research and development expenses as percentage of net sales	5.0	5.3	5.4	4.8	4.6	4.9	4.9
Selling expenses as percentage of net sales	8.9	8.5	8.6	7.8	8.4	8.3	8.6
Administrative expenses as percentage of net sales	1.7	1.6	1.7	1.7	1.7	1.7	1.8
Operating margin	6.3	8.1	8.7	9.4	9.2	9.1	5.8
EBITDA, Industrial operations							
Operating income Industrial operations	4,128	6,464	6,499	8,019	6,871	21,389	12,276
Product and Software development, amortization	699	787	720	747	600	2,067	2,039
Other intangible assets, amortization	94	297 ¹	183 ¹	70	75	329 ¹	276
Tangible assets, depreciation	2,265	2,520	2,250	2,323	2,351	6,925	6,714
Total depreciation and amortization	3,058	3,604	3,153	3,141	3,027	9,321	9,029
Operating income before depreciation and amortization (EBITDA)	7,186	10,068	9,652	11,160	9,898	30,710	21,305
EBITDA margin, %	10.9	12.6	12.9	13.0	13.3	13.1	10.1
Net capitalization of research and development							
Capitalization	609	550	464	433	457	1,354	2,164
Amortization	-650	-735	-674	-700	-558	-1,933	-1,890
Net capitalization and amortization	-41	-185	-210	-267	-101	-579	274

¹ Including impairment of intangible assets.

QUARTERLY FIGURES

Net sales						First nine months	First nine months
SEK M	3/2016	4/2016	1/2017	2/2017	3/2017	2017	2016
Trucks	45,757	54,544	49,467	56,366	49,798	155,631	146,106
Construction Equipment	11,539	13,110	16,163	18,511	15,091	49,764	37,620
Buses	5,371	8,023	5,548	6,971	6,539	19,058	17,363
Volvo Penta	2,465	2,409	2,701	3,081	2,662	8,444	7,484
Group Functions & Other	1,446	2,665	1,615	1,572	1,371	4,557	5,089
Eliminations	-564	-958	-841	-833	-938	-2,612	-1,997
Industrial Operations	66,014	79,793	74,652	85,668	74,522	234,842	211,666
Financial Services	2,823	2,994	2,892	2,946	2,896	8,734	8,248
Reclassifications and eliminations	-80	-228	-179	-205	-193	-576	-559
Volvo Group	68,758	82,559	77,365	88,409	77,225	242,999	219,355

Operating income						First nine months	First nine months
SEK M	3/2016	4/2016	1/2017	2/2017	3/2017	2017	2016
Trucks	3,566	4,825	4,910	5,417	4,261	14,587	10,195
Construction Equipment	601	494	1,617	2,460	2,024	6,101	1,753
Buses	232	308	101	320	218	639	604
Volvo Penta	358	156	419	479	353	1,252	1,113
Group Functions & Other	-634	681	-547	-641	7	-1,181	-1,361
Eliminations	6	0	-1	-17	9	-9	-28
Industrial Operations	4,128	6,464	6,499	8,019	6,871	21,389	12,276
Financial Services	528	567	531	521	553	1,604	1,519
Volvo Group	4,656	7,031	7,029	8,540	7,424	22,994	13,795

Adjusted operating income ¹						First nine months	First nine months
SEK M	3/2016	4/2016	1/2017	2/2017	3/2017	2017	2016
Trucks	3,756	4,754	4,910	5,417	4,261	14,587	12,719
Construction Equipment	601	494	1,617	2,460	2,024	6,101	1,753
Buses	232	266	101	320	218	639	604
Volvo Penta	358	156	419	479	353	1,252	1,113
Group Functions & Other	-634	-577	-547	-641	-393	-1,581	-2,246
Eliminations	6	0	-1	-17	9	-9	-28
Industrial Operations	4,318	5,093	6,499	8,019	6,472	20,990	13,915
Financial Services	528	567	531	521	553	1,604	1,519
Volvo Group	4,846	5,660	7,029	8,540	7,024	22,594	15,434

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

Operating margin						First nine months	First nine months
%	3/2016	4/2016	1/2017	2/2017	3/2017	2017	2016
Trucks	7.8	8.8	9.9	9.6	8.6	9.4	7.0
Construction Equipment	5.2	3.8	10.0	13.3	13.4	12.3	4.7
Buses	4.3	3.8	1.8	4.6	3.3	3.4	3.5
Volvo Penta	14.5	6.5	15.5	15.5	13.3	14.8	14.9
Industrial Operations	6.3	8.1	8.7	9.4	9.2	9.1	5.8
Volvo Group	6.8	8.5	9.1	9.7	9.6	9.5	6.3

Adjusted operating margin						First nine months	First nine months
%	3/2016	4/2016	1/2017	2/2017	3/2017	2017	2016
Trucks	8.2	8.7	9.9	9.6	8.6	9.4	8.7
Construction Equipment	5.2	3.8	10.0	13.3	13.4	12.3	4.7
Buses	4.3	3.3	1.8	4.6	3.3	3.4	3.5
Volvo Penta	14.5	6.5	15.5	15.5	13.3	14.8	14.9
Industrial Operations	6.5	6.4	8.7	9.4	8.7	8.9	6.6
Volvo Group	7.0	6.9	9.1	9.7	9.1	9.3	7.0

QUARTERLY FIGURES

Share data						First nine	First nine
	3/2016	4/2016	1/2017	2/2017	3/2017	months 2017	months 2016
Earnings per share, SEK ¹	1.27	2.37	2.33	2.91	2.69	7.93	4.10
Earnings per share, SEK ¹ , 12 months rolling	5.38	6.47	6.95	8.89	10.30	-	-
Diluted earnings per share, SEK	1.27	2.37	2.33	2.91	2.69	7.93	4.10
Number of outstanding shares in millions	2,031	2,031	2,032	2,032	2,032	2,032	2,031
Average number of shares before dilution in millions	2,031	2,031	2,032	2,032	2,032	2,032	2,031
Average number of shares after dilution in millions	2,033	2,033	2,033	2,033	2,033	2,033	2,033
Number of own shares in millions	97	97	97	97	97	97	97
Average number of own shares in millions	97	97	97	97	97	97	97

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 2016 (available at www.volvogroup.com). There are no new accounting principles applicable from 2017 that significantly affects the Volvo Group.

New accounting policies for 2018

As from January 1, 2018, IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments will become effective.

IFRS 15 Revenue from contracts with customers

The major impact of the new standard is related to contracts with residual value commitments and the assessment of when control has been transferred to the customer. The consequence for the Volvo Group is a later recognition of revenue related to contracts with residual value commitments. This implies a rather insignificant negative effect in equity at the transition date.

The standard will be applied retrospectively and hence the opening balance for 2017 will be adjusted in accordance with the new standard and the reported numbers for 2017 will be restated accordingly for comparison purposes. A qualitative summary of the effect will be presented in the report for the

fourth quarter 2017 and the restated numbers will be presented in the Annual Report for 2017.

IFRS 9 Financial instruments

The major impact of the new standard is related to the new expected credit loss model measured at an amount equal to lifetime expected credit losses by using the simplified approach. This will affect the loss allowances on financial assets within Financial Services and accounts receivable within Industrial Operations. The consequence for Volvo Group is an earlier recognition of credit losses which implies a rather insignificant negative effect in equity at the transition date.

The standard will be applied retrospectively but prior period reported numbers will not be adjusted. Hence, the opening balance for 2018 will be adjusted in accordance with the new standard and the transition effect recognized in equity. A qualitative summary of the effect will be presented in the report for the fourth quarter 2017 and in the Annual Report for 2017.

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 Group works continuously to identify, measure and manage risk, and in some cases Volvo Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Volvo Group'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 106-111 in the Volvo Group Annual Report 2016 (available at www.volvogroup.com).

Risk updates for the reporting 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 Group 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 Group's risk exposure. Total contingent liabilities as of September 30, 2017, amounted to SEK 14.3 billion, a decrease of SEK 1.8 billion compared to December 31, 2016. The decrease is mainly related to expired bid and performance guarantees. The gross exposure of SEK 14.3 billion is partly reduced by counter guarantees and collaterals. The contingent liabilities for credit guarantees for construction equipment in China have decreased compared to December 31, 2016. However, including both contingent liabilities and on-balance sheet exposure, the exposure is still significant.

Following the adoption of the European Commission's settlement decision, the Volvo Group has received and will be dealing with numerous 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. The other legal proceedings and investigations described in note 21 and note 24 in the Volvo Group Annual Report 2016 are progressing but no material changes have occurred in these matters in the third quarter of 2017.

NOTE 3 | CORPORATE ACQUISITIONS AND DIVESTMENTS**Acquisitions and divestments**

During the third quarter the Volvo Group divested the share of ownership in the associated company Deutz AG. The divestment resulted in a positive effect on operating income of SEK 400 M.

Volvo Group completed the sale of Volvo Construction Equipment's British dealer during the third quarter with a positive effect on operating income of SEK 253 M.

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

Assets and liabilities held for sale

At the end of the third quarter assets amounting to SEK 6,272 M and liabilities amounting to SEK 4,467 M are classified as held for sale. Assets and liabilities held for sale has decreased in the third quarter due to the completed divestment of Volvo Construction Equipment's British dealer.

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 2016 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 0.5 billion as of September 30, 2017. 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 127.6 billion in reported carrying value with a fair value of SEK 130.3 billion. In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 0.3 billion.

Currency effect on operating income Industrial operations	Compared to third quarter 2016			Compared to second quarter 2017		
	Third quarter	Third quarter	Change	Third quarter	Second quarter	Change
	2017	2016		2017	2017	
SEK M						
Net flow in foreign currency			-170			-520
Realized and unrealized gains and losses on hedging contracts	-2	32	-34	-2	0	-2
Unrealized gains and losses on receivables and liabilities in foreign currency	234	69	165	234	-292	526
Translation effect on operating income in foreign subsidiaries			-185			-300
Total currency effect on operating income Industrial operations			-223			-296

Applicable currency rates	Quarterly exchange rates		Close rates	
	Third quarter	Third quarter	Sep 30	Sep 30
	2017	2016		
BRL	2.57	2.63	2.55	2.64
EUR	9.57	9.52	9.58	9.64
GBP	10.65	11.20	10.87	11.17
USD	8.14	8.52	8.11	8.62
JPY	0.0734	0.0833	0.0722	0.0855

NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 307 M (582) and purchases from associated companies amounted to SEK 64 M (565) during the third quarter of 2017. As of September 30, 2017, receivables from associated companies amounted to SEK 247 M (352) and liabilities to associated companies to SEK 92 M (438).

Sales to joint ventures amounted to SEK 545 M (447) and purchases from joint ventures amounted to SEK 225 M (291) during the third quarter of 2017. As of September 30, 2017, receivables from joint ventures amounted to SEK 284 M (182) and liabilities to joint ventures to SEK 118 M (169).

NOTE 6 | EXPLANATION TO ADJUSTED OPERATING INCOME

Adjusted operating income						First nine months	First nine months
SEK M	3/2016	4/2016	1/2017	2/2017	3/2017	2017	2016
Trucks	3,756	4,754	4,910	5,417	4,261	14,587	12,719
Construction Equipment	601	494	1,617	2,460	2,024	6,101	1,753
Buses	232	266	101	320	218	639	604
Volvo Penta	358	156	419	479	353	1,252	1,113
Group Functions & Other	-634	-577	-547	-641	-393	-1,581	-2,246
Eliminations	6	0	-1	-17	9	-9	-28
Industrial Operations	4,318	5,093	6,499	8,019	6,472	20,990	13,915
Financial Services	528	567	531	521	553	1,604	1,519
Volvo Group	4,846	5,660	7,029	8,540	7,024	22,594	15,434

Adjustments						First nine months	First nine months
SEK M	3/2016	4/2016	1/2017	2/2017	3/2017	2017	2016

Adjustment items (segment)

Capital gain from sale of external IT-operation (Group functions & other)	-	-	-	-	-	-	885
Provision for EU investigation (Trucks)	-190	-	-	-	-	-	-2,524
Sale of properties in Gothenburg (Trucks)	-	71	-	-	-	-	-
Sale of properties in Gothenburg (Buses)	-	41	-	-	-	-	-
Sale of properties in Gothenburg (Group functions & Other)	-	1,258	-	-	-	-	-
Capital gain on sale of shares in Deutz AG (Group functions & Other)	-	-	-	-	400	400	-

Total adjustments

Trucks	-190	71	-	-	-	-	-2,524
Construction Equipment	-	-	-	-	-	-	-
Buses	-	41	-	-	-	-	-
Volvo Penta	-	-	-	-	-	-	-
Group Functions & Other	-	1,258	-	-	400	400	885
Industrial Operations	-190	1,371	-	-	400	400	-1,639
Financial Services	-	-	-	-	-	-	-
Volvo Group	-190	1,371	-	-	400	400	-1,639

Operating income						First nine months	First nine months
SEK M	3/2016	4/2016	1/2017	2/2017	3/2017	2017	2016
Trucks	3,566	4,825	4,910	5,417	4,261	14,587	10,195
Construction Equipment	601	494	1,617	2,460	2,024	6,101	1,753
Buses	232	308	101	320	218	639	604
Volvo Penta	358	156	419	479	353	1,252	1,113
Group Functions & Other	-634	681	-547	-641	7	-1,181	-1,361
Eliminations	6	0	-1	-17	9	-9	-28
Industrial Operations	4,128	6,464	6,499	8,019	6,871	21,389	12,276
Financial Services	528	567	531	521	553	1,604	1,519
Volvo Group	4,656	7,031	7,029	8,540	7,424	22,994	13,795

PARENT COMPANY

Income from investments in Group companies for the third quarter includes dividends amounting to SEK 37 M (1,373).

Financial net debt amounted to SEK 31,794 M (38,890) at the end of the third quarter.

During the third quarter 2017, divestment of Deutz AG resulted in an Income from investments in joint ventures and associated companies of SEK 524 M.

Income Statement				
	Third quarter		First nine months	
SEK M	2017	2016	2017	2016
Net sales¹	136	172	320	408
Cost of sales ¹	-136	-172	-320	-408
Gross income	0	0	0	0
Operating expenses ¹	-312	-271	-1,102	-1,110
Income from investments in Group companies	-78	1,232	1,061	915
Income from investments in joint ventures and associated companies	524	-	590	71
Income from other investments	0	-	0	19
Operating income (loss)	134	961	549	-105
Interest income and expenses	-188	-214	-603	-696
Other financial income and expenses	3	-	-10	11
Income after financial items	-51	747	-64	-790
Income taxes	216	178	539	548
Income for the period	165	925	475	-242

¹ Of net sales in the third quarter, SEK 119 M (146) pertained to Group companies, while purchases from Group companies amounted to SEK 136 M (122).

Other comprehensive income				
Income for the period	165	925	475	-242
Other comprehensive income, net of income taxes	-	-	-	-
Total comprehensive income for the period	165	925	475	-242

Balance Sheet		
SEK M	Sep 30 2017	Dec 31 2016
Assets		
Non-current assets		
Tangible assets	11	11
Financial assets		
Shares and participations in Group companies	60,816	60,816
Receivables from Group companies	35	48
Investments in joint ventures and associated companies	8,911	10,353
Other shares and participations	8	7
Deferred tax assets	624	168
Total non-current assets	70,405	71,403
Current assets		
Current receivables from Group companies	160	23,332
Tax assets	1,306	2
Other current receivables	235	235
Total current assets	1,701	23,569
Total assets	72,106	94,972
Shareholders' equity and liabilities		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	27,108	33,207
Untaxed reserves	2,502	2,502
Provisions	193	118
Non-current liabilities ¹	13,979	13,978
Current liabilities ²	18,433	35,276
Total shareholders' equity and liabilities	72,106	94,972

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

² Of which SEK 17,933 M (34,504) 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 2017 that are expected to have a substantial effect on the Volvo Group.

Gothenburg, October 20, 2017
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	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	23,296	19,868	17	80,257	73,058	10
Heavy- and medium-duty	19,408	16,993	14	67,181	60,463	11
Light-duty	3,888	2,875	35	13,076	12,595	4
North America	12,096	6,764	79	33,150	23,123	43
South America	3,725	2,958	26	10,860	6,967	56
Asia	9,478	7,256	31	27,517	22,753	21
Africa and Oceania	3,360	2,634	28	11,058	9,047	22
Total trucks	51,955	39,480	32	162,842	134,948	21
Heavy-duty (>16 tons)	44,728	33,484	34	137,918	110,760	25
Medium-duty (7-16 tons)	3,230	2,963	9	11,455	10,798	6
Light-duty (<7 tons)	3,997	3,033	32	13,469	13,390	1
Total trucks	51,955	39,480	32	162,842	134,948	21

Net order intake of trucks by brand

Volvo

Europe	12,359	11,675	6	43,951	40,688	8
North America	5,896	3,223	83	16,773	12,472	34
South America	3,542	2,759	28	9,823	6,300	56
Asia	5,143	3,089	66	13,033	8,938	46
Africa and Oceania	1,292	903	43	4,996	3,692	35
Total Volvo	28,232	21,649	30	88,576	72,090	23
Heavy-duty (>16 tons)	27,315	20,927	31	85,495	69,609	23
Medium-duty (7-16 tons)	917	722	27	3,081	2,481	24
Total Volvo	28,232	21,649	30	88,576	72,090	23

UD

North America	20	20	0	34	67	-49
South America	27	-	-	180	97	86
Asia	4,056	3,970	2	13,179	12,852	3
Africa and Oceania	932	774	20	2,819	2,450	15
Total UD	5,035	4,764	6	16,212	15,466	5
Heavy-duty (>16 tons)	3,881	3,346	16	12,117	10,242	18
Medium-duty (7-16 tons)	1,088	1,296	-16	3,915	4,643	-16
Light-duty (<7 tons)	66	122	-46	180	581	-69
Total UD	5,035	4,764	6	16,212	15,466	5

Renault Trucks

Europe	10,937	8,193	33	36,306	32,370	12
Heavy- and medium-duty	7,049	5,318	33	23,230	19,775	17
Light-duty	3,888	2,875	35	13,076	12,595	4
North America	72	36	100	389	181	115
South America	28	7	300	136	16	750
Asia	279	197	42	1,295	963	34
Africa and Oceania	609	731	-17	2,176	2,274	-4
Total Renault Trucks	11,925	9,164	30	40,302	35,804	13
Heavy-duty (>16 tons)	6,769	5,308	28	22,554	19,321	17
Medium-duty (7-16 tons)	1,225	945	30	4,459	3,674	21
Light-duty (<7 tons)	3,931	2,911	35	13,289	12,809	4
Total Renault Trucks	11,925	9,164	30	40,302	35,804	13

Mack

North America	6,108	3,485	75	15,954	10,403	53
South America	128	192	-33	721	554	30
Asia	-	-	-	10	-	-
Africa and Oceania	527	226	133	1,067	631	69
Total Mack	6,763	3,903	73	17,752	11,588	53
Heavy-duty (>16 tons)	6,763	3,903	73	17,752	11,588	53
Total Mack	6,763	3,903	73	17,752	11,588	53

DELIVERIES

Deliveries of trucks	Third quarter		Change %	First nine months		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	22,301	20,510	9	73,589	70,161	5
Heavy- and medium-duty	18,996	17,125	11	62,613	58,344	7
Light-duty	3,305	3,385	-2	10,976	11,817	-7
North America	9,747	8,309	17	27,532	31,088	-11
South America	3,046	2,413	26	7,627	6,852	11
Asia	8,338	6,923	20	24,631	22,740	8
Africa and Oceania	3,171	3,000	6	9,209	9,094	1
Total trucks	46,603	41,155	13	142,588	139,935	2
Heavy-duty (>16 tons)	39,882	34,255	16	120,721	115,802	4
Medium-duty (7-16 tons)	3,312	3,328	0	10,622	11,560	-8
Light-duty (<7 tons)	3,409	3,572	-5	11,245	12,573	-11
Total trucks	46,603	41,155	13	142,588	139,935	2

Deliveries of trucks by brand

Volvo

Europe	12,924	11,585	12	41,994	38,867	8
North America	5,076	4,645	9	14,225	17,228	-17
South America	2,767	2,262	22	6,852	6,148	11
Asia	3,657	2,645	38	11,133	8,915	25
Africa and Oceania	1,298	1,216	7	3,748	3,765	0
Total Volvo	25,722	22,353	15	77,952	74,923	4
Heavy-duty (>16 tons)	24,870	21,688	15	75,367	72,480	4
Medium-duty (7-16 tons)	852	665	28	2,585	2,443	6
Total Volvo	25,722	22,353	15	77,952	74,923	4

UD

North America	7	40	-83	20	128	-84
South America	52	-	-	55	244	-77
Asia	4,207	4,022	5	12,166	12,563	-3
Africa and Oceania	985	857	15	2,690	2,558	5
Total UD	5,251	4,919	7	14,931	15,493	-4
Heavy-duty (>16 tons)	3,784	3,263	16	10,912	10,044	9
Medium-duty (7-16 tons)	1,409	1,545	-9	3,870	4,880	-21
Light-duty (<7 tons)	58	111	-48	149	569	-74
Total UD	5,251	4,919	7	14,931	15,493	-4

Renault Trucks

Europe	9,377	8,925	5	31,595	31,294	1
Heavy- and medium-duty	6,072	5,540	10	20,619	19,477	6
Light-duty	3,305	3,385	-2	10,976	11,817	-7
North America	40	43	-7	110	116	-5
South America	24	5	380	156	11	1,318
Asia	473	256	85	1,331	1,260	6
Africa and Oceania	616	691	-11	1,981	2,111	-6
Total Renault Trucks	10,530	9,920	6	35,173	34,792	1
Heavy-duty (>16 tons)	6,128	5,341	15	19,910	18,551	7
Medium-duty (7-16 tons)	1,051	1,118	-6	4,167	4,237	-2
Light-duty (<7 tons)	3,351	3,461	-3	11,096	12,004	-8
Total Renault Trucks	10,530	9,920	6	35,173	34,792	1

Mack

North America	4,624	3,581	29	13,177	13,616	-3
South America	203	146	39	564	449	26
Asia	1	-	-	1	2	-50
Africa and Oceania	272	236	15	790	660	20
Total Mack	5,100	3,963	29	14,532	14,727	-1
Heavy-duty (>16 tons)	5,100	3,963	29	14,532	14,727	-1
Total Mack	5,100	3,963	29	14,532	14,727	-1

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 in the press release concerning this report, at 7.20 CEST on October 20, 2017.

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 2017	January 31, 2018
Annual and Sustainability Report 2017	March 13, 2018
Annual General Meeting 2018	April 5, 2018
Report on the first quarter 2018	April 24, 2018
Report on the second quarter 2018	Changed to July 19, 2018
Report on the third quarter 2018	Changed to October 19, 2018

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