

V O L V O

Report on the third quarter 2023

Volvo Group

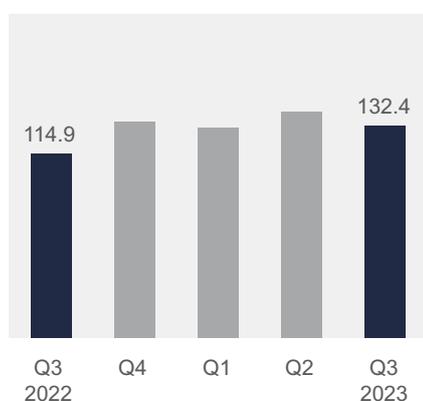


The third quarter in brief

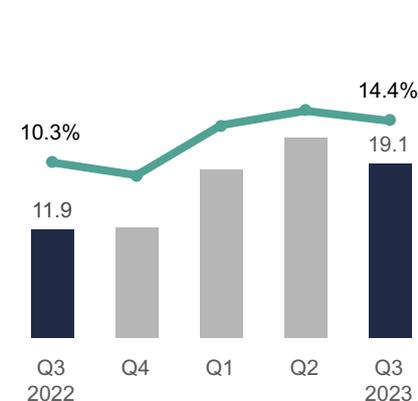
- In Q3 2023, net sales increased by 15% to SEK 132.4 billion (114.9). Adjusted for currency movements, the increase was 9%.
- Adjusted operating income¹ amounted to SEK 19,114 M (11,869), corresponding to an adjusted operating margin of 14.4% (10.3). Adjusted operating income excludes a negative effect of SEK 794 M from a loss on the divestment of the Group's Russian entities.
- Reported operating income amounted to SEK 18,320 M (11,869).
- Currency movements had a positive impact on operating income of SEK 1,165 M.
- Earnings per share amounted to SEK 6.93 (4.24).
- Operating cash flow in the Industrial Operations amounted to SEK 5,609 M (14,611).
- Return on capital employed in the Industrial Operations amounted to 33.7% (27.4).

SEK M unless otherwise stated	Third quarter		First nine months	
	2023	2022	2023	2022
Net sales	132,405	114,917	404,646	339,176
Adjusted operating income ¹	19,114	11,869	59,254	38,295
Adjusted operating margin, %	14.4	10.3	14.6	11.3
Operating income	18,320	11,869	49,890	34,171
Operating margin, %	13.8	10.3	12.3	10.1
Income after financial items	18,636	11,758	49,843	34,657
Income for the period	14,093	8,687	37,846	26,279
Earnings per share, SEK	6.93	4.24	18.58	12.84
Operating cash flow in Industrial Operations	5,609	14,611	23,166	16,409
Net financial position in Industrial Operations, SEK bn ²			65.2	59.5
Return on capital employed in Industrial Operations, % ³			33.7	27.4
Return on equity in Financial Services, % ³			10.2	3.4
Return on equity in Financial Services excluding Russian and Belarus operations, % ³			14.1	16.3
Net order intake, number of trucks	47,202	64,689	155,550	163,671
Deliveries, number of trucks	55,274	53,303	180,647	169,724
Net order intake, number of construction equipment	10,288	14,018	36,051	55,790
Deliveries, number of construction equipment	13,305	16,792	44,713	59,969

Net sales, SEK bn



Adjusted operating income, SEK bn¹
Adjusted operating margin, %



Return on capital employed
Industrial Operations, %³



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

² Excluding post-employment benefits and lease liabilities.

³ 12 months rolling.

On the cover: Volvo Autonomous Solutions and Boliden have entered into a long-term collaboration to implement autonomous transport solutions as a part of Boliden's operations.

CEO'S COMMENTS

Strong sales and earnings

In Q3 2023, the Volvo Group continued to deliver improved results, margins and profitability. Adjusted for currency, our net sales grew by 9% to SEK 132.4 billion and we increased the adjusted operating income to SEK 19.1 billion (11.9), corresponding to an adjusted operating margin of 14.4% (10.3). We have successfully mitigated cost inflation with price management and continued to handle disturbances in the supply chain. Return on capital employed increased to 33.7% (27.4).

Our service sales grew by 10% adjusted for currency on the back of both continued good activity levels at our customers and our own focus on developing the service business.

Operating cash flow in our Industrial Operations amounted to SEK 5.6 billion (14.6), impacted by an increase in working capital. At the end of the quarter, we had net financial assets of SEK 65.2 billion, excluding pension and lease liabilities.

In Q3, order intake of new trucks declined by 27% to 47,202 vehicles, reflecting a gradual normalization of demand and our continued gradual opening of order books. Deliveries on the other hand, increased by 4% compared to the previous year and amounted to 55,274 trucks. We expect our major truck markets to continue to be strong throughout this year as we continue to deliver from our large order books to customers, but forecast lower market levels for next year. Also in Q3, supply disturbances affected productivity and costs, but had limited effect on deliveries thanks to hard work by colleagues in the Group and across the value chain. Net sales in our truck business grew by 13% adjusted for currency and amounted to SEK 89.9 billion, with strong sales in almost all regions. The adjusted operating margin increased to 15.6% (9.7).

Construction Equipment's net sales of SEK 24.3 billion were on the same level as last year, with strong deliveries in North America and continued weak demand in China. The adjusted operating margin amounted to 15.4% (15.6). However, demand is weakening in some markets and segments on the back of higher interest rates and an overall economic slowdown. Order intake decreased by 27%, because of lower demand in Europe and China whereas North America had a very strong order intake following the opening of order books for 2024.

Net sales in Buses rose by 6% adjusted for currency and amounted to SEK 5.4 billion, supported by a continued recovery in demand for coaches and a good development in the service business. The adjusted operating margin improved to 6.3% (2.0).

Despite somewhat weaker market conditions, Volvo Penta had a solid performance with net sales rising by 5%, currency adjusted, to SEK 5.0 billion and an adjusted operating margin that improved to 15.9% (13.3).



For Volvo Financial Services, the credit portfolio continued to grow and credit losses remained low, reflecting continued good financial health at customers. The adjusted operating income amounted to SEK 1.1 billion (0.9).

"We are driving the development in digitalization, electromobility and autonomy towards our net zero commitments with more efficient transport and infrastructure solutions. Our ability to maintain strong profitability is essential to keep the investment pace needed in the transformation of our industries."

In the quarter, we achieved a milestone in autonomous solutions with the removal of the safety driver in an active commercial mining operation at the Brønnøy limestone quarry in Norway. We also announced that we have entered a long-term collaboration with Boliden to implement autonomous transport solutions as a part of their operations.

We see a growing demand for clean, efficient, and safe urban transportation, and partnerships and collaboration are key to achieve this. In October, we announced that we will join forces with Renault Group and CMA CGM Group to address this demand with an all-new generation of fully electric and software-defined vans and associated services. Production is planned to start in 2026.

We are driving the development in digitalization, electromobility and autonomy towards our net zero commitments with more efficient transport and infrastructure solutions. Our ability to maintain strong profitability is essential to keep the investment pace needed in the transformation of our industries.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE THIRD QUARTER 2023

Net sales

In Q3 2023, the Volvo Group's net sales amounted to SEK 132,405 M compared with SEK 114,917 M in the same quarter the preceding year. The increase in net sales was mainly driven by Europe and North America. All segments increased net sales.

Adjusted for currency movements, net sales increased by 9%, of which vehicle sales increased by 9% and service sales by 10%.

Operating income

In Q3 2023, adjusted operating income amounted to SEK 19,114 M (11,869), corresponding to an adjusted operating margin of 14.4% (10.3).

The adjusted operating income in Q3 2023 excludes a negative effect of SEK 794 M from a loss on the divestment of the Group's Russian entities. There were no adjustments in Q3 2022. For more information on adjusted operating income, please see note 6.

Compared with Q3 2022, the higher adjusted operating income is mainly an effect of price realization. This was partly offset by higher production costs as well as increased selling and R&D expenses.

Currency movements, compared with Q3 2022, had a positive impact of SEK 1,165 M.

Reported operating income in Q3 2023 amounted to SEK 18,320 M (11,869).

Net sales SEK M	Third quarter		Change %	First nine months		Change %
	2023	2022		2023	2022	
Net sales per geographical region						
Europe	53,318	43,275	23	170,392	137,461	24
North America	41,517	34,808	19	123,857	99,520	24
South America	13,468	14,190	-5	35,083	36,179	-3
Asia	14,922	14,878	-	49,175	45,133	9
Africa and Oceania	9,181	7,767	18	26,140	20,883	25
Total net sales	132,405	114,917	15	404,646	339,176	19
Net sales per product group						
Vehicles	99,997	87,111	15	310,032	259,379	20
Services	32,408	27,806	17	94,614	79,797	19
Total net sales	132,405	114,917	15	404,646	339,176	19
Timing of revenue recognition						
Revenue of vehicles and services recognized at the point of delivery	119,521	105,118	14	368,057	310,988	18
Revenue of vehicles and services recognized over contract period	12,884	9,799	31	36,589	28,188	30
Total net sales	132,405	114,917	15	404,646	339,176	19
Consolidated Income Statement SEK M	Third quarter			First nine months		
	2023	2022		2023	2022	
Net sales	132,405	114,917		404,646	339,176	
Cost of sales	-96,026	-87,594		-294,037	-258,515	
Gross income	36,380	27,324		110,609	80,662	
Research and development expenses	-6,305	-5,595		-19,616	-15,632	
Selling expenses	-8,202	-7,046		-24,426	-20,805	
Administrative expenses	-1,686	-1,383		-5,207	-4,136	
Other operating income and expenses	-1,180	-896		-10,033	-5,082	
Income/loss from investments in joint ventures and associated companies	-665	-536		-1,414	-982	
Income/loss from other investments	-22	1		-23	147	
Operating income	18,320	11,869		49,890	34,171	
Interest income and similar credits	656	247		1,800	555	
Interest expenses and similar charges	-272	-262		-848	-868	
Other financial income and expenses	-67	-96		-999	800	
Income after financial items	18,636	11,758		49,843	34,657	
Income taxes	-4,543	-3,071		-11,997	-8,379	
Income for the period *	14,093	8,687		37,846	26,279	
* Attributable to:						
Owners of AB Volvo	14,092	8,627		37,772	26,102	
Non-controlling interest	1	61		74	176	
	14,093	8,687		37,846	26,279	
Basic earnings per share, SEK	6.93	4.24		18.58	12.84	
Diluted earnings per share, SEK	6.93	4.24		18.58	12.84	

Financial items

In Q3 2023, interest income was SEK 656 M (247) as a consequence of higher interest on financial assets, whereas interest expenses amounted to SEK 272 M (262).

Other financial income and expenses amounted to SEK -67 M (-96). The change is primarily due to revaluation effects of financial assets and liabilities.

Income taxes

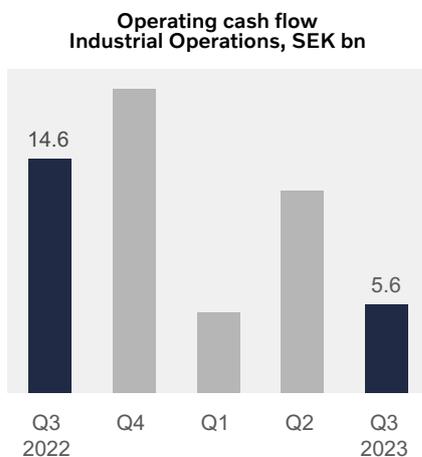
In Q3 2023, income taxes amounted to SEK 4,543 M (3,071). The tax rate was 24% (26).

Income for the period and earnings per share

In Q3 2023, income for the period amounted to SEK 14,093 M (8,687). Earnings per share amounted to SEK 6.93 (4.24).

Operating cash flow in the Industrial Operations

During Q3 2023, operating cash flow in the Industrial Operations was positive in an amount of SEK 5,609 M (14,611). Compared with Q3 2022 the lower operating cash flow is primarily related to a higher buildup of working capital, which was partly counterbalanced by the increased operating income.



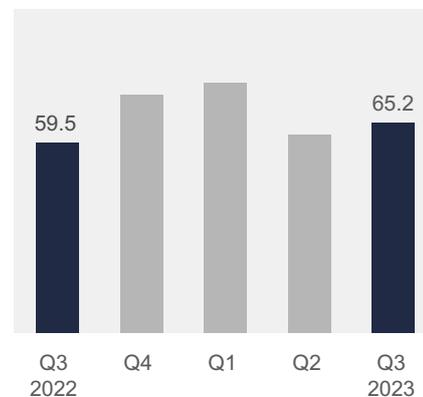
Volvo Group financial position

During Q3 2023, net financial assets in the Industrial Operations, excluding provisions for post-employment benefits and lease liabilities, increased by SEK 3.6 billion resulting in a net financial asset position of SEK 65.2 billion on September 30, 2023. The change is mainly explained by a positive operating cash flow of SEK 5.6 billion. Currency movements decreased net financial assets by SEK 0.5 billion.

Including provisions for post-employment benefits and lease liabilities, the Industrial Operations net financial assets amounted to SEK 51.6 billion on September 30, 2023. During Q3 2023, remeasurements of defined benefit pension plans had a positive impact of SEK 0.5 billion. The remeasurements were primarily an effect of higher discount rates, partly offset by lower return on assets.

On September 30, 2023, total equity for the Volvo Group amounted to SEK 177.2 billion compared with SEK 166.2 billion at year-end 2022. The equity ratio was 26.1% (26.4). On the same date the equity ratio in the Industrial Operations amounted to 35.3% (34.1).

Net financial position excl. post-employment benefits and lease liabilities Industrial Operations, SEK bn



Number of employees	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sep 30 2022
Blue-collar	53,331	54,100	53,486	51,779	52,734
Whereof temporary employees and consultants	8,321	9,021	8,567	7,064	8,507
White-collar	51,547	51,096	50,765	50,376	49,949
Whereof temporary employees and consultants	7,285	7,341	7,366	7,405	7,426
Total number of employees	104,878	105,196	104,251	102,155	102,683
Whereof temporary employees and consultants	15,606	16,362	15,933	14,469	15,933

Number of employees

On September 30, 2023, the Volvo Group had 104,878 employees, including temporary employees and consultants, compared with 102,683 employees on September 30 2022. The number of blue-collar employees increased by 597 and the number of white-collar employees increased by 1,598. The increase in blue-collar employees is related to higher production levels and the increase in white-collar employees is related to higher development and transformational activities.

IMPORTANT EVENTS FOR THE VOLVO GROUP

Anna Müller new President Volvo Penta and member of Volvo Group management

Anna Müller has been appointed as President Volvo Penta and member of Volvo Group management. On December 1, 2023, she will replace Heléne Mellquist who will leave the Volvo Group. Currently Anna Müller holds the position as Senior Vice President for the Europe North and Central Division at Volvo Trucks.

Pär Boman proposed as new Chairman of AB Volvo

The Election Committee of AB Volvo proposes that Pär Boman be appointed new Chairman and Board member at the Annual General Meeting in March 2024. AB Volvo's current Chairman of the Board, Carl-Henric Svanberg, has declined re-election.

Previously reported important events

- Volvo Buses changes business model in Europe and has decided to close its bodybuilding factory in Wroclaw in 2024
- Annual General Meeting of AB Volvo
- Stephen Roy new member of the Volvo Group Executive Board and President of Mack Trucks
- Nova Bus ends bus production in the US
- Mats Backman new Chief Financial Officer and member of the Volvo Group Executive Board
- Joint venture with Westport

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

BUSINESS SEGMENT OVERVIEW

Net sales SEK M	Third quarter		Change %	Change % ¹	First nine months		Change %	Change % ¹	12 months rolling	Jan-Dec 2022
	2023	2022			2023	2022				
Trucks	89,848	75,078	20	13	273,152	223,233	22	15	360,455	310,536
Construction Equipment	24,296	24,238	-	-4	78,404	72,664	8	3	106,000	100,261
Buses	5,386	4,817	12	6	15,087	11,929	26	19	21,741	18,583
Volvo Penta	4,956	4,451	11	5	15,975	13,253	21	14	20,824	18,102
Group Functions & Other	3,954	3,793	4	-1	11,361	11,392	-	-6	16,346	16,376
Eliminations	-1,219	-950	-	-	-3,650	-2,980	-	-	-4,825	-4,155
Industrial Operations	127,220	111,427	14	8	390,329	329,491	18	12	520,541	459,703
Financial Services	6,249	4,430	41	34	17,470	12,231	43	34	22,594	17,355
Reclassifications and eliminations	-1,064	-940	-	-	-3,153	-2,546	-	-	-4,186	-3,579
Volvo Group net sales	132,405	114,917	15	9	404,646	339,176	19	12	538,949	473,479

¹ Adjusted for exchange rate fluctuations.

Adjusted operating income ¹ SEK M	Third quarter		Change %	First nine months		Change %	12 months rolling	Jan-Dec 2022
	2023	2022		2023	2022			
Trucks	14,038	7,307	92	41,703	25,547	63	49,977	33,821
Construction Equipment	3,733	3,773	-1	13,673	10,151	35	16,766	13,244
Buses	340	99	245	736	126	484	964	353
Volvo Penta	790	593	33	2,865	2,061	39	3,333	2,530
Group Functions & Other	-860	-778	-11	-2,598	-2,157	-20	-3,352	-2,911
Eliminations	11	-4	-	26	13	-	25	12
Industrial Operations	18,051	10,990	64	56,405	35,741	58	67,713	47,049
Financial Services	1,062	879	21	2,850	2,553	12	3,713	3,416
Reclassifications and eliminations	-	1	-	-	2	-	1	2
Volvo Group adjusted operating income	19,114	11,869	61	59,254	38,295	55	71,426	50,467
Adjustments ¹	-794	-	-	-9,364	-4,125	-	-9,994	-4,755
Volvo Group operating income	18,320	11,869	54	49,890	34,171	46	61,432	45,712

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

Adjusted operating margin %	Third quarter		First nine months		12 months rolling	Jan-Dec 2022
	2023	2022	2023	2022		
Trucks	15.6	9.7	15.3	11.4	13.9	10.9
Construction Equipment	15.4	15.6	17.4	14.0	15.8	13.2
Buses	6.3	2.0	4.9	1.1	4.4	1.9
Volvo Penta	15.9	13.3	17.9	15.6	16.0	14.0
Industrial Operations	14.2	9.9	14.5	10.8	13.0	10.2
Volvo Group adjusted operating margin	14.4	10.3	14.6	11.3	13.3	10.7
Volvo Group operating margin	13.8	10.3	12.3	10.1	11.4	9.7

TRUCKS

Strong earnings

- In Q3, net sales increased by 13% adjusted for currency and amounted to SEK 89,848 M
- Adjusted operating income increased to SEK 14,038 M (7,307) with a margin of 15.6% (9.7)
- Order intake decreased by 27% while deliveries increased 4%



Market development

In Q3, truck fleet utilization in Europe and North America continued to be on good levels. In both regions, many of the larger fleets continue their replacement cycles while smaller companies are more cautious on the back of lower freight volumes and freight rates.

In South America, the market is down year over year due to the prebuy of Euro 5 trucks in 2022. However, after the Euro 6 introduction on January 1, the market has gradually recovered, primarily driven by the agricultural and mining segments.

The Indian market continued to grow with the support of increased economic activity and good consumer spending.

In Q3, the truck market in China continued to rebound from low levels, but growth is expected to be limited due to the overcapacity in the Chinese transport industry.

Orders and deliveries

In Q3, the Volvo Group's truck brands continued to gradually open order books. Total order intake in Q3 decreased by 27% to 47,202 trucks while total deliveries increased by 4% to 55,274 trucks.

In Europe, order intake decreased by 35% to 21,154 trucks while deliveries increased by 11% to 26,546 trucks. Volvo Trucks' total heavy-duty market share through August decreased to 17.4% (18.9) while the electric heavy-duty market share increased to 48.3% (30.5). Renault Trucks' heavy-duty total market share decreased to 8.6% (9.7) and the electric heavy-duty market share decreased to 19.5% (22.9).

Order intake in North America decreased by 7% to 17,355 trucks while deliveries increased by 13% to 15,041 vehicles. Volvo Trucks' heavy-duty truck market share through August decreased to 9.0% (10.3). Mack Trucks' market share was flat at 6.0% (5.9).

In South America, order intake decreased by 27% to 4,284 trucks and deliveries decreased by 35% to 5,635 vehicles. In Brazil, Volvo Trucks' heavy-duty truck market share through September decreased to 23.7% (25.0).

Order intake in Asia decreased by 43% to 2,796 vehicles while deliveries increased by 7% to 4,842 vehicles. The drop in order intake is mainly attributed to the Middle East.

In Q3, order intake for fully electric trucks increased by 27% to 1,106 (872) vehicles and deliveries increased by 236% to 796 (237) vehicles.

Order intake in the Indian joint venture, VE Commercial Vehicles, increased by 7% to 15,893 vehicles and deliveries increased by 12% to 16,088 vehicles.

Deliveries from the Chinese joint venture, Dongfeng Commercial Vehicles increased by 35% to 20,495 trucks.

Total market development	First nine months		Change %	Full year 2022	Forecast 2023	Change vs. previous forecast	Forecast 2024
	2023	2022					
Registrations, number of trucks							
Europe 29 ¹ heavy-duty	216,938	170,744	27	264,100	-	-	-
Europe 30 ¹ heavy-duty	241,303	191,234	26	298,066	340,000	+10,000	290,000
North America heavy-duty (retail)	222,918	192,267	16	309,916	330,000	unchanged	290,000
Brazil heavy-duty	59,456	71,367	-17	97,856	80,000	unchanged	80,000
China ² medium- and heavy-duty	560,484	455,753	23	566,130	680,000	+30,000	700,000
India medium- and heavy-duty	290,453	261,517	11	350,797	400,000	unchanged	440,000

¹ EU29 includes Norway and Switzerland but excludes UK. EU30 includes UK.

² Previous year has been adjusted to exclude exports.

Net order intake	Third quarter		Change %	First nine months		Change %
	2023	2022		2023	2022	
Number of trucks						
Europe	21,154	32,329	-35	77,284	83,908	-8
Heavy- and medium-duty	17,592	26,090	-33	62,123	68,056	-9
Light-duty	3,562	6,239	-43	15,161	15,852	-4
North America	17,355	18,641	-7	41,222	34,389	20
South America	4,284	5,837	-27	15,798	22,527	-30
Asia	2,796	4,889	-43	13,368	14,538	-8
Africa and Oceania	1,613	2,993	-46	7,878	8,309	-5
Total order intake	47,202	64,689	-27	155,550	163,671	-5
Heavy-duty (>16 tons)	38,687	52,891	-27	126,985	135,745	-6
Medium-duty (7-16 tons)	4,937	5,513	-10	13,265	11,839	12
Light-duty (<7 tons)	3,578	6,285	-43	15,300	16,087	-5
Total order intake	47,202	64,689	-27	155,550	163,671	-5
Volvo	24,519	38,309	-36	90,072	98,800	-9
Renault Trucks	10,662	14,608	-27	39,729	46,325	-14
Heavy- and medium-duty	7,084	8,323	-15	24,429	30,238	-19
Light-duty	3,578	6,285	-43	15,300	16,087	-5
Mack	11,950	11,416	5	24,987	17,540	42
Other brands	71	356	-80	762	1,006	-24
Total order intake	47,202	64,689	-27	155,550	163,671	-5
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	15,893	14,902	7	50,575	46,514	9

Deliveries	Third quarter		Change %	First nine months		Change %
	2023	2022		2023	2022	
Number of trucks						
Europe	26,546	23,857	11	92,565	82,755	12
Heavy- and medium-duty	20,236	19,258	5	71,800	68,478	5
Light-duty	6,310	4,599	37	20,765	14,277	45
North America	15,041	13,312	13	47,012	42,293	11
South America	5,635	8,611	-35	15,495	23,236	-33
Asia	4,842	4,532	7	16,486	12,947	27
Africa and Oceania	3,210	2,991	7	9,089	8,493	7
Total deliveries	55,274	53,303	4	180,647	169,724	6
Heavy-duty (>16 tons)	44,795	45,174	-1	145,834	144,129	1
Medium-duty (7-16 tons)	4,086	3,509	16	13,760	11,174	23
Light-duty (<7 tons)	6,393	4,620	38	21,053	14,421	46
Total deliveries	55,274	53,303	4	180,647	169,724	6
Volvo	33,187	33,950	-2	105,431	106,067	-1
Renault Trucks	14,044	12,586	12	50,704	42,356	20
Heavy- and medium-duty	7,651	7,966	-4	29,651	27,935	6
Light-duty	6,393	4,620	38	21,053	14,421	46
Mack	7,749	6,375	22	23,667	20,045	18
Other brands	294	392	-25	845	1,256	-33
Total deliveries	55,274	53,303	4	180,647	169,724	6
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	16,088	14,405	12	50,486	45,544	11
Dongfeng Commercial Vehicle Company (Dongfeng Trucks)	20,495	15,142	35	67,353	58,965	14

Net sales and operating income SEK M	Third quarter		Change %	First nine months		Change %
	2023	2022		2023	2022	
Net sales per geographical region						
Europe	39,522	30,379	30	125,279	98,369	27
North America	27,310	23,390	17	82,679	67,920	22
South America	9,880	10,448	-5	26,205	27,191	-4
Asia	7,001	5,838	20	22,604	16,428	38
Africa and Oceania	6,135	5,024	22	16,385	13,325	23
Total net sales	89,848	75,078	20	273,152	223,233	22
Net sales per product group						
Vehicles	71,388	58,562	22	218,993	176,047	24
Services	18,460	16,516	12	54,159	47,186	15
Total net sales	89,848	75,078	20	273,152	223,233	22
Timing of revenue recognition						
Revenue of vehicles and services recognized at the point of delivery	84,187	70,461	19	256,966	209,495	23
Revenue of vehicles and services recognized over contract period	5,661	4,617	23	16,186	13,738	18
Total net sales	89,848	75,078	20	273,152	223,233	22
Adjusted operating income ¹	14,038	7,307	92	41,703	25,547	63
Adjustments	-640	232	-	-6,501	-1,215	-
Operating income	13,397	7,539	78	35,201	24,332	45
Adjusted operating margin, %	15.6	9.7		15.3	11.4	
Operating margin, %	14.9	10.0		12.9	10.9	

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

Net sales and operating income

In Q3 2023, the truck operation's net sales amounted to SEK 89,848 M, which was 20% higher than in Q3 2022. Excluding currency effects, net sales increased by 13% with sales of vehicles increasing by 16% and sales of services by 5%.

In Q3 2023, adjusted operating income increased to SEK 14,038 (7,307), corresponding to an adjusted operating margin of 15.6% (9.7). Adjusted operating income excludes a negative effect of SEK 640 M from a loss on the divestment of the Russian entities. For more information on adjusted operating income, see note 6.

Compared with Q3 2022, the higher adjusted operating income is an effect of price realization whereas higher production costs as well as increased R&D and selling expenses had a negative impact. Compared with Q3 2022, currency movements had a positive impact of SEK 872 M.

Reported operating income amounted to SEK 13,397 M (7,539).

Important events

In Q3, Renault Trucks started taking orders for heavy-duty electric trucks and serial production will begin in Bourg-en-Bresse, France in November.

Volvo Autonomous Solutions entered a long-term collaboration with Boliden to deploy autonomous solutions in Boliden's mining operations.

In October, Volvo Defense entered a 7-year framework agreement for delivery and service of logistics trucks to Estonia and Latvia.

In October, it was announced that Volvo Group, Renault Group and CMA CGM Group will join forces to address the growing needs of decarbonized and efficient logistics with an all-new generation of fully electric vans. For this purpose, a new company is planned to be established in the beginning of 2024 with a planned start of production in 2026.

On October 8, the United Auto Workers (UAW) union informed Mack Trucks that their members had voted against ratification of a new five-year collective bargaining agreement covering about 3,900 employees at facilities in Pennsylvania, Maryland and Florida, including the powertrain plant, which supports the production of both Mack Trucks and Volvo, and Mack Trucks' assembly plant. Beginning on October 9, the UAW strike at all the covered facilities.

Net order intake of fully electric trucks Number of trucks	Third quarter		Change %	First nine months		Change %
	2023	2022		2023	2022	
Volvo	631	411	54	1,527	1,225	25
Renault Trucks	390	438	-11	972	1,206	-19
Heavy- and medium-duty	285	196	45	572	507	13
Light-duty	105	242	-57	400	699	-43
Mack	85	23	270	109	32	241
Total order intake	1,106	872	27	2,608	2,463	6

Deliveries of fully electric trucks Number of trucks	Third quarter		Change %	First nine months		Change %
	2023	2022		2023	2022	
Volvo	335	88	281	1,022	232	341
Renault Trucks	450	149	202	1,198	406	195
Heavy- and medium-duty	158	92	72	454	267	70
Light-duty	292	57	412	744	139	435
Mack	11	-	-	18	8	125
Total deliveries	796	237	236	2,238	646	246

CONSTRUCTION EQUIPMENT

Stable earnings and margin

- In Q3, order intake decreased by 27% and deliveries decreased by 21%
- Adjusted operating income amounted to SEK 3,733 M (3,773), with a margin of 15.4% (15.6)
- Service sales increased by 4%, adjusted for currency

Market development

Overall, in Q3 the total market development remained good compared to last year in all major markets except Asia. North America grew while Europe was stable with some signs of softening towards the end of the quarter. Asia outside of China was flat while China and Latin America declined.

The North American market grew supported by continued large infrastructure projects and a strong commercial construction sector that more than offset weaker residential construction amid rising interest rates.

In Q3, the market in Europe softened somewhat compared to last year due to a weakening macroeconomic outlook and increasing interest rates.

The market in South America declined on the back of low investment levels in Brazil and low business confidence among customers.

Chinese market demand weakened substantially compared to last year driven by a drop in real estate investments and overall slower economic activity. Development in other Asian markets was flat with increased demand in India, Japan, and the Middle East and a slowdown in markets such as South Korea and Indonesia.

**Orders and deliveries**

In Q3, net order intake declined by 27%. The decline was largely driven by lower demand in China following the economic slowdown as well as by cautiousness among customers and dealers in Europe. Order intake in North America was supported by strong underlying demand as well as replenishment of dealer rental fleets.

In Q3, deliveries decreased by 21% driven by lower deliveries to China, a slowdown in Brazil and somewhat weakening demand coupled with supply challenges in Europe. Deliveries in North America grew supported by favorable market and macroeconomic conditions.

Total market development	Year-to-date	Forecast	Previous forecast	Forecast
	August			
Change in % measured in units	2023	2023	2023	2024
Europe	4	-5% to +5%	-5% to +5%	-15% to -5%
North America	10	0% to +10%	0% to +10%	-10% to 0%
South America	-25	-20% to -10%	-20% to -10%	0% to +10%
Asia excl. China	3	-5% to +5%	-5% to +5%	-15% to -5%
China	-40	-40% to -30%	-40% to -30%	-10% to 0%

Net order intake	Third quarter		Change %	First nine months		Change %
	2023	2022		2023	2022	
Number of construction equipment						
Europe	1,302	2,966	-56	6,810	11,883	-43
North America	2,146	726	196	5,806	4,025	44
South America	485	605	-20	1,601	2,115	-24
Asia	5,721	8,968	-36	19,519	35,293	-45
Africa and Oceania	634	753	-16	2,315	2,474	-6
Total orders	10,288	14,018	-27	36,051	55,790	-35
Large and medium construction equipment	8,203	10,057	-18	28,037	38,488	-27
Compact construction equipment	2,085	3,961	-47	8,014	17,302	-54
Of which fully electric	217	166	31	681	478	42
Total orders	10,288	14,018	-27	36,051	55,790	-35
Of which:						
Volvo	5,641	6,620	-15	20,917	25,233	-17
SDLG	4,570	7,347	-38	14,917	30,385	-51
Of which in China	3,525	6,075	-42	10,881	25,097	-57

Deliveries	Third quarter			First nine months		
	2023	2022	Change %	2023	2022	Change %
Number of construction equipment						
Europe	3,590	3,735	-4	12,629	12,950	-2
North America	2,425	1,825	33	7,409	5,527	34
South America	585	1,373	-57	1,628	3,840	-58
Asia	5,933	8,937	-34	20,242	35,106	-42
Africa and Oceania	772	922	-16	2,805	2,546	10
Total deliveries	13,305	16,792	-21	44,713	59,969	-25
Large and medium construction equipment	10,143	12,457	-19	33,711	42,056	-20
Compact construction equipment	3,162	4,335	-27	11,002	17,913	-39
Of which fully electric	239	146	64	669	428	56
Total deliveries	13,305	16,792	-21	44,713	59,969	-25
Of which:						
Volvo	8,658	9,394	-8	29,579	29,412	1
SDLG	4,570	7,347	-38	14,917	30,385	-51
Of which in China	3,525	6,075	-42	10,881	25,097	-57

Net sales and operating income	Third quarter			First nine months		
	2023	2022	Change %	2023	2022	Change %
SEK M						
Net sales per geographical region						
Europe	7,638	7,321	4	25,662	22,316	15
North America	7,706	5,569	38	22,366	16,000	40
South America	1,132	2,016	-44	2,995	4,996	-40
Asia	5,944	7,487	-21	21,083	24,332	-13
Africa and Oceania	1,876	1,845	2	6,297	5,021	25
Total net sales	24,296	24,238	-	78,404	72,664	8
Net sales per product group						
Construction equipment	20,272	20,497	-1	66,446	61,634	8
Services	4,024	3,741	8	11,958	11,031	8
Total net sales	24,296	24,238	-	78,404	72,664	8
Timing of revenue recognition						
Revenue of vehicles and services recognized at the point of delivery	23,504	23,515	-	76,272	70,720	8
Revenue of vehicles and services recognized over contract period	792	723	10	2,132	1,945	10
Total net sales	24,296	24,238	-	78,404	72,664	8
Adjusted operating income ¹	3,733	3,773	-1	13,673	10,151	35
Adjustments	-	-232	-	-	-338	-
Operating income	3,733	3,541	5	13,673	9,813	39
Adjusted operating margin, %	15.4	15.6		17.4	14.0	
Operating margin, %	15.4	14.6		17.4	13.5	

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

Net sales and operating income

In Q3 2023, net sales amounted to SEK 24,296 M (24,238). Adjusted for currency movements net sales decreased by 4%, of which net sales of machines decreased by 5% while service sales increased by 4%.

Adjusted operating income amounted to SEK 3,733 M (3,773), corresponding to an adjusted operating margin of 15.4% (15.6). There were no adjustments in Q3 2023. For more information on adjusted operating income, see note 6.

Compared with Q3 2022, negative impacts from lower volumes, increased production costs and higher selling expenses were almost compensated for by price realization and a favorable brand and market mix. Compared with Q3 2022, currency movements had a positive impact of SEK 67 M.

Reported operating income amounted to SEK 3,733 M (3,541).

Important events

During Q3, Volvo CE delivered its first electric power unit to a customer in Sweden. The power unit allows high power charging of electric machines in remote locations where access to stable power sources is limited.

Previously launched in Norway, the company's largest fully electric excavator, the EC230, was further offered to customers in the Netherlands, Sweden, Germany, the UK and France.

In North America, Volvo CE inaugurated a new innovation center to provide training for technicians on diesel and electric heavy equipment, machine control technology, connectivity and productivity services.

BUSES

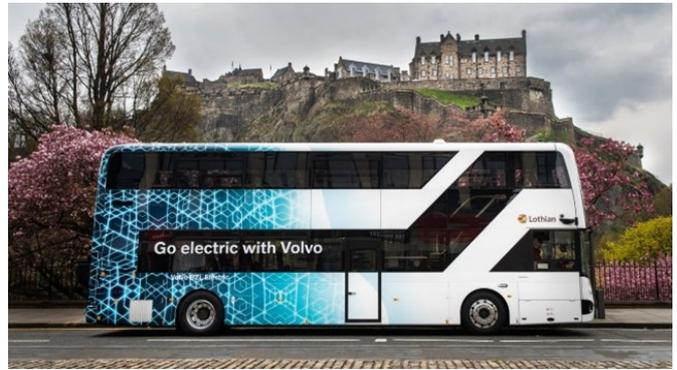
Improved service sales and profitability

- In Q3, order intake increased by 6% and deliveries by 4%
- Both adjusted and reported operating income increased to SEK 340 M (99) with a margin of 6.3% (2.0)
- Service sales increased by 13%, adjusted for currency

In Q3, global demand for new buses continued to be good, particularly for coaches. In the city bus segment, demand for electric buses continued to increase.

Compared with Q3 2022, net order intake increased by 6% to 1,587 units, primarily supported by large coach orders in North America and electric bus orders to Warrington Borough Council and Lothian Buses in the UK. Deliveries increased by 4% to 1,420 units, with higher deliveries in North America, Asia, and Africa and Oceania, but with lower deliveries in South America and Europe.

In Q3, net sales increased by 12% to SEK 5,386 M (4,817). Adjusted for currency, net sales increased by 6%, whereof vehicle sales increased by 4% and service sales by 13%.



Both adjusted and reported operating income amounted to SEK 340 M (99), corresponding to an operating margin of 6.3% (2.0). Compared with Q3 2022, the higher operating income is an effect of price realization, increased service sales and improved production efficiency, whereas material costs increased. Compared with Q3 2022, currency movements had a positive impact of SEK 86 M.

During Q3, Volvo Buses signed an agreement with MCV in Egypt for the manufacture of bodies for the Volvo 7900 Electric and Volvo 7900 Electric Artic, and later for an electric bus for intercity traffic, supporting the new business model for Europe announced in Q1.

In September, the rollout of the 100% electric BZL chassis continued with Brazil with a demonstration of the bus in real operation in Curitiba.

Net order intake and deliveries ¹	Third quarter		Change %	First nine months		Change %
	2023	2022		2023	2022	
Number of buses						
Total orders	1,587	1,492	6	5,169	4,678	10
Of which fully electric	207	103	101	572	233	145
Of which hybrids	2	55	-96	9	107	-92
Total deliveries	1,420	1,359	4	3,881	3,601	8
Of which fully electric	31	77	-60	196	147	33
Of which hybrids	30	73	-59	126	122	3

Net sales and operating income SEK M	Third quarter		Change %	First nine months		Change %
	2023	2022		2023	2022	
Net sales per geographical region						
Europe	1,387	1,659	-16	4,696	4,111	14
North America	2,111	1,593	32	5,959	4,370	36
South America	865	741	17	1,542	1,349	14
Asia	452	419	8	1,180	981	20
Africa and Oceania	571	405	41	1,709	1,118	53
Total net sales	5,386	4,817	12	15,087	11,929	26
Net sales per product group						
Vehicles	3,994	3,646	10	11,061	8,751	26
Services	1,391	1,171	19	4,026	3,178	27
Total net sales	5,386	4,817	12	15,087	11,929	26
Timing of revenue recognition						
Revenue of vehicles and services recognized at the point of delivery	5,123	4,614	11	14,396	11,385	26
Revenue of vehicles and services recognized over contract period	263	202	30	690	544	27
Total net sales	5,386	4,817	12	15,087	11,929	26
Adjusted operating income ¹	340	99	245	736	126	484
Adjustments	-	-	-	-1,439	-	-
Operating income	340	99	245	-703	126	-658
Adjusted operating margin, %	6.3	2.0		4.9	1.1	
Operating margin, %	6.3	2.0		-4.7	1.1	

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

VOLVO PENTA

Increased earnings

- In Q3, net sales increased by 5% adjusted for currency while order intake decreased by 28%
- Both adjusted and reported operating income increased to SEK 790 M (593), with a margin of 15.9% (13.3)
- A new dealership agreement for Swedish industrial sales was signed with Swecon



In Q3, there was a slowdown in demand in both the marine and industrial segments. In marine leisure, there was a general decline in demand, most accentuated for smaller power boats. Within marine commercial, demand continued to be high, especially for supply boats and patrol vessels. The market for industrial power generation slowed down in Europe and the Middle East while the industrial off-road market started to show a more general decline. The construction segment weakened in Europe and remained on low levels in China. Demand within material handling and mining also slowed down.

Supply chain disturbances continued to affect lead times and deliveries negatively. Net order intake decreased by 28% to 7,789 units while deliveries decreased by 9% to 9,811 units.

Net sales increased by 11% to SEK 4,956 M (4,451). Adjusted for currency movements, net sales increased by 5%, of which sales of engines increased by 5% and sales of services by 6%.

Both adjusted and reported operating income amounted to SEK 790 M (593), corresponding to an operating margin of 15.9% (13.3). Price realization and a favorable product mix contributed positively, but was partly offset by higher material costs, lower production efficiency and increased selling expenses. Compared with Q3 2022, the currency impact was positive in an amount of SEK 136 M.

Volvo Penta's development of a specialized dealer network to better meet customer demands continued with Volvo Construction Equipment's long-standing Swedish distributor Swecon being appointed Volvo Penta dealer for industrial sales in Sweden.

Net order intake and deliveries		Third quarter		Change %	First nine months		Change %
Number of Engines		2023	2022		2023	2022	
Total orders		7,789	10,866	-28	29,880	34,822	-14
Of which fully electric		43	-3	-	73	15	387
Total deliveries		9,811	10,735	-9	33,799	33,850	-
Of which fully electric		30	6	400	81	15	440

Net sales and operating income		Third quarter		Change %	First nine months		Change %
SEK M		2023	2022		2023	2022	
Net sales per geographical region							
Europe		2,434	2,185	11	8,278	6,945	19
North America		1,058	1,008	5	3,156	2,756	15
South America		199	165	20	548	481	14
Asia		947	836	13	2,950	2,327	27
Africa and Oceania		318	257	24	1,043	744	40
Total net sales		4,956	4,451	11	15,975	13,253	21
Net sales per product group							
Engines		3,499	3,133	12	11,649	9,508	23
Services		1,458	1,318	11	4,326	3,745	16
Total net sales		4,956	4,451	11	15,975	13,253	21
Timing of revenue recognition							
Revenue of vehicles and services recognized at the point of delivery		4,947	4,451	11	15,956	13,253	20
Revenue of vehicles and services recognized over contract period		10	-	-	19	-	-
Total net sales		4,956	4,451	11	15,975	13,253	21
Adjusted operating income ¹							
Adjusted operating income		790	593	33	2,865	2,061	39
Adjustments		-	-	-	-	-3	-
Operating income		790	593	33	2,865	2,059	39
Adjusted operating margin, %		15.9	13.3		17.9	15.6	
Operating margin, %		15.9	13.3		17.9	15.5	

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

FINANCIAL SERVICES

Good portfolio growth and stable performance

- In Q3, new business volume increased by 13%, adjusted for currency
- Adjusted operating income increased to SEK 1,062 M (879)
- Stable portfolio performance



In Q3 2023, new business volume increased by 13%, adjusted for currency, with stable penetration levels and continued high sales of Group products. The credit portfolio increased by 20% compared with Q3 2022, adjusted for currency. Customer activity levels continued to be high, resulting in stable portfolio performance in most parts of the world.

Adjusted operating income increased to SEK 1,062 M (879) excluding a loss on the divestment of the Russian entities of SEK 136 M. For more information on adjusted operating income, see note 6.

The increase in adjusted operating income is primarily a result of continued profitable portfolio growth, which was partly offset by spread compression. Currency movements had a positive impact of SEK 36 M compared with Q3 2022. Reported operating income amounted to SEK 927 (879).

Return on equity increased to 10.2% (3.4). Excluding Russia and Belarus, return on equity amounted to 14.1% (16.3).

Financial Services SEK M unless otherwise stated	Third quarter		First nine months	
	2023	2022	2023	2022
Number of financed units, 12 months rolling			67,734	70,052
Total penetration rate, 12 months rolling, % ¹			27	29
New retail financing volume, SEK billion	29.2	24.8	83.5	73.0
Credit portfolio net, SEK billion			255	211
Credit portfolio net excluding Russian and Belarus operations, SEK billion			255	208
Credit provision expenses	150	100	418	3,173
Credit provision expenses excluding Russian and Belarus operations	172	101	449	206
Adjusted operating income ²	1,062	879	2,850	2,553
Adjustments ²	-136	-	-136	-2,568
Operating income	927	879	2,714	-15
Credit reserves, % of credit portfolio			1.42	3.12
Credit reserves, % of credit portfolio excluding Russian and Belarus operations			1.42	1.73
Return on equity, 12 months rolling, %			10.2	3.4
Return on equity excluding Russian and Belarus operations, 12 months rolling, %			14.1	16.3

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

² For more information on adjustments, please see note 6.

CONSOLIDATED INCOME STATEMENT THIRD QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Net sales	127,220	111,427	6,249	4,430	-1,064	-940	132,405	114,917
Cost of sales	-92,819	-85,783	-4,271	-2,751	1,064	940	-96,026	-87,594
Gross income	34,402	25,644	1,978	1,679	-	1	36,380	27,324
Research and development expenses	-6,305	-5,595	-	-	-	-	-6,305	-5,595
Selling expenses	-7,399	-6,301	-803	-744	-	-	-8,202	-7,046
Administrative expenses	-1,682	-1,380	-4	-3	-	-	-1,686	-1,383
Other operating income and expenses	-936	-843	-245	-53	-	-	-1,180	-896
Income/loss from investments in joint ventures and associated companies	-665	-536	-	-	-	-	-665	-536
Income/loss from other investments	-22	1	-	-	-	-	-22	1
Operating income	17,393	10,990	927	879	-	1	18,320	11,869
Interest income and similar credits	800	352	-	-	-144	-105	656	247
Interest expenses and similar charges	-417	-367	-	-	144	105	-272	-262
Other financial income and expenses	-67	-96	-	-	-	-	-67	-96
Income after financial items	17,710	10,878	927	879	-	1	18,636	11,758
Income taxes	-4,262	-2,840	-282	-231	-	-	-4,543	-3,071
Income for the period *	13,448	8,039	645	648	-	-	14,093	8,687
* Attributable to:								
Owners of AB Volvo							14,092	8,627
Non-controlling interest							1	61
							14,093	8,687
Basic earnings per share, SEK							6.93	4.24
Diluted earnings per share, SEK							6.93	4.24
Key ratios, %								
Gross margin	27.0	23.0					27.5	23.8
Research and development expenses as % of net sales	5.0	5.0					4.8	4.9
Selling expenses as % of net sales	5.8	5.7					6.2	6.1
Administrative expenses as % of net sales	1.3	1.2					1.3	1.2
Operating margin	13.7	9.9					13.8	10.3

CONSOLIDATED OTHER COMPREHENSIVE INCOME THIRD QUARTER

SEK M	2023	2022
Income for the period	14,093	8,687
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	335	-303
Remeasurements of holding of shares at fair value	-3	3
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	-2,015	4,073
Share of OCI related to joint ventures and associated companies	-301	549
Accumulated translation difference reversed to income	-318	-
Other comprehensive income, net of income taxes	-2,303	4,322
Total comprehensive income for the period *	11,791	13,009
* Attributable to:		
Owners of AB Volvo	11,809	12,855
Non-controlling interest	-18	154
	11,791	13,009

CONSOLIDATED INCOME STATEMENT FIRST NINE MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Net sales	390,329	329,491	17,470	12,231	-3,153	-2,546	404,646	339,176
Cost of sales	-285,314	-253,762	-11,876	-7,300	3,153	2,548	-294,037	-258,515
Gross income	105,015	75,729	5,594	4,931	-	2	110,609	80,662
Research and development expenses	-19,616	-15,632	-	-	-	-	-19,616	-15,632
Selling expenses	-21,995	-18,680	-2,430	-2,125	-	-	-24,426	-20,805
Administrative expenses	-5,196	-4,126	-11	-9	-	-	-5,207	-4,136
Other operating income and expenses	-9,599	-2,271	-434	-2,812	-	-	-10,033	-5,082
Income/loss from investments in joint ventures and associated companies	-1,414	-982	-	-	-	-	-1,414	-982
Income/loss from other investments	-18	147	-5	-	-	-	-23	147
Operating income	47,176	34,184	2,714	-15	-	2	49,890	34,171
Interest income and similar credits	2,229	728	-	-	-430	-173	1,800	555
Interest expenses and similar charges	-1,278	-1,041	-	-	430	173	-848	-868
Other financial income and expenses	-999	800	-	-	-	-	-999	800
Income after financial items	47,129	34,671	2,714	-15	-	2	49,843	34,657
Income taxes	-11,236	-8,264	-761	-115	-	-	-11,997	-8,379
Income for the period *	35,893	26,407	1,953	-130	-	1	37,846	26,279
* Attributable to:								
Owners of AB Volvo							37,772	26,102
Non-controlling interest							74	176
							37,846	26,279
Basic earnings per share, SEK							18.58	12.84
Diluted earnings per share, SEK							18.58	12.84
Key ratios, %								
Gross margin	26.9	23.0					27.3	23.8
Research and development expenses as % of net sales	5.0	4.7					4.8	4.6
Selling expenses as % of net sales	5.6	5.7					6.0	6.1
Administrative expenses as % of net sales	1.3	1.3					1.3	1.2
Operating margin	12.1	10.4					12.3	10.1

CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST NINE MONTHS

SEK M	2023	2022
Income for the period	37,846	26,279
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	318	8,112
Remeasurements of holding of shares at fair value	6	-39
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	1,728	14,784
Share of OCI related to joint ventures and associated companies	243	1,708
Accumulated translation difference reversed to income	-318	-
Other comprehensive income, net of income taxes	1,978	24,566
Total comprehensive income for the period *	39,824	50,844
* Attributable to:		
Owners of AB Volvo	39,782	50,342
Non-controlling interest	42	502
	39,824	50,844

CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Sep 30 2023	Dec 31 2022	Sep 30 2023	Dec 31 2022	Sep 30 2023	Dec 31 2022	Sep 30 2023	Dec 31 2022
Assets								
Non-current assets								
Intangible assets	43,305	41,471	88	73	-	-	43,393	41,544
<i>Tangible assets</i>								
Property, plant and equipment	68,619	63,112	67	50	-	-	68,687	63,162
Assets under operating leases	34,947	34,109	21,701	21,372	-13,738	-11,963	42,911	43,518
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	20,614	21,583	-	-	-	-	20,614	21,583
Other shares and participations	869	587	19	18	-	-	888	605
Non-current customer-financing receivables	1,809	1,903	120,630	105,536	-2,080	-2,375	120,360	105,064
Net pension assets	2,809	2,722	2	5	-	-	2,811	2,727
Non-current interest-bearing receivables	2,798	7,227	-	1,153	-927	-6,578	1,871	1,803
Other non-current receivables	9,582	10,997	285	227	-213	-202	9,654	11,022
Deferred tax assets	15,400	12,219	2,118	1,969	-	-	17,518	14,189
Total non-current assets	200,752	195,931	144,912	130,404	-16,957	-21,118	328,706	305,217
Current assets								
Inventories	92,695	75,382	407	307	-	-	93,101	75,689
<i>Current receivables</i>								
Customer-financing receivables	1,239	1,128	112,521	89,145	-1,503	-1,409	112,257	88,864
Tax assets	5,959	1,489	632	570	-	-	6,591	2,059
Interest-bearing receivables	6,556	5,690	-	-	-22	-27	6,534	5,663
Internal funding	4,687	7,991	-	-	-4,687	-7,991	-	-
Accounts receivable	45,574	46,672	1,766	1,548	-	-	47,340	48,220
Other receivables	22,350	21,390	2,341	3,302	-4,577	-5,319	20,115	19,373
Marketable securities	95	93	-	-	-	-	95	93
Cash and cash equivalents	61,455	76,005	4,806	9,688	-1,113	-1,806	65,148	83,886
Assets held for sale	263	-	-	-	-	-	263	-
Total current assets	240,872	235,840	122,473	104,560	-11,902	-16,553	351,444	323,847
Total assets	441,624	431,771	267,385	234,964	-28,859	-37,671	680,150	629,064
Equity and liabilities								
Equity attributable to owners of AB Volvo	152,540	143,921	21,387	18,796	-	-	173,927	162,717
Non-controlling interest	3,297	3,519	-	-	-	-	3,296	3,519
Total equity	155,837	147,439	21,386	18,796	-	-	177,223	166,236
<i>Non-current provisions</i>								
Provisions for post-employment benefits	8,881	8,690	60	55	-	-	8,940	8,745
Other provisions	13,954	12,330	76	66	-	-	14,030	12,396
<i>Non-current liabilities</i>								
Bond loans	96,756	102,887	-	-	-	-	96,756	102,887
Other loans	26,830	25,446	12,858	12,325	-1,800	-2,086	37,887	35,684
Internal funding	-111,667	-110,254	106,947	98,310	4,720	11,944	-	-
Deferred tax liabilities	3,330	3,060	2,335	2,412	-	-	5,665	5,472
Other liabilities	53,839	51,351	1,598	1,467	-8,879	-7,270	46,558	45,549
Current provisions	19,662	13,095	15	24	-	-	19,678	13,119
<i>Current liabilities</i>								
Bond loans	51,555	37,794	-	-	-	-	51,555	37,794
Other loans	42,937	24,666	10,720	11,163	-1,187	-1,247	52,470	34,583
Internal funding	-88,508	-50,804	100,641	79,677	-12,133	-28,873	-	-
Trade payables	83,947	89,174	1,021	1,003	-	-	84,968	90,177
Tax liabilities	10,175	6,147	813	760	-	-	10,988	6,907
Other liabilities	74,094	70,749	8,915	8,906	-9,581	-10,138	73,429	69,517
Liabilities held for sale	2	-	-	-	-	-	2	-
Total equity and liabilities	441,624	431,771	267,385	234,964	-28,859	-37,671	680,150	629,064
Key ratios, %								
Equity ratio	35.3	34.1	8.0	8.0			26.1	26.4
Equity attributable to owners of AB Volvo, per share in SEK							85.5	80.0
Return on operating capital ¹	66.0	50.8						
Return on capital employed ¹	33.7	27.4						
Return on equity ¹			10.2	-0.3			26.1	20.7

¹ 12 months rolling

CONSOLIDATED CASH FLOW STATEMENT THIRD QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Operating activities								
Operating income	17,393	10,990	927	879	-	1	18,320	11,869
Amortization intangible assets	743	738	6	14	-	-	749	752
Depreciation tangible assets	2,256	2,022	5	7	-	-	2,261	2,028
Depreciation leasing vehicles	1,058	1,068	1,266	1,193	-	-	2,324	2,261
Other non-cash items	753	610	341	91	-	-93	1,094	608
Total change in working capital whereof	-8,370	5,887	-8,215	-4,269	26	45	-16,560	1,663
<i>Change in accounts receivables</i>	2,130	2,394	31	4	-	-	2,162	2,398
<i>Change in customer-financing receivables</i>	-6	-176	-7,946	-4,672	45	146	-7,908	-4,702
<i>Change in inventories</i>	-2,034	1,187	-142	58	-	-	-2,176	1,245
<i>Change in trade payables</i>	-9,767	2,051	134	-2	-	-	-9,633	2,050
<i>Other changes in working capital</i>	1,308	431	-292	343	-19	-100	997	673
Dividends received from joint ventures and associated companies	-	6	-	-	-	-	-	6
Interest and similar items received	735	264	-	-	-144	28	590	291
Interest and similar items paid	-372	-176	-	-	159	64	-213	-112
Other financial items	-19	-150	-	-	-	-	-19	-150
Income taxes paid	-4,306	-2,480	-218	-188	-	-	-4,525	-2,668
Cash flow from operating activities	9,871	18,779	-5,889	-2,273	40	45	4,022	16,551
Investing activities								
Investments in intangible assets	-1,051	-1,521	-10	-12	-	-	-1,061	-1,533
Investments in tangible assets	-3,264	-2,733	-10	-3	-	-	-3,274	-2,737
Investment in leasing vehicles	-	-	-2,292	-2,092	4	3	-2,288	-2,089
Disposals of in-/tangible assets and leasing vehicles	54	86	1,068	963	-4	-	1,118	1,049
Operating cash flow	5,609	14,611	-7,132	-3,417	40	48	-1,483	11,241
Investments of shares							-15	-426
Divestment of shares							316	-
Acquired operations							-16	-203
Divested operations							-2,499	-
Interest-bearing receivables incl. marketable securities							-32	-23
Cash flow after net investments							-3,730	10,589
Financing activities								
New borrowings ¹							75,387	34,257
Repayments of borrowings ¹							-69,168	-28,538
Dividend to owners of AB Volvo							-	-
Dividend to non-controlling interest							-235	-19
Other							-26	-2
Change in cash and cash equivalents excl. translation differences							2,228	16,285
Translation difference on cash and cash equivalents							-898	1,353
Change in cash and cash equivalents							1,329	17,638
Cash and cash equivalents, beginning of quarter							63,819	54,268
Cash and cash equivalents, end of quarter							65,148	71,906

¹ The comparative figures are restated due to a reclassification between new borrowings and repayments of borrowings.

CONSOLIDATED CASH FLOW STATEMENT FIRST NINE MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Operating activities								
Operating income	47,176	34,184	2,714	-15	-	2	49,890	34,171
Amortization intangible assets	2,229	2,162	22	40	-	-	2,251	2,201
Depreciation tangible assets	6,444	5,835	16	19	-	-	6,460	5,854
Depreciation leasing vehicles	3,272	3,391	3,750	3,459	-	-	7,022	6,850
Other non-cash items	9,453	2,727	826	3,237	-1	-216	10,278	5,747
Total change in working capital whereof	-21,035	-13,628	-30,651	-13,808	-497	74	-52,184	-27,362
<i>Change in accounts receivables</i>	2,229	-1,292	-329	-65	-	-	1,900	-1,356
<i>Change in customer-financing receivables</i>	65	-181	-31,088	-15,445	-325	145	-31,348	-15,482
<i>Change in inventories</i>	-16,896	-8,770	-145	-22	-	-	-17,041	-8,792
<i>Change in trade payables</i>	-6,858	-2,712	-6	80	-	-	-6,865	-2,631
<i>Other changes in working capital</i>	426	-673	916	1,643	-173	-71	1,170	899
Dividends received from joint ventures and associated companies	108	60	-	-	-	-	108	60
Interest and similar items received	2,250	507	-	-	-430	131	1,820	637
Interest and similar items paid	-1,401	-834	-	-	451	84	-950	-750
Other financial items	-177	-203	-	-	-	-	-177	-203
Income taxes paid	-13,850	-7,152	-886	-1,329	-	-	-14,736	-8,480
Cash flow from operating activities	34,470	27,048	-24,209	-8,397	-478	74	9,783	18,725
Investing activities								
Investments in intangible assets	-3,578	-4,185	-38	-24	-	-	-3,617	-4,209
Investments in tangible assets	-8,347	-6,751	-16	-8	-	-	-8,363	-6,759
Investment in leasing vehicles	-	-1	-6,764	-6,346	36	8	-6,728	-6,339
Disposals of in-/tangible assets and leasing vehicles	621	298	3,382	3,836	-8	-6	3,995	4,129
Operating cash flow	23,166	16,409	-27,646	-10,939	-450	76	-4,930	5,546
Investments of shares							-959	-1,050
Divestments of shares							323	157
Acquired operations ¹							333	-239
Divested operations							-2,303	153
Interest-bearing receivables incl. marketable securities							-215	-76
Cash flow after net investments							-7,749	4,491
Financing activities								
New borrowings ²							184,957	133,376
Repayments of borrowings ²							-167,668	-105,997
Dividend to owners of AB Volvo							-28,468	-26,435
Dividend to non-controlling interest							-235	-19
Other							-54	-20
Change in cash and cash equivalents excl. translation differences							-19,217	5,396
Translation difference on cash and cash equivalents							480	4,385
Change in cash and cash equivalents							-18,738	9,781
Cash and cash equivalents, beginning of period							83,886	62,126
Cash and cash equivalents, end of period							65,148	71,906

¹ Volvo Trucks has discontinued the acquisition of a heavy-duty truck manufacturing operation in China and recovered a previous advance payment.

² The comparative figures are restated due to a reclassification between new borrowings and repayments of borrowings.

CONSOLIDATED NET FINANCIAL POSITION

Net financial position excl. post-employment benefits and lease liabilities	Industrial Operations		Volvo Group	
	Sep 30 2023	Dec 31 2022	Sep 30 2023	Dec 31 2022
SEK bn				
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	120.4	105.1
Non-current interest-bearing receivables	2.8	7.2	1.9	1.8
Current interest-bearing assets				
Customer-financing receivables	-	-	112.3	88.9
Interest-bearing receivables	6.6	5.7	6.5	5.7
Internal funding	4.7	8.0	-	-
Marketable securities	0.1	0.1	0.1	0.1
Cash and cash equivalents	61.5	76.0	65.1	83.9
Total interest-bearing financial assets	75.6	97.0	306.3	285.4
Non-current interest-bearing liabilities				
Bond loans	-96.8	-102.9	-96.8	-102.9
Other loans	-21.3	-20.6	-32.4	-30.9
Internal funding	111.7	110.3	-	-
Current interest-bearing liabilities				
Bond loans	-51.6	-37.8	-51.6	-37.8
Other loans	-40.9	-22.9	-50.5	-32.8
Internal funding	88.5	50.8	-	-
Total interest-bearing financial liabilities excl. lease liabilities	-10.4	-23.1	-231.2	-204.4
Net financial position excl. post-employment benefits and lease liabilities	65.2	73.9	75.1	81.0

Provisions for post-employment benefits and lease liabilities, net	Industrial Operations		Volvo Group	
	Sep 30 2023	Dec 31 2022	Sep 30 2023	Dec 31 2022
SEK bn				
Non-current lease liabilities	-5.5	-4.8	-5.5	-4.8
Current lease liabilities	-2.0	-1.8	-2.0	-1.8
Provisions for post-employment benefits, net	-6.1	-6.0	-6.1	-6.0
Provisions for post-employment benefits and lease liabilities, net	-13.6	-12.6	-13.6	-12.6

Net financial position incl. post-employment benefits and lease liabilities	Industrial Operations		Volvo Group	
	Sep 30 2023	Dec 31 2022	Sep 30 2023	Dec 31 2022
SEK bn				
Net financial position excl. post-employment benefits and lease liabilities	65.2	73.9	75.1	81.0
Provisions for post-employment benefits and lease liabilities, net	-13.6	-12.6	-13.6	-12.6
Net financial position incl. post-employment benefits and lease liabilities	51.6	61.3	61.5	68.4

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Third quarter 2023	First nine months 2023
Net financial position excl. post-employment benefits and lease liabilities at the end of previous period	61.6	73.9
Operating cash flow	5.6	23.2
Investments and divestments of shares, net	0.3	-0.6
Acquired and divested operations, net	-1.5	-1.0
Capital injections to/from Financial Services	0.6	-0.4
Currency effect	-0.5	1.0
Dividend to owners of AB Volvo	-	-28.5
Dividend to non-controlling interest	-0.2	-0.2
Other changes	-0.7	-2.1
Net financial position excl. post-employment benefits and lease liabilities at the end of period	65.2	65.2
Provisions for post-employment benefits and lease liabilities at the end of previous period	-13.8	-12.6
Pension payments, included in operating cash flow	0.3	0.7
Remeasurements of defined post-employment benefits	0.5	0.4
Service costs and other pension costs	-0.3	-0.9
Investments, remeasurements and amortizations of lease contracts	-0.4	-0.8
Currency effect	0.2	-0.4
Other changes	-	-0.2
Provisions for post-employment benefits and lease liabilities at the end of period	-13.6	-13.6
Net financial position incl. post-employment benefits and lease liabilities at the end of period	51.6	51.6

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK M	Equity attributable to owners of AB Volvo	Non-controlling interest	Total equity
Balance as of December 31, 2021	141,045	3,073	144,118
Income for the period	32,722	247	32,969
Other comprehensive income for the period	15,417	179	15,596
Total comprehensive income for the period	48,140	425	48,565
Dividend	-26,435	-19	-26,454
Changes in non-controlling interests	-	40	40
Other changes	-33	-	-33
Transactions with shareholders	-26,468	20	-26,447
Balance as of December 31, 2022	162,717	3,519	166,236
Income for the period	37,772	74	37,846
Other comprehensive income for the period	2,010	-32	1,978
Total comprehensive income for the period	39,782	42	39,824
Dividend	-28,468	-235	-28,704
Changes in non-controlling interests	-	-29	-29
Other changes	-104	-	-104
Transactions with shareholders	-28,572	-264	-28,836
Balance as of September 30, 2023	173,927	3,296	177,223

QUARTERLY FIGURES

Income Statements, Volvo Group						First nine months	First nine months
SEK M unless otherwise stated	3/2023	2/2023	1/2023	4/2022	3/2022	2023	2022
Net sales	132,405	140,821	131,420	134,302	114,917	404,646	339,176
Cost of sales	-96,026	-101,900	-96,112	-103,227	-87,594	-294,037	-258,515
Gross income	36,380	38,920	35,308	31,076	27,324	110,609	80,662
Research and development expenses	-6,305	-6,819	-6,492	-6,893	-5,595	-19,616	-15,632
Selling expenses	-8,202	-8,329	-7,894	-8,239	-7,046	-24,426	-20,805
Administrative expenses	-1,686	-1,858	-1,663	-1,744	-1,383	-5,207	-4,136
Other operating income and expenses	-1,180	-6,873	-1,980	-2,292	-896	-10,033	-5,082
Income/loss from investments in Joint Ventures and associated companies	-665	-578	-171	-351	-536	-1,414	-982
Income/loss from other investments	-22	-2	-	-15	1	-23	147
Operating income	18,320	14,462	17,109	11,541	11,869	49,890	34,171
Interest income and similar credits	656	572	572	453	247	1,800	555
Interest expenses and similar charges	-272	-262	-314	-338	-262	-848	-868
Other financial income and expenses	-67	-362	-570	-1,237	-96	-999	800
Income after financial items	18,636	14,409	16,797	10,420	11,758	49,843	34,657
Income taxes	-4,543	-3,591	-3,863	-3,730	-3,071	-11,997	-8,379
Income for the period *	14,093	10,819	12,934	6,690	8,687	37,846	26,279
* Attributable to:							
Owners of AB Volvo	14,092	10,770	12,910	6,620	8,627	37,772	26,102
Non-controlling interest	1	49	24	70	61	74	176
	14,093	10,819	12,934	6,690	8,687	37,846	26,279
Key ratios, Volvo Group, %							
Gross margin	27.5	27.6	26.9	23.1	23.8	27.3	23.8
Research and development expenses as % of net sales	4.8	4.8	4.9	5.1	4.9	4.8	4.6
Selling expenses as % of net sales	6.2	5.9	6.0	6.1	6.1	6.0	6.1
Administrative expenses as % of net sales	1.3	1.3	1.3	1.3	1.2	1.3	1.2
Operating margin	13.8	10.3	13.0	8.6	10.3	12.3	10.1
Key ratios, Industrial Operations, %							
Gross margin	27.0	27.3	26.4	22.5	23.0	26.9	23.0
Research and development expenses as % of net sales	5.0	5.0	5.1	5.3	5.0	5.0	4.7
Selling expenses as % of net sales	5.8	5.5	5.6	5.7	5.7	5.6	5.7
Administrative expenses as % of net sales	1.3	1.4	1.3	1.3	1.2	1.3	1.3
Operating margin	13.7	10.0	12.8	8.2	9.9	12.1	10.4
EBITDA margin, Industrial Operations							
Operating income Industrial Operations	17,393	13,545	16,238	10,678	10,990	47,176	34,184
Product and software development, amortization	704	709	696	723	712	2,109	2,076
Other intangible assets, amortization	39	38	44	33	27	120	86
Tangible assets, depreciation	3,314	3,259	3,143	3,784	3,090	9,716	9,226
Total depreciation and amortization	4,057	4,006	3,883	4,541	3,828	11,945	11,387
Operating income before depreciation and amortization (EBITDA)	21,450	17,551	20,121	15,219	14,818	59,121	45,571
EBITDA margin, %	16.9	12.9	15.8	11.7	13.3	15.1	13.8
Net capitalization of research and development							
Capitalization	1,022	1,166	1,208	1,114	972	3,396	3,593
Amortization	-665	-670	-657	-677	-673	-1,992	-1,959
Net capitalization and amortization	357	496	551	438	300	1,404	1,634
Return on operating capital in Industrial Operations, % ¹	66.0	58.4	57.0	50.8	50.1		
Return on capital employed in Industrial Operations, % ¹	33.7	30.2	30.3	27.4	27.4		

¹ 12 months rolling.

QUARTERLY FIGURES

Net sales						First nine months	First nine months
SEK M	3/2023	2/2023	1/2023	4/2022	3/2022	2023	2022
Trucks	89,848	93,748	89,556	87,303	75,078	273,152	223,233
Construction Equipment	24,296	28,999	25,109	27,596	24,238	78,404	72,664
Buses	5,386	5,434	4,267	6,654	4,817	15,087	11,929
Volvo Penta	4,956	5,416	5,603	4,849	4,451	15,975	13,253
Group Functions & Other	3,954	3,629	3,779	4,985	3,793	11,361	11,392
Eliminations	-1,219	-1,236	-1,195	-1,175	-950	-3,650	-2,980
Industrial Operations	127,220	135,991	127,117	130,212	111,427	390,329	329,491
Financial Services	6,249	5,851	5,370	5,124	4,430	17,470	12,231
Eliminations	-1,064	-1,021	-1,067	-1,033	-940	-3,153	-2,546
Volvo Group net sales	132,405	140,821	131,420	134,301	114,917	404,646	339,176

Operating income						First nine months	First nine months
SEK M	3/2023	2/2023	1/2023	4/2022	3/2022	2023	2022
Trucks	13,397	8,950	12,854	7,644	7,539	35,201	24,332
Construction Equipment	3,733	5,353	4,587	3,093	3,541	13,673	9,813
Buses	340	219	-1,261	228	99	-703	126
Volvo Penta	790	804	1,271	468	593	2,865	2,059
Group Functions & Other	-878	-1,783	-1,225	-754	-778	-3,886	-2,158
Eliminations	11	3	12	-1	-4	26	13
Industrial Operations	17,393	13,545	16,238	10,678	10,990	47,176	34,184
Financial Services	927	916	871	863	879	2,714	-15
Eliminations	-	-	-	1	1	-	2
Volvo Group operating income	18,320	14,462	17,109	11,541	11,869	49,890	34,171

Adjusted operating income ¹						First nine months	First nine months
SEK M	3/2023	2/2023	1/2023	4/2022	3/2022	2023	2022
Trucks	14,038	14,950	12,715	8,274	7,307	41,703	25,547
Construction Equipment	3,733	5,353	4,587	3,093	3,773	13,673	10,151
Buses	340	219	178	228	99	736	126
Volvo Penta	790	804	1,271	468	593	2,865	2,061
Group Functions & Other	-860	-513	-1,225	-754	-778	-2,598	-2,157
Eliminations	11	3	12	-1	-4	26	13
Industrial Operations	18,051	20,815	17,538	11,308	10,990	56,405	35,741
Financial Services	1,062	916	871	863	879	2,850	2,553
Eliminations	-	-	-	1	1	-	2
Volvo Group adjusted operating income	19,114	21,732	18,409	12,171	11,869	59,254	38,295

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

Operating margin						First nine months	First nine months
%	3/2023	2/2023	1/2023	4/2022	3/2022	2023	2022
Trucks	14.9	9.5	14.4	8.8	10.0	12.9	10.9
Construction Equipment	15.4	18.5	18.3	11.2	14.6	17.4	13.5
Buses	6.3	4.0	-29.6	3.4	2.0	-4.7	1.1
Volvo Penta	15.9	14.8	22.7	9.7	13.3	17.9	15.5
Industrial Operations	13.7	10.0	12.8	8.2	9.9	12.1	10.4
Volvo Group operating margin	13.8	10.3	13.0	8.6	10.3	12.3	10.1

Adjusted operating margin						First nine months	First nine months
%	3/2023	2/2023	1/2023	4/2022	3/2022	2023	2022
Trucks	15.6	15.9	14.2	9.5	9.7	15.3	11.4
Construction Equipment	15.4	18.5	18.3	11.2	15.6	17.4	14.0
Buses	6.3	4.0	4.2	3.4	2.0	4.9	1.1
Volvo Penta	15.9	14.8	22.7	9.7	13.3	17.9	15.6
Industrial Operations	14.2	15.3	13.8	8.7	9.9	14.5	10.8
Volvo Group adjusted operating margin	14.4	15.4	14.0	9.1	10.3	14.6	11.3

QUARTERLY FIGURES

Share data						First nine months	First nine months
	3/2023	2/2023	1/2023	4/2022	3/2022	2023	2022
Earnings per share, SEK ¹	6.93	5.30	6.35	3.26	4.24	18.58	12.84
Earnings per share, SEK ¹ , 12 months rolling	21.84	19.15	18.98	16.09	16.77	-	-
Diluted earnings per share, SEK	6.93	5.30	6.35	3.26	4.24	18.58	12.84
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	-	-	-	-	-	-	-
Average number of own shares in millions	-	-	-	-	-	-	-

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 Report 2022 (available at www.volvogroup.com). As from January 1, 2023, a new long-term incentive plan has been adopted by the Annual General Meeting. The plan is accounted for in accordance with IFRS 2 Share-based payments. There are no other

new accounting policies applicable from 2023 that materially affects the Volvo Group.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities.

NOTE 2 | RISKS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Each of the Volvo Group's Business Areas and Truck Divisions monitors and manages risks in its operations. In addition, the Volvo Group utilizes a centralized Enterprise Risk Management (ERM) reporting process, which is a systematic and structured framework for reporting and reviewing risk assessments and mitigations as well as for follow-up on identified risks.

The ERM process classifies Volvo Group risks into five categories:

Macro and market related risks – such as the cyclical nature of the commercial vehicles industry, intense competition, extensive government regulations, political instability and security;

Operational risks – such as transformation and technology risk, new business models, risks related to industrial operations, reliance on suppliers and scarce materials, cost inflation and price increases, cybersecurity and IT infrastructure, strategic transactions such as mergers and acquisitions, partnerships and divestments as well as residual value commitments;

Climate and people risks – such as pandemics, climate and risk related to people and culture as well as human rights;

Compliance risks – such as non-compliance with data protection laws, protection and maintenance of intangible assets, legal proceedings 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 68-73 in the Volvo Group Annual Report 2022.

Risk updates

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

Update on supply situation and inflationary pressure

Our ability to deliver according to market demand depends significantly on obtaining a timely and adequate supply of materials, components and other vital services, as well as on our ability to properly utilize the capacity in the Group's different production and services facilities. At present, our supply chain and industrial system are strained in many areas due to e.g. shortages of labor, materials and components, and transport services. Further strains on the supply chain may also evolve from other events, including financial distress of suppliers and consequences of the war in Ukraine. There might be supply chain disturbances and stoppages in production going forward. Such disturbances could lead to higher costs and interruptions in production and delivery of Group products and services, that could have a material negative impact on the Group's financial performance.

The Group might experience higher input costs from increased prices on e.g. purchased material, freight and energy as well as higher labor costs. If the Group is unable to compensate for the higher input costs through increased prices on products and services sold, this could have a negative impact on the Group's financial performance.

Accounts receivable

Due to the prevailing business model in the construction equipment industry in China, with long payment terms to customers, a substantial part of the Volvo Group's accounts receivable is related to customers in this market. The weakened Chinese construction equipment market is currently impacting customers' and dealers' profitability negatively. This might affect their ability to honor their obligations to the Group and may consequently have a material adverse effect on the Group's financial result and position.

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 continue in the coming years. The Volvo Group will continuously assess the size of the provision as the matter develops.

Contingent liabilities and contingent assets

The reported amounts for contingent liabilities reflect a part of Volvo Group's risk exposure. Total contingent liabilities as of September 30, 2023, amounted to SEK 17.7 billion, a decrease of SEK 0.5 billion compared to December 31, 2022. The gross exposure of SEK 17.7 billion is partly reduced by counter guarantees and collaterals.

Legal proceedings

Starting in January 2011, the Volvo Group, together with a number of other truck manufacturers, was investigated by the European Commission in relation to a possible violation of EU antitrust rules. In July 2016 the European Commission adopted a settlement decision against the Volvo Group and other truck manufacturers finding that they were involved in an antitrust infringement which, in the case of the Volvo Group, covered a 14-year period from 1997 to 2011. The Volvo Group paid a monetary fine of EUR 670 million.

Following the adoption of the European Commission's settlement decision, the Volvo Group has received and is defending itself against a significant number of private damages claims brought by customers and other third parties alleging that they suffered loss, directly or indirectly, by reason of the conduct covered in the decision. The claims relate primarily to Volvo Group trucks sold during the 14-year period of the infringement and, in some cases, to trucks sold in certain periods after the infringement ended. Some claims have also been made against the Volvo Group that relate to trucks sold by other manufacturers. The truck manufacturers subject to the 2016 settlement decision are, in most countries, jointly and severally liable for any losses arising from the infringement.

In the region of 3,000 claims are being brought in over 20 countries (including EU Member States, the United Kingdom, Norway and Israel) by large numbers of claimants either acting individually or as part of a wider group or class of claimants. Further claims may be commenced. The litigation in many countries can be expected to run for several years.

Several hundred thousand trucks sold by the Volvo Group are currently subject to claims against it or other truck manufacturers, with claimants alleging that the infringement resulted in an increase in the prices paid for Volvo Group trucks which directly or indirectly caused them loss.

The Volvo Group maintains its firm view that no damage was caused to its customers or any third party by the conduct set out in the settlement decision, and in fact, the European Commission did not assess any potential effects of the infringement on the market. The Volvo Group considers that transaction prices our customers paid for their trucks were unaffected by the infringement and were the outcome of individual negotiations across all elements of their purchasing requirements, including not only the prices for new trucks but also (where relevant) associated products and services sold together with new trucks such as service contracts, financing, buy-back guarantees etc.

Litigation developments so far have been mixed with some adverse outcomes, although uncertainty regarding ultimate exposure to the litigation remains high and it is inherent in complex litigation that outlooks and risks fluctuate over time.

At this stage it is not possible to make a reliable estimate of the total liability that could arise from such proceedings given the complexity of the claims and the different (and in some cases relatively early) stages to which national proceedings have progressed. However, the litigation is substantial in scale and any adverse outcome or outcomes of some or all of the litigation, depending on the nature and extent of such outcomes, may have a material negative impact on the Volvo Group's financial results, cash flows and financial position. In light of progress in litigations and current risks, the Volvo Group has in Q2 2023 recognized a cost of SEK 6 billion, besides legal fees to advisors, which relate to aspects of the litigation that are currently possible to estimate and where an outflow of resources is probable. This is Volvo Group's current assessment, which may change as the litigation progresses.

Strike in the US

On October 8, the United Auto Workers (UAW) union informed Mack Trucks that their members had voted against ratification of a new five-year collective bargaining agreement covering about 3,900 employees at facilities in Pennsylvania, Maryland and Florida, including the powertrain plant, which supports the production of both Mack Trucks and Volvo, and Mack Trucks' assembly plant. Beginning on October 9, the UAW strike at all the covered facilities. If the strike continues for an extended period of time, it may result in negative financial consequences for the Volvo Group.

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

In Q3, the Volvo Group divested the Russian entities. The divestment resulted in a negative impact on the operating income of SEK 794 M and a total negative cash flow effect of SEK 2,499 M. The Volvo Group also divested its shares in the associated company WirelessCar Sweden AB.

The Volvo Group has not made any other acquisitions or divestments of operations during Q3 that have had a material impact on the financial statements.

Assets and liabilities held for sale

Assets and liabilities held for sale amounted to net SEK 260 M (-) as of September 30, 2023, mainly related to planned property divestments.

NOTE 4 | CURRENCY AND FINANCIAL INSTRUMENTS**Fair value of financial instruments**

Valuation principles and classifications of Volvo Group financial instruments, as described in Volvo Group Annual Report 2022 Note 30, 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 6.0 billion (6.3) and derivatives with negative fair values amounted to SEK 8.5 billion (9.0) as of September 30, 2023.

The derivatives are accounted for on gross basis. Financial liabilities valued at amortized cost, reported as non-current and current bond loans and other loans, amounted to SEK 232.9 billion (205.0) in reported carrying value with a fair value of SEK 229.6 billion (201.3). In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 5.7 billion (5.9).

Currency effect on operating income, Volvo Group SEK M	Compared to third quarter 2022		
	Third quarter 2023	Third quarter 2022	Change
Net flow in foreign currency			208
Realized and unrealized gains and losses on derivatives	-11	-18	6
Unrealized gains and losses on receivables and liabilities in foreign currency	1	-288	289
Translation effect on operating income in foreign subsidiaries			662
Total currency effect on operating income, Volvo Group			1,165

Applicable currency rates	Quarterly exchange rates		Close rates	
	Third quarter 2023	Third quarter 2022	Sep 30 2023	Sep 30 2022
BRL	2.21	2.01	2.15	2.06
CNY	1.49	1.54	1.48	1.57
EUR	11.76	10.62	11.49	10.92
GBP	13.69	12.41	13.27	12.41
KRW	0.0082	0.0079	0.0081	0.0078
USD	10.81	10.55	10.84	11.12

NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

SEK M	Sales of goods, services and other income		Purchases of goods, services and other expenses	
	Third quarter 2023	Third quarter 2022	Third quarter 2023	Third quarter 2022
Associated companies	597	353	50	35
Joint ventures	885	1,092	348	336

SEK M	Receivables		Payables	
	Sep 30 2023	Dec 31 2022	Sep 30 2023	Dec 31 2022
Associated companies	207	113	78	63
Joint ventures	391	472	146	122

NOTE 6 | RECONCILIATION OF ADJUSTED OPERATING INCOME

Adjusted operating income						First nine months	First nine months
SEK M	3/2023	2/2023	1/2023	4/2022	3/2022	2023	2022
Trucks	14,038	14,950	12,715	8,274	7,307	41,703	25,547
Construction Equipment	3,733	5,353	4,587	3,093	3,773	13,673	10,151
Buses	340	219	178	228	99	736	126
Volvo Penta	790	804	1,271	468	593	2,865	2,061
Group Functions & Other	-860	-513	-1,225	-754	-778	-2,598	-2,157
Eliminations	11	3	12	-1	-4	26	13
Industrial Operations	18,051	20,815	17,538	11,308	10,990	56,405	35,741
Financial Services	1,062	916	871	863	879	2,850	2,553
Eliminations	-	-	-	1	1	-	2
Volvo Group adjusted operating income	19,114	21,732	18,409	12,171	11,869	59,254	38,295

Adjustments						First nine months	First nine months
SEK M	3/2023	2/2023	1/2023	4/2022	3/2022	2023	2022
Adjustment items (segment)							
Financial impact related to Russia:							
Trucks	-640	-	-	-	232	-640	-1,215
Construction Equipment	-	-	-	-	-232	-	-338
Volvo Penta	-	-	-	-	-	-	-3
Group Functions & Other	-18	-	-	-	-	-18	-1
Financial Services	-136	-	-	-	-	-136	-2,568
Costs relating to claims arising from the European Commission's 2016 antitrust settlement decision (Trucks)	-	-6,000	-	-630	-	-6,000	-
Restructuring charges relating to the US bus production for Nova Bus (Group Functions & Other)	-	-1,270	-	-	-	-1,270	-
Restructuring charges relating to the European bus operation (Buses)	-	-	-1,300	-	-	-1,300	-
Previously announced provision for premature degradation of an emission control component:							
Trucks	-	-	139	-	-	139	-
Buses	-	-	-139	-	-	-139	-

Total adjustments							
Trucks	-640	-6,000	139	-630	232	-6,501	-1,215
Construction Equipment	-	-	-	-	-232	-	-338
Buses	-	-	-1,439	-	-	-1,439	-
Volvo Penta	-	-	-	-	-	-	-3
Group Functions & Other	-18	-1,270	-	-	-	-1,288	-1
Industrial Operations	-658	-7,270	-1,300	-630	-	-9,228	-1,557
Financial Services	-136	-	-	-	-	-136	-2,568
Eliminations	-	-	-	-	-	-	-
Volvo Group adjustments	-794	-7,270	-1,300	-630	-	-9,364	-4,125

Operating income						First nine months	First nine months
SEK M	3/2023	2/2023	1/2023	4/2022	3/2022	2023	2022
Trucks	13,397	8,950	12,854	7,644	7,539	35,201	24,332
Construction Equipment	3,733	5,353	4,587	3,093	3,541	13,673	9,813
Buses	340	219	-1,261	228	99	-703	126
Volvo Penta	790	804	1,271	468	593	2,865	2,059
Group Functions & Other	-878	-1,783	-1,225	-754	-778	-3,886	-2,158
Eliminations	11	3	12	-1	-4	26	13
Industrial Operations	17,393	13,545	16,238	10,678	10,990	47,176	34,184
Financial Services	927	916	871	863	879	2,714	-15
Eliminations	-	-	-	1	1	-	2
Volvo Group operating income	18,320	14,462	17,109	11,541	11,869	49,890	34,171

For reconciliation of other key ratios, see www.volvogroup.com

PARENT COMPANY

Income from investments in group companies for the third quarter includes dividends amounting to SEK 167 M (1,221) and a loss on the divestment of the Russian entity amounting to SEK 173 M.

Financial net debt amounted to SEK 30,748 M (22,213) at the end of the third quarter .

Income statement SEK M	Third quarter		First nine months	
	2023	2022	2023	2022
Net sales¹	71	52	225	183
Cost of sales ¹	-71	-52	-225	-183
Gross income	-	-	-	-
Operating expenses ¹	-503	-334	-1,338	-940
Operating income (loss)	-503	-334	-1,338	-940
Income from investments in group companies	-6	1,221	3,983	5,099
Income from investments in joint ventures and associated companies	-	-	76	34
Income from investments, other shares and participations	-	-	-	-
Interest income and expenses	-354	-112	-821	-276
Other financial income and expenses	9	5	-120	204
Income after financial items	-854	780	1,780	4,121
Appropriations	-	-	-	-
Income taxes	162	46	2,785	143
Income for the period	-692	826	4,565	4,264

¹ Of net sales in the third quarter, SEK 67 M (48) pertained to group companies, while purchases from group companies amounted to SEK 131 M (91).

Other comprehensive income				
Income for the period	-692	826	4,565	4,264
Other comprehensive income, net of income taxes	-	-	-	-
Total comprehensive income for the period	-692	826	4,565	4,264

Balance sheet		
SEK M	Sep 30 2023	Dec 31 2022
Assets		
Non-current assets		
Tangible assets	7	7
Financial assets		
Shares and participations in group companies	69,520	70,987
Investments in joint ventures and associated companies	8,946	8,946
Other shares and participations	2	2
Other non-current receivables	603	593
Deferred tax assets	641	217
Total non-current assets	79,719	80,752
Current assets		
Current receivables from group companies	1,025	29,316
Tax assets	4,106	-
Other current receivables	317	251
Total current assets	5,448	29,567
Total assets	85,167	110,319
Equity and liabilities		
Equity		
Restricted equity	9,899	9,899
Unrestricted equity	35,601	59,504
Total Equity	45,500	69,403
Untaxed reserves	7,500	7,500
Provisions	257	259
Non-current liabilities ¹	645	405
Current liabilities ²	31,265	32,752
Total equity and liabilities	85,167	110,319

¹ Of which SEK 640 M (400) pertains to group companies.

² Of which SEK 30,572 M (28,819) pertains to group companies.

Events after the balance sheet date

For important events, please see page 6. No other significant events have occurred after the end of the third quarter 2023 that are expected to have a material effect on the Volvo Group.

Gothenburg, October 18, 2023
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			First nine months		
	2023	2022	Change %	2023	2022	Change %
Number of trucks						
Net order intake						
Europe	21,154	32,329	-35	77,284	83,908	-8
Heavy- and medium-duty	17,592	26,090	-33	62,123	68,056	-9
Light-duty	3,562	6,239	-43	15,161	15,852	-4
North America	17,355	18,641	-7	41,222	34,389	20
South America	4,284	5,837	-27	15,798	22,527	-30
Asia	2,796	4,889	-43	13,368	14,538	-8
Africa and Oceania	1,613	2,993	-46	7,878	8,309	-5
Total order intake	47,202	64,689	-27	155,550	163,671	-5
Heavy-duty (>16 tons)	38,687	52,891	-27	126,985	135,745	-6
Medium-duty (7-16 tons)	4,937	5,513	-10	13,265	11,839	12
Light-duty (<7 tons)	3,578	6,285	-43	15,300	16,087	-5
Total order intake	47,202	64,689	-27	155,550	163,671	-5
Net order intake of trucks by brand						
Volvo						
Europe	11,293	19,097	-41	41,522	42,655	-3
North America	5,580	7,614	-27	16,992	17,557	-3
South America	4,157	5,676	-27	15,309	21,762	-30
Asia	2,389	3,976	-40	10,899	11,040	-1
Africa and Oceania	1,100	1,946	-43	5,350	5,786	-8
Total Volvo	24,519	38,309	-36	90,072	98,800	-9
Heavy-duty (>16 tons)	23,846	36,956	-35	87,363	95,277	-8
Medium-duty (7-16 tons)	673	1,353	-50	2,709	3,523	-23
Total Volvo	24,519	38,309	-36	90,072	98,800	-9
Renault Trucks						
Europe	9,861	13,232	-25	35,762	41,253	-13
Heavy- and medium-duty	6,299	6,993	-10	20,601	25,401	-19
Light-duty	3,562	6,239	-43	15,161	15,852	-4
North America	15	41	-63	78	138	-43
South America	35	87	-60	187	379	-51
Asia	407	913	-55	2,469	3,498	-29
Africa and Oceania	344	335	3	1,233	1,057	17
Total Renault Trucks	10,662	14,608	-27	39,729	46,325	-14
Heavy-duty (>16 tons)	6,035	6,162	-2	20,178	24,670	-18
Medium-duty (7-16 tons)	1,049	2,161	-51	4,251	5,568	-24
Light-duty (<7 tons)	3,578	6,285	-43	15,300	16,087	-5
Total Renault Trucks	10,662	14,608	-27	39,729	46,325	-14
Mack						
North America	11,760	10,986	7	24,152	16,694	45
South America	92	74	24	290	310	-6
Africa and Oceania	98	356	-72	545	536	2
Total Mack	11,950	11,416	5	24,987	17,540	42
Heavy-duty (>16 tons)	8,752	9,471	-8	18,795	15,014	25
Medium-duty (7-16 tons)	3,198	1,945	64	6,192	2,526	145
Total Mack	11,950	11,416	5	24,987	17,540	42

DELIVERIES

Deliveries of trucks Number of trucks	Third quarter		Change %	First nine months		Change %
	2023	2022		2023	2022	
Deliveries						
Europe	26,546	23,857	11	92,565	82,755	12
Heavy- and medium-duty	20,236	19,258	5	71,800	68,478	5
Light-duty	6,310	4,599	37	20,765	14,277	45
North America	15,041	13,312	13	47,012	42,293	11
South America	5,635	8,611	-35	15,495	23,236	-33
Asia	4,842	4,532	7	16,486	12,947	27
Africa and Oceania	3,210	2,991	7	9,089	8,493	7
Total deliveries	55,274	53,303	4	180,647	169,724	6
Heavy-duty (>16 tons)	44,795	45,174	-1	145,834	144,129	1
Medium-duty (7-16 tons)	4,086	3,509	16	13,760	11,174	23
Light-duty (<7 tons)	6,393	4,620	38	21,053	14,421	46
Total deliveries	55,274	53,303	4	180,647	169,724	6
Deliveries of trucks by brand						
Volvo						
Europe	14,024	12,845	9	47,404	44,934	5
North America	7,640	7,282	5	24,283	23,148	5
South America	5,494	8,308	-34	14,954	22,331	-33
Asia	3,803	3,505	9	12,895	10,131	27
Africa and Oceania	2,226	2,010	11	5,895	5,523	7
Total Volvo	33,187	33,950	-2	105,431	106,067	-1
Heavy-duty (>16 tons)	32,147	33,131	-3	102,042	103,492	-1
Medium-duty (7-16 tons)	1,040	819	27	3,389	2,575	32
Total Volvo	33,187	33,950	-2	105,431	106,067	-1
Renault Trucks						
Europe	12,522	11,012	14	45,161	37,821	19
Heavy- and medium-duty	6,212	6,413	-3	24,396	23,544	4
Light-duty	6,310	4,599	37	20,765	14,277	45
North America	63	15	320	181	62	192
South America	44	131	-66	271	467	-42
Asia	1,039	1,027	1	3,591	2,816	28
Africa and Oceania	376	401	-6	1,500	1,190	26
Total Renault Trucks	14,044	12,586	12	50,704	42,356	20
Heavy-duty (>16 tons)	6,393	6,581	-3	24,574	23,415	5
Medium-duty (7-16 tons)	1,258	1,385	-9	5,077	4,520	12
Light-duty (<7 tons)	6,393	4,620	38	21,053	14,421	46
Total Renault Trucks	14,044	12,586	12	50,704	42,356	20
Mack						
North America	7,338	6,015	22	22,548	19,083	18
South America	84	127	-34	233	360	-35
Africa and Oceania	327	233	40	886	602	47
Total Mack	7,749	6,375	22	23,667	20,045	18
Heavy-duty (>16 tons)	6,012	5,168	16	18,522	16,281	14
Medium-duty (7-16 tons)	1,737	1,207	44	5,145	3,764	37
Total Mack	7,749	6,375	22	23,667	20,045	18

This is information that AB Volvo (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication, through the agency of the contact person set out in the press release concerning this report, at 07:20 CEST on October 18, 2023.

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. Forward-looking statements are subject to risks and uncertainties. Results could differ materially from forward-looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

This report is based solely on the circumstances at the date of publication and except to the extent required under applicable law, AB Volvo is under no obligation to update the information, opinions or forward-looking statements in this report.

Financial calendar

Report on the fourth quarter and full year 2023	January 26, 2024
Annual and Sustainability Report 2023	February 29, 2024
Annual General Meeting 2024	March 27, 2024
Report on the first quarter 2024	April 17, 2024
Report on the second quarter 2024	July 18, 2024
Report on the third quarter 2024	October 18, 2024

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