

V O L V O

Report on the second quarter 2023

Volvo Group



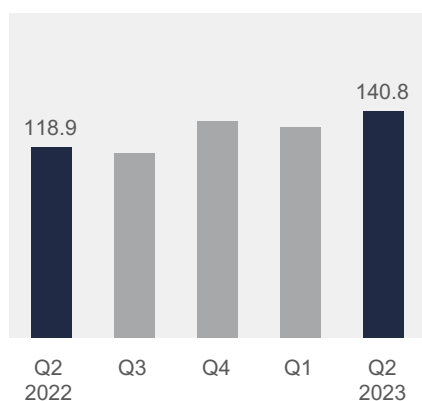
Volvo Buses has received two orders for a total of 189 electric buses from Stagecoach, one of the UK's largest coach and bus operators.

The second quarter in brief

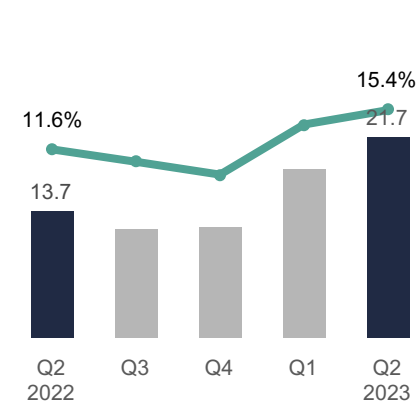
- In Q2 2023, net sales increased by 18% to SEK 140.8 billion (118.9). Adjusted for currency movements, the increase was 11%.
- Adjusted operating income¹ amounted to SEK 21,732 M (13,745), corresponding to an adjusted operating margin of 15.4% (11.6). Adjusted operating income excludes a negative effect of SEK 1,270 M from a previously announced restructuring provision in Nova Bus and costs of SEK 6,000 M relating to claims arising from the European Commission's 2016 antitrust settlement decision. For more information, please see Legal Proceedings in Note 2.
- Reported operating income amounted to SEK 14,462 M (13,745).
- Currency movements had a positive impact on operating income of SEK 817 M.
- Earnings per share amounted to SEK 5.30 (5.14).
- Operating cash flow in the Industrial Operations amounted to SEK 12,553 M (7,199).
- Return on capital employed in Industrial Operations amounted to 30.2% (26.8).

SEK M unless otherwise stated	Second quarter		First six months	
	2023	2022	2023	2022
Net sales	140,821	118,943	272,241	224,259
Adjusted operating income ¹	21,732	13,745	40,141	26,426
Adjusted operating margin, %	15.4	11.6	14.7	11.8
Operating income	14,462	13,745	31,571	22,301
Operating margin, %	10.3	11.6	11.6	9.9
Income after financial items	14,409	13,873	31,206	22,899
Income for the period	10,819	10,520	23,753	17,591
Earnings per share, SEK	5.30	5.14	11.65	8.59
Operating cash flow in Industrial Operations	12,553	7,199	17,556	1,799
Net financial position in Industrial Operations, SEK bn ²			61.6	44.2
Return on capital employed in Industrial Operations, % ³			30.2	26.8
Return on equity in Financial Services, % ³			10.7	3.5
Return on equity in Financial Services excluding Russian and Belarus operations, % ³			13.9	17.0
Net order intake, number of trucks	48,308	53,388	108,348	98,982
Deliveries, number of trucks	63,842	60,833	125,373	116,421
Net order intake, number of construction equipment	12,421	21,089	25,763	41,772
Deliveries, number of construction equipment	16,940	22,398	31,408	43,177

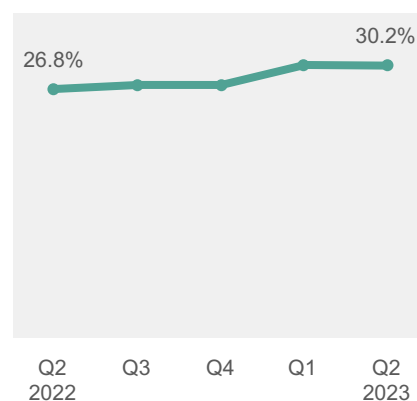
Net sales, SEK bn



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.

CEO'S COMMENTS

Record earnings

In Q2 2023, the Volvo Group continued to perform well, with continued growth and improved profitability. We increased our net sales by 18% to SEK 140.8 billion and the adjusted operating income by SEK 8.0 billion to SEK 21.7 billion, corresponding to an adjusted operating margin of 15.4% (11.6). Thanks to a strong commercial focus, we have been successful in improving margins while managing cost inflation and increased disturbances in the supply chain. Return on capital employed rose to 30.2% (26.8).

Transport volumes and infrastructure activity remain on good levels in most of our markets, but have come down from recent highs. Our service sales grew by 11% adjusted for currency supported by continued good vehicle and machine utilization at our customers and our own efforts to develop service offers that keep our customers' trucks and businesses moving.

Our Industrial Operations generated an operating cash flow of SEK 12.6 billion (7.2) and at the end of the quarter we had a net cash position of SEK 61.6 billion, excluding pension and lease liabilities. A good profitability and strong finances are crucial for us to be able to continue investing in, and taking advantage of, the biggest technological shift ever in our industries.

In Q2, order intake for new trucks declined by 10% to 48,300 vehicles, which reflects the fact that we have continued to be restrictive in slotting orders and also more cautiousness among customers. Deliveries on the other hand, increased by 5% compared to the previous year and amounted to 63,800 trucks. This is the result of hard work across the whole value chain to handle continued supply disturbances. Net sales in our truck business grew by 19% to SEK 93.7 billion, with strong sales in almost all regions. The adjusted operating margin increased to 15.9% (12.2).

Construction Equipment's net sales increased by 12% to SEK 29.0 billion with a good development for our Volvo products and the adjusted operating margin rose to 18.5% (13.8). However, there are signs of demand weakening in some markets due to the overall economic development and rising interest rates, which is cooling down the activity especially within residential construction. Order intake decreased by 41%, which is a consequence of lower demand in Europe and China as well as us having been restrictive in our order slotting.



In Q2, net sales in the Bus segment rose by 34% and amounted to SEK 5.4 billion, driven by a continued rebound for coaches and an improvement in the service business. The adjusted operating margin improved to 4.0% (0.2). To secure the competitiveness of our Nova Bus business, we have decided to focus on Canada and end the production of buses in the US, which has been loss-making, by Q1 2025.

"We continue to push innovation and investments to stay in the forefront of the transformation. The importance of performing today to be able to transform for tomorrow will be decisive for the years to come."

Volvo Penta's net sales rose by 18% to SEK 5.4 billion on a softening market. The adjusted operating margin amounted to 14.8% (15.2).

For Volvo Financial Services, the credit portfolio continued to grow and credit losses remained low, reflecting good customer profitability. The adjusted operating income amounted to SEK 916 M (792).

We are gradually entering into a more normalized demand situation with record strong profitability and high operational performance. At the same time, we continue to push innovation and investments to stay in the forefront of the transformation. The importance of performing today to be able to transform for tomorrow will be decisive for the years to come. This will benefit our customers, our shareholders and society as a whole, today and in the future.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE SECOND QUARTER 2023

Net sales

In Q2 2023, the Volvo Group's net sales amounted to SEK 140,821 M compared with SEK 118,943 M in the same quarter the preceding year. Sales increased in all business areas and in almost all regions.

Adjusted for currency movements, net sales increased by 11%, of which vehicle sales increased by 12% and service sales by 11%.

Operating income

In Q2 2023, adjusted operating income amounted to SEK 21,732 M (13,745), corresponding to an adjusted operating margin of 15.4% (11.6).

The adjusted operating income in Q2 2023 excludes a negative effect of SEK 1,270 M from a previously announced restructuring provision in Nova Bus in the Group Functions & Other segment and

costs of SEK 6,000 M relating to claims arising from the European Commission's 2016 antitrust settlement decision in the Trucks segment. For more information, please see Legal Proceedings in Note 2. There were no adjustments in Q2 2022. For more information on adjusted operating income, please also see Note 6.

Compared with Q2 2022, the higher adjusted operating income is mainly an effect of price realization and favorable brand and product mix. This was partly offset by higher material costs, increased R&D expenses and lower production efficiency.

Currency movements, compared with Q2 2022, had a positive impact of SEK 817 M.

Reported operating income in Q2 2023 amounted to SEK 14,462 M (13,745).

Net sales SEK M	Second quarter		Change %	First six months		Change %
	2023	2022		2023	2022	
Net sales per geographical region						
Europe	59,553	47,621	25	117,074	94,186	24
North America	42,186	34,851	21	82,339	64,712	27
South America	12,049	13,153	-8	21,615	21,989	-2
Asia	17,765	16,141	10	34,253	30,255	13
Africa and Oceania	9,267	7,177	29	16,959	13,117	29
Total net sales	140,821	118,943	18	272,241	224,259	21
Net sales per product group						
Vehicles	109,305	92,234	19	210,035	172,269	22
Services	31,515	26,708	18	62,205	51,990	20
Total net sales	140,821	118,943	18	272,241	224,259	21
Timing of revenue recognition						
Revenue of vehicles and services recognized at the point of delivery	128,657	109,532	17	248,536	205,871	21
Revenue of vehicles and services recognized over contract period	12,163	9,411	29	23,705	18,389	29
Total net sales	140,821	118,943	18	272,241	224,259	21

Consolidated Income Statement SEK M	Second quarter		First six months	
	2023	2022	2023	2022
Net sales	140,821	118,943	272,241	224,259
Cost of sales	-101,900	-90,221	-198,012	-170,921
Gross income	38,920	28,721	74,229	53,338
Research and development expenses	-6,819	-5,454	-13,310	-10,037
Selling expenses	-8,329	-6,977	-16,224	-13,760
Administrative expenses	-1,858	-1,432	-3,521	-2,753
Other operating income and expenses	-6,873	-809	-8,853	-4,187
Income/loss from investments in joint ventures and associated companies	-578	-323	-749	-446
Income/loss from other investments	-2	19	-2	146
Operating income	14,462	13,745	31,571	22,301
Interest income and similar credits	572	182	1,144	308
Interest expenses and similar charges	-262	-277	-576	-606
Other financial income and expenses	-362	222	-932	896
Income after financial items	14,409	13,873	31,206	22,899
Income taxes	-3,591	-3,352	-7,453	-5,308
Income for the period *	10,819	10,520	23,753	17,591
* Attributable to:				
Owners of AB Volvo	10,770	10,443	23,680	17,476
Non-controlling interest	49	78	73	116
	10,819	10,520	23,753	17,591
Basic earnings per share, SEK	5.30	5.14	11.65	8.59
Diluted earnings per share, SEK	5.30	5.14	11.65	8.59

Financial items

In Q2 2023, interest income was SEK 572 M (182) as a consequence of higher interest on financial assets, whereas interest expenses amounted to SEK 262 M (277).

Other financial income and expenses amounted to SEK -362 M (222). The change is primarily due to revaluation effects of financial assets and liabilities.

Income taxes

In Q2 2023, income taxes amounted to SEK 3,591 M (3,352). The tax rate was 25% (24).

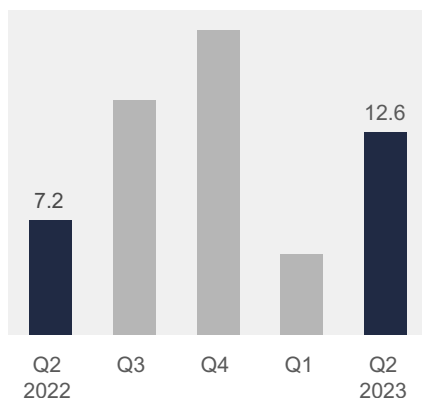
Income for the period and earnings per share

In Q2 2023, income for the period amounted to SEK 10,819 M (10,520). Earnings per share amounted to SEK 5.30 (5.14).

Operating cash flow in the Industrial Operations

During Q2 2023, operating cash flow in the Industrial Operations was positive in an amount of SEK 12,553 M (7,199). Compared with Q2 2022, the increased operating cash flow is primarily related to the improved earnings, partly offset by higher inventories.

Operating cash flow
Industrial Operations, SEK bn



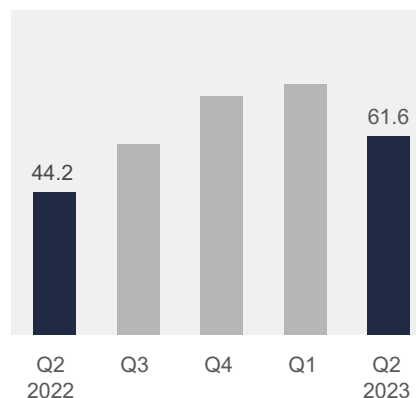
Volvo Group financial position

During Q2 2023, net financial assets in the Industrial Operations, excluding provisions for post-employment benefits and lease liabilities, decreased by SEK 16.1 billion resulting in a net financial asset position of SEK 61.6 billion (44.2) on June 30, 2023. The change is mainly explained by the dividend paid to AB Volvo shareholders of SEK 28.5 billion and the positive operating cash flow of SEK 12.6 billion. Currency movements increased net financial assets by SEK 1.1 billion.

Including provisions for post-employment benefits and lease liabilities, the Industrial Operations net financial assets amounted to SEK 47.8 billion (38.0) on June 30, 2023. During Q2 2023, remeasurements of defined benefit pension plans had a positive impact of SEK 0.9 billion. The remeasurements were primarily an effect of higher discount rates, partly offset by lower return on assets.

On June 30, 2023, total equity for the Volvo Group amounted to SEK 165.8 billion compared with SEK 166.2 billion at year-end 2022. The equity ratio was 24.4% (26.4). On the same date the equity ratio in the Industrial Operations amounted to 32.0% (34.1).

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



Number of employees	Jun 30 2023	Mar 31 2023	Dec 31 2022	Jun 30 2022
Blue-collar	54,100	53,486	51,779	52,826
Whereof temporary employees and consultants	9,021	8,567	7,064	9,008
White-collar	51,096	50,765	50,376	48,658
Whereof temporary employees and consultants	7,341	7,366	7,405	7,147
Total number of employees	105,196	104,251	102,155	101,484
Whereof temporary employees and consultants	16,362	15,933	14,469	16,155

Number of employees

On June 30, 2023, the Volvo Group had 105,196 employees, including temporary employees and consultants, compared with 101,484 employees on June 30 2022. The number of blue-collar employees increased by 1,274 and the number of white-collar employees increased by 2,438. 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

Stephen Roy new member of the Volvo Group Executive Board and President of Mack Trucks

Stephen Roy was appointed as a new member of Volvo Group's Executive Board and President of Mack Trucks. Stephen Roy began his Volvo Group career in 1996 and was previously Head of Region North America for Volvo Construction Equipment. He took on his new position on June 1. He succeeded Martin Weissburg, who retired after a long and successful career in the Volvo Group.

Nova Bus ends bus production in the US

Nova Bus is exiting bus production in the US market. Consequently, the company has decided to close its Plattsburgh manufacturing and delivery facility by 2025. Production in North America will be focused to its Canadian facilities located in Saint-Eustache and Saint-François-du-Lac (Quebec) and Nova Bus will continue its successful Canadian business, where it is the market leader. A restructuring provision of SEK 1,270 M negatively impacted the Volvo Group's operating income in the second quarter of 2023. The provision is reported in the segment Group Functions & Other.

Mats Backman new Chief Financial Officer and member of the Volvo Group Executive Board

Mats Backman has been appointed as Chief Financial Officer and a new member of Volvo Group's Executive Board. He will succeed Jan Ytterberg, who as previously communicated, will continue as Volvo Group senior advisor. Mats Backman has held many senior positions in Swedish industry and has extensive international experience. He has been the Chief Financial Officer for companies such as Sandvik, Autoliv and Veoneer. He will take on his new position during the second half of 2023. The exact date is yet to be decided.

Joint venture with Westport

In July, Volvo Group and Westport signed a letter of intent to establish a joint venture for high-pressure gas injection fuel systems (HPDI) with a 45/55 ownership split. Westport will contribute with current HPDI assets, activities, including fixed assets, intellectual property, and business into the joint venture. Volvo will acquire 45% in the joint venture for approximately SEK 300 M (USD 28 M) plus up to an additional approximately SEK 500 M (USD 45 M) depending on the performance of the joint venture. The transaction has no significant impact on the Volvo Group's earnings or financial position.

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

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

BUSINESS SEGMENT OVERVIEW

Net sales SEK M	Second quarter		Change %	Change % ¹	First six months		Change %	Change % ¹	12 months rolling	Jan-Dec 2022
	2023	2022			2023	2022				
Trucks	93,748	78,603	19	12	183,304	148,155	24	16	345,685	310,536
Construction Equipment	28,999	25,814	12	7	54,108	48,427	12	6	105,942	100,261
Buses	5,434	4,062	34	26	9,701	7,112	36	27	21,172	18,583
Volvo Penta	5,416	4,597	18	11	11,019	8,802	25	18	20,319	18,102
Group Functions & Other	3,629	3,750	-3	-8	7,407	7,598	-3	-8	16,186	16,376
Eliminations	-1,236	-1,106	-	-	-2,431	-2,030	-	-	-4,557	-4,155
Industrial Operations	135,991	115,719	18	11	263,108	218,065	21	13	504,747	459,703
Financial Services	5,851	4,067	44	36	11,221	7,801	44	34	20,774	17,355
Reclassifications and eliminations	-1,021	-844	-	-	-2,088	-1,606	-	-	-4,061	-3,579
Volvo Group net sales	140,821	118,943	18	11	272,241	224,259	21	14	521,460	473,479

¹ Adjusted for exchange rate fluctuations.

Adjusted operating income ¹ SEK M	Second quarter		Change %	First six months		Change %	12 months rolling	Jan-Dec 2022
	2023	2022		2023	2022			
Trucks	14,950	9,551	57	27,665	18,240	52	43,246	33,821
Construction Equipment	5,353	3,568	50	9,940	6,378	56	16,806	13,244
Buses	219	7	3,087	397	27	1,366	723	353
Volvo Penta	804	699	15	2,075	1,468	41	3,136	2,530
Group Functions & Other	-513	-890	-42	-1,738	-1,379	26	-3,270	-2,911
Eliminations	3	19	-	15	16	-	10	12
Industrial Operations	20,815	12,953	61	38,353	24,751	55	60,651	47,049
Financial Services	916	792	16	1,787	1,674	7	3,529	3,416
Reclassifications and eliminations	-	-	-	-	1	-	1	2
Volvo Group adjusted operating income	21,732	13,745	58	40,141	26,426	52	64,181	50,467
Adjustments ¹	-7,270	-	-	-8,570	-4,125	-	-9,200	-4,755
Volvo Group operating income	14,462	13,745	5	31,571	22,301	42	54,981	45,712

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

Adjusted operating margin %	Second quarter		First six months		12 months rolling	Jan-Dec 2022
	2023	2022	2023	2022		
Trucks	15.9	12.2	15.1	12.3	12.5	10.9
Construction Equipment	18.5	13.8	18.4	13.2	15.9	13.2
Buses	4.0	0.2	4.1	0.4	3.4	1.9
Volvo Penta	14.8	15.2	18.8	16.7	15.4	14.0
Industrial Operations	15.3	11.2	14.6	11.4	12.0	10.2
Volvo Group adjusted operating margin	15.4	11.6	14.7	11.8	12.3	10.7
Volvo Group operating margin	10.3	11.6	11.6	9.9	10.5	9.7

TRUCKS

All-time high profitability

- In Q2, net sales increased by 19% to SEK 93,748 M
- Adjusted operating income increased to SEK 14,950 M (9,551) with a margin of 15.9% (12.2)
- Deliveries increased by 5% while order intake decreased by 10%



Market development

In Q2, truck fleet utilization in Europe and North America continued to be on a good level. In both regions, larger fleets continue their replacement cycles while smaller companies have become more cautious because of lower freight volumes and spot rates as well as softer used truck prices.

In South America, the market continued to cool off following the prebuy of Euro V trucks in 2022 ahead of the new Euro VI emission legislation introduced on January 1, 2023.

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

In China the total market started to rebound from low levels in March, and this development continued during Q2.

Orders and deliveries

In Q2, the Volvo Group's truck brands were restrictive in slotting orders too far out in time due to extended order backlogs.

Order intake in Europe decreased by 7% to 24,840 trucks while deliveries increased by 11% to 33,169 trucks. Volvo Trucks' total heavy-duty market share through May decreased to 17.9% (19.3) while the electric heavy-duty market share increased to 50.7% (36.9). Renault Trucks' heavy-duty total market share decreased to 8.9% (9.6) and the electric heavy-duty market share amounted to 18.0% (18.8).

Order intake in North America decreased by 11% to 8,708 trucks while deliveries increased by 6% to 15,960 vehicles. Volvo Trucks' heavy-duty truck market share through May decreased to 9.2% (10.5). Mack Trucks' market share increased to 5.9% (5.8).

In South America, order intake decreased by 32% to 6,302 trucks and deliveries decreased by 36% to 5,385 vehicles. In Brazil, Volvo Trucks' heavy-duty truck market share through June decreased to 23.0% (25.8).

Order intake in Asia increased by 7% to 5,236 vehicles and deliveries increased by 25% to 5,902 vehicles, mainly driven by the Middle East.

In Q2, order intake for fully electric trucks decreased by 38% to 677 (1,097) vehicles. Deliveries of fully electric trucks increased by 251% to 759 (216) vehicles.

Order intake in the Indian joint venture, VE Commercial Vehicles, increased by 3% to 14,092 vehicles while deliveries increased by 8% to 14,381 vehicles.

Deliveries from the Chinese joint venture, Dongfeng Commercial Vehicles increased by 40% to 32,674 trucks.

Total market development	First six months		Change %	Full year 2022	Forecast 2023	Change vs. previous forecast
	2023	2022				
Registrations, number of trucks						
Europe 29 ¹ heavy-duty	129,711	109,486	18	264,100	-	-
Europe 30 ¹ heavy-duty	145,340	122,673	18	298,066	330,000	+10 000
North America heavy-duty (retail)	137,163	111,256	23	309,916	330,000	+10 000
Brazil heavy-duty	39,114	43,641	-10	97,856	80,000	unchanged
China ² medium- and heavy-duty	395,617	343,999	15	566,130	650,000	unchanged
India medium- and heavy-duty	194,574	178,866	9	350,797	400,000	unchanged

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

² Previous year has been adjusted to exclude exports.

Net order intake	Second quarter		Change %	First six months		Change %
	2023	2022		2023	2022	
Number of trucks						
Europe	24,840	26,595	-7	56,130	51,579	9
Heavy- and medium-duty	18,476	22,335	-17	44,531	41,966	6
Light-duty	6,364	4,260	49	11,599	9,613	21
North America	8,708	9,731	-11	23,867	15,748	52
South America	6,302	9,336	-32	11,514	16,690	-31
Asia	5,236	4,883	7	10,572	9,649	10
Africa and Oceania	3,222	2,843	13	6,265	5,316	18
Total order intake	48,308	53,388	-10	108,348	98,982	9
Heavy-duty (>16 tons)	38,397	45,993	-17	88,298	82,854	7
Medium-duty (7-16 tons)	3,497	3,054	15	8,328	6,326	32
Light-duty (<7 tons)	6,414	4,341	48	11,722	9,802	20
Total order intake	48,308	53,388	-10	108,348	98,982	9
Volvo	29,597	33,334	-11	65,553	60,491	8
Renault Trucks	13,326	15,576	-14	29,067	31,717	-8
Heavy- and medium-duty	6,912	11,235	-38	17,345	21,915	-21
Light-duty	6,414	4,341	48	11,722	9,802	20
Mack	5,104	4,093	25	13,037	6,124	113
Other brands	281	385	-27	691	650	6
Total order intake	48,308	53,388	-10	108,348	98,982	9
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	14,092	13,726	3	34,682	31,612	10

Deliveries	Second quarter		Change %	First six months		Change %
	2023	2022		2023	2022	
Number of trucks						
Europe	33,169	29,809	11	66,019	58,898	12
Heavy- and medium-duty	24,862	24,944	-	51,564	49,220	5
Light-duty	8,307	4,865	71	14,455	9,678	49
North America	15,960	15,073	6	31,971	28,981	10
South America	5,385	8,380	-36	9,860	14,625	-33
Asia	5,902	4,718	25	11,644	8,415	38
Africa and Oceania	3,426	2,853	20	5,879	5,502	7
Total deliveries	63,842	60,833	5	125,373	116,421	8
Heavy-duty (>16 tons)	50,355	52,066	-3	101,039	98,955	2
Medium-duty (7-16 tons)	5,070	3,847	32	9,674	7,665	26
Light-duty (<7 tons)	8,417	4,920	71	14,660	9,801	50
Total deliveries	63,842	60,833	5	125,373	116,421	8
Volvo	36,455	38,256	-5	72,244	72,117	-
Renault Trucks	19,164	15,030	28	36,660	29,770	23
Heavy- and medium-duty	10,747	10,110	6	22,000	19,969	10
Light-duty	8,417	4,920	71	14,660	9,801	50
Mack	7,960	7,152	11	15,918	13,670	16
Other brands	263	395	-33	551	864	-36
Total deliveries	63,842	60,833	5	125,373	116,421	8
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	14,381	13,279	8	34,398	31,139	10
Dongfeng Commercial Vehicle Company (Dongfeng Trucks)	32,674	23,262	40	46,858	43,823	7

Net sales and operating income SEK M	Second quarter		Change %	First six months		Change %
	2023	2022		2023	2022	
Net sales per geographical region						
Europe	43,080	34,492	25	85,756	67,991	26
North America	27,762	23,951	16	55,369	44,531	24
South America	9,101	9,962	-9	16,326	16,743	-2
Asia	8,070	5,794	39	15,603	10,590	47
Africa and Oceania	5,734	4,405	30	10,250	8,300	23
Total net sales	93,748	78,603	19	183,304	148,155	24
Net sales per product group						
Vehicles	75,851	63,018	20	147,605	117,485	26
Services	17,897	15,585	15	35,699	30,671	16
Total net sales	93,748	78,603	19	183,304	148,155	24
Timing of revenue recognition						
Revenue of vehicles and services recognized at the point of delivery	88,384	74,017	19	172,779	139,034	24
Revenue of vehicles and services recognized over contract period	5,364	4,586	17	10,525	9,121	15
Total net sales	93,748	78,603	19	183,304	148,155	24
Adjusted operating income ¹	14,950	9,551	57	27,665	18,241	52
Adjustments	-6,000	-	-	-5,861	-1,447	-
Operating income	8,950	9,551	-6	21,804	16,794	30
Adjusted operating margin, %	15.9	12.2		15.1	12.3	
Operating margin, %	9.5	12.2		11.9	11.3	

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

Net sales and operating income

In Q2 2023, the truck operation's net sales amounted to SEK 93,748 M, which was 19% higher than in Q2 2022. Excluding currency effects, net sales increased by 12% with sales of vehicles increasing by 13% and sales of services by 8%.

Adjusted operating income increased to SEK 14,950 (9,551), corresponding to an adjusted operating margin of 15.9% (12.2). Adjusted operating income excludes costs of SEK 6,000 M relating to claims arising from the European Commission's 2016 antitrust settlement decision. For more information, please see Legal Proceedings in Note 2. There were no adjustments in Q2 2022. For more information on adjusted operating income, see Note 6.

Compared with Q2 2022, the higher adjusted operating income is primarily an effect of price realization, which was partly offset by increased material costs and R&D expenses as well as lower production efficiency. Compared with Q2 2022, currency movements had a positive impact of SEK 633 M. Reported operating income amounted to SEK 8,950 M (9,551).

Important events

In May, Volvo Trucks signed a letter of intent to sell 1,000 electric trucks until 2030 to Holcim, one of the world's largest building solution providers. The deal is the largest commercial order to date for Volvo electric trucks. The first 130 trucks will be delivered in 2023 and 2024.

Also in May, it was announced that Volvo Trucks and Jiangling Motors Co., Ltd would not pursue the previously announced transaction which involved the acquisition of JMC Heavy Duty Vehicle Co., Ltd, and its manufacturing site in Taiyuan, Shanxi province, China. Volvo Trucks continues to export trucks to customers in China.

Net order intake of fully electric trucks	Second quarter		Change %	First six months		Change %
	2023	2022		2023	2022	
Number of trucks						
Volvo	410	612	-33	896	814	10
Renault Trucks	258	476	-46	582	768	-24
Heavy- and medium-duty	113	173	-35	287	311	-8
Light-duty	145	303	-52	295	457	-35
Mack	9	9	-	24	9	167
Total order intake	677	1,097	-38	1,502	1,591	-6

Deliveries of fully electric trucks	Second quarter		Change %	First six months		Change %
	2023	2022		2023	2022	
Number of trucks						
Volvo	337	83	306	687	144	377
Renault Trucks	417	127	228	748	257	191
Heavy- and medium-duty	168	93	81	296	175	69
Light-duty	249	34	632	452	82	451
Mack	5	6	-17	7	8	-13
Total deliveries	759	216	251	1,442	409	253

CONSTRUCTION EQUIPMENT

Record earnings despite lower deliveries

- In Q2, deliveries decreased by 24%, primarily due to China
- Both adjusted and reported operating income increased to SEK 5,353 M (3,568), with a margin of 18.5% (13.8)
- Service sales increased by 4%, adjusted for currency



Market development

Overall, the development in major markets outside of China continued to be good in Q2, with growth in North America, flat markets in Europe and Asia outside of China, while South America continued to be weak.

In the North American market, demand continued to be solid with the continued execution of large infrastructure projects and strong commercial construction more than offsetting a weakness in residential construction amid high interest rates.

In Europe, market growth has flattened in line with a weaker macroeconomic outlook, an elevated inflation and higher interest rates.

In South America, investment levels remain low in Brazil due to weak business confidence among customers.

The Chinese market continued to have a significant negative correction due to the prebuy effect related to the emissions regulations change at the end of last year in addition to lower economic activity.

Development in other Asian markets were positive due to growth in India and the Middle East more than offsetting a weakness in markets such as South Korea and Thailand.

Orders and deliveries

In Q2, net order intake declined by 41%. Order intake continued to be heavily impacted by low order intake in China reflecting a weaker market and the prebuy in Q4 last year. Cautiousness among customers and dealers in Europe also impacted order intake negatively. Order intake in North America decreased due to restrictive order slotting.

In Q2, deliveries decreased by 24% as a consequence of lower demand in China and a slowdown in Brazil. Deliveries increased in Europe and more substantially in North America supported by favorable market conditions.

Total market development	Year-to-date May		Forecast	Previous forecast
Change in % measured in units	2023		2023	2023
Europe	4		-5% to +5%	-5% to +5%
North America	9		0% to +10%	-5% to +5%
South America	-24		-20% to -10%	-20% to -10%
Asia excl. China	4		-5% to +5%	-5% to +5%
China	-40		-40% to -30%	-15% to -5%

Net order intake	Second quarter		Change	First six months		Change
Number of construction equipment	2023	2022	%	2023	2022	%
Europe	2,282	3,768	-39	5,508	8,917	-38
North America	1,064	2,045	-48	3,660	3,299	11
South America	638	825	-23	1,116	1,510	-26
Asia	7,394	13,471	-45	13,798	26,325	-48
Africa and Oceania	1,043	980	6	1,681	1,721	-2
Total orders	12,421	21,089	-41	25,763	41,772	-38
Large and medium construction equipment	9,785	16,039	-39	19,834	31,114	-36
Compact construction equipment	2,636	5,050	-48	5,929	10,658	-44
Of which fully electric	205	171	20	464	312	49
Total orders	12,421	21,089	-41	25,763	41,772	-38
Of which:						
Volvo	6,115	9,237	-34	15,276	18,613	-18
SDLG	6,233	11,777	-47	10,347	23,038	-55
Of which in China	4,510	9,839	-54	7,356	19,022	-61

Deliveries	Second quarter		Change %	First six months		Change %
	2023	2022		2023	2022	
Number of construction equipment						
Europe	4,655	4,400	6	9,039	9,215	-2
North America	2,650	1,967	35	4,984	3,702	35
South America	645	1,516	-57	1,043	2,467	-58
Asia	7,939	13,471	-41	14,309	26,169	-45
Africa and Oceania	1,051	1,044	1	2,033	1,624	25
Total deliveries	16,940	22,398	-24	31,408	43,177	-27
Large and medium construction equipment	12,903	17,067	-24	23,568	32,282	-27
Compact construction equipment	4,037	5,331	-24	7,840	10,895	-28
Of which fully electric	228	169	35	430	282	52
Total deliveries	16,940	22,398	-24	31,408	43,177	-27
Of which:						
Volvo	10,634	10,546	1	20,921	20,018	5
SDLG	6,233	11,777	-47	10,347	23,038	-55
Of which in China	4,510	9,839	-54	7,356	19,022	-61

Net sales and operating income	Second quarter		Change %	First six months		Change %
	2023	2022		2023	2022	
SEK M						
Net sales per geographical region						
Europe	9,413	7,607	24	18,023	14,996	20
North America	8,123	5,669	43	14,660	10,431	41
South America	1,105	1,890	-42	1,864	2,980	-37
Asia	8,042	8,716	-8	15,140	16,844	-10
Africa and Oceania	2,315	1,931	20	4,421	3,175	39
Total net sales	28,999	25,814	12	54,108	48,427	12
Net sales per product group						
Construction equipment	24,986	22,154	13	46,174	41,137	12
Services	4,013	3,660	10	7,934	7,290	9
Total net sales	28,999	25,814	12	54,108	48,427	12
Timing of revenue recognition						
Revenue of vehicles and services recognized at the point of delivery	28,299	25,187	12	52,769	47,205	12
Revenue of vehicles and services recognized over contract period	700	626	12	1,339	1,222	10
Total net sales	28,999	25,814	12	54,108	48,427	12
Adjusted operating income ¹	5,353	3,568	50	9,940	6,378	56
Adjustments	-	-	-	-	-106	-
Operating income	5,353	3,568	50	9,940	6,272	58
Adjusted operating margin, %	18.5	13.8		18.4	13.2	
Operating margin, %	18.5	13.8		18.4	13.0	

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

Net sales and operating income

In Q2 2023, net sales increased by 12% to SEK 28,999 M (25,814). Adjusted for currency movements net sales increased by 7%, of which sales of machines were up by 7% and service sales by 4%.

Both adjusted and reported operating income amounted to SEK 5,353 M (3,568), corresponding to an operating margin of 18.5% (13.8). Compared with Q2 2022, the higher operating income is an effect of positive brand and product mix and price realization, which were partially offset by decreased volumes and lower production efficiency as well as higher R&D and selling expenses. Compared with Q2 2022, currency movements had a positive impact of SEK 229 M.

Important events

During Q2, Volvo Construction Equipment announced the creation of a new dedicated business unit for its range of compact machines and solutions, with the aim of driving growth and profitability in this important and growing product segment.

Volvo CE continued the global rollout of electric machines with a launch event in Singapore for the Southeast Asian markets and a launch in Tokyo for the important Japanese market.

BUSES

Improved service sales and profitability

- In Q2, order intake increased by 23% while deliveries were flat
- Both adjusted and reported operating income increased to SEK 219 M (7) with a margin of 4.0% (0.2)
- Service sales increased by 23%, adjusted for currency

In Q2, global demand for new buses continued to be high, particularly for coaches. In the city bus segment, demand for electric buses continued to increase.

Compared with Q2 2022, net order intake increased by 23% to 1,743 units, primarily supported by large coach orders in North America and important electric bus orders to Stagecoach in the UK. Deliveries were stable at 1,277 units, with higher deliveries in North America, but lower deliveries in South America and Europe.

In Q2, net sales increased by 34% to SEK 5,434 M (4,062). Adjusted for currency, net sales increased by 26%, whereof vehicle sales increased by 26% and service sales by 23%.



Both adjusted and reported operating income amounted to SEK 219 M (7), corresponding to an operating margin of 4.0% (0.2). Compared with Q2 2022, the higher operating income is an effect of price realization, increased service sales and a positive mix, whereas material costs increased. Compared with Q2 2022, currency movements had a positive impact of SEK 116 M.

During Q2, Volvo Buses signed Letters of Intent with body builders MCV in Egypt and Sunsundegui in Spain, with the intention to produce bodies under license to support the new business model for Europe, which was announced in Q1.

The electric city bus LUMINUS was launched in Mexico. It is based on the BZL technology, will come in different lengths, battery configurations and be equipped with important safety systems.

Net order intake and deliveries ¹	Second quarter		Change %	First six months		Change %
	2023	2022		2023	2022	
Number of buses						
Total orders	1,743	1,422	23	3,582	3,186	12
Of which fully electric	317	78	306	365	130	181
Of which hybrids	4	40	-90	7	52	-87
Total deliveries	1,277	1,295	-1	2,461	2,242	10
Of which fully electric	131	39	236	165	70	136
Of which hybrids	52	46	13	96	49	96
Net sales and operating income						
SEK M						
Net sales per geographical region						
Europe	1,968	1,455	35	3,309	2,452	35
North America	2,104	1,534	37	3,848	2,777	39
South America	378	361	5	678	608	11
Asia	363	315	15	728	563	29
Africa and Oceania	622	397	57	1,138	713	60
Total net sales	5,434	4,062	34	9,701	7,112	36
Net sales per product group						
Vehicles	4,080	3,023	35	7,067	5,105	38
Services	1,354	1,038	30	2,635	2,007	31
Total net sales	5,434	4,062	34	9,701	7,112	36
Timing of revenue recognition						
Revenue of vehicles and services recognized at the point of delivery	5,210	3,877	34	9,274	6,771	37
Revenue of vehicles and services recognized over contract period	225	184	22	427	342	25
Total net sales	5,434	4,062	34	9,701	7,112	36
Adjusted operating income ¹	219	7	3,087	397	27	1,366
Adjustments	-	-	-	-1,439	-	-
Operating income	219	7	3,087	-1,042	27	-
Adjusted operating margin, %	4.0	0.2		4.1	0.4	
Operating margin, %	4.0	0.2		-10.7	0.4	

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

VOLVO PENTA

Strong sales in a softening market

- In Q2, net sales increased by 18%, while order intake decreased by 11%
- Both adjusted and reported operating income amounted to SEK 804 M (699), with a margin of 14.8% (15.2)
- Innovative news for net zero transformation in both marine and industrial segments



In Q2, a continued weakening demand for smaller boats caused a slight decline in the marine leisure segment. In the marine commercial segment, the market for supply boats and patrol vessels continued to be strong. Demand for power generation solutions was still high but with signs of normalization as the global energy situation has stabilized. The construction market, especially in China, as well as mining and material handling declined while demand in agriculture, forestry and special vehicles remained on good levels.

Compared with Q2 2022, net order intake decreased by 11% impacted by uncertainty in the market, which makes some customers therefore shorten their planning horizons. Deliveries decreased by 3%.

Net sales increased by 18% to SEK 5,416 M (4,597). Adjusted for currency movements, net sales increased by 11%, of which sales of engines increased by 10% and sales of services by 13%.

Both adjusted and reported operating income amounted to SEK 804 M (699), corresponding to an operating margin of 14.8% (15.2).

Price realization and a favorable product mix contributed positively, while higher material costs, increased selling expenses and lower production efficiency had a negative effect. Compared with Q2 2022, the currency impact on operating income was positive in an amount of SEK 145 M.

Several innovative news were launched in both marine and industrial segments. In June, media, dealers, and boat owners were invited by Groupe Beneteau and Volvo Penta to test a new hybrid electric experience onboard a Jeanneau NC 37 yacht with the aim to gather insights for data-driven continued development.

The Volvo Penta Inboard Performance System (IPS) professional platform was introduced, offering a powerful and flexible solution for professional vessels and superyachts from 25 to 55+ meters. The platform is prepared for a range of energy sources.

An enhanced Volvo Penta joystick, which integrates steering, throttle, and shift into a single control, was also announced.

The longstanding partnership with Fantuzzi Team Material Handling was expanded into electrification of forklifts ranging from 26 to 55 tonnes.

Net order intake and deliveries	Second quarter			First six months		
	2023	2022	Change %	2023	2022	Change %
Number of Engines						
Total orders	8,602	9,641	-11	22,091	23,956	-8
Of which fully electric	9	-	-	30	18	67
Total deliveries	11,261	11,601	-3	23,988	23,115	4
Of which fully electric	31	3	933	51	9	467
Net sales and operating income						
SEK M						
Net sales per geographical region						
Europe	2,871	2,416	19	5,843	4,761	23
North America	1,054	970	9	2,098	1,748	20
South America	186	172	8	349	315	11
Asia	936	791	18	2,003	1,491	34
Africa and Oceania	369	248	49	725	486	49
Total net sales	5,416	4,597	18	11,019	8,802	25
Net sales per product group						
Engines	3,897	3,317	17	8,150	6,375	28
Services	1,519	1,281	19	2,868	2,427	18
Total net sales	5,416	4,597	18	11,019	8,802	25
Timing of revenue recognition						
Revenue of vehicles and services recognized at the point of delivery	5,407	4,597	18	11,009	8,802	25
Revenue of vehicles and services recognized over contract period	9	-	-	9	-	-
Total net sales	5,416	4,597	18	11,019	8,802	25
Adjusted operating income ¹	804	699	15	2,075	1,468	41
Adjustments	-	-	-	-	-3	-
Operating income	804	699	15	2,075	1,465	42
Adjusted operating margin, %	14.8	15.2		18.8	16.7	
Operating margin, %	14.8	15.2		18.8	16.6	

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

FINANCIAL SERVICES

Growing portfolio with good earnings

- In Q2, new business volume increased 6%, adjusted for currency
- Both adjusted and reported operating income amounted to SEK 916 M (792)
- Stable portfolio performance



In Q2 2023, Volvo Financial Services continued to grow the credit portfolio and increase earnings.

Compared with Q2 2022, new business volume excluding Russia and Belarus was up by 6%, currency adjusted, primarily due to higher sales of Group products, although penetration declined in a competitive environment. Adjusted for currency, the credit portfolio grew by 19% on a year over year basis.

Portfolio performance remained stable in most parts of the world due to continued high transport volumes and infrastructure activity levels.

Both adjusted and reported operating income amounted to SEK 916 M (792). The increase in operating income is primarily a result of continued profitable portfolio growth, which was partially offset by spread compression. Currency movements had a negative impact of SEK 17 M compared with Q2 2022.

Return on equity amounted to 10.7% (3.5). Excluding Russia and Belarus, return on equity amounted to 13.9% (17.0).

Financial Services SEK M unless otherwise stated	Second quarter		First six months	
	2023	2022	2023	2022
Number of financed units, 12 months rolling			66,867	70,149
Total penetration rate, 12 months rolling, % ¹			27	30
New retail financing volume, SEK billion	29.2	26.0	54.3	48.2
Credit portfolio net, SEK billion			251	197
Credit portfolio net excluding Russian and Belarus operations, SEK billion			252	192
Credit provision expenses	107	40	268	3,073
Credit provision expenses excluding Russian and Belarus operations	151	38	277	105
Adjusted operating income ²	916	792	1,787	1,674
Adjustments ²	-	-	-	-2,568
Operating income	916	792	1,787	-894
Credit reserves, % of credit portfolio			2.69	3.23
Credit reserves, % of credit portfolio excluding Russian and Belarus operations			1.49	1.76
Return on equity, 12 months rolling, %			10.7	3.5
Return on equity excluding Russian and Belarus operations, 12 months rolling, % ²			13.9	17.0

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

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

CONSOLIDATED INCOME STATEMENT SECOND QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Net sales	135,991	115,719	5,851	4,067	-1,021	-844	140,821	118,943
Cost of sales	-98,894	-88,651	-4,028	-2,415	1,021	844	-101,900	-90,221
Gross income	37,097	27,068	1,823	1,653	-	-	38,920	28,721
Research and development expenses	-6,819	-5,454	-	-	-	-	-6,819	-5,454
Selling expenses	-7,482	-6,255	-847	-722	-	-	-8,329	-6,977
Administrative expenses	-1,854	-1,428	-4	-3	-	-	-1,858	-1,432
Other operating income and expenses	-6,822	-674	-51	-136	-	-	-6,873	-809
Income/loss from investments in joint ventures and associated companies	-578	-323	-	-	-	-	-578	-323
Income/loss from other investments	4	19	-5	-	-	-	-2	19
Operating income	13,545	12,953	916	792	-	-	14,462	13,745
Interest income and similar credits	700	236	-	-	-128	-54	572	182
Interest expenses and similar charges	-390	-331	-	-	128	54	-262	-277
Other financial income and expenses	-362	222	-	-	-	-	-362	222
Income after financial items	13,493	13,080	916	792	-	-	14,409	13,873
Income taxes	-3,360	-3,181	-230	-171	-	-	-3,591	-3,352
Income for the period *	10,133	9,900	686	620	-	-	10,819	10,520
* Attributable to:								
Owners of AB Volvo							10,770	10,443
Non-controlling interest							49	78
							10,819	10,520
Basic earnings per share, SEK							5.30	5.14
Diluted earnings per share, SEK							5.30	5.14
Key ratios, %								
Gross margin	27.3	23.4					27.6	24.1
Research and development expenses as % of net sales	5.0	4.7					4.8	4.6
Selling expenses as % of net sales	5.5	5.4					5.9	5.9
Administrative expenses as % of net sales	1.4	1.2					1.3	1.2
Operating margin	10.0	11.2					10.3	11.6

CONSOLIDATED OTHER COMPREHENSIVE INCOME SECOND QUARTER

SEK M	2023	2022
Income for the period	10,819	10,520
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	727	5,356
Remeasurements of holding of shares at fair value	9	-17
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	3,675	7,688
Share of OCI related to joint ventures and associated companies	428	773
Accumulated translation difference reversed to income	-	-
Other comprehensive income, net of income taxes	4,838	13,800
Total comprehensive income for the period *	15,657	24,320
* Attributable to:		
Owners of AB Volvo	15,633	24,100
Non-controlling interest	24	220
	15,657	24,320

CONSOLIDATED INCOME STATEMENT FIRST SIX MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Net sales	263,108	218,065	11,221	7,801	-2,088	-1,606	272,241	224,259
Cost of sales	-192,495	-167,979	-7,605	-4,550	2,088	1,607	-198,012	-170,921
Gross income	70,613	50,086	3,616	3,251	-	1	74,229	53,338
Research and development expenses	-13,310	-10,037	-	-	-	-	-13,310	-10,037
Selling expenses	-14,596	-12,379	-1,627	-1,380	-	-	-16,224	-13,760
Administrative expenses	-3,514	-2,746	-7	-6	-	-	-3,521	-2,753
Other operating income and expenses	-8,663	-1,428	-189	-2,759	-	-	-8,853	-4,187
Income/loss from investments in joint ventures and associated companies	-749	-446	-	-	-	-	-749	-446
Income/loss from other investments	4	146	-5	-	-	-	-2	146
Operating income	29,783	23,194	1,787	-894	-	1	31,571	22,301
Interest income and similar credits	1,429	375	-	-	-285	-68	1,144	308
Interest expenses and similar charges	-861	-674	-	-	285	68	-576	-606
Other financial income and expenses	-932	896	-	-	-	-	-932	896
Income after financial items	29,419	23,792	1,787	-894	-	1	31,206	22,899
Income taxes	-6,974	-5,424	-479	116	-	-	-7,453	-5,308
Income for the period *	22,445	18,368	1,308	-778	-	1	23,753	17,591
* Attributable to:								
Owners of AB Volvo							23,680	17,476
Non-controlling interest							73	116
							23,753	17,591
Basic earnings per share, SEK							11.65	8.59
Diluted earnings per share, SEK							11.65	8.59
Key ratios, %								
Gross margin	26.8	23.0					27.3	23.8
Research and development expenses as % of net sales	5.1	4.6					4.9	4.5
Selling expenses as % of net sales	5.5	5.7					6.0	6.1
Administrative expenses as % of net sales	1.3	1.3					1.3	1.2
Operating margin	11.3	10.6					11.6	9.9

CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST SIX MONTHS

SEK M	2023	2022
Income for the period	23,753	17,591
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	-17	8,416
Remeasurements of holding of shares at fair value	10	-42
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	3,743	10,711
Share of OCI related to joint ventures and associated companies	544	1,159
Accumulated translation difference reversed to income	-	-
Other comprehensive income, net of income taxes	4,281	20,244
Total comprehensive income for the period *	28,033	37,835
* Attributable to:		
Owners of AB Volvo	27,973	37,487
Non-controlling interest	60	348
	28,033	37,835

CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Jun 30 2023	Dec 31 2022	Jun 30 2023	Dec 31 2022	Jun 30 2023	Dec 31 2022	Jun 30 2023	Dec 31 2022
Assets								
Non-current assets								
Intangible assets	43,341	41,471	88	73	-	-	43,429	41,544
<i>Tangible assets</i>								
Property, plant and equipment	67,206	63,112	59	50	-	-	67,265	63,162
Assets under operating leases	35,690	34,109	22,051	21,372	-13,234	-11,963	44,508	43,518
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	21,455	21,583	-	-	-	-	21,455	21,583
Other shares and participations	887	587	20	18	-	-	906	605
Non-current customer-financing receivables	1,859	1,903	119,043	105,536	-2,208	-2,375	118,694	105,064
Net pension assets	2,676	2,722	2	5	-	-	2,678	2,727
Non-current interest-bearing receivables	7,370	7,227	-	1,153	-5,050	-6,578	2,320	1,803
Other non-current receivables	10,752	10,997	285	227	-212	-202	10,825	11,022
Deferred tax assets	15,023	12,219	2,188	1,969	-	-	17,211	14,189
Total non-current assets	206,258	195,931	143,737	130,404	-20,704	-21,118	329,291	305,217
Current assets								
Inventories	92,939	75,382	300	307	-	-	93,239	75,689
<i>Current receivables</i>								
Customer-financing receivables	1,212	1,128	109,695	89,145	-1,342	-1,409	109,565	88,864
Tax assets	3,721	1,489	524	570	-	-	4,246	2,059
Interest-bearing receivables	6,443	5,690	1,035	-	-1,059	-27	6,419	5,663
Internal funding	11,230	7,991	-	-	-11,230	-7,991	-	-
Accounts receivable	48,308	46,672	1,801	1,548	-	-	50,108	48,220
Other receivables	23,988	21,390	2,859	3,302	-5,755	-5,319	21,092	19,373
Marketable securities	97	93	-	-	-	-	97	93
Cash and cash equivalents	54,900	76,005	10,369	9,688	-1,450	-1,806	63,819	83,886
Assets held for sale	718	-	-	-	-	-	718	-
Total current assets	243,555	235,840	126,583	104,560	-20,836	-16,553	349,303	323,847
Total assets	449,814	431,771	270,319	234,964	-41,540	-37,671	678,594	629,064
Equity and liabilities								
Equity attributable to owners of AB Volvo	140,568	143,921	21,626	18,796	-	-	162,194	162,717
Non-controlling interest	3,566	3,519	-	-	-	-	3,565	3,519
Total equity	144,134	147,439	21,626	18,796	-	-	165,759	166,236
<i>Non-current provisions</i>								
Provisions for post-employment benefits	9,236	8,690	60	55	-	-	9,296	8,745
Other provisions	13,339	12,330	76	66	-	-	13,415	12,396
<i>Non-current liabilities</i>								
Bond loans	105,145	102,887	-	-	-	-	105,145	102,887
Other loans	21,945	25,446	12,804	12,325	-1,923	-2,086	32,826	35,684
Internal funding	-114,902	-110,254	122,185	98,310	-7,283	11,944	-	-
Deferred tax liabilities	3,238	3,060	2,351	2,412	-	-	5,589	5,472
Other liabilities	55,491	51,351	1,573	1,467	-8,498	-7,270	48,565	45,549
Current provisions	21,296	13,095	22	24	-	-	21,318	13,119
<i>Current liabilities</i>								
Bond loans	53,471	37,794	-	-	-	-	53,471	37,794
Other loans	33,296	24,666	12,674	11,163	-1,216	-1,247	44,754	34,583
Internal funding	-73,307	-50,804	85,299	79,677	-11,992	-28,873	-	-
Trade payables	94,723	89,174	918	1,003	-	-	95,641	90,177
Tax liabilities	7,587	6,147	735	760	-	-	8,323	6,907
Other liabilities	75,122	70,749	9,997	8,906	-10,628	-10,138	74,491	69,517
Liabilities held for sale	1	-	-	-	-	-	1	-
Total equity and liabilities	449,814	431,771	270,319	234,964	-41,540	-37,671	678,594	629,064
Key ratios, %								
Equity ratio	32.0	34.1	8.0	8.0			24.4	26.4
Equity attributable to owners of AB Volvo, per share in SEK							79.8	80.0
Return on operating capital ¹	58.4	50.8						
Return on capital employed ¹	30.2	27.4						
Return on equity ¹			10.7	-0.3			23.2	20.7

¹ 12 months rolling

CONSOLIDATED CASH FLOW STATEMENT SECOND QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Operating activities								
Operating income	13,545	12,953	916	792	-	-	14,462	13,745
Amortization intangible assets	746	723	8	17	-	-	753	740
Depreciation tangible assets	2,120	1,953	5	6	-	-	2,126	1,959
Depreciation leasing vehicles	1,139	1,140	1,272	1,139	-	-	2,411	2,279
Other non-cash items	6,840	288	257	182	-	-107	7,097	363
Total change in working capital whereof	-4,927	-3,626	-11,771	-5,188	-234	49	-16,931	-8,766
<i>Change in accounts receivables</i>	86	-2,412	-235	-62	-	-	-149	-2,474
<i>Change in customer-financing receivables</i>	12	-9	-12,039	-5,613	-172	-18	-12,199	-5,641
<i>Change in inventories</i>	-5,366	-2,192	-57	-48	-	-	-5,423	-2,239
<i>Change in trade payables</i>	1,009	665	-147	91	-	-	862	756
<i>Other changes in working capital</i>	-668	322	708	443	-62	67	-22	832
Dividends received from joint ventures and associated companies	108	54	-	-	-	-	108	54
Interest and similar items received	791	135	-	-	-128	97	663	232
Interest and similar items paid	-409	-235	-	-	114	10	-296	-225
Other financial items	-130	-131	-	-	-	-	-130	-131
Income taxes paid	-3,941	-2,846	-383	-864	-	-	-4,324	-3,710
Cash flow from operating activities	15,882	10,409	-9,695	-3,917	-248	49	5,939	6,542
Investing activities								
Investments in intangible assets	-1,212	-1,319	-20	-9	-	-	-1,232	-1,328
Investments in tangible assets	-2,619	-2,071	-4	-4	-	-	-2,623	-2,074
Investment in leasing vehicles	-	-	-2,556	-2,137	4	-	-2,552	-2,137
Disposals of in-/tangible assets and leasing vehicles	502	179	1,086	1,483	-2	-3	1,586	1,659
Operating cash flow	12,553	7,199	-11,188	-4,583	-247	46	1,118	2,662
Investments of shares							-271	-99
Divestment of shares							8	-
Acquired operations ¹							358	-36
Divested operations							-	-
Interest-bearing receivables incl. marketable securities							-106	328
Cash flow after net investments							1,107	2,854
Financing activities								
New borrowings ²							64,843	49,957
Repayments of borrowings ²							-58,976	-47,666
Dividend to owners of AB Volvo							-28,468	-26,435
Dividend to non-controlling interest							-	-
Other							-31	-55
Change in cash and cash equivalents excl. translation differences							-21,525	-21,345
Translation difference on cash and cash equivalents							1,166	2,225
Change in cash and cash equivalents							-20,359	-19,120
Cash and cash equivalents, beginning of quarter							84,178	73,388
Cash and cash equivalents, end of quarter							63,819	54,268

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 CASH FLOW STATEMENT FIRST SIX MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Operating activities								
Operating income	29,783	23,194	1,787	-894	-	1	31,571	22,301
Amortization intangible assets	1,486	1,423	16	26	-	-	1,502	1,449
Depreciation tangible assets	4,188	3,813	10	12	-	-	4,199	3,825
Depreciation leasing vehicles	2,214	2,323	2,484	2,266	-	-	4,698	4,589
Other non-cash items	8,700	2,117	486	3,146	-1	-123	9,184	5,140
Total change in working capital whereof	-12,665	-19,516	-22,436	-9,539	-523	29	-35,624	-29,026
<i>Change in accounts receivables</i>	99	-3,686	-360	-68	-	-	-262	-3,754
<i>Change in customer-financing receivables</i>	71	-5	-23,141	-10,773	-369	-1	-23,440	-10,780
<i>Change in inventories</i>	-14,862	-9,957	-3	-79	-	-	-14,865	-10,036
<i>Change in trade payables</i>	2,909	-4,763	-140	82	-	-	2,769	-4,681
<i>Other changes in working capital</i>	-882	-1,104	1,208	1,300	-154	30	173	226
Dividends received from joint ventures and associated companies	108	54	-	-	-	-	108	54
Interest and similar items received	1,515	243	-	-	-285	103	1,230	346
Interest and similar items paid	-1,029	-658	-	-	292	20	-737	-639
Other financial items	-157	-53	-	-	-	-	-157	-53
Income taxes paid	-9,543	-4,672	-668	-1,141	-	-	-10,212	-5,813
Cash flow from operating activities	24,599	8,269	-18,321	-6,124	-517	29	5,761	2,174
Investing activities								
Investments in intangible assets	-2,527	-2,664	-28	-12	-	-	-2,556	-2,676
Investments in tangible assets	-5,083	-4,017	-7	-5	-	-	-5,089	-4,022
Investment in leasing vehicles	-	-1	-4,472	-4,254	32	4	-4,440	-4,250
Disposals of in-/tangible assets and leasing vehicles	567	212	2,314	2,874	-4	-6	2,877	3,080
Operating cash flow	17,556	1,799	-20,514	-7,521	-490	28	-3,447	-5,695
Investments of shares							-944	-624
Divestments of shares							8	157
Acquired operations ¹							350	-36
Divested operations							196	153
Interest-bearing receivables incl. marketable securities							-182	-53
Cash flow after net investments							-4,019	-6,098
Financing activities								
New borrowings ²							109,570	99,120
Repayments of borrowings ²							-98,500	-77,459
Dividend to owners of AB Volvo							-28,468	-26,435
Dividend to non-controlling interest							-	-
Other							-27	-18
Change in cash and cash equivalents excl. translation differences							-21,445	-10,890
Translation difference on cash and cash equivalents							1,378	3,032
Change in cash and cash equivalents							-20,067	-7,857
Cash and cash equivalents, beginning of period							83,886	62,126
Cash and cash equivalents, end of period							63,819	54,268

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	
	Jun 30 2023	Dec 31 2022	Jun 30 2023	Dec 31 2022
SEK bn				
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	118.7	105.1
Non-current interest-bearing receivables	7.4	7.2	2.3	1.8
Current interest-bearing assets				
Customer-financing receivables	-	-	109.6	88.9
Interest-bearing receivables	6.4	5.7	6.4	5.7
Internal funding	11.2	8.0	-	-
Marketable securities	0.1	0.1	0.1	0.1
Cash and cash equivalents	54.9	76.0	63.8	83.9
Total interest-bearing financial assets	80.0	97.0	300.9	285.4
Non-current interest-bearing liabilities				
Bond loans	-105.1	-102.9	-105.1	-102.9
Other loans	-16.7	-20.6	-27.7	-30.9
Internal funding	114.9	110.3	-	-
Current interest-bearing liabilities				
Bond loans	-53.5	-37.8	-53.5	-37.8
Other loans	-31.3	-22.9	-42.7	-32.8
Internal funding	73.3	50.8	-	-
Total interest-bearing financial liabilities excl. lease liabilities	-18.4	-23.1	-229.0	-204.4
Net financial position excl. post-employment benefits and lease liabilities	61.6	73.9	71.9	81.0

Provisions for post-employment benefits and lease liabilities, net	Industrial Operations		Volvo Group	
	Jun 30 2023	Dec 31 2022	Jun 30 2023	Dec 31 2022
SEK bn				
Non-current lease liabilities	-5.2	-4.8	-5.2	-4.8
Current lease liabilities	-2.0	-1.8	-2.0	-1.8
Provisions for post-employment benefits, net	-6.6	-6.0	-6.6	-6.0
Provisions for post-employment benefits and lease liabilities, net	-13.8	-12.6	-13.8	-12.6

Net financial position incl. post-employment benefits and lease liabilities	Industrial Operations		Volvo Group	
	Jun 30 2023	Dec 31 2022	Jun 30 2023	Dec 31 2022
SEK bn				
Net financial position excl. post-employment benefits and lease liabilities	61.6	73.9	71.9	81.0
Provisions for post-employment benefits and lease liabilities, net	-13.8	-12.6	-13.8	-12.6
Net financial position incl. post-employment benefits and lease liabilities	47.8	61.3	58.1	68.4

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Second quarter 2023	First six months 2023
Net financial position excl. post-employment benefits and lease liabilities at the end of previous period	77.7	73.9
Operating cash flow	12.6	17.6
Investments and divestments of shares, net	-0.3	-0.9
Acquired and divested operations, net	0.4	0.5
Capital injections to/from Financial Services	-0.6	-1.0
Currency effect	1.1	1.4
Dividend to owners of AB Volvo	-28.5	-28.5
Dividend to non-controlling interest	-	-
Other changes	-0.7	-1.5
Net financial position excl. post-employment benefits and lease liabilities at the end of period	61.6	61.6
Provisions for post-employment benefits and lease liabilities at the end of previous period	-14.2	-12.6
Pension payments, included in operating cash flow	0.4	0.5
Remeasurements of defined post-employment benefits	0.9	-
Service costs and other pension costs	-0.3	-0.6
Investments, remeasurements and amortizations of lease contracts	0.1	-0.3
Currency effect	-0.5	-0.5
Other changes	-0.1	-0.1
Provisions for post-employment benefits and lease liabilities at the end of period	-13.8	-13.8
Net financial position incl. post-employment benefits and lease liabilities at the end of period	47.8	47.8

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	23,680	73	23,753
Other comprehensive income for the period	4,293	-13	4,281
Total comprehensive income for the period	27,973	60	28,033
Dividend	-28,468	-	-28,468
Changes in non-controlling interests	-	-13	-13
Other changes	-28	-	-28
Transactions with shareholders	-28,496	-13	-28,509
Balance as of June 30, 2023	162,194	3,565	165,759

QUARTERLY FIGURES

Income Statements, Volvo Group						First six months	First six months
SEK M unless otherwise stated	2/2023	1/2023	4/2022	3/2022	2/2022	2023	2022
Net sales	140,821	131,420	134,302	114,917	118,943	272,241	224,259
Cost of sales	-101,900	-96,112	-103,227	-87,594	-90,221	-198,012	-170,921
Gross income	38,920	35,308	31,076	27,324	28,721	74,229	53,338
Research and development expenses	-6,819	-6,492	-6,893	-5,595	-5,454	-13,310	-10,037
Selling expenses	-8,329	-7,894	-8,239	-7,046	-6,977	-16,224	-13,760
Administrative expenses	-1,858	-1,663	-1,744	-1,383	-1,432	-3,521	-2,753
Other operating income and expenses	-6,873	-1,980	-2,292	-896	-809	-8,853	-4,187
Income/loss from investments in Joint Ventures and associated companies	-578	-171	-351	-536	-323	-749	-446
Income/loss from other investments	-2	-	-15	1	19	-2	146
Operating income	14,462	17,109	11,541	11,869	13,745	31,571	22,301
Interest income and similar credits	572	572	453	247	182	1,144	308
Interest expenses and similar charges	-262	-314	-338	-262	-277	-576	-606
Other financial income and expenses	-362	-570	-1,237	-96	222	-932	896
Income after financial items	14,409	16,797	10,420	11,758	13,873	31,206	22,899
Income taxes	-3,591	-3,863	-3,730	-3,071	-3,352	-7,453	-5,308
Income for the period *	10,819	12,934	6,690	8,687	10,520	23,753	17,591
* Attributable to:							
Owners of AB Volvo	10,770	12,910	6,620	8,627	10,443	23,680	17,476
Non-controlling interest	49	24	70	61	78	73	116
	10,819	12,934	6,690	8,687	10,520	23,753	17,591
Key ratios, Volvo Group, %							
Gross margin	27.6	26.9	23.1	23.8	24.1	27.3	23.8
Research and development expenses as % of net sales	4.8	4.9	5.1	4.9	4.6	4.9	4.5
Selling expenses as % of net sales	5.9	6.0	6.1	6.1	5.9	6.0	6.1
Administrative expenses as % of net sales	1.3	1.3	1.3	1.2	1.2	1.3	1.2
Operating margin	10.3	13.0	8.6	10.3	11.6	11.6	9.9
Key ratios, Industrial Operations, %							
Gross margin	27.3	26.4	22.5	23.0	23.4	26.8	23.0
Research and development expenses as % of net sales	5.0	5.1	5.3	5.0	4.7	5.1	4.6
Selling expenses as % of net sales	5.5	5.6	5.7	5.7	5.4	5.5	5.7
Administrative expenses as % of net sales	1.4	1.3	1.3	1.2	1.2	1.3	1.3
Operating margin	10.0	12.8	8.2	9.9	11.2	11.3	10.6
EBITDA margin, Industrial Operations							
Operating income Industrial Operations	13,545	16,238	10,678	10,990	12,953	29,783	23,194
Product and software development, amortization	709	696	723	712	697	1,404	1,364
Other intangible assets, amortization	38	44	33	27	26	82	59
Tangible assets, depreciation	3,259	3,143	3,784	3,090	3,093	6,402	6,136
Total depreciation and amortization	4,006	3,883	4,541	3,828	3,816	7,888	7,559
Operating income before depreciation and amortization (EBITDA)	17,551	20,121	15,219	14,818	16,769	37,671	30,753
EBITDA margin, %	12.9	15.8	11.7	13.3	14.5	14.3	14.1
Net capitalization of research and development							
Capitalization	1,166	1,208	1,114	972	1,296	2,374	2,620
Amortization	-670	-657	-677	-673	-658	-1,327	-1,286
Net capitalization and amortization	496	551	438	300	638	1,047	1,334
Return on operating capital in Industrial Operations, % ¹	58.4	57.0	50.8	50.1	50.6		
Return on capital employed in Industrial Operations, % ¹	30.2	30.3	27.4	27.4	26.8		

¹ 12 months rolling.

QUARTERLY FIGURES

Net sales						First six months	First six months
SEK M	2/2023	1/2023	4/2022	3/2022	2/2022	2023	2022
Trucks	93,748	89,556	87,303	75,078	78,603	183,304	148,155
Construction Equipment	28,999	25,109	27,596	24,238	25,814	54,108	48,427
Buses	5,434	4,267	6,654	4,817	4,062	9,701	7,112
Volvo Penta	5,416	5,603	4,849	4,451	4,597	11,019	8,802
Group Functions & Other	3,629	3,779	4,985	3,793	3,750	7,407	7,598
Eliminations	-1,236	-1,195	-1,175	-950	-1,106	-2,431	-2,030
Industrial Operations	135,991	127,117	130,212	111,427	115,719	263,108	218,065
Financial Services	5,851	5,370	5,124	4,430	4,067	11,221	7,801
Eliminations	-1,021	-1,067	-1,033	-940	-844	-2,088	-1,606
Volvo Group net sales	140,821	131,420	134,301	114,917	118,943	272,241	224,259

Operating income						First six months	First six months
SEK M	2/2023	1/2023	4/2022	3/2022	2/2022	2023	2022
Trucks	8,950	12,854	7,644	7,539	9,551	21,804	16,793
Construction Equipment	5,353	4,587	3,093	3,541	3,568	9,940	6,272
Buses	219	-1,261	228	99	7	-1,042	27
Volvo Penta	804	1,271	468	593	699	2,075	1,465
Group Functions & Other	-1,783	-1,225	-754	-778	-890	-3,008	-1,380
Eliminations	3	12	-1	-4	19	15	16
Industrial Operations	13,545	16,238	10,678	10,990	12,953	29,783	23,197
Financial Services	916	871	863	879	792	1,787	-894
Eliminations	-	-	1	1	-	-	1
Volvo Group operating income	14,462	17,109	11,541	11,869	13,745	31,571	22,301

Adjusted operating income ¹						First six months	First six months
SEK M	2/2023	1/2023	4/2022	3/2022	2/2022	2023	2022
Trucks	14,950	12,715	8,274	7,307	9,551	27,665	18,240
Construction Equipment	5,353	4,587	3,093	3,773	3,568	9,940	6,378
Buses	219	178	228	99	7	397	27
Volvo Penta	804	1,271	468	593	699	2,075	1,468
Group Functions & Other	-513	-1,225	-754	-778	-890	-1,738	-1,379
Eliminations	3	12	-1	-4	19	15	16
Industrial Operations	20,815	17,538	11,308	10,990	12,953	38,353	24,751
Financial Services	916	871	863	879	792	1,787	1,674
Eliminations	-	-	1	1	-	-	1
Volvo Group adjusted operating income	21,732	18,409	12,171	11,869	13,745	40,141	26,426

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

Operating margin						First six months	First six months
%	2/2023	1/2023	4/2022	3/2022	2/2022	2023	2022
Trucks	9.5	14.4	8.8	10.0	12.2	11.9	11.3
Construction Equipment	18.5	18.3	11.2	14.6	13.8	18.4	13.0
Buses	4.0	-29.6	3.4	2.0	0.2	-10.7	0.4
Volvo Penta	14.8	22.7	9.7	13.3	15.2	18.8	16.6
Industrial Operations	10.0	12.8	8.2	9.9	11.2	11.3	10.6
Volvo Group operating margin	10.3	13.0	8.6	10.3	11.6	11.6	9.9

Adjusted operating margin						First six months	First six months
%	2/2023	1/2023	4/2022	3/2022	2/2022	2023	2022
Trucks	15.9	14.2	9.5	9.7	12.2	15.1	12.3
Construction Equipment	18.5	18.3	11.2	15.6	13.8	18.4	13.2
Buses	4.0	4.2	3.4	2.0	0.2	4.1	0.4
Volvo Penta	14.8	22.7	9.7	13.3	15.2	18.8	16.7
Industrial Operations	15.3	13.8	8.7	9.9	11.2	14.6	11.4
Volvo Group adjusted operating margin	15.4	14.0	9.1	10.3	11.6	14.7	11.8

QUARTERLY FIGURES

Share data						First six months	First six months
	2/2023	1/2023	4/2022	3/2022	2/2022	2023	2022
Earnings per share, SEK ¹	5.30	6.35	3.26	4.24	5.14	11.65	8.59
Earnings per share, SEK ¹ , 12 months rolling	19.15	18.98	16.09	16.77	15.99	20.24	8.59
Diluted earnings per share, SEK	5.30	6.35	3.26	4.24	5.14	11.65	8.59
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.

Financial impact from the war in Ukraine

In Q1 2022, the Volvo Group reported that out of the Group's total assets related to Russia of approximately SEK 9 billion, SEK 4.1 billion had been provisioned for and impacting operating income negatively in Q1 2022. As of the end of this quarter, the Group's total exposure for additional impairment needs related to Russia largely remains unchanged. In 2021, approximately 3% of the Group's net sales were attributable to Russia.

The Group follows developments closely, but the situation with rapid and sometimes unpredictable changes may persist. No predictions can hence be made on the full impact from the war and ensuing sanctions on Group's assets in the region or on the general economic development. Further write-downs of the Group's assets related to Russia may be necessary in the coming periods, which could have a materially adverse effect on the Group's financial result, cash flow and financial position.

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 June 30, 2023, amounted to SEK 17.8 billion, a decrease of SEK 0.4 billion compared to December 31, 2022. The gross exposure of SEK 17.8 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.

NOTE 3 | ACQUISITIONS AND DIVESTMENTS

The Volvo Group has not made any acquisitions or divestments of operations during Q2 that have had a material impact on the financial statements.

Assets and liabilities held for sale amounted to net SEK 716 M (-) as of June 30 2023, mainly related to planned property divestments and divestment of shares in associated companies.

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 7.0 billion (6.3) and derivatives with negative fair values amounted to SEK 10.6 billion (9.0) as of June 30, 2023.

The derivatives are accounted for on gross basis. Financial liabilities valued at amortized cost, reported as current and non-current bond loans and other loans, amounted to SEK 229.4 billion (205.0) in reported carrying value with a fair value of SEK 225.4 billion (201.3). In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 6.8 billion (5.9).

SEK M	Compared to second quarter 2022		
	Second quarter 2023	Second quarter 2022	Change
Net flow in foreign currency			540
Realized and unrealized gains and losses on derivatives	-3	-1	-3
Unrealized gains and losses on receivables and liabilities in foreign currency	-64	570	-633
Translation effect on operating income in foreign subsidiaries			913
Total currency effect on operating income, Volvo Group			817

Applicable currency rates	Quarterly exchange rates		Close rates	
	Second quarter 2023	Second quarter 2022	Jun 30 2023	Jun 30 2022
BRL	2.13	2.00	2.23	1.92
CNY	1.50	1.49	1.50	1.53
EUR	11.46	10.47	11.79	10.68
GBP	13.18	12.35	13.72	12.41
KRW	0.0080	0.0078	0.0082	0.0078
USD	10.52	9.84	10.85	10.22

NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

SEK M	Sales of goods, services and other income		Purchases of goods, services and other expenses	
	Second quarter 2023	Second quarter 2022	Second quarter 2023	Second quarter 2022
Associated companies	899	329	57	32
Joint ventures	1,264	20	400	350

SEK M	Receivables		Payables	
	Jun 30 2023	Dec 31 2022	Jun 30 2023	Dec 31 2022
Associated companies	239	113	67	63
Joint ventures	432	472	93	122

NOTE 6 | RECONCILIATION OF ADJUSTED OPERATING INCOME

Adjusted operating income						First six months	First six months
SEK M	2/2023	1/2023	4/2022	3/2022	2/2022	2023	2022
Trucks	14,950	12,715	8,274	7,307	9,551	27,665	18,240
Construction Equipment	5,353	4,587	3,093	3,773	3,568	9,940	6,378
Buses	219	178	228	99	7	397	27
Volvo Penta	804	1,271	468	593	699	2,075	1,468
Group Functions & Other	-513	-1,225	-754	-778	-890	-1,738	-1,379
Eliminations	3	12	-1	-4	19	15	16
Industrial Operations	20,815	17,538	11,308	10,990	12,953	38,353	24,751
Financial Services	916	871	863	879	792	1,787	1,674
Eliminations	-	-	1	1	-	-	1
Volvo Group adjusted operating income	21,732	18,409	12,171	11,869	13,745	40,141	26,426

Adjustments						First six months	First six months
SEK M	2/2023	1/2023	4/2022	3/2022	2/2022	2023	2022
Adjustment items (segment)							
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	-
Costs relating to claims arising from the European Commission's 2016 antitrust settlement decision (Trucks)	-6,000	-	-630	-	-	-6,000	-
Financial impact related to Russia:							
Trucks	-	-	-	232	-	-	-1,447
Construction Equipment	-	-	-	-232	-	-	-106
Volvo Penta	-	-	-	-	-	-	-3
Group Functions & Other	-	-	-	-	-	-	-1
Financial Services	-	-	-	-	-	-	-2,568
Total adjustments							
Trucks	-6,000	139	-630	232	-	-5,861	-1,447
Construction Equipment	-	-	-	-232	-	-	-106
Buses	-	-1,439	-	-	-	-1,439	-
Volvo Penta	-	-	-	-	-	-	-3
Group Functions & Other	-1,270	-	-	-	-	-1,270	-1
Industrial Operations	-7,270	-1,300	-630	-	-	-8,570	-1,557
Financial Services	-	-	-	-	-	-	-2,568
Eliminations	-	-	-	-	-	-	-
Volvo Group adjustments	-7,270	-1,300	-630	-	-	-8,570	-4,125

Operating income						First six months	First six months
SEK M	2/2023	1/2023	4/2022	3/2022	2/2022	2023	2022
Trucks	8,950	12,854	7,644	7,539	9,551	21,804	16,793
Construction Equipment	5,353	4,587	3,093	3,541	3,568	9,940	6,272
Buses	219	-1,261	228	99	7	-1,042	27
Volvo Penta	804	1,271	468	593	699	2,075	1,465
Group Functions & Other	-1,783	-1,225	-754	-778	-890	-3,008	-1,380
Eliminations	3	12	-1	-4	19	15	16
Industrial Operations	13,545	16,238	10,678	10,990	12,953	29,783	23,194
Financial Services	916	871	863	879	792	1,787	-894
Eliminations	-	-	1	1	-	-	1
Volvo Group operating income	14,462	17,109	11,541	11,869	13,745	31,571	22,301

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

PARENT COMPANY

Income from investments in group companies for the second quarter includes dividends amounting to SEK 5,319 M (64). Impairment of shares and participations in group companies was made by SEK 1,380 M (-). Income from investments in joint ventures and associated companies includes dividends amounting to SEK 76 M (34).

Financial net debt amounted to SEK 30,423 M (22,213) at the end of the second quarter .

Income statement SEK M	Second quarter		First six months	
	2023	2022	2023	2022
Net sales¹	84	66	154	131
Cost of sales ¹	-84	-66	-154	-131
Gross income	-	-	-	-
Operating expenses ¹	-467	-303	-835	-606
Operating income (loss)	-467	-303	-835	-606
Income from investments in group companies	3,940	64	3,989	3,878
Income from investments in joint ventures and associated companies	76	34	76	34
Income from investments, other shares and participations	-	-	-	-
Interest income and expenses	-307	-93	-467	-164
Other financial income and expenses	-75	177	-129	199
Income after financial items	3,167	-121	2,634	3,341
Appropriations	-	-	-	-
Income taxes	2,532	37	2,623	97
Income for the period	5,699	-84	5,257	3,438

¹ Of net sales in the second quarter SEK 81 M (62) pertained to group companies, while purchases from group companies amounted to SEK 106 M (91).

Other comprehensive income				
Income for the period	5,699	-84	5,257	3,438
Other comprehensive income, net of income taxes	-	-	-	-
Total comprehensive income for the period	5,699	-84	5,257	3,438

Balance sheet		
SEK M	Jun 30 2023	Dec 31 2022
Assets		
Non-current assets		
Tangible assets	7	7
Financial assets		
Shares and participations in group companies	69,608	70,987
Investments in joint ventures and associated companies	8,946	8,946
Other shares and participations	2	2
Other long-term receivables	478	593
Deferred tax assets	568	217
Total non-current assets	79,609	80,752
Current assets		
Current receivables from group companies	3,572	29,316
Other current receivables	330	251
Tax assets	2,009	-
Total current assets	5,911	29,567
Total assets	85,520	110,319
Equity and liabilities		
Equity		
Restricted equity	9,899	9,899
Unrestricted equity	36,293	59,504
Total Equity	46,192	69,403
Untaxed reserves	7,500	7,500
Provisions	257	259
Non-current liabilities ¹	610	405
Current liabilities ²	30,961	32,752
Total equity and liabilities	85,520	110,319

¹ Of which SEK 605 M (400) pertains to group companies.

² Of which SEK 30,246, 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 second quarter 2023 that are expected to have a material effect on the Volvo Group.

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

Gothenburg, July 19, 2023
AB Volvo (publ)

Carl-Henric Svanberg
Chairman of the Board

Matti Alahuhta
Board member

Bo Annvik
Board member

Jan Carlson
Board member

Eric Elzvik
Board member

Martha Finn Brooks
Board member

Kurt Jofs
Board member

Martin Lundstedt
President, CEO
and Board member

Kathryn V. Marinello
Board member

Martina Merz
Board member

Helena Stjernholm
Board member

Lars Ask
Board member

Mari Larsson
Board member

Urban Spännar
Board member

AUDITOR'S REVIEW REPORT

AB Volvo (publ) org. nr 556012-5790

Introduction

We have reviewed the condensed interim financial information (interim report) of AB Volvo (publ) as of June 30, 2023 and the six-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of the interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

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

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

Conclusion

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

Gothenburg, July 19, 2023
Deloitte AB

Signature on Swedish original

Jan Nilsson
Authorized Public Accountant

This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish language original, the latter shall prevail.

NET ORDER INTAKE

Net order intake of trucks	Second quarter			First six months		
	2023	2022	Change %	2023	2022	Change %
Number of trucks						
Net order intake						
Europe	24,840	26,595	-7	56,130	51,579	9
Heavy- and medium-duty	18,476	22,335	-17	44,531	41,966	6
Light-duty	6,364	4,260	49	11,599	9,613	21
North America	8,708	9,731	-11	23,867	15,748	52
South America	6,302	9,336	-32	11,514	16,690	-31
Asia	5,236	4,883	7	10,572	9,649	10
Africa and Oceania	3,222	2,843	13	6,265	5,316	18
Total order intake	48,308	53,388	-10	108,348	98,982	9
Heavy-duty (>16 tons)	38,397	45,993	-17	88,298	82,854	7
Medium-duty (7-16 tons)	3,497	3,054	15	8,328	6,326	32
Light-duty (<7 tons)	6,414	4,341	48	11,722	9,802	20
Total order intake	48,308	53,388	-10	108,348	98,982	9
Net order intake of trucks by brand						
Volvo						
Europe	12,862	12,621	2	30,229	23,558	28
North America	3,858	5,723	-33	11,412	9,943	15
South America	6,228	9,066	-31	11,152	16,086	-31
Asia	4,278	3,707	15	8,510	7,064	20
Africa and Oceania	2,371	2,217	7	4,250	3,840	11
Total Volvo	29,597	33,334	-11	65,553	60,491	8
Heavy-duty (>16 tons)	28,775	32,505	-11	63,517	58,321	9
Medium-duty (7-16 tons)	822	829	-1	2,036	2,170	-6
Total Volvo	29,597	33,334	-11	65,553	60,491	8
Renault Trucks						
Europe	11,978	13,974	-14	25,901	28,021	-8
Heavy- and medium-duty	5,614	9,714	-42	14,302	18,408	-22
Light-duty	6,364	4,260	49	11,599	9,613	21
North America	13	32	-59	63	97	-35
South America	25	176	-86	152	292	-48
Asia	958	1,176	-19	2,062	2,585	-20
Africa and Oceania	352	218	61	889	722	23
Total Renault Trucks	13,326	15,576	-14	29,067	31,717	-8
Heavy-duty (>16 tons)	5,615	9,443	-41	14,143	18,508	-24
Medium-duty (7-16 tons)	1,297	1,792	-28	3,202	3,407	-6
Light-duty (<7 tons)	6,414	4,341	48	11,722	9,802	20
Total Renault Trucks	13,326	15,576	-14	29,067	31,717	-8
Mack						
North America	4,837	3,976	22	12,392	5,708	117
South America	49	64	-23	198	236	-16
Africa and Oceania	218	53	311	447	180	148
Total Mack	5,104	4,093	25	13,037	6,124	113
Heavy-duty (>16 tons)	3,775	3,727	1	10,043	5,543	81
Medium-duty (7-16 tons)	1,329	366	263	2,994	581	415
Total Mack	5,104	4,093	25	13,037	6,124	113

DELIVERIES

Deliveries of trucks Number of trucks	Second quarter		Change %	First six months		Change %
	2023	2022		2023	2022	
Deliveries						
Europe	33,169	29,809	11	66,019	58,898	12
Heavy- and medium-duty	24,862	24,944	-	51,564	49,220	5
Light-duty	8,307	4,865	71	14,455	9,678	49
North America	15,960	15,073	6	31,971	28,981	10
South America	5,385	8,380	-36	9,860	14,625	-33
Asia	5,902	4,718	25	11,644	8,415	38
Africa and Oceania	3,426	2,853	20	5,879	5,502	7
Total deliveries	63,842	60,833	5	125,373	116,421	8
Heavy-duty (>16 tons)	50,355	52,066	-3	101,039	98,955	2
Medium-duty (7-16 tons)	5,070	3,847	32	9,674	7,665	26
Light-duty (<7 tons)	8,417	4,920	71	14,660	9,801	50
Total deliveries	63,842	60,833	5	125,373	116,421	8
Deliveries of trucks by brand						
Volvo						
Europe	16,191	16,451	-2	33,380	32,089	4
North America	8,337	8,226	1	16,643	15,866	5
South America	5,163	7,993	-35	9,460	14,023	-33
Asia	4,643	3,713	25	9,092	6,626	37
Africa and Oceania	2,121	1,873	13	3,669	3,513	4
Total Volvo	36,455	38,256	-5	72,244	72,117	-
Heavy-duty (>16 tons)	35,190	37,311	-6	69,895	70,361	-1
Medium-duty (7-16 tons)	1,265	945	34	2,349	1,756	34
Total Volvo	36,455	38,256	-5	72,244	72,117	-
Renault Trucks						
Europe	16,978	13,358	27	32,639	26,809	22
Heavy- and medium-duty	8,671	8,493	2	18,184	17,131	6
Light-duty	8,307	4,865	71	14,455	9,678	49
North America	68	24	183	118	47	151
South America	146	208	-30	227	336	-32
Asia	1,259	1,005	25	2,552	1,789	43
Africa and Oceania	713	435	64	1,124	789	42
Total Renault Trucks	19,164	15,030	28	36,660	29,770	23
Heavy-duty (>16 tons)	8,836	8,582	3	18,181	16,834	8
Medium-duty (7-16 tons)	1,911	1,528	25	3,819	3,135	22
Light-duty (<7 tons)	8,417	4,920	71	14,660	9,801	50
Total Renault Trucks	19,164	15,030	28	36,660	29,770	23
Mack						
North America	7,555	6,823	11	15,210	13,068	16
South America	66	155	-57	149	233	-36
Africa and Oceania	339	174	95	559	369	51
Total Mack	7,960	7,152	11	15,918	13,670	16
Heavy-duty (>16 tons)	6,122	5,902	4	12,510	11,113	13
Medium-duty (7-16 tons)	1,838	1,250	47	3,408	2,557	33
Total Mack	7,960	7,152	11	15,918	13,670	16

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 July 19, 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 third quarter 2023	October 18, 2023
Report on the fourth quarter and full year 2023	January 26, 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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