

REPORT ON THE SECOND QUARTER 2020



- » Severe impact from COVID-19-related effects on both sales and earnings.
- » In Q2 2020, net sales amounted to SEK 73.2 billion (120.7). Adjusted for currency movements, net sales decreased by 38%.
- » Adjusted operating income¹ amounted to SEK 3,272 M (15,105), corresponding to an adjusted operating margin of 4.5% (12.5).
- » Reported operating income amounted to SEK 388 M (15,105).
- » Operating income in Q2 includes restructuring charges of SEK 3,200 M related to the previously announced cost-reduction measures, which are expected to generate annual savings in the same magnitude with the majority taking effect during the first half of 2021.
- » Currency movements had a positive impact on operating income of SEK 341 M.
- » Diluted earnings per share amounted to SEK -0.14 (+5.47).
- » Operating cash flow in the Industrial Operations was negative in an amount of SEK 5,718 M (positive SEK 13,867 M).

SEK M unless otherwise stated	Second quarter		First six months	
	2020	2019	2020	2019
Net sales	73,227	120,694	164,676	227,902
Adjusted operating income ¹	3,272	15,105	10,412	27,802
Adjusted operating margin, %	4.5	12.5	6.3	12.2
Operating income	388	15,105	7,762	29,267
Operating margin, %	0.5	12.5	4.7	12.8
Income after financial items	-90	14,566	6,400	27,846
Income for the period	44	11,352	4,810	22,115
Diluted earnings per share, SEK	-0.14	5.47	2.16	10.69
Operating cash flow in Industrial Operations	-5,718	13,867	-9,835	16,622
Net financial position in Industrial Operations, SEK bn ²			50.6	62.6
Return on capital employed in Industrial Operations, %			15.3	26.3
Return on equity, %			13.6	25.2
Net order intake, number of trucks	26,507	47,821	64,906	93,705
Deliveries, number of trucks	28,033	65,237	72,798	123,831
Net order intake, number of construction equipment	26,706	24,085	47,320	46,331
Deliveries, number of construction equipment	29,084	26,888	49,254	50,027

¹ For information on adjusted operating income, please see note 7.

² Excluding post-employment benefits and lease liabilities.

CEO'S COMMENTS

Solid execution in an unprecedented quarter

The second quarter of 2020 was characterized by the COVID-19 pandemic and its negative effects on society and economic development. Measures adopted by countries to control the spread had a significant impact on our production and supply chain as well as on demand for our products and services. Our net sales decreased by 39% to SEK 73.2 billion. After having been standing still in April, production was gradually restarted in May and is currently running well thanks to great efforts by our colleagues and suppliers. We also took forceful actions to reduce activities and costs, including salary reductions, temporary layoffs as part of governmental programs and a reduction of purchased services. All of these activities contributed to the Volvo Group achieving an adjusted operating income of SEK 3.3 billion (15.1) with a margin of 4.5% (12.5).

Since the record levels in Q2 of last year, demand has declined as part of a normal cyclical slowdown, something that was significantly accelerated by the pandemic. In order to adapt, we have utilized our installed flexibility to reduce the number of employees and consultants by 10,000 compared to a year ago. We expect demand to continue to be negatively affected in the short and medium term because of the lower economic activity in many markets and the fact that the truck and machine populations are relatively young. Therefore, we need to turn some of the short-term cost reduction activities into structural measures, and in Q2 we announced that we will further reduce the white-collar workforce by approximately 4,100 positions. Total restructuring charges amount to SEK 3.2 billion and the measures are expected to generate annual savings in the same magnitude, with the majority taking effect during the first half of 2021.

Cash flow in Q2 was negative, but we continue to have a strong financial position with net cash of SEK 50.6 billion in the Industrial Operations, pension and lease liabilities excluded. This allows us to act from a position of strength and to drive the transformational technologies that are moving our industry to more sustainable solutions. We continue to invest in electrification, automation and connectivity.

In our truck operations, deliveries in Q2 decreased by 57% with reductions in all regions. Net sales declined by 46% to SEK 40.6 billion, while the adjusted operating income amounted to SEK 0.7 billion (9.5) corresponding to a margin of 1.8% (12.6). Truck order intake decreased by 45%. Order intake in the beginning of the quarter was impacted by weak demand and our own measures to secure the quality in the order book. When countries started to open up again, both fleet utilization and order intake began to recover. However, there is still significant uncertainty about the future economic development and demand for our products.

With regards to our intended strategic alliance with Isuzu Motors, there is some delay to the original time plan because of COVID-19. Signing of final agreements is now expected



during the second half of 2020 and closing of the transaction during the first half of 2021.

In Q2, demand for construction equipment in both Europe and North America was weak. However, this was partly offset by a strong rebound in the Chinese market. Volvo CE's net sales decreased by 15% to SEK 22.9 billion and the adjusted operating income amounted to SEK 3.1 billion (4.2) with a margin of 13.6% (15.5). Order intake increased by 11% as a result of us leveraging our strong market position in China, which is the world's largest construction equipment market.

Volvo Buses had a difficult quarter as bus operators across the globe faced the severe effects on travel from the pandemic. Our customers that are operating coaches and tourist buses have been particularly hard hit with large parts of their fleets idling. Whereas demand is low in the coach segment, the transformation to more sustainable public transport continues with stable demand for electrified city buses. Net sales in Q2 declined by 64% reflecting a drop in deliveries of 68%. Volvo Buses reported an adjusted operating loss of SEK 532 M (+403).

Volvo Penta's net sales of SEK 2.5 billion were 32% lower than in Q2 2019, primarily due to lower volumes of marine leisure engines. Adjusted operating income amounting to SEK 345 M (618) corresponding to a margin of 13.7% (16.9).

In Q2, our Financial Services operations reported a significantly lower adjusted operating income of SEK 57 M (686), mainly as a consequence of increased provisioning for expected credit losses. We are supporting our customers with modifications of their contracts, allowing a few installment-free months to support them through the tough times. However, the business environment in certain customer segments will likely remain challenging putting pressure on their ability to pay their installments.

In these challenging times, we continue to focus on our colleagues, customers and business partners, cash flow and cost. The health, safety and well-being of our colleagues and business partners remain our first priority, and I would like to acknowledge all of them for their dedicated efforts in this unprecedented quarter. By securing our current performance we will be able to take the lead in the transformation into sustainable transport and infrastructure solutions for the future.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE SECOND QUARTER 2020

Net sales

In Q2 2020, the Volvo Group's net sales amounted to SEK 73,227 M compared with SEK 120,694 M in the same quarter the preceding year. Adjusted for currency movements, net sales decreased by 38%.

Vehicle sales decreased by 45% adjusted for currency movements, with all business areas having lower currency-adjusted sales. Adjusted for currency movements, service sales decreased by 14%.

Operating income

In Q2 2020, the adjusted operating income amounted to SEK 3,272 M (15,105), corresponding to an adjusted operating margin of 4.5% (12.5).

The adjustment of SEK 2,885 M in Q2 2020 refers to restructuring charges of SEK 3,200 related to the previously announced cost-reduction measures and a

positive effect of SEK 315 M related to the ceased depreciation and amortization of assets held for sale.

Compared with Q2 2019, the lower adjusted operating income is mainly an effect of reductions in vehicle volumes, lower capacity utilization in the industrial system and lower service sales. In the quarter residual value and inventory write-downs amounted to SEK 1,311 M, due to lower used truck prices. Credit provisioning of SEK 844 M in Financial Services also had a negative impact. This was partly offset by lower selling, R&D and administrative expenses, reflecting lower activity levels. Various governmental short-term layoff programs amounted to SEK 1,718 M.

Currency movements, compared with Q2 2019, had a positive impact of SEK 341 M.

Reported operating income amounted to SEK 388 M (15,105).

Net sales SEK M	Second quarter		Change %	First six months		Change %
	2020	2019		2020	2019	
Europe	27,712	45,322	-39	63,462	85,940	-26
North America	14,953	38,551	-61	40,603	72,725	-44
South America	3,628	7,832	-54	9,474	14,565	-35
Asia	22,622	22,329	1	41,409	42,045	-2
Africa and Oceania	4,313	6,660	-35	9,727	12,626	-23
Total	73,227	120,694	-39	164,676	227,902	-28
Of which:						
Vehicles ^{1 2}	52,056	96,035	-46	119,163	179,402	-34
Services ²	18,096	21,275	-15	39,192	42,066	-7
Financial Services revenue	3,477	3,774	-8	7,287	7,283	0
Eliminations	-401	-390	-3	-966	-849	-14

1 Including construction equipment and Volvo Penta engines.

2 Restate of 2019 between Vehicles and Services in Buses. Services sales decreased by SEK 132 M in second quarter and SEK 250 M in first six months.

Consolidated Income Statement, Volvo Group		Second quarter		First six months	
SEK M		2020	2019	2020	2019
Net sales		73,227	120,694	164,676	227,902
Cost of sales ¹		-58,474	-90,886	-128,233	-171,199
Gross income¹		14,753	29,808	36,443	56,702
Research and development expenses		-3,811	-4,814	-8,773	-8,939
Selling expenses ¹		-6,109	-8,686	-13,571	-16,765
Administrative expenses		-985	-1,476	-2,302	-2,950
Other operating income and expenses		-4,296	-425	-4,845	78
Income/loss from investments in joint ventures and associated companies		825	476	794	901
Income from other investments		10	222	17	240
Operating income		388	15,105	7,762	29,267
Interest income and similar credits		63	86	142	159
Interest expenses and similar charges		-364	-459	-707	-913
Other financial income and expenses		-177	-167	-797	-668
Income after financial items		-90	14,566	6,400	27,846
Income taxes		134	-3,213	-1,590	-5,731
Income for the period *		44	11,352	4,810	22,115
* Attributable to:					
Owners of AB Volvo		-282	11,131	4,393	21,746
Non-controlling interest		326	221	418	369
		44	11,352	4,810	22,115
Basic earnings per share, SEK		-0.14	5.47	2.16	10.69
Diluted earnings per share, SEK		-0.14	5.47	2.16	10.69

1 The comparative financial information is restated between Cost of sales and Selling expenses. For more information, please see note 1.

Financial items

In Q2 2020, interest income of SEK 63 M (86) was on par with the previous year, whereas interest expenses decreased to SEK 364 M (459). The decrease relates primarily to lower outstanding debt in countries with high interest rates.

Other financial income and expenses were on par with the previous year and amounted to SEK -177 M (-167).

Income taxes

In Q2 2020, income taxes amounted to SEK 134 M compared with SEK -3,213 M in the previous year.

Income for the period and earnings per share

In Q2 2020, income for the period amounted to SEK 44 M (11,352). Diluted earnings per share amounted to SEK -0.14 (+5.47).

Operating cash flow in the Industrial Operations

During Q2 2020, operating cash flow in the Industrial Operations was negative in an amount of SEK 5,718 M compared with a positive cash flow of SEK 13,867 in the preceding year. The lower cash flow compared to Q2 2019 is primarily an effect of the reduction of operating income of SEK 14,044 M as well as an increase in working capital of SEK 10,212 M in Q2 2020 compared to a decrease of SEK 576 M in Q2 2019. In Q2 2020, working capital increased as an effect of trade payables decreasing by SEK 15,495 related to significantly lower production levels, which were partly offset by a reduction of inventories of SEK 5,266 M and adjustments of certain tax payments.

Volvo Group financial position

During Q2 2020, net financial assets in the Industrial Operations, excluding provisions for post-employment benefits and lease liabilities, decreased by SEK 7.2 billion resulting in a net financial asset position of SEK 50.6 billion on June 30, 2020. The change is mainly explained by a negative operating cash flow of SEK 5.7 billion. Currency movements decreased net financial assets by SEK 0.8 billion.

Including provisions for post-employment benefits and lease liabilities, the Industrial Operations had net financial

assets of SEK 23.2 billion on June 30, 2020. Provisions for post-employment benefits and lease liabilities increased by SEK 0.8 billion during the quarter. This was mainly due to remeasurements of defined benefit pension plans of SEK 1.7 billion offset by positive currency movements of SEK 0.9 billion. The increase in defined benefit obligations was primarily an effect of significantly lower interest rates in all countries, which were partly offset by higher return on assets.

The Volvo Group's cash and cash equivalents amounted to SEK 71.8 billion on June 30, 2020 compared to SEK 61.5 billion on December 31, 2019. In addition to this granted, but unutilized, credit facilities amounted to SEK 43.2 billion on June 30, 2020 (43.0), whereof SEK 6.5 billion will expire in 2021 and 2022, SEK 15.7 billion in 2024 and SEK 21.0 billion in 2025.

During Q2 2020, a decision was made to call the first tranche (EUR 0.9 billion) of the hybrid bond with payment date on June 10, 2020. After the repayment, the hybrid bond consists of the second tranche (EUR 0.6 billion) with call date in Q1 2023.

Total assets in the Volvo Group decreased by SEK 3.4 billion compared to year-end 2019. Currency movements decreased total assets by SEK 11.9 billion.

On June 30, 2020 total equity for the Volvo Group amounted to SEK 141.3 billion compared to SEK 141.7 billion at year-end 2019. The equity ratio was 27.1% (27.0). On the same date the equity ratio in the Industrial Operations amounted to 34.7% (33.1).

Number of employees

On June 30, 2020, the Volvo Group had 97,076 employees, including temporary employees and consultants, which was a decrease of 10,253 employees compared with June 30, 2019. The number of blue-collar employees decreased by 6,420 while the number of white-collar employees decreased by 3,833.

During Q2 2020, the number of employees decreased by 1,960. The number of blue-collar employees decreased by 1,010 while the number of white-collar employees decreased by 950. The decrease in blue-collar employees is related to a reduction in production levels. The decrease in white-collar employees is related to reduced activity levels.

Number of employees	Jun 30 2020	Mar 31 2020	Dec 31 2019	Jun 30 2019
Blue-collar	48,096	49,106	50,936	54,516
Whereof temporary employees and consultants	3,649	4,014	4,506	7,437
White-collar	48,980	49,930	53,049	52,813
Whereof temporary employees and consultants	3,288	3,859	6,904	6,854
Total number of employees	97,076	99,036	103,985	107,329
Whereof temporary employees and consultants	6,937	7,873	11,410	14,291

BUSINESS SEGMENT OVERVIEW

Net sales	Second quarter		Change	Change	First six months		Change	Change	12 months	Jan-Dec
SEK M	2020	2019	%	% ¹	2020	2019	%	% ¹	rolling	2019
Trucks	40,595	75,872	-46	-45	98,605	144,073	-32	-32	231,179	276,647
Construction Equipment	22,876	26,814	-15	-14	43,023	50,968	-16	-16	80,661	88,606
Buses	3,199	8,885	-64	-63	8,389	15,732	-47	-47	23,676	31,019
Volvo Penta	2,507	3,667	-32	-31	5,844	7,090	-18	-18	12,041	13,287
Group Functions & Other	1,519	2,956	-49	-49	3,869	5,273	-27	-28	10,883	12,287
Eliminations	-544	-884	-	-	-1,376	-1,669	-	-	-3,190	-3,484
Industrial Operations	70,151	117,310	-40	-39	158,355	221,468	-28	-29	355,249	418,361
Financial Services	3,477	3,774	-8	-5	7,287	7,283	0	1	14,874	14,870
Reclassifications and eliminations	-401	-390	-	-	-967	-849	-	-	-1,369	-1,252
Volvo Group	73,227	120,694	-39	-38	164,676	227,902	-28	-28	368,754	431,980

¹ Adjusted for exchange rate fluctuations.

Adjusted operating income ¹	Second quarter		Change	First six months		Change	12 months	Jan-Dec
SEK M	2020	2019	%	2020	2019	%	rolling	2019
Trucks	737	9,548	-92	4,685	17,841	-74	18,395	31,552
Construction Equipment	3,108	4,153	-25	5,786	7,799	-26	9,897	11,910
Buses	-532	403	-232	-661	697	-195	-21	1,337
Volvo Penta	345	618	-44	854	1,303	-34	1,427	1,876
Group Functions & Other	-436	-302	-44	-905	-1,106	18	-1,310	-1,510
Eliminations	-7	-2	-	-9	-20	-	-3	-14
Industrial Operations	3,215	14,419	-78	9,749	26,514	-63	28,385	45,150
Financial Services	57	686	-92	662	1,288	-49	2,141	2,766
Reclassifications and eliminations	-	-	-	1	-	-	-5	-6
Volvo Group adjusted operating income	3,272	15,105	-78	10,412	27,802	-63	30,521	47,910
Adjustments ¹	-2,885	-	-	-2,650	1,466	-281	-2,495	1,621
Volvo Group operating income	388	15,105	-97	7,762	29,267	-73	28,026	49,531

¹ For more information on adjusted operating income, please see note 7.

Adjusted operating margin	Second quarter		First six months		12 months	Jan-Dec
%	2020	2019	2020	2019	rolling	2019
Trucks	1.8	12.6	4.8	12.4	8.0	11.4
Construction Equipment	13.6	15.5	13.4	15.3	12.3	13.4
Buses	-16.6	4.5	-7.9	4.4	-0.1	4.3
Volvo Penta	13.7	16.9	14.6	18.4	11.9	14.1
Industrial Operations	4.6	12.3	6.2	12.0	8.0	10.8
Volvo Group adjusted operating margin	4.5	12.5	6.3	12.2	8.3	11.1
Volvo Group operating margin	0.5	12.5	4.7	12.8	7.6	11.5

TRUCKS

Significant volume drop

- » Q2 net sales declined by 46% to SEK 40,595 M
- » Adjusted operating income amounted to SEK 737 M (9,548), with a margin of 1.8% (12.6)
- » Order intake declined by 45%



Market development

In Q2, all major regions followed the same pattern due to the COVID-19 outbreak. Initial disruptions to the supply chains were followed by dropping fleet utilization and a significant drop in demand. During the course of the quarter there was a gradual return on all these parameters. The supply chain, including the Volvo Group's plants, was re-started in May after about a month of complete standstill. Production is currently running well. Following similar patterns, transport volumes have gradually recovered with an improved customer truck fleet utilization. However, high industry inventories of used trucks in many markets have led to declining prices.

At the end of June, utilization of the fleet of Volvo trucks in Europe was about 5% lower than in the beginning of the year. This was an improvement compared to April, when it was down about 20%. Truck registrations in Europe declined by 41% through May compared to the same period in 2019.

In North America and Brazil the truck markets were also significantly impacted in April, but have gradually improved since then with increased customer activity levels. Retail sales were down by 39% in North America as of June and registrations in Brazil were down by 17%.

The Indian truck market, which was impacted by the weak economic activity even before the COVID-19 outbreak, continued to decline sharply.

The Chinese truck market has gained momentum from subsidies to accelerate replacement of vehicles of lower-than-CN3 emission standards, as well as from governmental initiatives to stimulate the economy.

The Japanese truck market remained stable.

Orders and deliveries

Total net order intake in Q2 2020 decreased by 45% to 26,507 trucks while deliveries decreased by 57% to 28,033 trucks. Order intake was down by 90% in April compared to January but recovered later in the quarter. Order intake in June was 5% lower than in January.

In Europe, order intake of heavy- and medium-duty trucks decreased by 52% to 9,944 vehicles and deliveries decreased by 55% to 10,895 vehicles. Volvo Trucks' heavy-duty market share through May increased to 16.7% (15.3%) while Renault Trucks' market share was 8.4% (8.8).

North American order intake was down by 44% to 4,179 trucks while deliveries decreased by 79% to 3,925 trucks. Volvo Trucks' heavy-duty truck market share through June remained steady at 9.3% (9.4) while Mack Trucks' market share increased to 7.6% (6.4).

South American order intake decreased by 60% to 2,539 trucks while deliveries decreased by 57% to 2,411 vehicles. Volvo Trucks' market share in heavy-duty trucks in Brazil increased to 24.5% (20.9) through June.

In Asia, order intake decreased by 26% to 5,666 trucks while deliveries declined by 25% to 5,807 trucks. UD Trucks' heavy-duty truck market share in Japan through June declined to 16.9% (18.5).

The combination of tough market conditions in India early in the year followed by lockdowns caused VECV's deliveries to decline by 81% in Q2 2020.

On the back of a strong market, deliveries from DFCV in China increased by 12%.

Total market development	First six months		Change %
	2020	2019	
Registrations, number of trucks			
Europe 28 ¹ heavy-duty (as of May)	78,271	132,050	-41
North America heavy-duty (Retail sales)	101,490	166,945	-39
Brazil heavy-duty	28,423	34,076	-17
China heavy-duty	816,206	656,331	24
China medium-duty	71,754	71,955	0
India heavy-duty (Preliminary)	32,701	132,677	-75
India medium-duty (Preliminary)	18,516	59,641	-69
Japan heavy-duty	22,760	24,067	-5

¹ EU 28 includes Norway and Switzerland but excludes the UK and Bulgaria.

Net order intake		Second quarter		Change	First six months		Change
Number of trucks		2020	2019	%	2020	2019	%
Europe		12,431	23,340	-47	33,609	49,347	-32
Heavy- and medium-duty		9,944	20,537	-52	27,256	41,592	-34
Light-duty		2,487	2,803	-11	6,353	7,755	-18
North America		4,179	7,428	-44	8,911	12,897	-31
South America		2,539	6,352	-60	5,583	10,350	-46
Asia		5,666	7,665	-26	12,579	15,135	-17
Africa and Oceania		1,692	3,036	-44	4,224	5,976	-29
Total orders		26,507	47,821	-45	64,906	93,705	-31
Heavy-duty (>16 tons)		22,605	41,612	-46	52,927	79,398	-33
Medium-duty (7-16 tons)		1,318	3,144	-58	5,339	6,079	-12
Light-duty (<7 tons)		2,584	3,065	-16	6,640	8,228	-19
Total orders		26,507	47,821	-45	64,906	93,705	-31
Volvo		13,662	28,832	-53	32,133	52,363	-39
UD		2,646	4,697	-44	6,977	9,916	-30
Renault Trucks		7,226	10,537	-31	19,079	24,428	-22
Heavy- and medium-duty		4,723	7,701	-39	12,679	16,574	-24
Light-duty		2,503	2,836	-12	6,400	7,854	-19
Mack		2,973	3,755	-21	6,717	6,998	-4
Total orders		26,507	47,821	-45	64,906	93,705	-31
Non-consolidated operations							
VE Commercial Vehicles (Eicher)		1,841	9,937	-81	10,342	26,697	-61

Net sales and operating income

The truck operations' net sales amounted to SEK 40,595 M, which was 46% lower than in Q2 2019. Excluding currency effects, net sales were 45% lower with sales of vehicles decreasing by 54% and sales of services by 14%.

The adjusted operating income amounted to SEK 737 M (9,548) corresponding to an adjusted operating margin of 1.8% (12.6). The adjustment of SEK 2,335 M in Q2 2020 refers to restructuring charges related to the previously announced cost-reduction measures.

Compared with Q2 2019, the lower adjusted operating income is mainly an effect of lower vehicle volumes, reduced capacity utilization in the industrial system and lower service sales as well as residual value and inventory write-downs due to lower used truck prices. This was partly offset by lower selling, R&D and administrative expenses, reflecting a lower activity level, as well as various governmental short-term layoff programs. Compared with Q2 2019, currency movements had a positive impact of SEK 374 M. Reported operating income amounted to SEK -1,598 M (9,548).

Deliveries		Second quarter		Change	First six months		Change
Number of trucks		2020	2019	%	2020	2019	%
Europe		13,836	29,454	-53	34,839	56,338	-38
Heavy- and medium-duty		10,895	24,187	-55	27,998	45,774	-39
Light-duty		2,941	5,267	-44	6,841	10,564	-35
North America		3,925	19,010	-79	14,585	36,215	-60
South America		2,411	5,654	-57	7,289	10,388	-30
Asia		5,807	7,732	-25	11,476	14,420	-20
Africa and Oceania		2,054	3,387	-39	4,609	6,470	-29
Total deliveries		28,033	65,237	-57	72,798	123,831	-41
Heavy-duty (>16 tons)		23,161	56,237	-59	61,426	105,880	-42
Medium-duty (7-16 tons)		1,814	3,378	-46	4,257	6,719	-37
Light-duty (<7 tons)		3,058	5,622	-46	7,115	11,232	-37
Total deliveries		28,033	65,237	-57	72,798	123,831	-41
Volvo		15,013	37,035	-59	40,333	69,101	-42
UD		3,184	4,998	-36	6,593	9,600	-31
Renault Trucks		7,534	15,256	-51	18,069	29,561	-39
Heavy- and medium-duty		4,563	9,874	-54	11,190	18,790	-40
Light-duty		2,971	5,382	-45	6,879	10,771	-36
Mack		2,302	7,948	-71	7,803	15,569	-50
Total deliveries		28,033	65,237	-57	72,798	123,831	-41
Non-consolidated operations							
VE Commercial Vehicles (Eicher)		1,829	10,067	-82	10,691	27,342	-61
Dongfeng Commercial Vehicle Company (Dongfeng Trucks)		66,755	59,703	12	82,925	81,441	2

Net sales and operating income		Second quarter		Change	First six months		Change
SEK M		2020	2019	%	2020	2019	%
Europe		18,101	30,832	-41	42,967	58,589	-27
North America		8,714	24,971	-65	25,495	48,003	-47
South America		2,647	5,771	-54	7,188	10,639	-32
Asia		8,190	9,695	-16	16,546	18,256	-9
Africa and Oceania		2,943	4,603	-36	6,409	8,586	-25
Total net sales		40,595	75,872	-46	98,605	144,073	-32
Of which:							
Vehicles		27,242	60,193	-55	69,560	112,780	-38
Services		13,353	15,679	-15	29,045	31,293	-7
Adjusted operating income ¹		737	9,548	-92	4,685	17,841	-74
Adjustments		-2,335	-	-	-2,335	-	-
Operating income		-1,598	9,548	-117	2,350	17,841	-87
Adjusted operating margin, %		1.8	12.6		4.8	12.4	
Operating margin, %		-3.9	12.6		2.4	12.4	

¹ For more information on adjusted operating income, please see note 7.

Important events

UD Trucks expanded its heavy-duty truck range with the launch of a new, short-cab Quon, enabling more cargo to be carried and thereby higher customer productivity. The model has been available in Japan since June 1.

In July, it was decided to initiate a project to create a separate business unit for medium-duty trucks in Europe. Having a cross-functional team dedicated solely to medium-duty trucks will create the focus needed to increase the performance of this important business.

CONSTRUCTION EQUIPMENT

Good profitability despite lower sales

- » Equipment sales down by 14% and service sales down by 11% currency-adjusted
- » Adjusted operating income amounted to SEK 3,108 M (4,153) with a margin of 13.6% (15.5)
- » Order intake increased by 11% as strong growth in China offset a weaker development in other markets



Market development

The outbreak of COVID-19 has created uncertainty among customers and dealers. This has resulted in significant drops in market volumes in Europe, North America and Asia outside of China.

Through May, the overall European market was down by 22%. Most major markets such as the UK, France, Germany and the Nordic region showed declines.

The North American market was also down by 22% mainly due to a decrease in demand for larger machines. In South America the market was 8% above last year although still at historically low levels.

In Asia (excluding China) the total market was down by 21%, whereas in China the market was up by 13% as the government's stimulus measures continued to boost demand after the COVID-19 lockdown in the first two months of the year.

Orders and deliveries

Order intake increased by 11% in Q2 with orders for SDLG-branded products being up by 31% and order intake for Volvo-branded products decreasing by 21%.

In Europe order intake was 51% lower with reduced end-customer demand in most key markets such as the UK, Germany, France and Russia. Dealers in Europe have been reducing their inventories and rental customers have postponed fleet renewal.

In North America, order intake was down by 85% as a consequence of large order intake at the end of 2019 as well as lower end-user demand and dealers reducing their rental fleets and inventories of machines.

In Asia order intake increased by 39%, driven by a 48% increase in China with strong demand for compact machines and larger excavators for both brands.

Most factories in Europe and the Americas were shut down for a month during Q2, due to country wide lockdowns as well as supply issues. Production in South

Total market development		Year-to-date May	
Change in % measured in units		2020	
Europe			-22
North America			-22
South America			8
Asia excl. China			-21
China			13

Net order intake	Second quarter		Change %	First six months		Change %
	2020	2019		2020	2019	
Number of construction equipment						
Europe	2,292	4,696	-51	6,465	9,966	-35
North America	232	1,528	-85	2,023	3,600	-44
South America	446	492	-9	1,045	885	18
Asia	23,220	16,746	39	36,532	30,747	19
Africa and Oceania	516	623	-17	1,255	1,133	11
Total orders	26,706	24,085	11	47,320	46,331	2
Large and medium construction equipment	18,295	18,088	1	32,296	34,576	-7
Compact construction equipment	8,411	5,997	40	15,024	11,755	28
Total orders	26,706	24,085	11	47,320	46,331	2
Of which:						
Volvo	7,271	9,233	-21	18,514	20,919	-11
SDLG	19,414	14,808	31	28,746	25,321	14
Of which in China	18,706	13,373	40	27,226	22,970	19

Deliveries	Second quarter		Change	First six months		Change
Number of construction equipment	2020	2019	%	2020	2019	%
Europe	3,340	6,057	-45	7,889	11,987	-34
North America	1,342	2,592	-48	2,843	4,679	-39
South America	426	573	-26	883	972	-9
Asia	23,512	16,982	38	36,582	31,020	18
Africa and Oceania	464	684	-32	1,057	1,369	-23
Total deliveries	29,084	26,888	8	49,254	50,027	-2
Large and medium construction equipment	19,932	20,449	-3	33,287	37,272	-11
Compact construction equipment	9,152	6,439	42	15,968	12,755	25
Total deliveries	29,084	26,888	8	49,254	50,027	-2
Of which:						
Volvo	9,649	12,036	-20	20,448	24,615	-17
SDLG	19,414	14,808	31	28,746	25,321	14
Of which in China	18,706	13,373	40	27,226	22,970	19

Net sales and operating income	Second quarter		Change	First six months		Change
SEK M	2020	2019	%	2020	2019	%
Europe	5,254	8,788	-40	11,731	16,881	-31
North America	3,527	5,621	-37	7,237	10,547	-31
South America	422	666	-37	981	1,212	-19
Asia	12,928	10,485	23	21,331	19,864	7
Africa and Oceania	746	1,253	-40	1,744	2,464	-29
Total net sales	22,876	26,814	-15	43,023	50,968	-16
Of which:						
Construction equipment	20,157	23,687	-15	37,448	44,860	-17
Services	2,719	3,126	-13	5,575	6,108	-9
Adjusted operating income¹	3,108	4,153	-25	5,786	7,799	-26
Adjustments	-615	-	-	-615	-	-
Operating income	2,493	4,153	-40	5,171	7,799	-34
Adjusted operating margin, %	13.6	15.5		13.4	15.3	
Operating margin, %	10.9	15.5		12.0	15.3	

¹ For more information on adjusted operating income, please see note 7.

Korea continued to run in Q2 and in China production was ramped up to meet the increased demand.

Deliveries increased by 8% in Q2 with SDLG's deliveries being up 31% and deliveries of Volvo-branded machines being down 20%. Higher sales in China offset lower sales in all other markets.

Net sales and operating income

In Q2 net sales decreased by 15% to SEK 22,876 M (26,814). Adjusted for currency movements, net sales decreased by 14%. Despite machine volumes increasing by 8%, net sales declined by 14% currency-adjusted because of an unfavorable mix between large and compact machines. Service sales decreased by 11% currency-adjusted.

Adjusted operating income amounted to SEK 3,108 M (4,153), excluding SEK 615 M in restructuring charges

related to headcount reductions. The adjusted operating margin amounted to 13.6% (15.5). Compared to Q2 2019, adjusted operating income was negatively impacted by lower machine and service sales, which were partly offset by reduced cost levels. Currency movements had a negative impact of SEK 111 M. Reported operating income amounted to SEK 2,493 M (4,153).

Important events

In June, the Volvo CE-developed, battery-electric, autonomous load carrier won a Red Dot award for product design. With a 15 tonne hauling capacity, the cab-less carrier forms part of Volvo Autonomous Solutions' wider TARA transport solution concept. A series of carriers can be connected together to form a 'train' of machines, for maximum loading and hauling efficiency.

BUSES

Sharp drop in sales volumes and order intake

- » In Q2, vehicle sales decreased by 67% and service sales by 38%, currency-adjusted
- » Adjusted operating income of SEK -532 M (+403), with a margin of -16.6% (+4.5)
- » Order intake decreased by 55% driven by a collapse in demand for coaches



During Q2, the overall global bus market was severely affected by COVID-19. The decline in demand has affected all parts of the business, but with more limited impact on the transit bus market.

Compared to Q2 2019, net order intake decreased by 55% to 979 units. Demand was low in all regions, with the coach business accounting for the major part of the decline. Important orders in Q2 refer to 128 hybrid buses to Brussels, Belgium and 49 high-capacity electric articulated buses to Jönköping, Sweden.

Volvo Buses delivered 873 units in Q2, a decrease of 68%, mainly as a consequence of lockdowns disrupting both supply chains and demand, in particular for coaches.

In Q2, net sales decreased by 64% to SEK 3,199 M (8,885). Adjusted for currency movements, net sales decreased by 63%, whereof vehicle sales decreased by 67% and service sales by 38%.

Adjusted operating income amounted to SEK -532 M (+403), excluding SEK 85 M in restructuring charges

related to headcount reductions. The adjusted operating margin amounted to -16.6% (+4.5). Earnings were negatively impacted by lower vehicle and service volumes and lower capacity utilization in the industrial system, following low demand and production closures due to COVID-19. Strong cost reduction efforts and various governmental short-term layoff programs contributed to mitigate some of the shortfall in volumes and production. Compared to Q2 2019, currency movements had a negative impact on operating income in an amount of SEK 23 M. Reported operating income amounted to SEK -617 M (+403).

In April, Volvo Buses introduced the new Volvo S-Charge model range, where electric propulsion drives the hybrid buses at speeds up to 50 km/h. The buses can run in electric mode up to 1 km at a time. The upgrade also includes improved connectivity and Volvo's system for geo-fencing, Volvo Zone Management.

Net order intake and deliveries		Second quarter		Change	First six months		Change
Number of buses		2020	2019	%	2020	2019	%
Total orders		979	2,152	-55	3,732	4,574	-18
Total deliveries		873	2,692	-68	2,443	4,711	-48

Net sales and operating income		Second quarter		Change	First six months		Change
SEK M		2020	2019	%	2020	2019	%
Europe		1,342	2,365	-43	2,354	3,870	-39
North America		867	4,440	-80	3,498	7,768	-55
South America		218	948	-77	486	1,926	-75
Asia		427	644	-34	1,216	1,283	-5
Africa and Oceania		345	488	-29	834	884	-6
Total net sales		3,199	8,885	-64	8,389	15,732	-47
Of which:							
Vehicles ¹		2,444	7,649	-68	6,407	13,329	-52
Services ¹		755	1,237	-39	1,981	2,403	-18
Adjusted operating income ²		-532	403	-232	-661	697	-195
Adjustments		-85	-	-	-85	-	-
Operating income		-617	403	-253	-746	697	-207
Adjusted operating margin, %		-16.6	4.5		-7.9	4.4	
Operating margin, %		-19.3	4.5		-8.9	4.4	

¹ Restate of 2019 between Vehicles and Services of SEK 132 M in second quarter and SEK 250 M in first six months.

² For more information on adjusted operating income, please see note 7.

VOLVO PENTA

Continued good profitability despite a significant sales drop

- » Both net order intake and deliveries decreased by 34%
- » Adjusted operating income of SEK 345 M (618) with a margin of 13.7% (16.9)
- » Successful remote commissioning of electric firetruck with Volvo Penta's electric power system



The marine leisure market had a solid start in 2020, but weakened during Q2 due to COVID-19. The charter market was most affected due to travel restrictions and lockdowns, which in turn impacted sales of sailing yachts and catamarans. The global marine commercial market remained stable, with positive trends especially in Asian markets.

The market for industrial off-road engines slowed down due to a decline in the construction and agriculture machinery segments in most markets except China. Demand for mining equipment was relatively stable. The industrial power generation market also decreased globally, especially in Europe.

Net order intake in Q2 decreased by 34% to 6,351 units and deliveries decreased by 34% to 6,944 units. Deliveries were affected by severe disruptions in the supply chain, although an improvement was noticed during the latter part of Q2 after the re-start of the Group's powertrain factories.

In Q2, net sales decreased by 32% to SEK 2,507 M (3,667). Adjusted for currency movements, net sales decreased by 31%, of which sales of engines decreased by 38% and sales of services decreased by 13%.

Adjusted operating income amounted to SEK 345 M (618) excluding restructuring charges of SEK 50 M relating to headcount reductions. The adjusted operating margin was 13.7% (16.9). Earnings were negatively affected by lower volumes and negative product mix, which were partly offset by actions to quickly reduce costs and various governmental short-term layoff programs. Compared with Q2 2019, the currency impact on operating income was positive in an amount of SEK 10 M. Reported operating income amounted to SEK 295 M (618).

During Q2, the company remotely commissioned a 600V electric driveline for Rosenbauer's 'Revolutionary Technology' fire truck, which has zero emissions and low noise. The truck will enter real-world testing with fire departments in Berlin, Amsterdam and Dubai later this year.

Net order intake and deliveries	Second quarter		Change	First six months		Change
	2020	2019		2020	2019	
Number of Engines			%			%
Total orders	6,351	9,622	-34	17,788	20,948	-15
Total deliveries	6,944	10,572	-34	16,908	21,269	-21

Net sales and operating income	Second quarter		Change	First six months		Change
	2020	2019		2020	2019	
SEK M			%			%
Europe	1,228	1,727	-29	3,076	3,525	-13
North America	545	1,027	-47	1,185	1,769	-33
South America	54	77	-30	137	145	-6
Asia	551	663	-17	1,136	1,321	-14
Africa and Oceania	128	173	-26	311	329	-5
Total net sales	2,507	3,667	-32	5,844	7,090	-18
Of which:						
Engines	1,647	2,663	-38	4,138	5,260	-21
Services	860	1,004	-14	1,706	1,830	-7
Adjusted operating income ¹	345	618	-44	854	1,303	-34
Adjustments	-50	-	-	-50	-	-
Operating income	295	618	-52	804	1,303	-38
Adjusted operating margin, %	13.7	16.9		14.6	18.4	
Operating margin, %	11.8	16.9		13.8	18.4	

¹ For more information on adjusted operating income, please see note 7.

FINANCIAL SERVICES

Increased provisions for expected credit losses

- » New business volume down 15% in Q2 2020, currency-adjusted
- » Adjusted operating income of SEK 57 M (686)
- » Elevated contract modification levels

In Q2 2020, new business volume decreased by 15%, currency adjusted, compared to last year as lower deliveries of Group products were partially offset by improved penetration levels. Adjusted for currency, the credit portfolio decreased slightly during the quarter, but remained 3% higher compared to Q2 2019.

During the quarter, delinquencies in the credit portfolio have stabilized as VFS implemented numerous measures in order to support customers through the tough times and minimize losses. These include a significant level of contract modifications to allow for a few installment-free months.

Despite these measures, it is anticipated that many customers will face significant challenges in dealing with



the impact of the severe economic contraction caused by the pandemic. VFS is preparing for increased collection activities and higher levels of repossessions are expected in the coming quarters. In Q2, credit reserves were increased in line with the expectations of higher write-offs. Against this background, VFS has executed a number of cost-saving measures.

As a result of higher provisions for expected credit losses, adjusted operating income decreased to SEK 57 M (686), excluding restructuring charges of SEK 45 M relating to headcount reductions. Reported operating income amounted to SEK 12 M (686).

During the quarter, SEK 1.2 (2.8) billion of assets were syndicated in order to reduce concentration risks.

Financial Services SEK M	Second quarter		First six months	
	2020	2019	2020	2019
Number of financed units, 12 months rolling			60,688	59,380
Total penetration rate, 12 months rolling, % ¹			28	24
New retail financing volume, SEK billion	17.3	20.9	34.8	36.8
Credit portfolio net, SEK billion			163	165
Credit provision expenses	844	191	1,173	347
Adjusted operating income ²	57	686	662	1,288
Adjustments	-45	-	-45	-
Operating income	12	686	617	1,288
Credit reserves, % of credit portfolio			1.95	1.57
Adjusted return on equity, 12 months rolling, % ²			11.1	14.7
Return on equity, 12 months rolling, %			10.8	14.7

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.

² For more information on adjustments, please see note 7.

IMPORTANT EVENTS FOR THE VOLVO GROUP

AB Volvo's Election Committee revises its proposal to the AGM on remuneration to the Board

On May 12, the Election Committee of AB Volvo proposed that the remuneration to the Board members of AB Volvo for the coming year should be the same as decided in 2019.

AB Volvo's Board of Directors withdraws proposal for ordinary dividend

On May 12, the Board of Directors of AB Volvo decided to withdraw the proposal to the Annual General Meeting for an ordinary dividend of SEK 5.50 per share and instead

proposed that no dividend for 2019 would be paid. The Volvo Group has a strong financial position. However, there was a general uncertainty created by COVID-19 and the effects on the Volvo Group from the measures taken in various countries to slow down the spread of the virus. As an effect the Board believed that it was appropriate, as a precautionary measure, to withdraw the dividend proposal.

Heléne Mellquist new President Volvo Penta and member of Volvo Group management

On June 9, Heléne Mellquist was appointed President of Volvo Penta and new member of Volvo Group

Management. On September 1, she will replace Björn Ingemansson, who after a long and successful career will retire. Heléne Mellquist, born in 1964, currently holds the position of President of the European Division at Volvo Trucks.

The Volvo Group takes measures to reduce cost and accelerate transformation

On June 16, it was announced that the COVID-19 crisis is expected to have a negative effect on economic activity in many of the Volvo Group's major markets in the short and medium term. Volvo has continuously adjusted its operations to lower demand from record levels in the first half of 2019 by utilizing the installed flexibility, while at the same time accelerating the transformation towards sustainable transport solutions. As the next step, the Volvo Group plans to further reduce the white-collar workforce globally by approximately 4,100 positions during the second half of 2020.

Annual General Meeting of AB Volvo

AB Volvo held its Annual General Meeting on June 18, 2020. Due to the extraordinary situation as a result of the COVID-19 pandemic, the Meeting was carried out through postal voting, without any physical attendance. Among other things, the Annual General Meeting adopted the income statement and balance sheet as well as the consolidated income statement and the consolidated balance sheet. The Meeting resolved that no payment of dividend will be made and that the entire amount available will be carried forward. The Board Members, Board Deputies and the President were discharged from liability for their administration during the 2019 fiscal year.

Matti Alahuhta, Eckhard Cordes, Eric Elzvik, James W. Griffith, Martin Lundstedt, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Helena Stjernholm and Carl-Henric Svanberg were reelected as members of the Board. Kurt

Jofs was elected as new member of the Board. Carl-Henric Svanberg was reelected as Chairman of the Board.

A remuneration policy for senior executives was adopted in accordance with the Board of Directors' motion.

The Annual General Meeting adopted a proposal from the Board of Directors concerning amendments to the Articles of Association, whereby a new section is inserted in the Articles of Association allowing the Board to collect powers of attorney in accordance with the procedure described in Chapter 7, section 4 of the Companies Act and allowing the Board to decide that shareholders shall have the right to provide their votes before a General Meeting.

The Meeting further resolved to adopt the Board of Directors' proposal to reduce the share capital by way of cancellation of the company's approximately 95 million own shares and an increase of the share capital by way of a bonus issue in order to restore the share capital.

Previously reported important events

- Important truck launches in the first quarter
- Update on the impact from COVID-19 on the Volvo Group
- AB Volvo's Board of Directors withdraws proposal of extra dividend, maintains ordinary dividend
- Volvo provides an update on the current situation in respect of COVID-19 and postpones the Annual General Meeting
- New date for Annual General Meeting
- The Volvo Group and Daimler Truck AG to lead the development of sustainable transportation by forming joint venture for large-scale production of fuel cells

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

CONSOLIDATED INCOME STATEMENT SECOND QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	70,151	117,310	3,477	3,774	-401	-390	73,227	120,694
Cost of sales ¹	-56,811	-88,946	-2,064	-2,330	401	390	-58,474	-90,886
Gross income ¹	13,340	28,364	1,413	1,444	-	-	14,753	29,808
Research and development expenses	-3,811	-4,814	-	-	-	-	-3,811	-4,814
Selling expenses ¹	-5,575	-8,051	-534	-635	-	-	-6,109	-8,686
Administrative expenses	-983	-1,472	-2	-4	-	-	-985	-1,476
Other operating income and expenses	-3,431	-305	-865	-119	-	-	-4,296	-425
Income/loss from investments in joint ventures and associated companies	825	476	-	-	-	-	825	476
Income from other investments	10	222	0	0	-	-	10	222
Operating income	375	14,419	12	686	-	-	388	15,105
Interest income and similar credits ²	78	177	-	-	-15	-92	63	86
Interest expenses and similar charges ²	-379	-550	0	0	15	92	-364	-459
Other financial income and expenses	-177	-168	-	-	-	-	-177	-167
Income after financial items	-102	13,879	12	686	-	0	-90	14,566
Income taxes	152	-3,046	-18	-167	-	-	134	-3,213
Income for the period *	49	10,832	-6	519	-	0	44	11,352
* Attributable to:								
Owners of AB Volvo							-282	11,131
Non-controlling interest							326	221
							44	11,352
Basic earnings per share, SEK								
							-0.14	5.47
Diluted earnings per share, SEK								
							-0.14	5.47

Key ratios, %

Gross margin ¹	19.0	24.2	-	-	-	-	20.1	24.7
Research and development expenses as percentage of net sales	5.4	4.1	-	-	-	-	5.2	4.0
Selling expenses as percentage of net sales ¹	7.9	6.9	-	-	-	-	8.3	7.2
Administrative expenses as percentage of net sales	1.4	1.3	-	-	-	-	1.3	1.2
Operating margin	0.5	12.3	-	-	-	-	0.5	12.5

¹ The comparative financial information is restated between Cost of sales and Selling expenses. For more information, please see note 1.

² As from January 1, 2020 interest income related to Internal Funding from cash is presented as interest income instead of reduction of interest expenses on loans in Industrial Operations. 2019 has been restated.

CONSOLIDATED OTHER COMPREHENSIVE INCOME SECOND QUARTER

SEK M	2020	2019
Income for the period	44	11,352
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-1,341	-657
Remeasurements of holding of shares at fair value	23	-19
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	-6,607	60
Share of OCI related to joint ventures and associated companies	-196	-120
Other comprehensive income, net of income taxes	-8,121	-736
Total comprehensive income for the period *	-8,077	10,616
* Attributable to:		
Owners of AB Volvo	-8,158	10,457
Non-controlling interest	81	159
	-8,077	10,616

CONSOLIDATED INCOME STATEMENT FIRST SIX MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	158,355	221,468	7,287	7,283	-967	-849	164,676	227,902
Cost of sales ¹	-124,799	-167,529	-4,401	-4,520	968	849	-128,233	-171,199
Gross income ¹	33,556	53,939	2,886	2,763	1	-	36,443	56,702
Research and development expenses	-8,773	-8,939	-	-	-	-	-8,773	-8,939
Selling expenses ¹	-12,429	-15,513	-1,142	-1,252	-	-	-13,571	-16,765
Administrative expenses	-2,298	-2,943	-5	-7	-	-	-2,302	-2,950
Other operating income and expenses	-3,724	295	-1,122	-217	-	0	-4,845	78
Income/loss from investments in joint ventures and associated companies	794	901	-	-	-	-	794	901
Income from other investments	17	240	0	0	-	-	17	240
Operating income	7,144	27,979	617	1,288	1	0	7,762	29,267
Interest income and similar credits ²	200	300	-	-	-58	-142	142	159
Interest expenses and similar charges ²	-765	-1,054	0	0	58	142	-707	-913
Other financial income and expenses	-797	-668	-	-	-	-	-797	-668
Income after financial items	5,782	26,557	617	1,288	1	-	6,400	27,846
Income taxes	-1,428	-5,407	-162	-323	0	-	-1,590	-5,731
Income for the period *	4,354	21,150	455	965	1	-	4,810	22,115
* Attributable to:								
Owners of AB Volvo							4,393	21,746
Non-controlling interest							418	369
							4,810	22,115
Basic earnings per share, SEK							2.16	10.69
Diluted earnings per share, SEK							2.16	10.69

Key ratios, %

Gross margin ¹	21.2	24.4	-	-	-	-	22.1	24.9
Research and development expenses as percentage of net sales	5.5	4.0	-	-	-	-	5.3	3.9
Selling expenses as percentage of net sales ¹	7.8	7.0	-	-	-	-	8.2	7.4
Administrative expenses as percentage of net sales	1.5	1.3	-	-	-	-	1.4	1.3
Operating margin	4.5	12.6	-	-	-	-	4.7	12.8

¹ The comparative financial information is restated between Cost of sales and Selling expenses. For more information, please see note 1.

² As from January 1, 2020 interest income related to Internal Funding from cash is presented as interest income instead of reduction of interest expenses on loans in Industrial Operations. 2019 has been restated.

CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST SIX MONTHS

SEK M	2020	2019
Income for the period	4,810	22,115
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-1,493	-1,362
Remeasurements of holding of shares at fair value	-44	1
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	-3,287	3,493
Share of OCI related to joint ventures and associated companies	-197	-120
Other comprehensive income, net of income taxes	-5,020	2,012
Total comprehensive income for the period *	-209	24,127
* Attributable to:		
Owners of AB Volvo	-586	23,692
Non-controlling interest	377	435
	-209	24,127

CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019
Assets								
Non-current assets								
Intangible assets	35,190	36,467	209	202	-	-	35,399	36,668
<i>Tangible assets</i>								
Property, plant and equipment	51,160	53,411	77	86	-	-	51,237	53,496
Assets under operating leases	30,166	33,794	20,865	22,602	-11,371	-13,070	39,661	43,326
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	13,871	12,955	-	-	-	-	13,871	12,955
Other shares and participations	148	139	16	19	-	-	164	158
Non-current customer-financing receivables	944	896	71,846	72,115	-1,166	-1,127	71,624	71,883
Prepaid pensions	1,508	1,663	-	-	-	-	1,508	1,663
Non-current interest-bearing receivables	2,665	815	75	120	-75	-120	2,665	815
Other non-current receivables	9,486	8,927	161	220	-706	-703	8,941	8,444
Deferred tax assets	10,838	12,261	1,092	979	1	1	11,931	13,242
Total non-current assets	155,976	161,327	94,341	96,342	-13,318	-15,019	237,000	242,650
Current assets								
Inventories	50,585	56,080	456	564	-	-	51,041	56,644
<i>Current receivables</i>								
Customer-financing receivables	667	675	66,710	71,299	-820	-875	66,557	71,099
Tax assets	2,113	1,287	252	511	-	-	2,365	1,797
Interest-bearing receivables	3,361	4,102	57	345	-1,882	-2,518	1,536	1,929
Internal funding	1,862	21,283	-	-	-1,862	-21,283	-	-
Accounts receivable	34,231	35,827	1,305	1,896	-	-	35,536	37,723
Other receivables	18,484	17,835	1,322	1,616	-1,056	-889	18,750	18,562
Marketable securities	196	200	-	0	-	-	196	200
Cash and cash equivalents	67,120	57,475	5,499	4,999	-793	-1,014	71,826	61,461
Assets held for sale	32,051	28,427	4,625	4,345	-	-	36,676	32,773
Total current assets	210,669	223,190	80,225	85,576	-6,412	-26,578	284,483	282,187
Total assets	366,646	384,517	174,566	181,917	-19,730	-41,597	521,483	524,837
Equity and liabilities								
Equity attributable to owners of AB Volvo	123,859	124,067	13,963	14,533	-4	-5	137,818	138,595
Non-controlling interest	3,450	3,083	-	-	-	-	3,450	3,083
Total equity	127,308	127,150	13,963	14,533	-4	-5	141,267	141,678
<i>Non-current provisions</i>								
Provisions for post-employment benefits	21,575	19,850	146	138	-	-	21,721	19,988
Provisions for deferred taxes	843	1,667	2,541	2,676	-	-	3,384	4,343
Other provisions	11,333	13,965	258	220	372	401	11,963	14,585
<i>Non-current liabilities</i>								
Bond loans	67,240	65,754	-	-	-	-	67,240	65,754
Other loans	24,757	19,871	14,088	16,956	-1,015	-965	37,831	35,862
Internal funding	-67,475	-60,635	61,739	61,660	5,736	-1,025	-	-
Other liabilities	40,501	43,602	1,342	1,850	-8,211	-9,141	33,633	36,311
Current provisions	14,730	11,424	249	172	403	312	15,383	11,907
<i>Current liabilities</i>								
Bond loans	29,653	31,759	-	-	-	-	29,653	31,759
Other loans	28,600	12,675	13,422	14,567	-2,505	-2,866	39,517	24,377
Internal funding	-47,944	-37,098	56,846	59,266	-8,902	-22,169	-	-
Trade payables	47,811	66,590	498	276	-	-	48,309	66,866
Tax liabilities	4,634	2,920	538	573	-	-	5,172	3,493
Other liabilities	57,200	59,097	4,477	4,543	-5,603	-6,139	56,074	57,502
Liabilities held for sale	5,879	5,927	4,459	4,486	-	-	10,337	10,413
Total equity and liabilities	366,646	384,517	174,566	181,917	-19,730	-41,597	521,483	524,837
Key ratios, %								
Equity ratio	34.7	33.1	8.0	8.0	0.0	0.0	27.1	27.0
Equity attributable to owners of AB Volvo, per share in SEK	-	-	-	-	-	-	67.8	68.2
Return on operating capital	28.4	52.3	-	-	-	-	-	-
Return on capital employed	15.3	28.4	-	-	-	-	-	-
Return on total equity	-	-	10.8	15.0	-	-	13.6	27.0

During the second quarter, the group has evaluated the effects from the COVID-19 outbreak on the accounting principles applied as the pandemic is an event and indication that assets may be impaired. The accounting models applied and the assumptions used have been reviewed to ensure that the risks and uncertainties connected to the macroeconomic development are reflected. The main effects are related to increased allowance for inventory and expected credit losses on customer-financing receivables as well as additional depreciations and write-downs of assets connected to residual value commitments. An impairment test of goodwill has also been conducted, based on updated estimated future cash flows for the coming years and no impairment loss has been recognized.

CONSOLIDATED CASH FLOW STATEMENT SECOND QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Operating activities								
Operating income	375	14,419	12	686	-	-	388	15,105
Amortization intangible assets	741	741	13	11	-	0	754	752
Depreciation tangible assets	1,926	2,078	7	8	-	0	1,933	2,087
Depreciation leasing vehicles	1,652	1,057	1,143	1,163	0	0	2,795	2,220
Other non-cash items	1,642	-676	908	269	21	-29	2,572	-437
Total change in working capital whereof	-10,212	576	362	-7,473	-8	91	-9,858	-6,806
<i>Change in accounts receivables</i>	1,097	-2,808	25	-69	-	0	1,122	-2,877
<i>Change in customer-financing receivables</i>	-35	-5	194	-7,052	14	116	173	-6,941
<i>Change in inventories</i>	5,266	2,619	16	78	-	0	5,281	2,697
<i>Change in trade payables</i>	-15,496	576	105	-46	-	0	-15,390	530
<i>Other changes in working capital</i>	-1,044	195	21	-385	-22	-24	-1,044	-215
Dividends received from joint ventures and associated companies	-	471	-	-	-	-	-	471
Interest and similar items received ¹	98	184	-	-	-27	-87	71	96
Interest and similar items paid ¹	-494	-655	-	-	5	113	-489	-541
Other financial items	-119	-86	-	-	-	-	-119	-86
Income taxes paid	41	-1,755	-74	-190	-	0	-33	-1,946
Cash flow from operating activities	-4,349	16,354	2,371	-5,528	-10	89	-1,987	10,915
Investing activities								
Investments in intangible assets	-319	-970	-17	-21	-	-	-336	-992
Investments in tangible assets	-1,091	-1,614	-1	-1	-	0	-1,092	-1,614
Investment in leasing vehicles	-2	-51	-1,804	-2,418	-	-	-1,806	-2,468
Disposals of in-/tangible assets and leasing vehicles	43	148	1,179	1,301	-	-	1,222	1,449
Operating cash flow	-5,718	13,867	1,728	-6,667	-10	89	-4,000	7,290
Investments of shares							-4	-
Divestments of shares							-	261
Divested operations							37	2
Interest-bearing receivables incl. marketable securities							1,816	199
Cash flow after net investments							-2,150	7,752
Financing activities								
New borrowings ²							45,777	19,845
Repayments of borrowings ²							-34,748	-18,571
Dividend to owners of AB Volvo							-	-20,335
Dividend to non-controlling interest							-10	-8
Other							7	-134
Change in cash and cash equivalents excl. translation differences							8,876	-11,450
Translation difference on cash and cash equivalents							-1,648	-27
Change in cash and cash equivalents							7,228	-11,477

¹ As from January 1, 2020 interest income related to Internal Funding from cash is presented as interest income instead of reduction of interest expenses on loans in Industrial Operations. 2019 has been restated.

² Non-cash items from unrealized currency effects and currency translation is adjusted on new borrowings and repayments of borrowings.

CONSOLIDATED CASH FLOW STATEMENT FIRST SIX MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Operating activities								
Operating income	7,144	27,979	617	1,288	1	-	7,762	29,267
Amortization intangible assets	1,447	1,444	26	17	-	0	1,474	1,461
Depreciation tangible assets	3,819	4,077	14	14	-	0	3,832	4,091
Depreciation leasing vehicles	2,761	2,111	2,403	2,422	-1	0	5,163	4,533
Other non-cash items	1,363	-2,258	1,211	489	42	-53	2,617	-1,820
Total change in working capital whereof	-19,768	-7,439	-934	-12,632	89	140	-20,613	-19,931
Change in accounts receivables	348	-10,040	30	-110	-	0	377	-10,150
Change in customer-financing receivables	-32	-48	-1,539	-11,889	-15	165	-1,586	-11,772
Change in inventories	1,804	-3,385	52	53	-	0	1,856	-3,332
Change in trade payables	-19,187	4,138	250	-356	-	0	-18,937	3,782
Other changes in working capital	-2,701	1,896	274	-331	104	-25	-2,324	1,540
Dividends received from joint ventures and associated companies	-	471	-	-	-	-	-	471
Interest and similar items received ¹	195	306	0	-	-76	-137	119	169
Interest and similar items paid ¹	-893	-1,161	0	-	33	186	-860	-974
Other financial items	-162	-157	-	-	-	-	-162	-157
Income taxes paid	-2,922	-4,086	-231	-203	-	0	-3,153	-4,289
Cash flow from operating activities	-7,017	21,288	3,108	-8,605	88	137	-3,821	12,820
Investing activities								
Investments in intangible assets	-1,452	-2,026	-38	-34	-	-	-1,490	-2,060
Investments in tangible assets	-2,500	-2,803	-2	-3	-	0	-2,502	-2,806
Investment in leasing vehicles	-5	-72	-5,030	-4,348	885	-	-4,150	-4,420
Disposals of in-/tangible assets and leasing vehicles	1,139	235	3,083	3,005	-885	-	3,337	3,240
Operating cash flow	-9,835	16,622	1,120	-9,986	88	137	-8,627	6,773
Investments of shares							-140	-
Divestments of shares							11	279
Divested operations							178	1,189
Interest-bearing receivables incl. marketable securities							948	-741
Cash flow after net investments							-7,629	7,501
Financing activities								
New borrowings ²							68,399	46,161
Repayments of borrowings ²							-48,830	-38,187
Dividend to owners of AB Volvo							-	-20,335
Dividend to non-controlling interest							-10	-8
Other							-160	-53
Change in cash and cash equivalents excl. translation differences							11,769	-4,921
Translation difference on cash and cash equivalents							-1,404	564
Change in cash and cash equivalents							10,365	-4,358

¹ As from January 1, 2020 interest income related to Internal Funding from cash is presented as interest income instead of reduction of interest expenses on loans in Industrial Operations. 2019 has been restated.

² Non-cash items from unrealized currency effects and currency translation is adjusted on new borrowings and repayments of borrowings.

CONSOLIDATED NET FINANCIAL POSITION

Net financial position excl. post-employment benefits and lease liabilities SEK bn	Industrial Operations		Volvo Group	
	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	71.6	71.9
Non-current interest-bearing receivables	2.7	0.8	2.7	0.8
Current interest-bearing assets				
Customer-financing receivables	-	-	66.6	71.1
Interest-bearing receivables	3.4	4.1	1.5	1.9
Internal funding	1.9	21.3	-	-
Marketable securities	0.2	0.2	0.2	0.2
Cash and cash equivalents	67.1	57.5	71.8	61.5
Assets held for sale	0.0	-	4.4	4.1
Total interest-bearing financial assets	75.2	83.9	218.8	211.5
Non-current interest-bearing liabilities				
Bond loans	-67.2	-65.8	-67.2	-65.8
Other loans	-20.2	-14.5	-33.3	-30.5
Internal funding	67.5	60.6	-	-
Current interest-bearing liabilities				
Bond loans	-29.7	-31.8	-29.7	-31.8
Other loans	-27.0	-10.9	-37.9	-22.6
Internal funding	47.9	37.1	-	-
Liabilities held for sale	4.1	3.9	0.0	-
Total interest-bearing financial liabilities excl. lease liabilities	-24.6	-21.3	-168.2	-150.7
Net financial position excl. post-employment benefits and lease liabilities	50.6	62.6	50.6	60.9

Provisions for post-employment benefits and lease liabilities, net SEK bn	Industrial Operations		Volvo Group	
	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019
Non-current lease liabilities	-4.6	-5.4	-4.5	-5.3
Current lease liabilities	-1.6	-1.8	-1.6	-1.8
Provisions for post-employment benefits, net	-20.1	-18.2	-20.2	-18.3
Liabilities held for sale	-1.2	-	-1.2	-
Provisions for post-employment benefits and lease liabilities, net	-27.4	-25.3	-27.5	-25.4

Net financial position incl. post-employment benefits and lease liabilities SEK bn	Industrial Operations		Volvo Group	
	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019
Net financial position excl. post-employment benefits and lease liabilities	50.6	62.6	50.6	60.9
Provisions for post-employment benefits and lease liabilities, net	-27.4	-25.3	-27.5	-25.4
Net financial position incl. post-employment benefits and lease liabilities	23.2	37.3	23.1	35.4

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Second quarter 2020	First six months 2020
Net financial position excl. post-employment benefits and lease liabilities at the end of previous period	57.8	62.6
Operating cash flow	-5.7	-9.8
Investments and divestments of shares, net	-0.0	-0.1
Acquired and divested operations, net	0.0	0.2
Capital injections to/from Financial Services	0.0	-0.7
Currency effect	-0.8	-0.4
Change in provision for post-employment benefits related to pension payments included in operating cash flow	-0.3	-0.7
Other changes	-0.4	-0.5
Net financial position excl. post-employment benefits and lease liabilities at the end of period	50.6	50.6
Provisions for post-employment benefits and lease liabilities at the end of previous period	-26.6	-25.3
Pension payments, included in operating cash flow	0.3	0.7
Remeasurements of defined benefit pension plans	-1.7	-1.9
Service costs and other pension costs	-0.6	-1.1
Investments and amortizations of lease contracts	0.3	0.3
Currency effect	0.9	0.1
Other changes	-0.1	-0.1
Provisions for post-employment benefits and lease liabilities at the end of period	-27.4	-27.4
Net financial position incl. post-employment benefits and lease liabilities at the end of period	23.2	23.2

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Jun 30 2020	Dec 31 2019
Total equity at the end of previous period	141.7	125.8
Equity attributable to shareholders of AB Volvo at the end of previous period	138.6	123.4
Income for the period	4.4	35.9
Other comprehensive income	-5.0	-0.1
Total comprehensive income	-0.6	35.7
Dividend to AB Volvo shareholders	-	-20.3
Share-based payments	-	0.0
Other changes	-0.2	-0.1
Equity attributable to shareholders of AB Volvo at end of period	137.8	138.6
Non-controlling interest at the end of previous period	3.1	2.5
Income for the period	0.4	0.6
Other comprehensive income	0.0	0.0
Total comprehensive income	0.4	0.7
Dividend to non-controlling interest	0.0	0.0
Other changes	0.0	0.0
Non-controlling interest at end of period	3.5	3.1
Total equity at end of period	141.3	141.7

QUARTERLY FIGURES

Income Statements, Volvo Group						First six months	First six months
SEK M unless otherwise stated	2/2020	1/2020	4/2019	3/2019	2/2019	2020	2019
Net sales	73,227	91,449	105,355	98,723	120,694	164,676	227,902
Cost of sales ¹	-58,474	-69,759	-80,501	-73,903	-90,886	-128,233	-171,199
Gross income ¹	14,753	21,689	24,855	24,821	29,808	36,443	56,702
Research and development expenses	-3,811	-4,962	-5,348	-4,251	-4,814	-8,773	-8,939
Selling expenses ¹	-6,109	-7,462	-9,033	-8,531	-8,686	-13,571	-16,765
Administrative expenses	-985	-1,318	-1,618	-1,333	-1,476	-2,302	-2,950
Other operating income and expenses	-4,296	-549	-213	-86	-425	-4,845	78
Income/loss from investments in Joint Ventures and associated companies	825	-31	731	227	476	794	901
Income from other investments	10	7	6	39	222	17	240
Operating income	388	7,374	9,379	10,885	15,105	7,762	29,267
Interest income and similar credits	63	79	79	82	86	142	159
Interest expenses and similar charges	-364	-343	-385	-376	-459	-707	-913
Other financial income and expenses	-177	-620	-215	-463	-167	-797	-668
Income after financial items	-90	6,490	8,857	10,129	14,566	6,400	27,846
Income taxes	134	-1,724	-2,027	-2,580	-3,213	-1,590	-5,731
Income for the period *	44	4,766	6,831	7,549	11,352	4,810	22,115
* Attributable to:							
Owners of AB Volvo	-282	4,675	6,659	7,455	11,131	4,393	21,746
Non-controlling interest	326	92	172	94	221	418	369
	44	4,766	6,831	7,549	11,352	4,810	22,115
Key ratios, Volvo Group, %							
Gross margin ¹	20.1	23.7	23.6	25.1	24.7	22.1	24.9
Research and development expenses as percentage of net sales	5.2	5.4	5.1	4.3	4.0	5.3	3.9
Selling expenses as percentage of net sales ¹	8.3	8.2	8.6	8.6	7.2	8.2	7.4
Administrative expenses as percentage of net sales	1.3	1.4	1.5	1.4	1.2	1.4	1.3
Operating margin	0.5	8.1	8.9	11.0	12.5	4.7	12.8
Key ratios, Industrial Operations, %							
Gross margin ¹	19.0	22.9	22.9	24.5	24.2	21.2	24.4
Research and development expenses as percentage of net sales	5.4	5.6	5.3	4.5	4.1	5.5	4.0
Selling expenses as percentage of net sales ¹	7.9	7.8	8.2	8.3	6.9	7.8	7.0
Administrative expenses as percentage of net sales	1.4	1.5	1.6	1.4	1.3	1.5	1.3
Operating margin	0.5	7.7	8.5	10.6	12.3	4.5	12.6
EBITDA margin, Industrial Operations							
Operating income Industrial Operations	375	6,768	8,681	10,111	14,419	7,144	27,979
Product and software development, amortization	694	660	662	657	673	1,354	1,309
Other intangible assets, amortization	46	47	80	67	68	93	135
Tangible assets, depreciation	3,577	3,001	4,092	2,605	3,136	6,579	6,188
Total depreciation and amortization	4,317	3,708	4,835	3,330	3,876	8,026	7,631
Operating income before depreciation and amortization (EBITDA)	4,693	10,476	13,516	13,441	18,295	15,170	35,610
EBITDA margin, %	6.7	11.9	13.3	14.1	15.6	9.6	16.1
Net capitalization of research and development							
Capitalization	308	881	874	737	892	1,189	1,915
Amortization	-672	-635	-635	-635	-645	-1,306	-1,250
Net capitalization and amortization	-363	246	238	102	247	-117	665
Return on operating capital in Industrial Operations, %	28.4	44.2	52.3	47.1	47.7		
Return on capital employed in Industrial Operations, %	15.3	23.9	28.4	25.8	26.3		

¹ The comparative financial information is restated between Cost of sales and Selling expenses. For more information, please see note 1

QUARTERLY FIGURES

Net sales						First six months	First six months
SEK M	2/2020	1/2020	4/2019	3/2019	2/2019	2020	2019
Trucks	40,595	58,010	68,193	64,381	75,872	98,605	144,073
Construction Equipment	22,876	20,148	19,716	17,921	26,814	43,023	50,968
Buses	3,199	5,190	7,606	7,681	8,885	8,389	15,732
Volvo Penta	2,507	3,338	3,045	3,151	3,667	5,844	7,090
Group Functions & Other	1,519	2,350	4,189	2,825	2,956	3,869	5,273
Eliminations	-544	-832	-1,023	-792	-884	-1,376	-1,669
Industrial Operations	70,151	88,204	101,727	95,167	117,310	158,355	221,468
Financial Services	3,477	3,810	3,822	3,765	3,774	7,287	7,283
Reclassifications and eliminations	-401	-566	-194	-208	-390	-966	-849
Volvo Group	73,227	91,449	105,355	98,723	120,694	164,676	227,902

Operating income						First six months	First six months
SEK M	2/2020	1/2020	4/2019	3/2019	2/2019	2020	2019
Trucks	-1,598	3,948	6,223	7,488	9,548	2,350	17,841
Construction Equipment	2,493	2,678	1,931	2,180	4,153	5,171	7,799
Buses	-617	-129	297	343	403	-746	697
Volvo Penta	295	509	174	399	618	804	1,303
Group Functions & Other	-191	-235	62	-311	-302	-426	360
Eliminations	-7	-2	-6	12	-2	-9	-20
Industrial Operations	375	6,768	8,681	10,111	14,419	7,144	27,979
Financial Services	12	605	704	774	686	617	1,288
Reclassifications and eliminations	-	1	-6	-	-	1	-
Volvo Group	388	7,374	9,379	10,885	15,105	7,762	29,267

Adjusted operating income ¹						First six months	First six months
SEK M	2/2020	1/2020	4/2019	3/2019	2/2019	2020	2019
Trucks	737	3,948	6,223	7,488	9,548	4,685	17,841
Construction Equipment	3,108	2,678	1,931	2,180	4,153	5,786	7,799
Buses	-532	-129	297	343	403	-661	697
Volvo Penta	345	509	174	399	618	854	1,303
Group Functions & Other	-436	-469	-93	-311	-302	-905	-1,106
Eliminations	-7	-2	-6	12	-2	-9	-20
Industrial Operations	3,215	6,534	8,525	10,111	14,419	9,749	26,514
Financial Services	57	605	704	774	686	662	1,288
Reclassifications and eliminations	-	1	-6	-	-	1	-
Volvo Group adjusted operating income	3,272	7,140	9,223	10,885	15,105	10,412	27,802

¹ For more information on adjusted operating income, please see note 7.

Operating margin						First six months	First six months
%	2/2020	1/2020	4/2019	3/2019	2/2019	2020	2019
Trucks	-3.9	6.8	9.1	11.6	12.6	2.4	12.4
Construction Equipment	10.9	13.3	9.8	12.2	15.5	12.0	15.3
Buses	-19.3	-2.5	3.9	4.5	4.5	-8.9	4.4
Volvo Penta	11.8	15.2	5.7	12.7	16.9	13.8	18.4
Industrial Operations	0.5	7.7	8.5	10.6	12.3	4.5	12.6
Volvo Group	0.5	8.1	8.9	11.0	12.5	4.7	12.8

Adjusted operating margin						First six months	First six months
%	2/2020	1/2020	4/2019	3/2019	2/2019	2020	2019
Trucks	1.8	6.8	9.1	11.6	12.6	4.8	12.4
Construction Equipment	13.6	13.3	9.8	12.2	15.5	13.5	15.3
Buses	-16.6	-2.5	3.9	4.5	4.5	-7.9	4.4
Volvo Penta	13.7	15.2	5.7	12.7	16.9	14.6	18.4
Industrial Operations	4.6	7.4	8.4	10.6	12.3	6.2	12.0
Volvo Group adjusted operating margin	4.5	7.8	8.8	11.0	12.5	6.3	12.2

QUARTERLY FIGURES

Share data	2/2020	1/2020	4/2019	3/2019	2/2019	First six months 2020	First six months 2019
Earnings per share, SEK ¹	-0.14	2.30	3.27	3.67	5.47	2.16	10.69
Earnings per share, SEK ¹ , 12 months rolling	9.10	14.71	17.64	15.62	15.62	-	-
Diluted earnings per share, SEK	-0.14	2.30	3.27	3.67	5.47	2.16	10.69
Number of outstanding shares in millions	2,033	2,033	2,033	2,033	2,033	2,033	2,033
Average number of shares before dilution in millions	2,033	2,033	2,033	2,033	2,033	2,033	2,032
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	95	95	95	95	95	95	96
Average number of own shares in millions	95	95	95	95	95	95	96

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

NOTE 1 | ACCOUNTING POLICIES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting policies and definitions are consistently applied with those described in the Volvo Group Annual and Sustainability Report 2019 (available at www.volvogroup.com). 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.

New accounting policies for 2020

As of January 1, 2020 the Volvo Group has changed the classification of certain costs related to commercial customer commitments, which now are recognized as Selling expenses

instead of as Cost of sales. This has caused a shift between the lines in the income statement for Industrial Operations as well as the Volvo Group, while Financial Services is not affected. As a consequence, Cost of sales has decreased and Selling expenses has increased by the corresponding amount, with no impact on the operating income.

The reclassification has been done retrospectively and the financial information for 2019 has been restated to facilitate the comparability between the years. Restated income statements for each quarter and for the full year 2019 are presented on page 34-36.

There are no other new accounting policies applicable from 2020 that significantly affects the Volvo Group.

NOTE 2 | RISKS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Each of the Volvo Group's Business Areas is responsible for its own risk management. In addition, the Volvo Group works with Enterprise Risk Management (ERM), which is a systematic and structured framework to report and analyze risk assessments and mitigations as well as to follow-up on the risks that might impact the Group's business. The objective of the ERM framework is to improve business performance and to minimize the cost of managing risks; thus protecting the Group's enterprise value as well as enhancing and protecting the Group's assets. The risks within the Volvo Group are classified into four categories:

Strategic risks – such as technology shift and convergence, intense competition and extensive government regulations;

Operational risks – such as customer satisfaction, cyclical nature of the commercial vehicles industry, reliance on suppliers and scarce materials, disturbances and inefficiencies in the industrial system, risk related to human capital and human rights, residual value commitments, cybersecurity and IT infrastructure as well as political instability across the world;

Compliance risks – such as non-compliance with data protection laws, protection and maintenance of intangible assets, complaints and legal actions by customers and other

third parties, environmental regulations and corruption and non-compliance with competition law; and

Financial risks – such as insurance coverage, credit risk, pension commitments, interest level and currency fluctuations, liquidity risks, as well as impairment on goodwill and other intangible assets.

For a more elaborate description of these risks, please refer to the Risk Management section on pages 102-109 in the Volvo Group Annual and Sustainability Report 2019 (available at www.volvogroup.com).

Risk updates

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

The COVID-19 pandemic

The outbreak of the COVID-19 pandemic throughout the world has led to major disruptions in the economies of many countries, including the Group's key markets, and it is expected that economic activity will be negatively impacted in the coming quarters. This is expected to have an adverse effect on demand for the Group's products and services and on the financial performance of the Group. The duration and expected development of the COVID-19 pandemic is

unknown, and no predictions can be made in relation to the length of present, and further measures that different countries and others may take in response to the crisis. However, any prolongation or worsening of the virus outbreak may lead to e.g. the following:

- the extension of containment measures and restrictions on freedom of movement in the Group's key markets,
- key suppliers experiencing severe financial difficulties,
- shortages of necessary material and parts from suppliers directly or indirectly affected by the virus outbreak that may in turn lead to supply chain disruptions and production downtimes,
- a larger number of customers directly or indirectly affected by the virus outbreak having difficulties, or being prevented from, making payments to the Group when due,
- further price pressure on new and used vehicles, which may give rise to write-downs or further reserve requirements with respect to vehicles in stock and residual value commitments,
- impairments of goodwill and other intangible assets,
- further disruption of financial markets and/or
- a prolonged global economic downturn leading to a more severe reduction in demand for Group products.

Given the evolving nature of the crisis, the above list is not exhaustive, but each of these events, or any combination of them, could amplify the negative impact of the crisis on the Group's financial performance and have material adverse effect on the Group's business, financial development and shareholder value.

Detected premature degradation of emissions control component

As previously communicated, the Volvo Group has detected that an emissions control component used in certain markets

and models, may degrade more quickly than expected, affecting the vehicles emission performance negatively. The Volvo Group made a provision of SEK 7 billion impacting the operating income in Q4 2018, relating to the estimated costs to address the issue. Negative cash flow effects started in 2019 and will gradually ramp up in the coming years. The Volvo Group will continuously assess the size of the provision as the matter develops.

Contingent liabilities

The reported amounts for contingent liabilities reflect a part of Volvo Group's risk exposure. Total contingent liabilities as of June 30, 2020, amounted to SEK 13.8 billion, an increase of SEK 0.1 billion compared to December 31, 2019. The gross exposure of SEK 13.8 billion is partly reduced by counter guarantees and collaterals.

Legal proceedings

Following the adoption of the European Commission's settlement decision, the Volvo Group has received and will be defending itself against numerous private damages claims brought by customers and other third parties alleging that they suffered loss by reason of the conduct covered in the decision. The claims are being brought in various countries by claimants either acting individually or as part of a wider group or class of claimants. Further claims are likely to be commenced. At this stage it is not possible to make a reliable estimate of any liability that could arise from any such proceedings. An adverse outcome of some or all of the litigations, depending on the nature and extent of such outcomes, may have a material impact on the Volvo Group's financial results.

The other legal proceedings and investigations described in note 21 and note 24 in the Volvo Group Annual and Sustainability Report 2019 are progressing. No material changes have occurred in these matters in Q2 2020.

NOTE 3 | REVENUE

The two major revenue streams within the Volvo Group are vehicles and services. Vehicles include sales of vehicles, machinery and engines. Revenue is recognized when the control of the vehicle has been transferred to the customer, normally at one point in time, which is when the vehicle has been delivered to the customer. If the sale of a vehicle is combined with a residual value commitment and there is a significant economic incentive for the customer to return the vehicle, the revenue is recognized over the residual value commitment period. Services include sale of spare parts, maintenance services and other aftermarket products. Revenue is recognized when the control of the service has been transferred to the customer, which is when the customer can benefit from the use of the delivered services.

For spare parts, revenue is normally recognized at one point in time, which is when it is delivered. For maintenance services and other aftermarket products, revenue is normally recognized over time, which is during the contract period. When payments for maintenance contracts are received in advance from the customers, the payments are recognized as contract liabilities. Income from operating leasing is recognized over the leasing period. Interest income related to finance leasing and installment credits is recognized as net sales within Financial Services during the underlying contract period.

NOTE 4 | ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments

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

Assets and liabilities held for sale

At the end of the second quarter, assets and liabilities held for sale amounted to SEK 36,676 M (32,773) and SEK 10,337 M (10,413) respectively. The assets and liabilities held for sale mainly relate to the intention to transfer ownership of the complete UD Trucks business globally from the Volvo Group to Isuzu Motors. Closing of the transaction is expected during the first half of 2021. The balances are impacted by changes in the underlying assets and liabilities as well as changes in currency.

NOTE 5 | CURRENCY AND FINANCIAL INSTRUMENTS

Fair value of financial instruments

Valuation principles and classifications of Volvo Group financial instruments, as described in Volvo Group Annual and Sustainability Report 2019 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 interest and currency derivatives. Derivatives with positive fair values amounted to SEK 5.0 billion (2.6) and derivatives with negative fair values amounted to SEK 2.5 billion (2.5) as of June 30, 2020.

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 172.7 billion (155.9) in reported carrying value with a fair value of SEK 174.2 billion (156.1). In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 1.5 billion (1.9).

Currency effect on operating income, Volvo Group SEK M	Compared to second quarter 2019		
	Second quarter 2020	Second quarter 2019	Change
Net flow in foreign currency			-285
Realized and unrealized gains and losses on derivatives	-13	-26	12
Unrealized gains and losses on receivables and liabilities in foreign currency	591	-183	773
Translation effect on operating income in foreign subsidiaries			-160
Total currency effect on operating income, Volvo Group			341

Applicable currency rates	Quarterly exchange rates		Close rates	
	Second quarter 2020	Second quarter 2019	Jun 30 2020	Jun 30 2019
BRL	1.81	2.41	1.73	2.43
CNY	1.37	1.39	1.32	1.35
EUR	10.65	10.63	10.48	10.56
GBP	12.02	12.15	11.47	11.75
USD	9.68	9.45	9.35	9.27
JPY	0.0901	0.0860	0.0868	0.0861
KRW	0.0079	0.0080	0.0078	0.0080

NOTE 6 | TRANSACTIONS WITH RELATED PARTIES

SEK M	Sales of goods, services and other income		Purchases of goods, services and other expenses	
	Second quarter 2020	Second quarter 2019	Second quarter 2020	Second quarter 2019
Associated companies	373	572	9	44
Joint ventures	275	548	135	196
Other related parties	179	36	297	149

SEK M	Receivables		Payables	
	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019
Associated companies	290	595	19	73
Joint ventures	199	214	87	38
Other related parties	372	118	394	402

NOTE 7 | RECONCILIATION OF ADJUSTED OPERATING INCOME

Adjusted operating income						First six months 2020	First six months 2019
SEK M	2/2020	1/2020	4/2019	3/2019	2/2019		
Trucks	737	3,948	6,223	7,488	9,548	4,685	17,841
Construction Equipment	3,108	2,678	1,931	2,180	4,153	5,786	7,799
Buses	-532	-129	297	343	403	-661	697
Volvo Penta	345	509	174	399	618	854	1,303
Group Functions & Other	-436	-469	-93	-311	-302	-905	-1,106
Eliminations	-7	-2	-6	12	-2	-9	-20
Industrial Operations	3,215	6,534	8,525	10,111	14,419	9,749	26,514
Financial Services	57	605	704	774	686	662	1,288
Reclassifications and eliminations	-	1	-6	-	-	1	-
Volvo Group adjusted operating income	3,272	7,140	9,223	10,885	15,105	10,412	27,802

Adjustments						First six months 2020	First six months 2019
SEK M	2/2020	1/2020	4/2019	3/2019	2/2019		
Adjustment items (segment)							
Capital gain on sale of shares in WirelessCar (Group functions & Other)	-	-	156	-	-	-	1,466
Depreciation of Assets held for sale (Group functions & Other)	315	234	-	-	-	550	-
Restructuring charges related to headcount reductions:							
Trucks	-2,335	-	-	-	-	-2,335	-
Construction Equipment	-615	-	-	-	-	-615	-
Buses	-85	-	-	-	-	-85	-
Volvo Penta	-50	-	-	-	-	-50	-
Group Functions & Other	-70	-	-	-	-	-70	-
Financial Services	-45	-	-	-	-	-45	-

Total adjustments							
Trucks	-2,335	-	-	-	-	-2,335	-
Construction Equipment	-615	-	-	-	-	-615	-
Buses	-85	-	-	-	-	-85	-
Volvo Penta	-50	-	-	-	-	-50	-
Group Functions & Other	245	234	156	-	-	480	1,466
Industrial Operations	-2,840	234	156	-	-	-2,605	1,466
Financial Services	-45	-	-	-	-	-45	-
Volvo Group	-2,885	234	156	-	-	-2,650	1,466

Operating income						First six months 2020	First six months 2019
SEK M	2/2020	1/2020	4/2019	3/2019	2/2019		
Trucks	-1,598	3,948	6,223	7,488	9,548	2,350	17,841
Construction Equipment	2,493	2,678	1,931	2,180	4,153	5,171	7,799
Buses	-617	-129	297	343	403	-746	697
Volvo Penta	295	509	174	399	618	804	1,303
Group Functions & Other	-191	-235	62	-311	-302	-426	360
Eliminations	-7	-2	-6	12	-2	-9	-20
Industrial Operations	375	6,768	8,681	10,111	14,419	7,144	27,979
Financial Services	12	605	704	774	686	617	1,288
Reclassifications and eliminations	-	1	-6	-	-	1	-
Volvo Group	388	7,374	9,379	10,885	15,105	7,762	29,267

For reconciliations of other Key Ratios, see www.volvogroup.com.

PARENT COMPANY

Income from investments in Group companies for Q2 includes dividends amounting to SEK 243 M (4,250). Q2 previous year also included a write-down of SEK 2,554 M.

During Q2 the parent company had no income from

investments in joint ventures and associated companies. Q2 previous year included dividends by SEK 451 M.

Financial net debt amounted to SEK 34,433 M (32,160) at the end of Q2.

Income Statement				
	Second quarter		First six months	
SEK M	2020	2019	2020	2019
Net sales¹	80	71	161	220
Cost of sales ¹	-80	-71	-161	-220
Gross income	0	0	0	0
Operating expenses ¹	-170	-366	-517	-730
Operating income (loss)	-170	-366	-517	-730
Income from investments in Group companies	243	1,697	243	1,706
Income from investments in joint ventures and associated companies	-	451	-	451
Interest income and expenses	-218	-245	-413	-429
Other financial income and expenses	-7	-16	-13	-17
Income after financial items	-152	1,521	-700	981
Income taxes	545	133	649	237
Income for the period	393	1,654	-51	1,218

¹ Of net sales in the second quarter, SEK 73 M (60) pertained to Group companies, while purchases from Group companies amounted to SEK 125 M (123).

Other comprehensive income				
Income for the period	393	1,654	-51	1,218
Other comprehensive income, net of income taxes	-	-	-	-
Total comprehensive income for the period	393	1,654	-51	1,218

Balance Sheet		
SEK M	Jun 30 2020	Dec 31 2019
Assets		
Non-current assets		
Tangible assets	7	7
Financial assets		
Shares and participations in Group companies	72,572	72,272
Investments in joint ventures and associated companies	9,122	8,997
Other shares and participations	1	1
Deferred tax assets	396	207
Total non-current assets	82,098	81,484
Current assets		
Current receivables from Group companies	38,642	39,191
Tax assets	17	-
Other current receivables	1,696	360
Total current assets	40,355	39,551
Total assets	122,453	121,035
Equity and liabilities		
Equity		
Restricted equity	9,891	9,891
Unrestricted equity	53,277	53,328
Total Equity	63,168	63,219
Untaxed reserves	10,000	10,000
Provisions	250	248
Non-current liabilities ¹	5,595	5,595
Current liabilities ²	43,440	41,973
Total equity and liabilities	122,453	121,035

¹ Of which SEK 5,589 M (5,589) pertains to Group companies.

² Of which SEK 41,392 M (39,246) pertains to Group companies.

Events after the balance sheet date

For important events, please see page 13 and 14. No other significant events have occurred after the end of the second quarter 2020 that are expected to have a substantial effect on the Volvo Group.

The Board of Directors and the President certify that the half-yearly financial report gives a fair view of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Gothenburg, July 17, 2020
AB Volvo (publ)

Carl-Henric Svanberg
Chairman of the Board

Matti Alahuhta
Board member

Eckhard Cordes
Board member

Eric Elzvik
Board member

James W. Griffith
Board member

Kurt Jofs
Board member

Martin Lundstedt
President, CEO
and Board member

Kathryn V. Marinello
Board member

Martina Merz
Board member

Hanne de Mora
Board member

Helena Stjernholm
Board member

Lars Ask
Board member

Mats Henning
Board member

Mikael Sällström
Board member

AUDITOR'S REVIEW REPORT

AB Volvo (publ) org. no 556012-5790

Introduction

We have reviewed the condensed interim financial information (interim report) of AB Volvo (publ) as of June 30, 2020 and the six-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of the interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting

matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Gothenburg, July 17, 2020
Deloitte AB

Jan Nilsson
Authorized Public Accountant

NET ORDER INTAKE

Net order intake of trucks	Second quarter		Change %	First six months		Change %
	2020	2019		2020	2019	
Number of trucks						
Europe	12,431	23,340	-47	33,609	49,347	-32
Heavy- and medium-duty	9,944	20,537	-52	27,256	41,592	-34
Light-duty	2,487	2,803	-11	6,353	7,755	-18
North America	4,179	7,428	-44	8,911	12,897	-31
South America	2,539	6,352	-60	5,583	10,350	-46
Asia	5,666	7,665	-26	12,579	15,135	-17
Africa and Oceania	1,692	3,036	-44	4,224	5,976	-29
Total trucks	26,507	47,821	-45	64,906	93,705	-31
Heavy-duty (>16 tons)	22,605	41,612	-46	52,927	79,398	-33
Medium-duty (7-16 tons)	1,318	3,144	-58	5,339	6,079	-12
Light-duty (<7 tons)	2,584	3,065	-16	6,640	8,228	-19
Total trucks	26,507	47,821	-45	64,906	93,705	-31

Net order intake of trucks by brand

Volvo

Europe	5,983	13,675	-56	16,829	27,180	-38
North America	1,364	3,974	-66	2,524	6,066	-58
South America	2,584	6,033	-57	5,310	9,549	-44
Asia	3,083	3,411	-10	5,739	6,194	-7
Africa and Oceania	648	1,739	-63	1,731	3,374	-49
Total Volvo	13,662	28,832	-53	32,133	52,363	-39
Heavy-duty (>16 tons)	13,291	27,980	-52	30,918	50,681	-39
Medium-duty (7-16 tons)	371	852	-56	1,215	1,682	-28
Total Volvo	13,662	28,832	-53	32,133	52,363	-39

UD

North America	3	9	-67	19	18	6
South America	-55	49	-212	89	155	-43
Asia	2,221	3,953	-44	5,753	8,297	-31
Africa and Oceania	477	686	-30	1,116	1,446	-23
Total UD	2,646	4,697	-44	6,977	9,916	-30
Heavy-duty (>16 tons)	2,183	3,677	-41	5,613	7,959	-29
Medium-duty (7-16 tons)	382	791	-52	1,124	1,583	-29
Light-duty (<7 tons)	81	229	-65	240	374	-36
Total UD	2,646	4,697	-44	6,977	9,916	-30

Renault Trucks

Europe	6,448	9,665	-33	16,780	22,167	-24
Heavy- and medium-duty	3,961	6,862	-42	10,427	14,412	-28
Light-duty	2,487	2,803	-11	6,353	7,755	-18
North America	9	11	-18	47	656	-93
South America	38	67	-43	106	109	-3
Asia	362	301	20	1,087	644	69
Africa and Oceania	369	493	-25	1,059	852	24
Total Renault Trucks	7,226	10,537	-31	19,079	24,428	-22
Heavy-duty (>16 tons)	4,080	6,200	-34	10,288	13,760	-25
Medium-duty (7-16 tons)	643	1,501	-57	2,391	2,814	-15
Light-duty (<7 tons)	2,503	2,836	-12	6,400	7,854	-19
Total Renault Trucks	7,226	10,537	-31	19,079	24,428	-22

Mack

North America	2,803	3,434	-18	6,321	6,157	3
South America	-28	203	-114	78	537	-85
Africa and Oceania	198	118	68	318	304	5
Total Mack	2,973	3,755	-21	6,717	6,998	-4
Heavy-duty (>16 tons)	3,051	3,755	-19	6,108	6,998	-13
Medium-duty (7-16 tons)	-78	-	-	609	-	-
Total Mack	2,973	3,755	-21	6,717	6,998	-4

DELIVERIES

Deliveries of trucks	Second quarter		Change	First six months		Change
	2020	2019		2020	2019	
Number of trucks			%			%
Europe	13,836	29,454	-53	34,839	56,338	-38
Heavy- and medium-duty	10,895	24,187	-55	27,998	45,774	-39
Light-duty	2,941	5,267	-44	6,841	10,564	-35
North America	3,925	19,010	-79	14,585	36,215	-60
South America	2,411	5,654	-57	7,289	10,388	-30
Asia	5,807	7,732	-25	11,476	14,420	-20
Africa and Oceania	2,054	3,387	-39	4,609	6,470	-29
Total trucks	28,033	65,237	-57	72,798	123,831	-41
Heavy-duty (>16 tons)	23,161	56,237	-59	61,426	105,880	-42
Medium-duty (7-16 tons)	1,814	3,378	-46	4,257	6,719	-37
Light-duty (<7 tons)	3,058	5,622	-46	7,115	11,232	-37
Total trucks	28,033	65,237	-57	72,798	123,831	-41

Deliveries of trucks by brand

Volvo						
Europe	7,101	15,628	-55	18,629	29,302	-36
North America	1,917	11,124	-83	7,245	20,865	-65
South America	2,293	5,265	-56	6,920	9,679	-29
Asia	2,707	3,229	-16	5,380	5,808	-7
Africa and Oceania	995	1,789	-44	2,159	3,447	-37
Total Volvo	15,013	37,035	-59	40,333	69,101	-42
Heavy-duty (>16 tons)	14,552	36,101	-60	39,175	67,263	-42
Medium-duty (7-16 tons)	461	934	-51	1,158	1,838	-37
Total Volvo	15,013	37,035	-59	40,333	69,101	-42

UD						
North America	-	3	-100	11	36	-69
South America	12	95	-87	71	160	-56
Asia	2,687	4,171	-36	5,409	7,942	-32
Africa and Oceania	485	729	-33	1,102	1,462	-25
Total UD	3,184	4,998	-36	6,593	9,600	-31
Heavy-duty (>16 tons)	2,602	3,977	-35	5,248	7,526	-30
Medium-duty (7-16 tons)	495	781	-37	1,109	1,613	-31
Light-duty (<7 tons)	87	240	-64	236	461	-49
Total UD	3,184	4,998	-36	6,593	9,600	-31

Renault Trucks						
Europe	6,735	13,826	-51	16,210	27,036	-40
Heavy- and medium-duty	3,794	8,559	-56	9,369	16,472	-43
Light-duty	2,941	5,267	-44	6,841	10,564	-35
North America	9	499	-98	158	822	-81
South America	17	56	-70	49	90	-46
Asia	413	332	24	686	670	2
Africa and Oceania	360	543	-34	966	943	2
Total Renault Trucks	7,534	15,256	-51	18,069	29,561	-39
Heavy-duty (>16 tons)	3,716	8,211	-55	9,211	15,522	-41
Medium-duty (7-16 tons)	847	1,663	-49	1,979	3,268	-39
Light-duty (<7 tons)	2,971	5,382	-45	6,879	10,771	-36
Total Renault Trucks	7,534	15,256	-51	18,069	29,561	-39

Mack						
North America	1,999	7,384	-73	7,171	14,492	-51
South America	89	238	-63	249	459	-46
Asia	-	-	-	1	-	-
Africa and Oceania	214	326	-34	382	618	-38
Total Mack	2,302	7,948	-71	7,803	15,569	-50
Heavy-duty (>16 tons)	2,291	7,948	-71	7,792	15,569	-50
Medium-duty (7-16 tons)	11	-	-	11	-	-
Total Mack	2,302	7,948	-71	7,803	15,569	-50

RESTATEMENT OF INCOME STATEMENTS 2019

As a consequence of a reclassification of certain costs, restated accounts per quarter and for the full year 2019 are presented below.

First quarter 2019	Industrial Operations			Volvo Group		
	Previously reported	Restate-ment	After restate-ment	Previously reported	Restate-ment	After restate-ment
SEK M						
Net sales	104,158	-	104,158	107,208	-	107,208
Cost of sales	-78,810	227	-78,583	-80,540	227	-80,313
Gross income	25,348	227	25,575	26,667	227	26,894
Research and development expenses	-4,125	-	-4,125	-4,125	-	-4,125
Selling expenses	-7,235	-227	-7,462	-7,853	-227	-8,080
Administrative expenses	-1,471	-	-1,471	-1,474	-	-1,474
Other operating income and expenses	600	-	600	503	-	503
Income/loss from investments in joint ventures and associated companies	425	-	425	425	-	425
Income from other investments	18	-	18	18	-	18
Operating income	13,560	-	13,560	14,162	-	14,162
Interest income and similar credits	73	-	73	73	-	73
Interest expenses and similar charges	-454	-	-454	-455	-	-455
Other financial income and expenses	-500	-	-500	-500	-	-500
Income after financial items	12,679	-	12,679	13,280	-	13,280
Income taxes	-2,361	-	-2,361	-2,517	-	-2,517
Income for the period	10,318	-	10,318	10,763	-	10,763

Second quarter 2019	Industrial Operations			Volvo Group		
	Previously reported	Restate-ment	After restate-ment	Previously reported	Restate-ment	After restate-ment
SEK M						
Net sales	117,310	-	117,310	120,694	-	120,694
Cost of sales	-89,176	230	-88,946	-91,116	230	-90,886
Gross income	28,134	230	28,364	29,578	230	29,808
Research and development expenses	-4,814	-	-4,814	-4,814	-	-4,814
Selling expenses	-7,821	-230	-8,051	-8,456	-230	-8,686
Administrative expenses	-1,472	-	-1,472	-1,476	-	-1,476
Other operating income and expenses	-305	-	-305	-425	-	-425
Income/loss from investments in joint ventures and associated companies	476	-	476	476	-	476
Income from other investments	222	-	222	222	-	222
Operating income	14,419	-	14,419	15,105	-	15,105
Interest income and similar credits	85	-	85	86	-	86
Interest expenses and similar charges	-458	-	-458	-459	-	-459
Other financial income and expenses	-168	-	-168	-167	-	-167
Income after financial items	13,879	-	13,879	14,566	-	14,566
Income taxes	-3,046	-	-3,046	-3,213	-	-3,213
Income for the period	10,832	-	10,832	11,352	-	11,352

Third quarter 2019 SEK M	Industrial Operations			Volvo Group		
	Previously reported	Restate-ment	After restate-ment	Previously reported	Restate-ment	After restate-ment
Net sales	95,167	-	95,167	98,723	-	98,723
Cost of sales	-72,379	558	-71,821	-74,461	558	-73,903
Gross income	22,788	558	23,346	24,263	558	24,821
Research and development expenses	-4,251	-	-4,251	-4,251	-	-4,251
Selling expenses	-7,347	-558	-7,905	-7,973	-558	-8,531
Administrative expenses	-1,330	-	-1,330	-1,333	-	-1,333
Other operating income and expenses	-15	-	-15	-86	-	-86
Income/loss from investments in joint ventures and associated companies	227	-	227	227	-	227
Income from other investments	39	-	39	39	-	39
Operating income	10,111	-	10,111	10,885	-	10,885
Interest income and similar credits	82	-	82	82	-	82
Interest expenses and similar charges	-376	-	-376	-376	-	-376
Other financial income and expenses	-463	-	-463	-463	-	-463
Income after financial items	9,354	-	9,354	10,129	-	10,129
Income taxes	-2,357	-	-2,357	-2,580	-	-2,580
Income for the period	6,998	-	6,998	7,549	-	7,549

Fourth quarter 2019 SEK M	Industrial Operations			Volvo Group		
	Previously reported	Restate-ment	After restate-ment	Previously reported	Restate-ment	After restate-ment
Net sales	101,727	-	101,727	105,355	-	105,355
Cost of sales	-78,690	277	-78,413	-80,778	277	-80,501
Gross income	23,037	277	23,314	24,578	277	24,855
Research and development expenses	-5,348	-	-5,348	-5,348	-	-5,348
Selling expenses	-8,080	-277	-8,357	-8,756	-277	-9,033
Administrative expenses	-1,614	-	-1,614	-1,618	-	-1,618
Other operating income and expenses	-50	-	-50	-213	-	-213
Income/loss from investments in joint ventures and associated companies	731	-	731	731	-	731
Income from other investments	6	-	6	6	-	6
Operating income	8,681	-	8,681	9,379	-	9,379
Interest income and similar credits	79	-	79	79	-	79
Interest expenses and similar charges	-385	-	-385	-385	-	-385
Other financial income and expenses	-215	-	-215	-215	-	-215
Income after financial items	8,160	-	8,160	8,857	-	8,857
Income taxes	-1,886	-	-1,886	-2,027	-	-2,027
Income for the period	6,274	-	6,274	6,831	-	6,831

Year 2019 SEK M	Industrial Operations			Volvo Group		
	Previously reported	Restate- ment	After restate- ment	Previously reported	Restate- ment	After restate- ment
Net sales	418,361	-	418,361	431,980	-	431,980
Cost of sales	-319,055	1,292	-317,763	-326,895	1,292	-325,603
Gross income	99,306	1,292	100,598	105,085	1,292	106,377
Research and development expenses	-18,539	-	-18,539	-18,539	-	-18,539
Selling expenses	-30,483	-1,292	-31,775	-33,037	-1,292	-34,329
Administrative expenses	-5,887	-	-5,887	-5,901	-	-5,901
Other operating income and expenses	230	-	230	-221	-	-221
Income/loss from investments in joint ventures and associated companies	1,859	-	1,859	1,859	-	1,859
Income from other investments	285	-	285	285	-	285
Operating income	46,771	-	46,771	49,531	-	49,531
Interest income and similar credits	320	-	320	320	-	320
Interest expenses and similar charges	-1,673	-	-1,673	-1,674	-	-1,674
Other financial income and expenses	-1,346	-	-1,346	-1,345	-	-1,345
Income after financial items	44,071	-	44,071	46,832	-	46,832
Income taxes	-9,650	-	-9,650	-10,337	-	-10,337
Income for the period	34,422	-	34,422	36,495	-	36,495

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 July 17, 2020.

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 third quarter 2020	October 20, 2020
Report on the fourth quarter and full year 2020	February 3, 2021
Report on the first quarter 2021	April 22, 2021
Report on the second quarter 2021	July 20, 2021
Report on the third quarter 2021	October 21, 2021

Contacts

Media relations:

Claes Eliasson	+46 765 53 72 29
----------------	------------------

Investor Relations:

Christer Johansson	+46 739 02 25 22
Johan Bartler	+46 739 02 21 93
Anders Christensson	+46 765 53 59 66

Aktiebolaget Volvo (publ)
556012-5790
Investor Relations, VGHQ
SE-405 08 Göteborg, Sweden
Tel +46 31 66 00 00
www.volvogroup.com

