

REPORT ON THE THIRD QUARTER 2020



Customers in Southern California have begun testing Volvo VNR Electric.

- » In Q3 2020, net sales amounted to SEK 76.9 billion (98.7). Adjusted for currency movements, net sales decreased by 16%.
- » Adjusted operating income¹ amounted to SEK 7,217 M (10,885), corresponding to an adjusted operating margin of 9.4% (11.0).
- » Reported operating income amounted to SEK 7,508 M (10,885).
- » Currency movements had a negative impact on operating income of SEK 1,499 M.
- » Diluted earnings per share amounted to SEK 2.81 (3.67).
- » Operating cash flow in the Industrial Operations was positive in an amount of SEK 11,712 M (1,831).

SEK M unless otherwise stated	Third quarter		First nine months	
	2020	2019	2020	2019
Net sales	76,852	98,723	241,528	326,625
Adjusted operating income ¹	7,217	10,885	17,629	38,687
Adjusted operating margin, %	9.4	11.0	7.3	11.8
Operating income	7,508	10,885	15,270	40,153
Operating margin, %	9.8	11.0	6.3	12.3
Income after financial items	7,640	10,129	14,040	37,975
Income for the period	5,903	7,549	10,714	29,664
Diluted earnings per share, SEK	2.81	3.67	4.97	14.36
Operating cash flow in Industrial Operations	11,712	1,831	1,877	18,453
Net financial position in Industrial Operations, SEK bn ²			62.3	62.6
Return on capital employed in Industrial Operations, %			13.2	25.8
Return on equity, %			12.2	24.6
Net order intake, number of trucks	57,530	35,726	122,436	129,431
Deliveries, number of trucks	37,709	52,357	110,507	176,188
Net order intake, number of construction equipment	20,848	14,885	68,168	61,216
Deliveries, number of construction equipment	19,774	16,460	69,028	66,487

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

² Excluding post-employment benefits and lease liabilities.

CEO'S COMMENTS

Strong earnings recovery



In Q3, utilization of trucks and machines gradually improved as COVID-19 restrictions were eased. Towards the end of the quarter transport activity was back on roughly the same level as a year ago in most markets. This led to an improved sentiment among our customers, which is reflected in increased order intake for trucks, engines and construction equipment as well as a gradually improving service business. In the last two quarters, our organization and business partners have shown great volume flexibility by first handling a dramatic volume decline and then a steep recovery with maintained good productivity.

However, the weak order intake in the previous quarter impacted the Group's net sales in Q3, which amounted to SEK 76.9 billion – 16% lower than a year ago adjusted for currency. Our service business is more stable, with currency-adjusted revenues coming down by only 1% compared to Q3 last year and with a sequential improvement. Despite the sales decline we achieved an adjusted operating margin of 9.4% (11.0) thanks to significant cost reductions. Operating cash flow in the Industrial Operations was SEK 11.7 billion (1.8) in a quarter that is normally weak from a seasonal standpoint. We continue to have a solid financial position with net cash of SEK 62 billion, pension and lease liabilities excluded.

In our truck operations, net sales declined by 26% to SEK 47.7 billion with lower volumes in all regions. Despite this, we achieved an adjusted operating margin of 9.5% (11.6). After the easing of COVID-19 restrictions, freight activity has increased and customers are returning to previously planned replacement cycles. Some catch-up effect from the low order activity in the previous quarter impacted truck order intake, which increased by 61% compared to a weak Q3 last year.

We continue to invest to accelerate our strong position in solutions that are electrified, automated and connected. In Europe we started selling battery-electric trucks in March and are now moving ahead also in North America. Volvo Trucks has started piloting the electric regional haul truck Volvo VNR Electric with customers in Southern California and serial production of the truck will begin in 2021. We are also making inroads with electrified trucks in the refuse segment with Mack Trucks handing over keys to Mack LR Electric refuse trucks to be put in customer operations at New York City Department of Sanitation and Republic Services. Serial production of the Mack LR Electric will also begin next year.

Construction activity across most markets has gradually improved, resulting in increased customer demand for machines. Order intake and deliveries of machines increased by 40% and 20% respectively when compared to Q3 of last

year. We continue to grow our market share in the strong Chinese market, the biggest in the world. Volvo CE's net sales of SEK 17.6 billion were on par with last year. The adjusted operating margin amounted to 11.1% (12.2).

Our bus business continued to be heavily impacted by a weak coach market. With many operators idling their fleets, demand for new coaches is weak and the service business is sluggish. The city bus market is holding up better. Buses' sales in Q3 declined by 39% to SEK 4.7 billion while the adjusted operating margin amounted to 5.2% (4.5) supported by good cost control.

Volvo Penta had a strong performance with an adjusted operating margin of 18.6% (12.7). The boating season in the Northern Hemisphere had a positive impact on the service business. During the quarter, three pioneering fire trucks featuring Volvo Penta electric drivelines were sent to fire departments in Berlin, Amsterdam and Dubai for testing.

The profitability of our customer-financing operations in Volvo Financial Services was negatively impacted by increased provisioning for expected credit losses. The adjusted operating income amounted to SEK 423 M (774). The increased transport and construction activity benefits our customers' financial situation.

The formation of the alliance with Isuzu and the creation of the fuel cell joint-venture with Daimler Trucks are progressing and signing of final contracts are planned before year-end. We continuously review and optimize the Group's business portfolio concentrating on core segments. We have signed final agreements regarding the divestment of Volvo Buses' business in India to our joint-venture VECV, and in October we divested Volvo Construction Equipment's Blaw-Knox paver business in North America.

The uncertainty about the future economic development and demand for our products is considerable as an increase in the spread of COVID-19 can lead to new restrictions on societies and businesses. We maintain a high level of preparedness by a continued focus on our colleagues, customers and business partners, with health and safety as first priority, and maintain a tight cost control and focus on cash.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE THIRD QUARTER 2020

Net sales

In Q3 2020, the Volvo Group's net sales amounted to SEK 76,852 M compared with SEK 98,723 M in the same quarter the preceding year. Adjusted for currency movements, net sales decreased by 16%.

Vehicle sales decreased by 21% adjusted for currency movements, primarily related to North America and Europe. Adjusted for currency movements, service sales decreased by 1%.

Operating income

In Q3 2020, the adjusted operating income amounted to SEK 7,217 M (10,885), corresponding to an adjusted operating margin of 9.4% (11.0).

The adjustment in Q3 2020 refers to a positive effect of SEK 291 M related to the ceased depreciation and amortization of assets held for sale.

Compared with Q3 2019, the lower adjusted operating income is mainly an effect of reductions in vehicle volumes

and lower capacity utilization in the industrial system, which were partly offset by good cost execution across the Group.

A favorable tax ruling in Brazil had a positive impact of SEK 447 M, whereof SEK 362 M in the Trucks segment. This was partly offset by a write-down of VAT credits in Brazil of SEK 316 M in Construction Equipment. Various governmental short-term layoff programs amounted to SEK 583 M.

Earnings for Trucks in Q3 2019 included a capital gain of SEK 217 M related to the sale of real estate.

Currency movements, compared with Q3 2019, had a negative impact of SEK 1,499 M.

Reported operating income amounted to SEK 7,508 M (10,885).

Financial items

In Q3 2020, interest income of SEK 71 M (82) was on par with the previous year, whereas interest expenses

Net sales SEK M	Third quarter		Change %	First nine months		Change %
	2020	2019		2020	2019	
Europe	30,977	36,078	-14	94,439	122,017	-23
North America	18,028	30,121	-40	58,632	102,847	-43
South America	5,543	8,622	-36	15,017	23,187	-35
Asia	17,597	17,584	0	59,006	59,629	-1
Africa and Oceania	4,708	6,318	-25	14,435	18,944	-24
Total	76,852	98,723	-22	241,528	326,625	-26
Of which:						
Vehicles ^{1 2}	54,679	73,997	-26	173,842	253,399	-31
Services ²	19,392	21,170	-8	58,584	63,236	-7
Financial Services revenue	3,304	3,765	-12	10,592	11,048	-4
Eliminations	-522	-208	-151	-1,489	-1,058	-41

¹ Including construction equipment and Volvo Penta engines.

² Restate of 2019 between Vehicles and Services in Buses. Services sales decreased by SEK 130 M in third quarter and SEK 380 M in first nine months.

Consolidated Income Statement, Volvo Group		Third quarter		First nine months	
SEK M		2020	2019	2020	2019
Net sales		76,852	98,723	241,528	326,625
Cost of sales ¹		-58,015	-73,903	-186,248	-245,102
Gross income ¹		18,837	24,821	55,280	81,523
Research and development expenses		-3,711	-4,251	-12,483	-13,191
Selling expenses ¹		-6,131	-8,531	-19,702	-25,296
Administrative expenses		-1,066	-1,333	-3,368	-4,283
Other operating income and expenses		-739	-86	-5,584	-8
Income/loss from investments in joint ventures and associated companies		340	227	1,134	1,128
Income/loss from other investments		-23	39	-6	279
Operating income		7,508	10,885	15,270	40,153
Interest income and similar credits		71	82	213	241
Interest expenses and similar charges		-308	-376	-1,015	-1,289
Other financial income and expenses		369	-463	-428	-1,130
Income after financial items		7,640	10,129	14,040	37,975
Income taxes		-1,737	-2,580	-3,327	-8,310
Income for the period *		5,903	7,549	10,714	29,664
* Attributable to:					
Owners of AB Volvo		5,723	7,455	10,116	29,201
Non-controlling interest		180	94	598	463
		5,903	7,549	10,714	29,664
Basic earnings per share, SEK		2.81	3.67	4.97	14.36
Diluted earnings per share, SEK		2.81	3.67	4.97	14.36

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

decreased to SEK 308 M (376). The decrease relates primarily to the effect from the repayment of the first tranche of the hybrid bond in Q2.

Other financial income and expenses amounted to SEK 369 M (-463) including a positive effect of SEK 278 M from a tax ruling in Brazil.

Income taxes

In Q3 2020, income taxes amounted to SEK 1,737 M compared with SEK 2,580 M in the previous year.

Income for the period and earnings per share

In Q3 2020, income for the period amounted to SEK 5,903 M (7,549). Diluted earnings per share amounted to SEK 2.81 (3.67).

Operating cash flow in the Industrial Operations

During Q3 2020, operating cash flow in the Industrial Operations amounted to SEK 11,712 M (1,831). The higher cash flow compared to Q3 2019 is primarily an effect of a reduction of working capital of SEK 3,383 M in Q3 2020 compared with an increase of SEK 6,120 the previous year, as well as lower income taxes paid and lower investments. The reduction in working capital is a consequence of higher trade payables reflecting the higher production levels compared to Q2.

Volvo Group financial position

During Q3 2020, net financial assets in the Industrial Operations, excluding provisions for post-employment benefits and lease liabilities, increased by SEK 11.7 billion resulting in a net financial asset position of SEK 62.3 billion on September 30, 2020. The change is mainly explained by a positive operating cash flow of SEK 11.7 billion. Currency movements decreased net financial assets by SEK 0.1 billion.

Including provisions for post-employment benefits and lease liabilities, the Industrial Operations had net financial assets of SEK 34.8 billion on September 30, 2020. Provisions for post-employment benefits and lease liabilities increased by SEK 0.1 billion during the quarter.

The Volvo Group's cash and cash equivalents amounted to SEK 86.2 billion on September 30, 2020 compared to SEK 61.5 billion on December 31, 2019. In addition to this granted, but unutilized, credit facilities amounted to SEK 43.4 billion on September 30, 2020 (43.0), whereof SEK 6.5 billion will expire in 2022, SEK 15.8 billion in 2024 and SEK 21.1 billion in 2025.

Total assets in the Volvo Group decreased by SEK 0.9 billion compared to year-end 2019. Currency movements decreased total assets by SEK 19.9 billion.

On September 30, 2020 total equity for the Volvo Group amounted to SEK 145.2 billion compared to SEK 141.7 billion at year-end 2019. The equity ratio was 27.7% (27.0). On the same date the equity ratio in the Industrial Operations amounted to 34.9% (33.1).

Number of employees

On September 30, 2020, the Volvo Group had 96,229 employees, including temporary employees and consultants, which was a decrease of 9,340 employees compared with September 30, 2019. The number of blue-collar employees decreased by 3,933 while the number of white-collar employees decreased by 5,407.

During Q3 2020, the number of employees decreased by 847. The number of blue-collar employees increased by 292 while the number of white-collar employees decreased by 1,139. The increase in blue-collar employees is related to increased production levels. The decrease in white-collar employees is related to reduced activity levels and the Group's cost-reduction program.

Number of employees	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sep 30 2019
Blue-collar	48,388	48,096	49,106	50,936	52,321
Whereof temporary employees and consultants	4,260	3,649	4,014	4,506	5,514
White-collar	47,841	48,980	49,930	53,049	53,248
Whereof temporary employees and consultants	3,080	3,288	3,859	6,904	7,050
Total number of employees	96,229	97,076	99,036	103,985	105,569
Whereof temporary employees and consultants	7,340	6,937	7,873	11,410	12,564

BUSINESS SEGMENT OVERVIEW

Net sales SEK M	Third quarter		Change %	Change % ¹	First nine months		Change %	Change % ¹	12 months rolling	Jan-Dec 2019
	2020	2019			2020	2019				
Trucks	47,740	64,381	-26	-20	146,345	208,454	-30	-28	214,538	276,647
Construction Equipment	17,619	17,921	-2	6	60,642	68,889	-12	-10	80,359	88,606
Buses	4,654	7,681	-39	-34	13,043	23,413	-44	-43	20,649	31,019
Volvo Penta	3,062	3,151	-3	3	8,907	10,241	-13	-12	11,952	13,287
Group Functions & Other	1,661	2,825	-41	-40	5,530	8,098	-32	-32	9,720	12,287
Eliminations	-666	-792	-	-	-2,042	-2,461	-	-	-3,064	-3,484
Industrial Operations	74,070	95,167	-22	-16	232,425	316,634	-27	-25	334,152	418,361
Financial Services	3,304	3,765	-12	-3	10,592	11,048	-4	-0	14,414	14,870
Reclassifications and eliminations	-522	-208	-	-	-1,489	-1,058	-	-	-1,683	-1,252
Volvo Group	76,852	98,723	-22	-16	241,528	326,625	-26	-24	346,883	431,980

¹ Adjusted for exchange rate fluctuations.

Adjusted operating income ¹ SEK M	Third quarter		Change %		First nine months		Change %		12 months rolling	Jan-Dec 2019
	2020	2019			2020	2019				
Trucks	4,522	7,488	-40		9,206	25,329	-64		15,429	31,552
Construction Equipment	1,963	2,180	-10		7,750	9,979	-22		9,680	11,910
Buses	240	343	-30		-421	1,040	-140		-124	1,337
Volvo Penta	570	399	43		1,423	1,702	-16		1,598	1,876
Group Functions & Other	-505	-311	-62		-1,411	-1,416	-		-1,504	-1,510
Eliminations	3	12	-		-5	-8	-		-12	-14
Industrial Operations	6,793	10,111	-33		16,542	36,625	-55		25,068	45,150
Financial Services	423	774	-45		1,085	2,062	-47		1,790	2,766
Reclassifications and eliminations	1	-	-		2	-	-		-5	-6
Volvo Group adjusted operating income	7,217	10,885	-34		17,629	38,687	-54		26,852	47,910
Adjustments ¹	291	-	-		-2,360	1,466	-261		-2,205	1,621
Volvo Group operating income	7,508	10,885	-31		15,270	40,153	-62		24,648	49,531

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

Adjusted operating margin %	Third quarter				First nine months				12 months rolling	Jan-Dec 2019
	2020	2019			2020	2019				
Trucks	9.5	11.6			6.3	12.2			7.2	11.4
Construction Equipment	11.1	12.2			12.8	14.5			12.0	13.4
Buses	5.2	4.5			-3.2	4.4			-0.6	4.3
Volvo Penta	18.6	12.7			16.0	16.6			13.4	14.1
Industrial Operations	9.2	10.6			7.1	11.6			7.5	10.8
Volvo Group adjusted operating margin	9.4	11.0			7.3	11.8			7.7	11.1
Volvo Group operating margin	9.8	11.0			6.3	12.3			7.1	11.5

TRUCKS

Demand recovered in Q3

- » Q3 net sales declined by 26% to SEK 47,740 M
- » Adjusted operating income amounted to SEK 4,522 M (7,488), with a margin of 9.5% (11.6)
- » Order intake increased by 61% compared to a weak quarter last year

Market development

As COVID-19 restrictions were eased in many countries, transport activity improved, with the recovery seen towards the end of Q2 continuing in Q3. At the end of Q3 utilization of truck fleets in the major markets was back on roughly the same level as a year ago. The increased freight activity is positive for customer profitability and many customers have returned to their previously planned replacement cycles.

Demand in Europe improved gradually over the course of the quarter as freight volumes returned and also as a consequence of some pent-up demand after the low activity caused by the lockdowns earlier in the year.

After the weak Q2, the North American truck market also improved in Q3 on the back of increased freight volumes and higher freight rates. The improvement was driven in particular by the highway segment.

In Brazil, a general economic recovery, increased demand from the agriculture sector after a good harvest and an underlying need to replace old trucks drove the market.

The Indian truck market continued to be negatively impacted by a weak economic development and effects from measures to combat COVID-19.

The Chinese market, on the other hand, continued to be strong, driven by subsidies to accelerate replacement of vehicles of lower than CN3 emission standards as well as governmental initiatives to stimulate the economy.

Compared to the other major markets, demand for trucks in Japan has remained relatively stable through the pandemic.

Market forecasts have been reintroduced. The forecasts are based on current visibility, which is low. Uncertainty about the market development is significant due to the ongoing COVID-19 pandemic.

Orders and deliveries

Total net order intake in Q3 2020 increased by 61% to 57,530 trucks while deliveries decreased by 28% to 37,709 trucks. In



many markets, order intake was somewhat positively impacted by a catch-up effect from the low activity level in Q2.

In Europe, order intake of heavy- and medium-duty trucks increased by 21% to 19,728 vehicles. The increase in order intake is a combination of good demand in Q3 2020 and a relatively weak order intake in the same quarter last year. In 2019, order intake during the first half of the year was elevated due to prebuying ahead of a new tachograph legislation which was implemented in June. European deliveries of heavy- and medium-duty trucks decreased by 17% to 14,741 vehicles. Volvo Trucks' heavy-duty market share increased to 15.8% (15.3) through August and Renault Trucks' market share was 8.7% (8.6).

North American order intake increased by 151% to 12,441 trucks, with good demand across most segments and especially for regional-haul and long-haul trucks. In 2019, order activity was low as dealers had excess inventory. Deliveries in North America decreased by 57% to 6,121 trucks. Volvo Trucks' heavy-duty truck market share through September increased to 9.5% (9.3) and Mack Trucks' market share increased to 7.0% (6.8).

South American order intake increased by 140% to 9,188 trucks while deliveries in South America decreased by 33% to 4,434 vehicles. Volvo Trucks' market share in heavy-duty trucks in Brazil increased to 22.3% (21.3) through September.

In Asia, order intake increased by 17% to 7,455 vehicles while deliveries declined by 11% to 6,516 vehicles. UD Trucks heavy-duty truck market share in Japan through September decreased to 16.6% (17.7).

The combination of tough market conditions followed by lockdowns caused VECV's deliveries in India to decline by 22% in Q3 2020. However, deliveries from the Chinese joint venture, DFCV, increased by 53%.

Total market development	First nine months		Change	Full year	Forecast	Forecast vs.	Forecast
Registrations, number of trucks	2020	2019	%	2019	2020	2019, %	2021
Europe 28 ¹ heavy-duty (as of August)	124,183	200,419	-38	279,508	-	-	-
Europe 30 ¹ heavy-duty	-	-	-	322,039	225,000	-30	240,000
North America heavy-duty (Retail sales)	164,523	258,058	-36	336,328	220,000	-35	250,000
Brazil heavy-duty	47,260	54,860	-14	74,945	65,000	-13	75,000
China heavy-duty (as of August)	1,236,176	889,008	39	1,174,252	1,500,000	28	1,310,000
China medium-duty (as of August)	112,963	104,442	8	139,338	150,000	8	140,000
India heavy-duty	50,825	162,732	-69	194,356	85,000	-56	195,000
India medium-duty	31,694	79,560	-60	100,873	55,000	-45	100,000
Japan heavy-duty	34,874	39,223	-11	49,899	45,000	-10	45,000

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

Net order intake	Third quarter		Change	First nine months		Change
	2020	2019		2020	2019	
Number of trucks			%			%
Europe	24,175	18,072	34	57,784	67,419	-14
Heavy- and medium-duty	19,728	16,332	21	46,984	57,924	-19
Light-duty	4,447	1,740	156	10,800	9,495	14
North America	12,441	4,966	151	21,352	17,863	20
South America	9,188	3,832	140	14,771	14,182	4
Asia	7,455	6,353	17	20,034	21,488	-7
Africa and Oceania	4,271	2,503	71	8,495	8,479	0
Total orders	57,530	35,726	61	122,436	129,431	-5
Heavy-duty (>16 tons)	49,449	30,853	60	102,376	110,251	-7
Medium-duty (7-16 tons)	3,406	2,994	14	8,745	9,073	-4
Light-duty (<7 tons)	4,675	1,879	149	11,315	10,107	12
Total orders	57,530	35,726	61	122,436	129,431	-5
Volvo	36,473	19,823	84	68,606	72,186	-5
UD	4,433	4,453	-	11,410	14,369	-21
Renault Trucks	11,784	7,901	49	30,863	32,329	-5
Heavy- and medium-duty	7,307	6,155	19	19,986	22,729	-12
Light-duty	4,477	1,746	156	10,877	9,600	13
Mack	4,840	3,549	36	11,557	10,547	10
Total orders	57,530	35,726	61	122,436	129,431	-5
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	8,052	9,763	-18	18,394	36,460	-50

Net sales and operating income

The truck operation's net sales amounted to SEK 47,740 M, which was 26% lower than in Q3 2019. Excluding currency effects, net sales were 20% lower with sales of vehicles decreasing by 26% and sales of services by 1%.

Adjusted operating income amounted to SEK 4,522 M (7,488) corresponding to a margin of 9.5% (11.6). Compared with Q3 2019, the lower adjusted operating income is mainly an effect of lower vehicle volumes and lower capacity

utilization in the industrial system. This was partly off-set by lower selling and administrative expenses.

A favorable tax ruling in Brazil had a positive impact of SEK 362 M.

Earnings in Q3 2019 included a capital gain of SEK 217 M related to the sale of real estate.

Compared with Q3 2019, currency movements had a negative impact of SEK 823 M. Reported operating income amounted to SEK 4,549 M (7,488).

Deliveries	Third quarter		Change	First nine months		Change
	2020	2019		2020	2019	
Number of trucks			%			%
Europe	17,821	20,669	-14	52,660	77,007	-32
Heavy- and medium-duty	14,741	17,697	-17	42,739	63,471	-33
Light-duty	3,080	2,972	4	9,921	13,536	-27
North America	6,121	14,268	-57	20,706	50,483	-59
South America	4,434	6,661	-33	11,723	17,049	-31
Asia	6,516	7,319	-11	17,992	21,739	-17
Africa and Oceania	2,817	3,440	-18	7,426	9,910	-25
Total deliveries	37,709	52,357	-28	110,507	176,188	-37
Heavy-duty (>16 tons)	31,691	46,402	-32	93,117	152,282	-39
Medium-duty (7-16 tons)	2,723	2,685	1	6,980	9,404	-26
Light-duty (<7 tons)	3,295	3,270	1	10,410	14,502	-28
Total deliveries	37,709	52,357	-28	110,507	176,188	-37
Volvo	21,612	29,396	-26	61,945	98,497	-37
UD	3,841	5,457	-30	10,434	15,057	-31
Renault Trucks	9,476	10,659	-11	27,545	40,220	-32
Heavy- and medium-duty	6,384	7,590	-16	17,574	26,380	-33
Light-duty	3,092	3,069	1	9,971	13,840	-28
Mack	2,780	6,845	-59	10,583	22,414	-53
Total deliveries	37,709	52,357	-28	110,507	176,188	-37
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	7,455	9,498	-22	18,146	36,840	-51
Dongfeng Commercial Vehicle Company (Dongfeng Trucks)	62,749	40,967	53	145,674	122,408	19

Net sales and operating income		Third quarter		Change	First nine months		Change
SEK M		2020	2019	%	2020	2019	%
Europe		21,323	24,010	-11	64,290	82,599	-22
North America		11,011	19,892	-45	36,506	67,895	-46
South America		3,906	6,598	-41	11,094	17,237	-36
Asia		8,309	9,452	-12	24,855	27,708	-10
Africa and Oceania		3,191	4,428	-28	9,600	13,014	-26
Total net sales		47,740	64,381	-26	146,345	208,454	-30
Of which:							
Vehicles		33,500	48,796	-31	103,061	161,576	-36
Services		14,239	15,585	-9	43,284	46,878	-8
Adjusted operating income ¹		4,522	7,488	-40	9,206	25,329	-64
Adjustments		28	-	-	-2,307	-	-
Operating income		4,549	7,488	-39	6,898	25,329	-73
Adjusted operating margin, %		9.5	11.6		6.3	12.2	
Operating margin, %		9.5	11.6		4.7	12.2	

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

Important events

Volvo Trucks started piloting the electric regional haul truck Volvo VNR Electric with customers in Southern California. Serial production of the Volvo VNR Electric will begin in 2021.

Mack Trucks has delivered pre-production Mack LR Electric refuse trucks to New York Department of Sanitation and to Republic Services for in-service trials. Mack Trucks will start to take orders for the electric refuse truck in Q4 2020. Serial production will start 2021.

The new Volvo Trucks range – Volvo FH, Volvo FM and Volvo FMX – was successfully launched in the quarter. Among the news is a new generation of the fuel-efficiency package I-Save for Volvo FH. The latest release of I-Save can cut fuel costs by up to 10% compared to a standard Volvo FH.

CONSTRUCTION EQUIPMENT

Continued good profitability

- » Equipment sales up by 7% while service sales were flat currency-adjusted
- » Adjusted operating income amounted to SEK 1,963 M (2,180) with a margin of 11.1% (12.2)
- » Order intake up 40%, with all markets improving
- » North American paving business divested



Market development

After a weak Q2, which was strongly affected by the COVID-19 pandemic, most markets saw a rebound in construction activity in Q3 and by the end of the quarter machine utilization in the customer fleets was roughly back to last year's level.

However, through August, the overall European market was down by 19%. Most key markets such as the UK, France, Germany, Nordic region and Russia declined due to the uncertainty created from the impact of the ongoing COVID-19 pandemic.

Also the North American market was down by 19% whereas in South America the market was 11% higher than last year, although still at historically low levels. In Asia (excluding China) the total market was down by 13%. In contrast the market in China was up by 22% partly due to governmental stimulus measures.

Market forecasts have been reintroduced. The forecasts are based on current visibility, which is low. Uncertainty about the market development is significant due to the ongoing COVID-19 pandemic.

Orders and deliveries

Order intake increased by 40% in Q3 with orders of Volvo branded products up 44% and SDLG branded products up 37%. The order growth was driven by continued higher sales in China as well as an increase of orders in all other markets after the weak first half of the year.

In the last few quarters, the global pipeline inventory, including dealer stock, has been significantly reduced and dealers are now restocking to meet increased demand.

In Europe order intake was 28% higher in the quarter with increases in key markets such as the UK, Germany, France and Russia. North American order intake was 30% higher, mainly driven by demand for medium-sized and large machines.

In Asia (excluding China) order intake increased 29% after a steep decline in Q2. Order intake in China was 47% higher during Q3, with both Volvo and SDLG contributing.

Deliveries increased by 20% in Q3 with Volvo branded machines up by 3% and SDLG deliveries up by 37%, mainly driven by higher sales in China.

Total market development	Year-to-date August		
	2020	Forecast 2020	Forecast 2021
Change in % measured in units			
Europe	-19	-20% to -10%	0% to +10%
North America	-19	-25% to -15%	0% to +10%
South America	11	0% to +10%	+10% to +20%
Asia excl. China	-13	-20% to -10%	0% to +10%
China	22	+20% to +30%	-15% to -5%

Net order intake	Third quarter		Change %	First nine months		Change %
	2020	2019		2020	2019	
Number of construction equipment						
Europe	4,411	3,435	28	10,876	13,401	-19
North America	1,116	860	30	3,139	4,460	-30
South America	1,007	605	66	2,052	1,490	38
Asia	13,615	9,438	44	50,147	40,185	25
Africa and Oceania	699	547	28	1,954	1,680	16
Total orders	20,848	14,885	40	68,168	61,216	11
Large and medium construction equipment	15,250	11,349	34	47,546	45,925	4
Compact construction equipment	5,598	3,536	58	20,622	15,291	35
Total orders	20,848	14,885	40	68,168	61,216	11
Of which:						
Volvo	9,481	6,598	44	27,995	27,517	2
SDLG	11,332	8,260	37	40,078	33,581	19
Of which in China	9,917	7,134	39	37,143	30,104	23

Deliveries	Third quarter		Change %	First nine months		Change %
	2020	2019		2020	2019	
Number of construction equipment						
Europe	3,840	4,500	-15	11,729	16,487	-29
North America	1,184	1,423	-17	4,027	6,102	-34
South America	589	564	4	1,472	1,536	-4
Asia	13,542	9,473	43	50,124	40,493	24
Africa and Oceania	619	500	24	1,676	1,869	-10
Total deliveries	19,774	16,460	20	69,028	66,487	4
Large and medium construction equipment	14,281	12,424	15	47,568	49,696	-4
Compact construction equipment	5,493	4,036	36	21,461	16,791	28
Total deliveries	19,774	16,460	20	69,028	66,487	4
Of which:						
Volvo	8,407	8,173	3	28,855	32,788	-12
SDLG	11,332	8,260	37	40,078	33,581	19
Of which in China	9,917	7,134	39	37,143	30,104	23

Net sales and operating income SEK M	Third quarter		Change %	First nine months		Change %
	2020	2019		2020	2019	
Europe	5,423	6,629	-18	17,154	23,510	-27
North America	2,969	3,556	-17	10,206	14,104	-28
South America	522	703	-26	1,503	1,915	-22
Asia	7,787	6,137	27	29,117	26,002	12
Africa and Oceania	919	895	3	2,663	3,359	-21
Total net sales	17,619	17,921	-2	60,642	68,889	-12
Of which:						
Construction equipment	14,780	14,837	-	52,228	59,697	-13
Services	2,839	3,084	-8	8,414	9,192	-8
Adjusted operating income¹	1,963	2,180	-10	7,750	9,979	-22
Adjustments	-12	-	-	-627	-	-
Operating income	1,951	2,180	-11	7,122	9,979	-29
Adjusted operating margin, %	11.1	12.2		12.8	14.5	
Operating margin, %	11.1	12.2		11.7	14.5	

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

Net sales and operating income

In Q3, net sales decreased by 2% to SEK 17,619 M (17,921). Adjusted for currency movements, net sales increased by 6%, of which net sales of machines increased by 7% and service sales were flat.

Adjusted operating income amounted to SEK 1,963 M (2,180) and the adjusted operating margin amounted to 11.1% (12.2). Earnings were negatively impacted by a write-down of VAT credits in Brazil amounting to SEK 316 M, which was partially offset by increased machine volumes and reduced cost levels. Currency movements had a negative impact of SEK 390 M.

Reported operating income amounted to SEK 1,951 M (2,180).

Important events

To further concentrate on core product segments, Volvo Construction Equipment divested its North American Blaw-Knox paver range in October.

Volvo CE announced that it will begin delivering the first electric compact machines to customers in the UK, France and Germany during November.

BUSES

Volume drop offset by cost reductions

- » In Q3, deliveries decreased by 45% and order intake by 21%, driven by a weak coach market
- » Adjusted operating income of SEK 240 M (343), with a margin of 5.2% (4.5)
- » Strong focus on reducing cost levels

The overall bus market continues to be severely affected by COVID-19. The decline in demand is noticed primarily in the coach market and related service sales. The activity level is holding up better in the city and transit bus market. There is a continuously increasing interest in electric vehicles.

Compared to Q3 2019, net order intake decreased by 21% to 1,118 units. Demand was low in all regions, but the city and transit bus markets was less affected by the weak market development. Important orders in Q3 refer to 354 buses for Nova Bus and another 26 electric buses in Europe.

Volvo Buses delivered 1,331 units in Q3, a decrease of 45%, as a consequence of weak market demand, primarily for coaches. Lockdowns in some markets negatively affected deliveries and supply chain.

In Q3, net sales decreased by 39% to SEK 4,654 M (7,681). Adjusted for currency movements, net sales decreased by 34%, whereof vehicle sales decreased by 35% and service sales by 31%.

Adjusted operating income amounted to SEK 240 M (343) with an operating margin of 5.2% (4.5). Earnings were negatively impacted by lower service and vehicle volumes and low capacity utilization in the industrial



New global agreement on reuse of bus batteries.

system. Cost reductions and support from various governmental short-term layoff programs contributed to mitigate the shortfall in volumes and capacity utilization in production. Compared to Q3 2019, currency movements had a negative impact on operating income in an amount of SEK 168 M.

Reported operating income amounted to SEK 232 M (343).

To strengthen both Volvo's and Eicher's position in the Indian bus market, in August definitive agreements were signed regarding the divestment of Volvo Buses' business in India to the Volvo Group's joint-venture VECV. The move will create synergies in product development, purchasing and manufacturing.

In September, Volvo Buses and Stena Recycling subsidiary Batteryloop signed a global agreement on reuse of bus batteries, creating a new circular business. After the batteries are removed from Volvo's buses they are reused as energy storage units in buildings and charging stations for a number of years. The agreement covers all batteries for which Volvo Buses is responsible in its electric buses.

Net order intake and deliveries		Third quarter		Change	First nine months		Change
Number of buses		2020	2019	%	2020	2019	%
Total orders		1,118	1,420	-21	4,850	5,994	-19
Total deliveries		1,331	2,410	-45	3,774	7,121	-47

Net sales and operating income		Third quarter		Change	First nine months		Change
SEK M		2020	2019	%	2020	2019	%
Europe		976	2,072	-53	3,331	5,943	-44
North America		2,069	3,568	-42	5,567	11,336	-51
South America		728	927	-21	1,214	2,853	-57
Asia		570	495	15	1,786	1,779	0
Africa and Oceania		310	618	-50	1,145	1,503	-24
Total net sales		4,654	7,681	-39	13,043	23,413	-44
Of which:							
Vehicles ¹		3,842	6,426	-40	10,249	19,755	-48
Services ¹		812	1,255	-35	2,794	3,658	-24
Adjusted operating income ²		240	343	-30	-421	1,040	-140
Adjustments		-8	-	-	-93	-	-
Operating income		232	343	-32	-514	1,040	-149
Adjusted operating margin, %		5.2	4.5		-3.2	4.4	
Operating margin, %		5.0	4.5		-3.9	4.4	

¹ Restate of 2019 between Vehicles and Services of SEK 130 M in third quarter and SEK 380 M in first nine months.

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

VOLVO PENTA

Improved profitability on flat sales

- » Net sales increased by 3% currency-adjusted, whereof service sales increased by 11%
- » Adjusted operating income amounted to SEK 570 M (399) with a margin of 18.6% (12.7)
- » Firetrucks with Volvo Penta's electric driveline on their way to customers for testing

The marine leisure market, which weakened during Q2 due to COVID-19, rebounded during Q3 with an increased interest in boating from both new and experienced boaters. The market for larger yachts showed a strong recovery. However, the charter market was negatively affected by travel restrictions and lockdowns, which impacted sales of sailing yachts and catamarans. The global marine commercial market weakened during Q3 due to delayed investments.

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, especially in China and Australia. The industrial power generation market has started to recover after the decline in Q2.

Net order intake in Q3 2020 increased by 3% to 8,138 units while deliveries decreased by 2% to 8,840 units.



Net sales decreased by 3% to SEK 3,062 M (3,151). Adjusted for currency movements, net sales increased by 3%, of which sales of engines decreased by 1% and sales of services increased by 11%.

In Q3 2020, adjusted operating income amounted to SEK 570 M (399) with a margin of 18.6% (12.7%). Earnings were positively impacted by cost reductions and increased marine leisure spare parts sales. Compared with Q3 2019, the currency impact on operating income was negative in an amount of SEK 103 M.

Reported operating income amounted to SEK 562 M (399).

During Q3, Rosenbauer's 'Revolutionary Technology' electric fire truck was officially revealed to the market. Three pioneering fire trucks featuring Volvo Penta electric drivelines are on their way to fire departments in Berlin, Amsterdam and Dubai to begin customer testing. The Volvo Penta electric driveline delivers zero exhaust emissions and significantly reduced noise levels.

Net order intake and deliveries	Third quarter		Change	First nine months		Change
	2020	2019		2020	2019	
Number of Engines			%			%
Total orders	8,138	7,930	3	25,926	28,878	-10
Total deliveries	8,840	8,987	-2	25,748	30,256	-15

Net sales and operating income	Third quarter		Change	First nine months		Change
	2020	2019		2020	2019	
SEK M			%			%
Europe	1,433	1,547	-7	4,509	5,072	-11
North America	794	798	-1	1,979	2,567	-23
South America	91	77	18	228	222	3
Asia	553	551	0	1,689	1,872	-10
Africa and Oceania	190	179	6	501	508	-1
Total net sales	3,062	3,151	-3	8,907	10,241	-13
Of which:						
Engines	2,010	2,142	-6	6,148	7,401	-17
Services	1,052	1,010	4	2,759	2,840	-3
Adjusted operating income ¹	570	399	43	1,423	1,702	-16
Adjustments	-8	-	-	-58	-	-
Operating income	562	399	41	1,365	1,702	-20
Adjusted operating margin, %	18.6	12.7		16.0	16.6	
Operating margin, %	18.3	12.7		15.3	16.6	

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

FINANCIAL SERVICES

Lower earnings due to increased provisioning

- » Higher penetration and volume, currency adjusted
- » Operating income of SEK 423 M (774)
- » Supporting customers in the continued economic uncertainty

In Q3, currency-adjusted new financing volume increased by 2% compared to last year as a result of improved penetration levels. At the end of the quarter the currency-adjusted credit portfolio was 1% larger than a year ago.

In Q3, customers started to come to the end of their modification periods and resume making full monthly payments. While a small portion have requested a second modification, overall payment performance has been fairly good and it is clear that these efforts have been successful in helping many customers stay in business. Increased transport and construction activity benefits their financial situation. However, with continued uncertainty, a number of customers are expected to have difficulty to cope with the full impact of the economic downturn caused



by the pandemic. As such, VFS remains diligent in its collection and portfolio monitoring activities.

Both adjusted and reported operating income decreased compared to Q3 2019 to SEK 423 M (774). This was primarily a result of higher credit provisions, which were partially offset by lower expenses. Compared to Q3 2019, currency movements had a negative impact on operating income in an amount of SEK 75 M.

In September, VFS successfully completed another asset-backed securitization transaction, under which SEK 5.4 billion of securities tied to US-based loans on trucking and construction equipment assets were issued. Furthermore during Q3, SEK 1.3 (3.0) billion of assets were syndicated in order to reduce concentration risks.

Financial Services SEK M	Third quarter		First nine months	
	2020	2019	2020	2019
Number of financed units, 12 months rolling			60,494	60,177
Total penetration rate, 12 months rolling, % ¹			30	24
New retail financing volume, SEK billion	17.9	19.3	52.6	56.1
Credit portfolio net, SEK billion			157	171
Credit provision expenses	363	162	1,536	509
Adjusted operating income ²	423	774	1,085	2,062
Adjustments ²	-	-	-45	-
Operating income	423	774	1,040	2,062
Credit reserves, % of credit portfolio			2.05	1.55
Adjusted return on equity, 12 months rolling, % ²			9.6	15.0
Return on equity, 12 months rolling, %			9.3	15.0

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

New head of Volvo Group's global truck production

Jens Holtinger was appointed head of Volvo Group's global truck production organization and member of the Volvo Executive Board. On October 1, he replaced Jan Ohlsson, who after a long and successful career retired.

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 plan to form a joint venture for large-scale production of fuel cells to lead the development of sustainable transportation
- AB Volvo's Election Committee revises its proposal to the AGM on remuneration to the Board
- AB Volvo's Board of Directors withdraws proposal for ordinary dividend
- Heléne Mellquist new President Volvo Penta and member of Volvo Group management
- The Volvo Group takes measures to reduce cost and accelerate transformation
- Annual General Meeting of AB Volvo

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

CONSOLIDATED INCOME STATEMENT THIRD QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	74,070	95,167	3,304	3,765	-522	-208	76,852	98,723
Cost of sales ¹	-56,540	-71,821	-1,998	-2,290	523	208	-58,015	-73,903
Gross income ¹	17,531	23,346	1,306	1,475	1	-	18,837	24,821
Research and development expenses	-3,711	-4,251	-	-	-	-	-3,711	-4,251
Selling expenses ¹	-5,587	-7,905	-544	-627	-	-	-6,131	-8,531
Administrative expenses	-1,064	-1,330	-2	-3	-	-	-1,066	-1,333
Other operating income and expenses	-402	-15	-336	-71	-	-	-739	-86
Income/loss from investments in joint ventures and associated companies	340	227	-	-	-	-	340	227
Income/loss from other investments	-23	39	0	0	-	-	-23	39
Operating income	7,084	10,111	423	774	1	-	7,508	10,885
Interest income and similar credits ²	78	161	-	-	-7	-79	71	82
Interest expenses and similar charges ²	-315	-455	0	0	7	79	-308	-376
Other financial income and expenses	369	-463	-	-	-	-	369	-463
Income after financial items	7,216	9,354	423	774	1	0	7,640	10,129
Income taxes	-1,635	-2,357	-101	-223	-	-	-1,737	-2,580
Income for the period *	5,581	6,998	322	551	1	0	5,903	7,549
* Attributable to:								
Owners of AB Volvo							5,723	7,455
Non-controlling interest							180	94
							5,903	7,549
Basic earnings per share, SEK							2.81	3.67
Diluted earnings per share, SEK							2.81	3.67

Key ratios, %

Gross margin ¹	23.7	24.5	-	-	-	-	24.5	25.1
Research and development expenses as percentage of net sales	5.0	4.5	-	-	-	-	4.8	4.3
Selling expenses as percentage of net sales ¹	7.5	8.3	-	-	-	-	8.0	8.6
Administrative expenses as percentage of net sales	1.4	1.4	-	-	-	-	1.4	1.4
Operating margin	9.6	10.6	-	-	-	-	9.8	11.0

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 THIRD QUARTER

SEK M	2020	2019
Income for the period	5,903	7,549
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-203	-1,767
Remeasurements of holding of shares at fair value	36	-21
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	-1,721	2,196
Share of OCI related to joint ventures and associated companies	-26	460
Other comprehensive income, net of income taxes	-1,916	868
Total comprehensive income for the period *	3,987	8,417
* Attributable to:		
Owners of AB Volvo	3,807	8,264
Non-controlling interest	180	153
	3,987	8,417

CONSOLIDATED INCOME STATEMENT FIRST NINE MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	232,425	316,634	10,592	11,048	-1,489	-1,058	241,528	326,625
Cost of sales ¹	-181,339	-239,350	-6,400	-6,810	1,491	1,058	-186,248	-245,102
Gross income ¹	51,087	77,284	4,192	4,238	2	-	55,280	81,523
Research and development expenses	-12,483	-13,191	-	-	-	-	-12,483	-13,191
Selling expenses ¹	-18,016	-23,417	-1,686	-1,879	-	-	-19,702	-25,296
Administrative expenses	-3,361	-4,273	-7	-10	-	-	-3,368	-4,283
Other operating income and expenses	-4,126	280	-1,458	-288	-	0	-5,584	-8
Income/loss from investments in joint ventures and associated companies	1,134	1,128	-	-	-	-	1,134	1,128
Income/loss from other investments	-6	279	0	0	-	-	-6	279
Operating income	14,228	38,090	1,040	2,062	2	0	15,270	40,153
Interest income and similar credits ²	279	462	-	-	-65	-221	213	241
Interest expenses and similar charges ²	-1,080	-1,509	0	0	65	221	-1,015	-1,289
Other financial income and expenses	-428	-1,131	-	-	-	-	-428	-1,130
Income after financial items	12,999	35,912	1,040	2,063	2	0	14,040	37,975
Income taxes	-3,063	-7,764	-263	-546	0	-	-3,327	-8,310
Income for the period *	9,936	28,148	777	1,517	2	0	10,714	29,664
* Attributable to:								
Owners of AB Volvo							10,116	29,201
Non-controlling interest							598	463
							10,714	29,664
Basic earnings per share, SEK							4.97	14.36
Diluted earnings per share, SEK							4.97	14.36

Key ratios, %

Gross margin ¹	22.0	24.4	-	-	-	-	22.9	25.0
Research and development expenses as percentage of net sales	5.4	4.2	-	-	-	-	5.2	4.0
Selling expenses as percentage of net sales ¹	7.8	7.4	-	-	-	-	8.2	7.7
Administrative expenses as percentage of net sales	1.4	1.3	-	-	-	-	1.4	1.3
Operating margin	6.1	12.0	-	-	-	-	6.3	12.3

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 NINE MONTHS

SEK M	2020	2019
Income for the period	10,714	29,664
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-1,696	-3,129
Remeasurements of holding of shares at fair value	-8	-20
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	-5,008	5,689
Share of OCI related to joint ventures and associated companies	-223	340
Other comprehensive income, net of income taxes	-6,935	2,880
Total comprehensive income for the period *	3,779	32,544
* Attributable to:		
Owners of AB Volvo	3,222	31,957
Non-controlling interest	557	587
	3,779	32,544

CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Sep 30 2020	Dec 31 2019	Sep 30 2020	Dec 31 2019	Sep 30 2020	Dec 31 2019	Sep 30 2020	Dec 31 2019
Assets								
Non-current assets								
Intangible assets	35,269	36,467	200	202	-	-	35,469	36,668
<i>Tangible assets</i>								
Property, plant and equipment	50,072	53,411	72	86	-	-	50,144	53,496
Assets under operating leases	29,917	33,794	20,264	22,602	-10,973	-13,070	39,208	43,326
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	13,630	12,955	-	-	-	-	13,630	12,955
Other shares and participations	191	139	15	19	-	-	207	158
Non-current customer-financing receivables	1,021	896	71,847	72,115	-1,250	-1,127	71,618	71,883
Prepaid pensions	1,440	1,663	-	-	-	-	1,440	1,663
Non-current interest-bearing receivables	4,166	815	-	120	-405	-120	3,761	815
Other non-current receivables	9,405	8,927	151	220	-759	-703	8,797	8,444
Deferred tax assets	10,317	12,261	1,101	979	1	1	11,419	13,242
Total non-current assets	155,429	161,327	93,650	96,342	-13,387	-15,019	235,692	242,650
Current assets								
Inventories	49,923	56,080	388	564	-	-	50,311	56,644
<i>Current receivables</i>								
Customer-financing receivables	656	675	60,898	71,299	-765	-875	60,789	71,099
Tax assets	2,519	1,287	406	511	-	-	2,925	1,797
Interest-bearing receivables	3,072	4,102	0	345	-1,900	-2,518	1,172	1,929
Internal funding	4,573	21,283	-	-	-4,573	-21,283	-	-
Accounts receivable	34,469	35,827	1,393	1,896	-	-	35,862	37,723
Other receivables	15,625	17,835	1,417	1,616	-1,377	-889	15,665	18,562
Marketable securities	238	200	-	0	-	-	238	200
Cash and cash equivalents	80,557	57,475	6,300	4,999	-645	-1,014	86,213	61,461
Assets held for sale	30,474	28,427	4,637	4,345	-	-	35,111	32,773
Total current assets	222,107	223,190	75,439	85,576	-9,260	-26,578	288,285	282,187
Total assets	377,536	384,517	169,089	181,917	-22,647	-41,597	523,977	524,837
Equity and liabilities								
Equity attributable to owners of AB Volvo	128,088	124,067	13,527	14,533	-4	-5	141,611	138,595
Non-controlling interest	3,630	3,083	-	-	-	-	3,630	3,083
Total equity	131,718	127,150	13,527	14,533	-4	-5	145,241	141,678
<i>Non-current provisions</i>								
Provisions for post-employment benefits	21,857	19,850	149	138	-	-	22,006	19,988
Provisions for deferred taxes	913	1,667	2,346	2,676	-	-	3,259	4,343
Other provisions	11,073	13,965	262	220	411	401	11,746	14,585
<i>Non-current liabilities</i>								
Bond loans	73,249	65,754	-	-	-	-	73,249	65,754
Other loans	17,527	19,871	14,221	16,956	-1,120	-965	30,628	35,862
Internal funding	-60,307	-60,635	59,431	61,660	876	-1,025	-	-
Other liabilities	40,004	43,602	1,375	1,850	-7,953	-9,141	33,426	36,311
Current provisions	14,082	11,424	251	172	523	312	14,856	11,907
<i>Current liabilities</i>								
Bond loans	32,001	31,759	-	-	-	-	32,001	31,759
Other loans	21,471	12,675	16,529	14,567	-2,562	-2,866	35,438	24,377
Internal funding	-43,743	-37,098	50,558	59,266	-6,815	-22,169	-	-
Trade payables	53,254	66,590	517	276	-	-	53,771	66,866
Tax liabilities	3,239	2,920	676	573	-	-	3,916	3,493
Other liabilities	55,104	59,097	-4,863	4,543	-6,002	-6,139	53,964	57,502
Liabilities held for sale	6,093	5,927	4,383	4,486	-	-	10,476	10,413
Total equity and liabilities	377,536	384,517	169,089	181,917	-22,647	-41,597	523,977	524,837
Key ratios, %								
Equity ratio	34.9	33.1	8.0	8.0	0.0	0.0	27.7	27.0
Equity attributable to owners of AB Volvo, per share in SEK	-	-	-	-	-	-	69.6	68.2
Return on operating capital	25.4	52.3	-	-	-	-	-	-
Return on capital employed	13.2	28.4	-	-	-	-	-	-
Return on total equity	-	-	9.3	15.0	-	-	12.2	27.0

CONSOLIDATED CASH FLOW STATEMENT THIRD QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Operating activities								
Operating income	7,084	10,111	423	774	1	-	7,508	10,885
Amortization intangible assets	859	725	13	16	-	-	872	741
Depreciation tangible assets	1,833	2,093	7	8	-	-	1,839	2,102
Depreciation leasing vehicles	1,081	513	1,031	1,078	24	0	2,136	1,591
Other non-cash items	-563	-537	393	228	5	-94	-165	-403
Total change in working capital whereof	3,383	-6,120	2,286	-733	32	-20	5,701	-6,873
Change in accounts receivables	-207	7,271	-89	-1	-	-	-297	7,270
Change in customer-financing receivables	-125	16	1,802	-1,307	100	-6	1,778	-1,298
Change in inventories	-109	2,225	42	-96	-	-	-68	2,130
Change in trade payables	6,125	-12,933	15	-8	-	-	6,140	-12,941
Other changes in working capital	-2,300	-2,700	516	679	-69	-13	-1,853	-2,034
Dividends received from joint ventures and associated companies	551	2	-	-	-	-	551	2
Interest and similar items received ¹	89	158	-	0	-14	-75	75	84
Interest and similar items paid ¹	-154	-199	-	0	15	92	-139	-107
Other financial items	-56	-162	-	-	-	-3	-56	-165
Income taxes paid	-829	-2,221	-245	-115	-	-	-1,074	-2,336
Cash flow from operating activities	13,279	4,362	3,908	1,258	62	-99	17,249	5,521
Investing activities								
Investments in intangible assets	-450	-812	-11	-18	-	-	-461	-830
Investments in tangible assets	-1184	-2,141	-1	0	-	-	-1,185	-2,142
Investment in leasing vehicles	-8	-18	-1,930	-2,317	-	-	-1,938	-2,335
Disposals of in-/tangible assets and leasing vehicles	75	441	1,290	1,539	-	-	1,366	1,980
Operating cash flow	11,712	1,831	3,257	461	62	-99	15,030	2,194
Investments of shares							-86	-76
Divestments of shares							2	-
Acquired operations							-	-1
Interest-bearing receivables incl. marketable securities							-174	-373
Cash flow after net investments							14,772	1,745
Financing activities								
New borrowings ²							25,214	15,551
Repayments of borrowings ²							-25,121	-14,483
Dividend to non-controlling interest							-	-4
Other							38	298
Change in cash and cash equivalents excl. translation differences							14,903	3,105
Translation difference on cash and cash equivalents							-516	441
Change in cash and cash equivalents							14,387	3,546

¹As 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 NINE MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Operating activities								
Operating income	14,228	38,090	1,040	2,062	2	-	15,270	40,153
Amortization intangible assets	2,307	2,169	39	33	-	0	2,346	2,201
Depreciation tangible assets	5,652	6,170	20	23	-	0	5,672	6,193
Depreciation leasing vehicles	3,842	2,624	3,435	3,499	23	0	7,300	6,124
Other non-cash items	799	-2,796	1,604	720	48	-147	2,451	-2,223
Total change in working capital whereof	-16,385	-13,559	1,352	-13,365	120	120	-14,912	-26,804
Change in accounts receivables	140	-2,769	-59	-111	-	0	81	-2,880
Change in customer-financing receivables	-156	-31	263	-13,196	85	159	192	-13,069
Change in inventories	1,695	-1,160	93	-42	-	0	1,788	-1,202
Change in trade payables	-13,062	-8,795	265	-364	-	0	-12,797	-9,158
Other changes in working capital	-5,001	-804	790	348	35	-38	-4,176	-495
Dividends received from joint ventures and associated companies	551	473	-	-	-	-	551	473
Interest and similar items received ¹	284	465	0	0	-90	-211	194	253
Interest and similar items paid ¹	-1,047	-1,360	0	0	47	280	-1,000	-1,081
Other financial items	-217	-319	-	-	-	-3	-217	-322
Income taxes paid	-3,751	-6,307	-475	-318	-	0	-4,227	-6,625
Cash flow from operating activities	6,262	25,650	7,015	-7,347	150	39	13,427	18,342
Investing activities								
Investments in intangible assets	-1,902	-2,838	-49	-52	-	-	-1,951	-2,890
Investments in tangible assets	-3,685	-4,944	-3	-3	-	0	-3,688	-4,947
Investment in leasing vehicles	-13	-90	-6,960	-6,666	885	-	-6,088	-6,756
Disposals of in-/tangible assets and leasing vehicles	1,215	675	4,373	4,544	-885	-	4,703	5,220
Operating cash flow	1,877	18,453	4,377	-9,524	150	39	6,404	8,968
Investments of shares							-226	-76
Divestments of shares							13	280
Acquired operations							-	-1
Divested operations							178	1,189
Interest-bearing receivables incl. marketable securities							774	-1,114
Cash flow after net investments							7,143	9,245
Financing activities								
New borrowings ²							93,613	61,712
Repayments of borrowings ²							-73,951	-52,670
Dividend to owners of AB Volvo							-	-20,335
Dividend to non-controlling interest							-10	-12
Other							-122	244
Change in cash and cash equivalents excl. translation differences							26,672	-1,816
Translation difference on cash and cash equivalents							-1,920	1,005
Change in cash and cash equivalents							24,752	-811

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	
	Sep 30 2020	Dec 31 2019	Sep 30 2020	Dec 31 2019
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	71.6	71.9
Non-current interest-bearing receivables	4.2	0.8	3.8	0.8
Current interest-bearing assets				
Customer-financing receivables	-	-	60.8	71.1
Interest-bearing receivables	3.1	4.1	1.2	1.9
Internal funding	4.6	21.3	-	-
Marketable securities	0.2	0.2	0.2	0.2
Cash and cash equivalents	80.6	57.5	86.2	61.5
Assets held for sale	0.0	-	4.4	4.1
Total interest-bearing financial assets	92.6	83.9	228.2	211.5
Non-current interest-bearing liabilities				
Bond loans	-73.2	-65.8	-73.2	-65.8
Other loans	-13.2	-14.5	-26.3	-30.5
Internal funding	60.3	60.6	-	-
Current interest-bearing liabilities				
Bond loans	-32.0	-31.8	-32.0	-31.8
Other loans	-19.9	-10.9	-33.9	-22.6
Internal funding	43.7	37.1	-	-
Liabilities held for sale	4.0	3.9	0.0	-
Total interest-bearing financial liabilities excl. lease liabilities	-30.3	-21.3	-165.5	-150.7
Net financial position excl. post-employment benefits and lease liabilities	62.3	62.6	62.7	60.9

Provisions for post-employment benefits and lease liabilities, net SEK bn	Industrial Operations		Volvo Group	
	Sep 30 2020	Dec 31 2019	Sep 30 2020	Dec 31 2019
Non-current lease liabilities	-4.4	-5.4	-4.3	-5.3
Current lease liabilities	-1.5	-1.8	-1.5	-1.8
Provisions for post-employment benefits, net	-20.4	-18.2	-20.6	-18.3
Liabilities held for sale	-1.2	-	-1.2	-
Provisions for post-employment benefits and lease liabilities, net	-27.5	-25.3	-27.6	-25.4

Net financial position incl. post-employment benefits and lease liabilities SEK bn	Industrial Operations		Volvo Group	
	Sep 30 2020	Dec 31 2019	Sep 30 2020	Dec 31 2019
Net financial position excl. post-employment benefits and lease liabilities	62.3	62.6	62.7	60.9
Provisions for post-employment benefits and lease liabilities, net	-27.5	-25.3	-27.6	-25.4
Net financial position incl. post-employment benefits and lease liabilities	34.8	37.3	35.1	35.4

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Third quarter	First nine months
Net financial position excl. post-employment benefits and lease liabilities at the end of previous period	50.6	62.6
Operating cash flow	11.7	1.9
Investments and divestments of shares, net	-0.1	-0.2
Acquired and divested operations, net	-	0.2
Capital injections to/from Financial Services	0.4	-0.3
Currency effect	-0.1	-0.5
Change in provision for post-employment benefits related to pension payments included in operating cash flow	-0.3	-0.9
Other changes	0.0	-0.4
Net financial position excl. post-employment benefits and lease liabilities at the end of period	62.3	62.3
Provisions for post-employment benefits and lease liabilities at the end of previous period	-27.4	-25.3
Pension payments, included in operating cash flow	0.3	0.9
Remeasurements of defined benefit pension plans	-0.2	-2.2
Service costs and other pension costs	-0.5	-1.6
Investments and amortizations of lease contracts	0.2	0.4
Currency effect	0.3	0.4
Other changes	-0.1	-0.2
Provisions for post-employment benefits and lease liabilities at the end of period	-27.5	-27.5
Net financial position incl. post-employment benefits and lease liabilities at the end of period	34.8	34.8

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Sep 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	10.1	35.9
Other comprehensive income	-6.9	-0.1
Total comprehensive income	3.2	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	141.6	138.6
Non-controlling interest at the end of previous period	3.1	2.5
Income for the period	0.6	0.6
Other comprehensive income	0.0	0.0
Total comprehensive income	0.6	0.7
Dividend to non-controlling interest	0.0	0.0
Other changes	0.0	0.0
Non-controlling interest at end of period	3.6	3.1
Total equity at end of period	145.2	141.7

QUARTERLY FIGURES

Income Statements, Volvo Group						First nine months	First nine months
SEK M unless otherwise stated	3/2020	2/2020	1/2020	4/2019	3/2019	2020	2019
Net sales	76,852	73,227	91,449	105,355	98,723	241,528	326,625
Cost of sales ¹	-58,015	-58,474	-69,759	-80,501	-73,903	-186,248	-245,102
Gross income ¹	18,837	14,753	21,689	24,855	24,821	55,280	81,523
Research and development expenses	-3,711	-3,811	-4,962	-5,348	-4,251	-12,483	-13,191
Selling expenses ¹	-6,131	-6,109	-7,462	-9,033	-8,531	-19,702	-25,296
Administrative expenses	-1,066	-985	-1,318	-1,618	-1,333	-3,368	-4,283
Other operating income and expenses	-739	-4,296	-549	-213	-86	-5,584	-8
Income/loss from investments in Joint Ventures and associated companies	340	825	-31	731	227	1,134	1,128
Income/loss from other investments	-23	10	7	6	39	-6	279
Operating income	7,508	388	7,374	9,379	10,885	15,270	40,153
Interest income and similar credits	71	63	79	79	82	213	241
Interest expenses and similar charges	-308	-364	-343	-385	-376	-1,015	-1,289
Other financial income and expenses	369	-177	-620	-215	-463	-428	-1,130
Income after financial items	7,640	-90	6,490	8,857	10,129	14,040	37,975
Income taxes	-1,737	134	-1,724	-2,027	-2,580	-3,327	-8,310
Income for the period *	5,903	44	4,766	6,831	7,549	10,714	29,664
* Attributable to:							
Owners of AB Volvo	5,723	-282	4,675	6,659	7,455	10,116	29,201
Non-controlling interest	180	326	92	172	94	598	463
	5,903	44	4,766	6,831	7,549	10,714	29,664
Key ratios, Volvo Group, %							
Gross margin ¹	24.5	20.1	23.7	23.6	25.1	22.9	25.0
Research and development expenses as percentage of net sales	4.8	5.2	5.4	5.1	4.3	5.2	4.0
Selling expenses as percentage of net sales ¹	8.0	8.3	8.2	8.6	8.6	8.2	7.7
Administrative expenses as percentage of net sales	1.4	1.3	1.4	1.5	1.4	1.4	1.3
Operating margin	9.8	0.5	8.1	8.9	11.0	6.3	12.3
Key ratios, Industrial Operations, %							
Gross margin ¹	23.7	19.0	22.9	22.9	24.5	22.0	24.4
Research and development expenses as percentage of net sales	5.0	5.4	5.6	5.3	4.5	5.4	4.2
Selling expenses as percentage of net sales ¹	7.5	7.9	7.8	8.2	8.3	7.8	7.4
Administrative expenses as percentage of net sales	1.4	1.4	1.5	1.6	1.4	1.4	1.3
Operating margin	9.6	0.5	7.7	8.5	10.6	6.1	12.0
EBITDA margin, Industrial Operations							
Operating income Industrial Operations	7,084	375	6,768	8,681	10,111	14,228	38,090
Product and software development, amortization	713	694	660	662	657	2,067	1,966
Other intangible assets, amortization	146	46	47	80	67	240	202
Tangible assets, depreciation	2,914	3,577	3,001	4,092	2,605	9,492	8,794
Total depreciation and amortization	3,773	4,317	3,708	4,835	3,330	11,799	10,962
Operating income before depreciation and amortization (EBITDA)	10,857	4,693	10,476	13,516	13,441	26,027	49,052
EBITDA margin, %	14.7	6.7	11.9	13.3	14.1	11.2	15.5
Net capitalization of research and development							
Capitalization	415	308	881	874	737	1,604	2,652
Amortization	-667	-672	-635	-635	-635	-1,974	-1,884
Net capitalization and amortization	-253	-363	246	238	102	-370	768
Return on operating capital in Industrial Operations, %	25.4	28.4	44.2	52.3	47.1		
Return on capital employed in Industrial Operations, %	13.2	15.3	23.9	28.4	25.8		

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 nine months	First nine months
SEK M	3/2020	2/2020	1/2020	4/2019	3/2019	2020	2019
Trucks	47,740	40,595	58,010	68,193	64,381	146,345	208,454
Construction Equipment	17,619	22,876	20,148	19,716	17,921	60,642	68,889
Buses	4,654	3,199	5,190	7,606	7,681	13,043	23,413
Volvo Penta	3,062	2,507	3,338	3,045	3,151	8,907	10,241
Group Functions & Other	1,661	1,519	2,350	4,189	2,825	5,530	8,098
Eliminations	-666	-544	-832	-1,023	-792	-2,042	-2,461
Industrial Operations	74,070	70,151	88,204	101,727	95,167	232,425	316,634
Financial Services	3,304	3,477	3,810	3,822	3,765	10,592	11,048
Reclassifications and eliminations	-522	-401	-566	-194	-208	-1,489	-1,058
Volvo Group	76,852	73,227	91,449	105,355	98,723	241,528	326,625

Operating income						First nine months	First nine months
SEK M	3/2020	2/2020	1/2020	4/2019	3/2019	2020	2019
Trucks	4,549	-1,598	3,948	6,223	7,488	6,898	25,329
Construction Equipment	1,951	2,493	2,678	1,931	2,180	7,122	9,979
Buses	232	-617	-129	297	343	-514	1,040
Volvo Penta	562	295	509	174	399	1,365	1,702
Group Functions & Other	-213	-191	-235	62	-311	-639	49
Eliminations	3	-7	-2	-6	12	-5	-8
Industrial Operations	7,084	375	6,768	8,681	10,111	14,228	38,090
Financial Services	423	12	605	704	774	1,040	2,062
Reclassifications and eliminations	1	-	1	-6	-	2	-
Volvo Group	7,508	388	7,374	9,379	10,885	15,270	40,153

Adjusted operating income ¹						First nine months	First nine months
SEK M	3/2020	2/2020	1/2020	4/2019	3/2019	2020	2019
Trucks	4,522	737	3,948	6,223	7,488	9,206	25,329
Construction Equipment	1,963	3,108	2,678	1,931	2,180	7,750	9,979
Buses	240	-532	-129	297	343	-421	1,040
Volvo Penta	570	345	509	174	399	1,423	1,702
Group Functions & Other	-505	-436	-469	-93	-311	-1,411	-1,416
Eliminations	3	-7	-2	-6	12	-5	-8
Industrial Operations	6,793	3,215	6,534	8,525	10,111	16,542	36,625
Financial Services	423	57	605	704	774	1,085	2,062
Reclassifications and eliminations	1	-	1	-6	-	2	-
Volvo Group adjusted operating income	7,217	3,272	7,140	9,223	10,885	17,629	38,687

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

Operating margin						First nine months	First nine months
%	3/2020	2/2020	1/2020	4/2019	3/2019	2020	2019
Trucks	9.5	-3.9	6.8	9.1	11.6	4.7	12.2
Construction Equipment	11.1	10.9	13.3	9.8	12.2	11.7	14.5
Buses	5.0	-19.3	-2.5	3.9	4.5	-3.9	4.4
Volvo Penta	18.3	11.8	15.2	5.7	12.7	15.3	16.6
Industrial Operations	9.6	0.5	7.7	8.5	10.6	6.1	12.0
Volvo Group	9.8	0.5	8.1	8.9	11.0	6.3	12.3

Adjusted operating margin						First nine months	First nine months
%	3/2020	2/2020	1/2020	4/2019	3/2019	2020	2019
Trucks	9.5	1.8	6.8	9.1	11.6	6.3	12.2
Construction Equipment	11.1	13.6	13.3	9.8	12.2	12.8	14.5
Buses	5.2	-16.6	-2.5	3.9	4.5	-3.2	4.4
Volvo Penta	18.6	13.7	15.2	5.7	12.7	16.0	16.6
Industrial Operations	9.2	4.6	7.4	8.4	10.6	7.1	11.6
Volvo Group adjusted operating margin	9.4	4.5	7.8	8.8	11.0	7.3	11.8

QUARTERLY FIGURES

Share data						First nine months	First nine months
	3/2020	2/2020	1/2020	4/2019	3/2019	2020	2019
Earnings per share, SEK ¹	2.81	-0.14	2.30	3.27	3.67	4.97	14.36
Earnings per share, SEK ¹ , 12 months rolling	8.24	9.10	14.71	17.64	15.62	-	-
Diluted earnings per share, SEK	2.81	-0.14	2.30	3.27	3.67	4.97	14.36
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	2,033
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	0	95	95	95	95	0	95
Average number of own shares in millions	32	95	95	95	95	74	95

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 31-33.

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 have had, and might also continue 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 September 30, 2020, amounted to SEK 14.1 billion, an increase of SEK 0.4 billion compared to December 31, 2019. The gross exposure of SEK 14.1 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 Q3 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 Q3 that have had a significant impact on the Volvo Group.

Assets and liabilities held for sale

At the end of Q3, assets and liabilities held for sale amounted to SEK 35,111 M (32,773) and SEK 10,476 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 5.6 billion (2.6) and derivatives with negative fair values amounted to SEK 2.4 billion (2.5) as of September 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 169.8 billion (155.9) in reported carrying value with a fair value of SEK 172.2 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	Compared to third quarter 2019		
	Third quarter 2020	Third quarter 2019	Change
SEK M			
Net flow in foreign currency			-634
Realized and unrealized gains and losses on derivatives	0	9	-9
Unrealized gains and losses on receivables and liabilities in foreign currency	-27	114	-140
Translation effect on operating income in foreign subsidiaries			-717
Total currency effect on operating income, Volvo Group			-1,499

Applicable currency rates	Quarterly exchange rates		Close rates	
	Third quarter 2020	Third quarter 2019	Sep 30 2020	Sep 30 2019
BRL	1.65	2.42	1.60	2.36
CNY	1.28	1.37	1.32	1.37
EUR	10.36	10.66	10.54	10.73
GBP	11.45	11.81	11.52	12.07
USD	8.87	9.59	8.99	9.80
JPY	0.0836	0.0893	0.0851	0.0909
KRW	0.0075	0.0080	0.0077	0.0082

NOTE 6 | TRANSACTIONS WITH RELATED PARTIES

SEK M	Sales of goods, services and other income		Purchases of goods, services and other expenses	
	Third quarter 2020	Third quarter 2019	Third quarter 2020	Third quarter 2019
Associated companies	343	751	12	41
Joint ventures	364	264	173	116
Other related parties	55	18	247	175

SEK M	Receivables		Payables	
	Sep 30 2020	Dec 31 2019	Sep 30 2020	Dec 31 2019
Associated companies	242	595	21	73
Joint ventures	164	214	47	38
Other related parties	443	118	509	402

NOTE 7 | RECONCILIATION OF ADJUSTED OPERATING INCOME

Adjusted operating income						First nine months 2020	First nine months 2019
SEK M	3/2020	2/2020	1/2020	4/2019	3/2019		
Trucks	4,522	737	3,948	6,223	7,488	9,206	25,329
Construction Equipment	1,963	3,108	2,678	1,931	2,180	7,750	9,979
Buses	240	-532	-129	297	343	-421	1,040
Volvo Penta	570	345	509	174	399	1,423	1,702
Group Functions & Other	-505	-436	-469	-93	-311	-1,411	-1,416
Eliminations	3	-7	-2	-6	12	-5	-8
Industrial Operations	6,793	3,215	6,534	8,525	10,111	16,542	36,625
Financial Services	423	57	605	704	774	1,085	2,062
Reclassifications and eliminations	1	-	1	-6	-	2	-
Volvo Group adjusted operating income	7,217	3,272	7,140	9,223	10,885	17,629	38,687

Adjustments						First nine months 2020	First nine months 2019
SEK M	3/2020	2/2020	1/2020	4/2019	3/2019		
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)	291	315	234	-	-	841	-
Restructuring charges related to headcount reductions:							
Trucks	28	-2,335	-	-	-	-2,307	-
Construction Equipment	-12	-615	-	-	-	-627	-
Buses	-8	-85	-	-	-	-93	-
Volvo Penta	-8	-50	-	-	-	-58	-
Group Functions & Other	-	-70	-	-	-	-70	-
Financial Services	-	-45	-	-	-	-45	-
Total adjustments							
Trucks	28	-2,335	-	-	-	-2,307	-
Construction Equipment	-12	-615	-	-	-	-627	-
Buses	-8	-85	-	-	-	-93	-
Volvo Penta	-8	-50	-	-	-	-58	-
Group Functions & Other	291	245	234	156	-	771	1,466
Industrial Operations	291	-2,840	234	156	-	-2,315	1,466
Financial Services	-	-45	-	-	-	-45	-
Volvo Group	291	-2,885	234	156	-	-2,360	1,466

Operating income						First nine months 2020	First nine months 2019
SEK M	3/2020	2/2020	1/2020	4/2019	3/2019		
Trucks	4,549	-1,598	3,948	6,223	7,488	6,898	25,329
Construction Equipment	1,951	2,493	2,678	1,931	2,180	7,122	9,979
Buses	232	-617	-129	297	343	-514	1,040
Volvo Penta	562	295	509	174	399	1,365	1,702
Group Functions & Other	-213	-191	-235	62	-311	-639	49
Eliminations	3	-7	-2	-6	12	-5	-8
Industrial Operations	7,084	375	6,768	8,681	10,111	14,228	38,090
Financial Services	423	12	605	704	774	1,040	2,062
Reclassifications and eliminations	1	-	1	-6	-	2	-
Volvo Group	7,508	388	7,374	9,379	10,885	15,270	40,153

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

PARENT COMPANY

In Q3, the parent company had no income from Group Companies. Q3 previous year included dividend of SEK 92 M. Income from investments in joint ventures and associated companies included dividends amounting to SEK 550 M (-).

Financial net debt amounted to SEK 8,180 M (32,160) at the end of Q3.

Income Statement				
SEK M	Third quarter		First three quarters	
	2020	2019	2020	2019
Net sales¹	72	72	233	292
Cost of sales ¹	-72	-72	-233	-292
Gross income	0	0	0	0
Operating expenses	-245	-293	-762	-1,024
Operating income (loss)	-245	-293	-762	-1,024
Income from investments in Group companies	-	97	243	1,803
Income from investments in joint ventures and associated companies	550	-	550	451
Interest income and expenses	-103	-204	-516	-633
Other financial income and expenses	0	-1	-13	-18
Income after financial items	202	-401	-498	579
Income taxes	284	136	934	373
Income for the period	486	-265	436	953

¹ Of net sales in the third quarter, SEK 61 M (57) pertained to Group companies, while purchases from Group companies amounted to SEK 41 M (153).

Other comprehensive income				
Income for the period	486	-265	436	953
Other comprehensive income, net of income taxes	-	-	-	-
Total comprehensive income for the period	486	-265	436	953

Balance Sheet		
SEK M	Sep 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	2	1
Deferred tax assets	480	207
Total non-current assets	82,183	81,484
Current assets		
Current receivables from Group companies	109	39,191
Tax assets	17	-
Other current receivables	84	360
Total current assets	210	39,551
Total assets	82,393	121,035
Equity and liabilities		
Equity		
Restricted equity	9,899	9,891
Unrestricted equity	53,755	53,328
Total Equity	63,654	63,219
Untaxed reserves	10,000	10,000
Provisions	251	248
Non-current liabilities ¹	5,595	5,595
Current liabilities ²	2,893	41,973
Total equity and liabilities	82,393	121,035

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

² Of which SEK 2,373 M (39,246) pertains to Group companies.

Events after the balance sheet date

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

Gothenburg, October 16, 2020
AB Volvo (publ)

Martin Lundstedt
President and CEO

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

NET ORDER INTAKE

Net order intake of trucks	Third quarter		Change %	First nine months		Change %
	2020	2019		2020	2019	
Number of trucks						
Europe	24,175	18,072	34	57,784	67,419	-14
Heavy- and medium-duty	19,728	16,332	21	46,984	57,924	-19
Light-duty	4,447	1,740	156	10,800	9,495	14
North America	12,441	4,966	151	21,352	17,863	20
South America	9,188	3,832	140	14,771	14,182	4
Asia	7,455	6,353	17	20,034	21,488	-7
Africa and Oceania	4,271	2,503	71	8,495	8,479	0
Total trucks	57,530	35,726	61	122,436	129,431	-5
Heavy-duty (>16 tons)	49,449	30,853	60	102,376	110,251	-7
Medium-duty (7-16 tons)	3,406	2,994	14	8,745	9,073	-4
Light-duty (<7 tons)	4,675	1,879	149	11,315	10,107	12
Total trucks	57,530	35,726	61	122,436	129,431	-5

Net order intake of trucks by brand

Volvo

Europe	13,816	11,190	23	30,645	38,370	-20
North America	7,895	1,682	369	10,419	7,748	34
South America	8,843	3,441	157	14,153	12,990	9
Asia	3,932	2,357	67	9,671	8,551	13
Africa and Oceania	1,987	1,153	72	3,718	4,527	-18
Total Volvo	36,473	19,823	84	68,606	72,186	-5
Heavy-duty (>16 tons)	35,836	19,036	88	66,754	69,717	-4
Medium-duty (7-16 tons)	637	787	-19	1,852	2,469	-25
Total Volvo	36,473	19,823	84	68,606	72,186	-5

UD

North America	8	23	-65	27	41	-34
South America	117	186	-37	206	341	-40
Asia	2,917	3,623	-19	8,670	11,920	-27
Africa and Oceania	1,391	621	124	2,507	2,067	21
Total UD	4,433	4,453	-	11,410	14,369	-21
Heavy-duty (>16 tons)	3,180	3,456	-8	8,793	11,415	-23
Medium-duty (7-16 tons)	1,055	864	22	2,179	2,447	-11
Light-duty (<7 tons)	198	133	49	438	507	-14
Total UD	4,433	4,453	-	11,410	14,369	-21

Renault Trucks

Europe	10,359	6,882	51	27,139	29,049	-7
Heavy- and medium-duty	5,912	5,142	15	16,339	19,554	-16
Light-duty	4,447	1,740	156	10,800	9,495	14
North America	28	19	47	75	675	-89
South America	85	27	215	191	136	40
Asia	606	373	62	1,693	1,017	66
Africa and Oceania	706	600	18	1,765	1,452	22
Total Renault Trucks	11,784	7,901	49	30,863	32,329	-5
Heavy-duty (>16 tons)	5,783	4,812	20	16,071	18,572	-13
Medium-duty (7-16 tons)	1,524	1,343	13	3,915	4,157	-6
Light-duty (<7 tons)	4,477	1,746	156	10,877	9,600	13
Total Renault Trucks	11,784	7,901	49	30,863	32,329	-5

Mack

North America	4,510	3,242	39	10,831	9,399	15
South America	143	178	-20	221	715	-69
Africa and Oceania	187	129	45	505	433	17
Total Mack	4,840	3,549	36	11,557	10,547	10
Heavy-duty (>16 tons)	4,650	3,549	31	10,758	10,547	2
Medium-duty (7-16 tons)	190	-	-	799	-	-
Total Mack	4,840	3,549	36	11,557	10,547	10

DELIVERIES

Deliveries of trucks	Third quarter		Change %	First nine months		Change %
	2020	2019		2020	2019	
Number of trucks						
Europe	17,821	20,669	-14	52,660	77,007	-32
Heavy- and medium-duty	14,741	17,697	-17	42,739	63,471	-33
Light-duty	3,080	2,972	4	9,921	13,536	-27
North America	6,121	14,268	-57	20,706	50,483	-59
South America	4,434	6,661	-33	11,723	17,049	-31
Asia	6,516	7,319	-11	17,992	21,739	-17
Africa and Oceania	2,817	3,440	-18	7,426	9,910	-25
Total trucks	37,709	52,357	-28	110,507	176,188	-37
Heavy-duty (>16 tons)	31,691	46,402	-32	93,117	152,282	-39
Medium-duty (7-16 tons)	2,723	2,685	1	6,980	9,404	-26
Light-duty (<7 tons)	3,295	3,270	1	10,410	14,502	-28
Total trucks	37,709	52,357	-28	110,507	176,188	-37

Deliveries of trucks by brand

Volvo

Europe	9,509	11,376	-16	28,138	40,678	-31
North America	3,621	7,514	-52	10,866	28,379	-62
South America	4,105	6,318	-35	11,025	15,997	-31
Asia	3,127	2,558	22	8,507	8,366	2
Africa and Oceania	1,250	1,630	-23	3,409	5,077	-33
Total Volvo	21,612	29,396	-26	61,945	98,497	-37
Heavy-duty (>16 tons)	21,015	28,790	-27	60,190	96,053	-37
Medium-duty (7-16 tons)	597	606	-1	1,755	2,444	-28
Total Volvo	21,612	29,396	-26	61,945	98,497	-37

UD

North America	18	18	-	29	54	-46
South America	84	125	-33	155	285	-46
Asia	2,896	4,487	-35	8,305	12,429	-33
Africa and Oceania	843	827	2	1,945	2,289	-15
Total UD	3,841	5,457	-30	10,434	15,057	-31
Heavy-duty (>16 tons)	2,817	4,333	-35	8,065	11,859	-32
Medium-duty (7-16 tons)	821	923	-11	1,930	2,536	-24
Light-duty (<7 tons)	203	201	1	439	662	-34
Total UD	3,841	5,457	-30	10,434	15,057	-31

Renault Trucks

Europe	8,312	9,293	-11	24,522	36,329	-33
Heavy- and medium-duty	5,232	6,321	-17	14,601	22,793	-36
Light-duty	3,080	2,972	4	9,921	13,536	-27
North America	32	331	-90	190	1,153	-84
South America	44	54	-19	93	144	-35
Asia	493	274	80	1,179	944	25
Africa and Oceania	595	707	-16	1,561	1,650	-5
Total Renault Trucks	9,476	10,659	-11	27,545	40,220	-32
Heavy-duty (>16 tons)	5,125	6,434	-20	14,336	21,956	-35
Medium-duty (7-16 tons)	1,259	1,156	9	3,238	4,424	-27
Light-duty (<7 tons)	3,092	3,069	1	9,971	13,840	-28
Total Renault Trucks	9,476	10,659	-11	27,545	40,220	-32

Mack

North America	2,450	6,405	-62	9,621	20,897	-54
South America	201	164	23	450	623	-28
Asia	-	-	-	1	-	-
Africa and Oceania	129	276	-53	511	894	-43
Total Mack	2,780	6,845	-59	10,583	22,414	-53
Heavy-duty (>16 tons)	2,734	6,845	-60	10,526	22,414	-53
Medium-duty (7-16 tons)	46	-	-	57	-	-
Total Mack	2,780	6,845	-59	10,583	22,414	-53

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 October 16, 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 fourth quarter and full year 2020	February 3, 2021
Annual and Sustainability Report 2020	February 26, 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

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