Volvo Group

Report on the second quarter 2011

In the second quarter, net sales increased by 15% to SEK 79 billion compared to SEK 69 billion in the preceding year. Adjusted for currency movements and acquired and divested units, sales increased by 29%.

The second quarter operating income amounted to SEK 7.6 billion compared to SEK 4.8 billion in the preceding year. Operating margin was 9.7% (6.9). Compared to the second quarter of 2010, changes in exchange rates had a negative impact of approximately SEK 1.7 billion.

Operating income was negatively impacted by effects from the earthquake and tsunami in Japan in a total of approximately SEK 400 M, of which SEK 100 M in Trucks and SEK 300 M in Construction Equipment.

Highest operating income and operating margin so far for the Group with the truck operation above 10% operating margin.

In the second quarter, operating cash flow in the Industrial Operations was positive in an amount of SEK 5.2 billion (8.5).

In the second quarter, basic and diluted earnings per share amounted to SEK 2.52 (1.55).

Return on shareholders' equity of 21.3% on a rolling 12 month basis.

	Second quarter		First six months	
	2011	2010	**2011**	2010
Net sales Volvo Group, SEK M	**78,962**	68,765	**150,539**	127,382
Operating income Volvo Group, SEK M	**7,648**	4,770	**14,170**	7,569
Operating income Industrial operations, SEK M	**7,398**	4,763	**13,741**	7,548
Operating income Customer Finance, SEK M	**250**	7	**429**	21
Operating margin Volvo Group, %	**9.7**	6.9	**9.4**	5.9
Income after financial items, SEK M	**7,249**	4,541	**13,096**	6,769
Income for the period, SEK M	**5,241**	3,226	**9,422**	4,946
Diluted earnings per share, SEK	**2.52**	1.55	**4.54**	2.38
Return on shareholders' equity rolling 12 months, %			**21.3**	0.1

Contents

CEO's comments
– improved profitability

During the second quarter, the Volvo Group's sales continued to grow as an effect of a continued recovery in the Group's mature markets and continued strong demand in emerging markets. Sales are now at the same level as before the financial crisis that struck the world a few years ago, with a profitability that is now at its highest level so far, both in terms of operating margin and return on shareholders' equity.

Consolidated sales grew 15% compared with the second quarter of 2010 and amounted to SEK 79 billion. Adjusted for currency, sales growth amounted to 29%. Sales remained strong in Eastern Europe, Asia and South America, in part as an effect of positive market growth but also thanks to our investments in an industrial presence, distribution channels and service networks in these regions. Demand is at a historically good level in Northern and Central Europe and demand for our products rose in North America, mainly driven by a pent-up replacement need.

Operating income amounted to SEK 7.6 billion in the second quarter, with an operating margin of 9.7%. Profitability has improved compared with the year-earlier period, despite significant currency headwinds and the consequences of the tragic earthquake and the ensuing tsunami in Japan earlier this year having a negative impact of SEK 400 M on earnings, which however is lower than previously expected. The improvement in earnings comes from higher sales combined with improved efficiency of the industrial system as well as higher gross margins attributable to competitive products. Moreover, we continue to maintain stringent control of costs.

Operating cash flow in the Industrial Operations amounted to SEK 5.2 billion, which is somewhat lower than in the preceding year due to an increase in working capital. However, the efforts to improve capital efficiency continue to pay off and the cash conversion cycle is down to 22 days compared to 35 days in the preceding year.

Strong profitability in the truck business

During the second quarter, our truck business continued its good development with sales rising 20% to SEK 50 billion and operating income amounting to SEK 5,106 M, which corresponds to an operating margin of 10.2%. Most of our markets are developing well and we continued to have incoming orders in excess of deliveries. We also have well-performing distribution channels and competitive products that are capturing market shares and it is pleasing that the Group has reached a market share in the heavy-duty truck segment of 20% in the U.S. and some 28% in Europe.

In Japan, our employees have worked very hard and manufacturing at UD Trucks has been back at normal levels since June. We have also recently had several important new product launches. UD Trucks has begun selling the entirely new generation of medium-duty Condor trucks with new Group-wide engines. This new generation will significantly improve our competitiveness in this important product segment in Japan.

In Brazil, as the first manufacturer, we have showed trucks with Euro 5 engines ahead of the new emissions regulations beginning next year. These trucks have significantly better environmental performance.

Our focus on environmentally-adapted trucks has taken a major step forward with Volvo FM MethaneDiesel. The truck is driven by up to 75% gas and, with its fuel-efficient technical solution can significantly reduce CO_2 emissions from long haul applications. We are also continuing our hybrid efforts. In Europe, Volvo Trucks has begun selling the Volvo FE Hybrid and Renault Truck has delivered the first Renault Premium Distribution Hybrys hybrid truck to customers.

In terms of market conditions, we maintain our previous forecasts that the truck market in both Europe and North America will amount to 230,000-240,000 heavy-duty trucks in 2011.

Good profitability in most business areas

Volvo CE's sales rose 15% to SEK 17.5 billion following a strong sales trend in most markets. Operating income amounted to SEK 1,893 M, with an operating margin of 10.8%.

In China, the authorities' efforts to reduce inflation by raising interest rates and tightening liquidity have resulted in a softening in demand for construction equipment. However, the Group has further strengthened its position as a market leader in wheel loaders and excavators in China, with a market share of 11.8% to date this year.

The launch of more than 50 new models of construction equipment that meet the latest emissions standards in Europe and North America has been very successful. This was confirmed at the customer days in Eskilstuna, Sweden, when as many as 10,000 customers from 70 countries had the opportunity to learn more about the new products.

For Volvo Penta, demand for industrial engines continues to develop well while the marine market is more sluggish. However, it is pleasing that Volvo Penta is gaining market shares in both industrial and marine engines. Volvo Penta had an operating margin of 12.2% for the quarter.

Despite continued low demand in the city bus markets in Europe and North America, Volvo Buses achieved an operating margin of 4.9%. Actions taken to reduce costs and increase the efficiency in the industrial structure are the main reasons for the improved profitability.

Volvo Aero's operating margin was 3.5%. While profit improved somewhat compared with the weak first quarter, it continued to be under pressure from unfavorable exchange rates as well as production and supplier disruptions.

For our customer financing operations in VFS, the credit portfolio grows at a good pace thanks to increased financing volumes. Operating income of SEK 250 M is a strong improvement compared with the year-earlier period, mainly due to sharply reduced credit losses.

Positive view of the Group's future development

Due to the current macro economic situation, we are in the short-term maintaining a high degree of cost flexibility in order to be able to quickly adapt to any potential changes in market conditions.

Going forward, I am convinced that the Group will continue its positive development. Our intensive efforts to develop and launch a large number of new products that will reach the market in the next few years continue. We have a strong network of dealers who work closely with the customers – a network that we are now investing in to strengthen the customer interface even further. But above all, the Group has a major strength in its employees, who work hard to generate value for customers and shareholders, and with whom it has been a pleasure to work. I would also like to extend my gratitude to our shareholders, who have given me their confidence to be President and CEO of the Volvo Group for the last 14 years.

Leif Johan

Leif Johansson
President and CEO

Important events

UD Trucks launches new Condor

In July, UD Trucks launched its new Condor medium-duty trucks, which have undergone a full model change. The new models adopt a new cab design that conveys the impression of a unified family identity with the Quon heavy-duty truck series. They also feature various advanced technologies accumulated on the company's heavy-duty trucks to deliver outstanding fuel economy, improved environmental and aerodynamic performance and safety. The new Condor models are powered by engines fitted with a newly developed common rail system that increases the maximum fuel injection pressure for achieving high levels of power and torque in a small displacement volume.

Previously reported important events

- Olof Persson appointed new Volvo CEO
- Pat Olney new President of Volvo CE
- Annual General Meeting of AB Volvo
- Volvo CE invests in its North American operations

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

Financial summary of the second quarter

Volvo Group

Net sales

The Volvo Group's net sales increased by 15% to SEK 78,962 M during the second quarter of 2011, compared to SEK 68,765 M in the same quarter a year earlier.

Operating income

The Volvo Group's operating income amounted to SEK 7,648 M in the second quarter compared to SEK 4,770 M in the preceding year. The Industrial Operations' operating income amounted to SEK 7,398 M (4,763). The Volvo Group's Customer Finance operations reported an operating income of SEK 250 M (7). For detailed information on the development, see separate sections below.

Net financial items

Net interest expense in the second quarter was SEK 586 M compared to an expense of SEK 703 M in the previous year. In the first quarter of 2011 net interest expense amounted to SEK 569 M.

During the second quarter, market valuation of derivatives used for hedging interest-rate exposure in the debt portfolio had a positive effect on Other financial income and expenses amounting to SEK 242 M compared to a positive impact of SEK 433 M in the second quarter of 2010.

Income Statement Volvo Group

	Second quarter		First six months	
SEK M	**2011**	2010	**2011**	2010
Net sales Volvo Group	**78,962**	**68,765**	**150,539**	**127,382**
Operating Income Volvo Group	**7,648**	**4,770**	**14,170**	**7,569**
Operating income Industrial operations	***7,398***	*4,763*	***13,741***	*7,548*
Operating income Customer Finance	***250***	*7*	***429***	*21*
Interest income and similar credits	**148**	112	**299**	215
Interest expense and similar charges	**(734)**	(815)	**(1,454)**	(1,636)
Other financial income and expenses	**187**	475	**81**	622
Income after financial items	**7,249**	**4,541**	**13,096**	**6,769**
Income taxes	**(2,009)**	(1,315)	**(3,674)**	(1,823)
Income for the period	**5,241**	**3,226**	**9,422**	**4,946**

Income taxes

The tax expense in the second quarter amounted to SEK 2,009 M (1,315), corresponding to a tax rate of 28% (29).

Income for the period and earnings per share

The income for the period amounted to SEK 5,241 M in the second quarter of 2011 compared to SEK 3,226 M in the second quarter of 2010.

Basic and diluted earnings per share in the second quarter amounted to SEK 2.52 (1.55).

Volvo Group's Industrial Operations – increased sales and higher profitability

In the second quarter, net sales for the Volvo Group's Industrial Operations increased by 16% to SEK 77,286 M (66,717). Adjusted for changes in exchange rates and acquired and divested units net sales increased by 30%. Compared to the second quarter of 2010, all markets grew with the most significant increases coming from Eastern Europe and North America. Growth in Asia was limited to 2% mainly as a consequence of the impact from the earthquake and tsunami in Japan.

Net sales by market area

SEK M	Second quarter 2011	Second quarter 2010	Change in %	First six months 2011	First six months 2010	Change in %	Share of industrial operations' net sales, %
Western Europe	**26,199**	22,870	15	**49,859**	42,557	17	34
Eastern Europe	**5,346**	3,113	72	**9,495**	5,489	73	6
North America	**14,039**	11,034	27	**26,572**	21,585	23	18
South America	**8,725**	7,282	20	**15,729**	13,098	20	11
Asia	**17,888**	17,492	2	**36,111**	31,445	15	25
Other markets	**5,089**	4,926	3	**9,476**	9,002	5	6
Total Industrial operations	**77,286**	**66,717**	**16**	**147,242**	**123,176**	**20**	**100**

Continued improvement in profitability with an operating margin at 9.6%

In the second quarter of 2011, operating income for the Volvo Group's Industrial Operations amounted to SEK 7,398 M, a significant improvement compared to the operating income of SEK 4,763 M in the second quarter of 2010. The operating margin for the Industrial Operations was 9.6%, compared to 7.1% in the second quarter of 2010.

The earnings recovery compared to the second quarter of 2010 is largely driven by higher sales. Increased production levels improved the capacity utilization in the industrial system which, together with higher productivity, also contributed to the improved earnings.

Continued cost control preserved the lower expense level in the Group that was implemented during 2009. Despite a sales increase of 16% in the second quarter of 2011 compared to the previous year, the increase in research, development, selling and administrative expenses combined was limited to 6%.

The earthquake and tsunami in Japan had a negative impact on operating income of approximately SEK 100 M in the truck segment and SEK 300 M in Construction Equipment.

Income Statement Industrial operations

SEK M	Second quarter 2011	Second quarter 2010	First six months 2011	First six months 2010
Net sales	**77,286**	**66,717**	**147,242**	**123,176**
Cost of sales	**(58,618)**	(51,066)	**(111,099)**	(94,645)
Gross income	**18,668**	**15,651**	**36,143**	**28,531**
Gross margin, %	***24.2***	*23.5*	***24.5***	*23.2*
Research and development expenses	**(3,370)**	(3,201)	**(6,679)**	(6,205)
Selling expenses	**(5,928)**	(5,783)	**(11,634)**	(11,259)
Administrative expenses	**(1,740)**	(1,430)	**(3,455)**	(3,052)
Other operating income and expenses	**(184)**	(445)	**(579)**	(419)
Income (loss) from investments in associated companies	**(51)**	(37)	**(70)**	(56)
Income from other investments	**3**	7	**15**	7
Operating income	**7,398**	**4,763**	**13,741**	**7,548**
Operating margin, %	***9.6***	*7.1*	***9.3***	*6.1*
Operating income before depreciation and amortization (EBITDA)	**10,260**	7,621	**19,261**	13,188
EBITDA margin, %	***13.3***	*11.4*	***13.1***	*10.7*

Compared to the second quarter of 2010, changes in currency exchange rates had a negative impact on operating income amounting to approximately SEK 1.7 billion. Compared to the first quarter of 2011, the impact was negligible.

In the second quarter of 2010 the decision to divest Volvo Aero's U.S. service business had a negative impact on operating income of SEK 223 M.

Positive operating cash flow

In the second quarter of 2011, operating cash flow from the Industrial Operations amounted to SEK 5.2 billion compared to SEK 8.5 billion in the second quarter of 2010. Operating income was SEK 7.4 billion in the quarter, but cash flow was negatively impacted primarily by a working capital build-up of SEK 1.4 billion, driven by increased inventories.

Volvo Group's Customer Finance
– positive earnings trend

For the customer finance business, portfolio quality and performance improved in all regions as evidenced by lower delinquencies, write-offs and repossessed units.

New financing volume was strong during the quarter and amounted to SEK 12.0 billion (8.9). Adjusting for movements in exchange rates, new financing volume increased by 49.5% compared to the second quarter of 2010. This increase is due to higher Volvo Group unit deliveries and growing market penetration. In total, 13,564 new Volvo Group units (8,212) were financed during the quarter. In the markets where financing is offered, the average penetration rate in the second quarter was 26% (24%).

In June, VFS syndicated approximately SEK 4 billion of the Brazilian credit portfolio in accordance with risk diversification strategies.

At June 30, 2011 total assets amounted to SEK 88 billion (93). On a currency adjusted basis, the credit portfolio increased by 6% when compared to the second quarter 2010.

Income Statement Customer Finance

	Second quarter		First six months	
SEK M	**2011**	2010	**2011**	2010
Finance and lease income	**2,225**	2,426	**4,324**	4,934
Finance and lease expenses	**(1,430)**	(1,670)	**(2,784)**	(3,407)
Gross income	**795**	**756**	**1,540**	**1,527**
Selling and administrative expenses	**(406)**	(388)	**(795)**	(773)
Credit provision expenses	**(190)**	(414)	**(368)**	(788)
Other operating income and expenses	**51**	53	**52**	55
Operating income	**250**	**7**	**429**	**21**
Income taxes	**(90)**	(14)	**(152)**	(49)
Income for the period	**161**	**(7)**	**278**	**(28)**
Return on Equity, 12 months rolling values			***4.1%***	*(0.3)%*

Credit provisions in the quarter amounted to SEK 190 M (414) while write-offs of SEK 247 M (375) were recorded. This resulted in a decrease in credit reserves from 1.67% to 1.58% of the credit portfolio at March 31, 2011 and June 30, 2011, respectively. The annualized write-off ratio through June 30, 2011 was 0.99% (1.59).

Operating income in the second quarter amounted to SEK 250 M (7). The improvement compared to the previous year is driven mainly by lower credit provisions and higher earning assets. The syndication in Brazil generated a positive impact on operating income of SEK 45 M.

Volvo Group financial position

Net financial debt in the Industrial Operations amounted to SEK 28.3 billion at June 30, 2011, an increase of SEK 1.0 billion compared to the first quarter of 2011, and equal to 41.5% of shareholders' equity. Excluding provision for post-employment benefits, the Industrial Operations net debt amounted to SEK 22.9 billion, which is equal to 33.6% of shareholders' equity.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined, amounted to SEK 26.3 billion at June 30, 2011. In addition to this, granted but unutilized credit facilities amounted to SEK 32.6 billion.

During the second quarter, currency movements increased the Volvo Group's total assets by SEK 4.9 billion due to revaluation of assets in foreign subsidiaries.

The equity ratio in the Volvo Group amounted to 24.0% on June 30, 2011 compared to 23.3% at year-end 2010.

At June 30, 2011 shareholder's equity in the Volvo Group amounted to SEK 76.9 billion.

Number of employees

On June 30, 2011 the Volvo Group had 94,723 employees and 19,064 temporary employees and consultants, compared with 90,409 employees and 14,851 temporary employees and consultants at year-end 2010. The increase relates largely to higher staffing levels in production.

Business segment overview

Net sales

	Second quarter				First six months			
SEK M	**2011**	2010	Change, %	Change, %*	**2011**	2010	12 months rolling values	Jan-Dec 2010
Trucks	**50,062**	41,589	20	32	**95,682**	78,077	184,910	167,305
Construction Equipment	**17,520**	15,295	15	32	**33,279**	26,443	60,646	53,810
Buses	**5,593**	5,253	6	19	**10,452**	10,320	20,648	20,516
Volvo Penta	**2,565**	2,631	(3)	7	**4,712**	4,608	8,820	8,716
Volvo Aero	**1,588**	2,133	(26)	8	**3,228**	4,043	6,893	7,708
Eliminations and other	**(43)**	(184)	–	–	**(111)**	(315)	(476)	(680)
Industrial operations	**77,286**	**66,717**	**16**	**30**	**147,242**	**123,176**	**281,441**	**257,375**
Customer Finance	**2,225**	2,426	(8)	1	**4,324**	4,934	8,421	9,031
Eliminations	**(548)**	(378)	–	–	**(1,026)**	(728)	(1,956)	(1,658)
Volvo Group	**78,962**	**68,765**	**15**	**29**	**150,539**	**127,382**	**287,906**	**264,749**

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

Operating income

	Second quarter			First six months			
SEK M	**2011**	2010	Change, %	**2011**	2010	12 months rolling values	Jan-Dec 2010
Trucks	**5,106**	2,478	106	**9,392**	3,922	15,582	10,112
Construction Equipment	**1,893**	2,086	(9)	**3,601**	3,092	6,689	6,180
Buses	**275**	259	6	**556**	404	932	780
Volvo Penta	**314**	312	1	**478**	433	623	578
Volvo Aero*	**55**	(372)	–	**83**	(220)	589	286
Group functions and other**	**(246)**	0	–	**(369)**	(83)	(388)	(102)
Industrial operations	**7,398**	**4,763**	**55**	**13,741**	**7,548**	**24,027**	**17,834**
Customer Finance	**250**	7	3,471	**429**	21	575	167
Volvo Group	**7,648**	**4,770**	**60**	**14,170**	**7,569**	**24,602**	**18,000**

* The second quarter of 2010 was negatively impacted by a SEK 613 M write-down of assets in VAS.

** Including write-down of assets in VAS amounting to SEK 390 M, booked in "Group headquarter functions and other" during 2009, reclassified to Volvo Aero in the second quarter of 2010.

Operating margin

	Second quarter		First six months			
%	**2011**	2010	**2011**	2010	12 months rolling values	Jan-Dec 2010
Trucks	**10.2**	6.0	**9.8**	5.0	8.4	6.0
Construction Equipment	**10.8**	13.6	**10.8**	11.7	11.0	11.5
Buses	**4.9**	4.9	**5.3**	3.9	4.5	3.8
Volvo Penta	**12.2**	11.9	**10.1**	9.4	7.1	6.6
Volvo Aero*	**3.5**	(17.4)	**2.6**	(5.4)	8.5	3.7
Industrial operations	**9.6**	**7.1**	**9.3**	**6.1**	**8.5**	**6.9**
Volvo Group	**9.7**	**6.9**	**9.4**	**5.9**	**8.5**	**6.8**

* The second quarter of 2010 was negatively impacted by a SEK 613 M write-down of assets in VAS.

Overview of Industrial Operations

Trucks
– good growth and improved profitability

- Hard work helped to reduce impacts from the Japanese earthquake and tsunami
- Operating margin at 10.2%
- New medium-duty truck launched in Japan

Net sales by market area

	Second quarter			First six months		
SEK M	**2011**	2010	Change in %	**2011**	2010	Change in %
Europe	**22,586**	17,219	31	**43,103**	32,682	32
North America	**8,687**	6,095	43	**16,733**	12,135	38
South America	**6,957**	5,794	20	**12,651**	10,340	22
Asia	**8,316**	9,098	(9)	**16,760**	16,442	2
Other markets	**3,516**	3,383	4	**6,435**	6,478	(1)
Total	**50,062**	**41,589**	**20**	**95,682**	**78,077**	**23**

Net order intake per market

	Second quarter			First six months		
Number of trucks	**2011**	2010	Change in %	**2011**	2010	Change in %
Europe	**24,623**	19,054	29	**48,435**	35,415	37
North America	**15,314**	6,675	129	**27,041**	10,085	168
South America	**6,597**	4,986	32	**14,019**	9,534	47
Asia	**13,724**	13,367	3	**28,583**	28,809	(1)
Other markets	**4,748**	4,336	10	**8,220**	8,511	(3)
Total Trucks	**65,006**	**48,418**	**34**	**126,358**	**92,354**	**37**

Improving market conditions

In the first five months of 2011, the total number of registrations in Europe 29 (EU, Norway and Switzerland) increased by 60% to 102,716 heavy-duty trucks (64,191). The main drivers of demand are the northern and central parts of Europe, where markets such as Germany, France and Poland have showed good progress. In general demand is higher in the long haul segment, whereas activity in the construction segment remains low in the southern parts of Europe. In 2011, the total market for heavy-duty trucks in Europe 29 is expected to increase to a level of about 230,000-240,000 trucks (unchanged).

Demand in Russia has recovered strongly from low levels, and is set to show continued growth across all segments.

Through June 2011, the total market for heavy-duty trucks in North America increased by 45% to 93,088 trucks compared to 64,347 in the previous year. Demand remained strong overall, primarily driven by the need to replace the aging population of trucks. Highway customers are still leading the recovery in the market while vocational truck demand is still well below traditional levels. In 2011, the North American market for heavy-duty trucks is expected to reach a level of 230,000-240,000 trucks, (unchanged).

In South America, the Brazilian heavy-duty truck market continues to be strong, primarily driven by favorable macro economic development. The total market in Brazil increased by 27% to 67,868 heavy-duty trucks for the first six months of 2011 (53,262).

The Group's largest market in Asia is Japan, where the market for heavy-duty trucks was 9,861 vehicles in the six months of 2011 (13,388), which was a decrease of 26%. In Japan, there is an expectation that the market will recover during the second half of 2011 from very low levels during the second quarter. For the full year the market is expected to amount to about 23,000 heavy trucks, a decrease of 6% compared to 2010.

In India, the market for heavy-duty trucks through May 2011 rose by 13% to 101,800 trucks (90,461).

Order intake increased

Net order intake continued to increase and exceeded deliveries in the second quarter. Net order intake rose by 34% compared with the second quarter of 2010. Most notably order intake improved in North America, South America and Europe.

In North America, net order intake rose by 129% compared with the second quarter of 2010, in South America orders increased by 32% and in Europe by 29%. Orders in Asia increased by 3% and in Other markets by 10%.

Truck deliveries – increase of 41% compared to the second quarter of 2010

In the second quarter of 2011, a total of 59,911 trucks were delivered, which was 41% more than in the second quarter of 2010. Deliveries in Asia declined by 9% as a result of production disturbances for UD Trucks in Japan following the earthquake and tsunami.

The Group's truck business has gained market share within heavy-duty trucks during the year. In Europe the Group had a combined market share year-to-date May of 28.2% (24.6). In the U.S. the combined market share through June amounted to 19.8% (15.6) and in Brazil, Volvo Trucks market share through June was 15.1% (14.7).

Increased profitability – operating margin of 10.2%

During the second quarter of 2011, the truck operation's net sales amounted to SEK 50,062 M, which was 20% higher than the second quarter of 2010. Adjusted for changes in exchange rates net sales increased by 32%.

Deliveries per market

	Second quarter			First six months		
Number of trucks	**2011**	2010	Change in %	**2011**	2010	Change in %
Europe	**26,337**	15,805	67	**49,397**	27,986	77
North America	**10,290**	4,388	135	**19,111**	9,643	98
South America	**7,467**	5,495	36	**13,579**	10,048	35
Asia	**12,009**	13,211	(9)	**25,738**	25,022	3
Other markets	**3,808**	3,715	3	**7,154**	6,855	4
Total Trucks	**59,911**	**42,614**	**41**	**114,979**	**79,554**	**45**

The truck operations posted an operating income of SEK 5,106 M in the second quarter of 2011 compared with an operating income of SEK 2,478 M in the second quarter of 2010. The operating margin improved to 10.2%, compared with 6.0% in the second quarter of 2010. Increased sales volumes, higher capacity utilization and continued strict control of operating expenses had a positive effect on earnings in the quarter. Earnings in the second quarter were negatively affected by costs related to the earthquake and tsunami in Japan amounting to approximately SEK 100 M.

New, environmentally adapted trucks

In May, Volvo Trucks launched the new Volvo FM MethaneDiesel truck, a gas-powered truck for long-haul operations enhancing its focus on alternative fuels. This truck can be powered by up to 75% gas and if run on biogas, emissions of carbon dioxide from fossil fuel could be cut by up to 70% compared with a conventional diesel engine.

On hybrids, Volvo Trucks has begun selling the Volvo FE Hybrid and Renault Truck has delivered the first serial Renault Premium Distribution hybrid truck (Hybrys Tech).

In July, UD Trucks launched its new Condor medium-duty trucks, which have undergone a full model change. The new truck is described in more detail in the Important events section of this report.

Construction Equipment
– solid second quarter

- Continued strong market conditions
- Volvo CE sales up 32% adjusted for currency
- Operating income negatively affected by SEK 300 M due to Japanese earthquake
- Number one position in China strengthened, 11.8% market share

Good growth in most markets

Measured in units, the total world market for construction equipment increased by 27% during the first five months in 2011 compared to the same period last year. In Europe the market increased by 47%, North America was up 44% and South America increased by 28%. Total Asia was up 24% whereof China increased by 26%. Other markets increased by 5%.

Market conditions for the full year of 2011 are expected to remain positive with a projected growth of 15–25% (previous forecast 20–30%). Europe is expected to grow by 15–25% (previous forecast 10–20%), North America by 25–35% (unchanged), South America 10–20% (previous forecast 5–15%), Asia 10–15% (previous forecast 10-20%) whereof China 10–15% (previous forecast 20–30%).

The Chinese market has slowed down as a consequence of measures by the government to curtail inflation. However, the Volvo Group has strengthened its position as market leader in China with an 11.8% share of the wheel loader and excavator market during the first six months of 2011.

Net sales by market area´

	Second quarter			First six months		
SEK M	**2011**	2010	Change in %	**2011**	2010	Change in %
Europe	**5,225**	4,557	15	**9,208**	7,632	21
North America	**2,149**	1,756	22	**3,725**	3,137	19
South America	**1,105**	1,083	2	**2,012**	1,884	7
Asia	**8,231**	7,125	16	**16,659**	12,379	35
Other markets	**810**	774	5	**1,675**	1,411	19
Total	**17,520**	**15,295**	**15**	**33,279**	**26,443**	**26**

Strong second quarter for Volvo CE

In the second quarter of 2011, net sales increased by 15% to SEK 17,520 M (15,295). Adjusted for currency movements, net sales increased by 32%. Sales were positively impacted by strong momentum in most markets which was partly offset by lost sales of approximately SEK 1.2 billion due to Japanese supplier issues as a result of the earthquake and tsunami earlier this year.

Operating income amounted to SEK 1,893 M (2,086) and the operating margin was 10.8% (13.6). The operating income was negatively impacted by changes in currency exchange rates and by approximately SEK 300 M due to the Japanese supplier issues.

The value of the order book at June 30, 2011 was 38% higher than a year earlier.

Successful introduction of new products

During almost four weeks in May and June, over 10,000 customers from more than 70 countries visited the Volvo Days in Eskilstuna, Sweden, to get acquainted with the over 50 new machine models equipped with the latest engine technology fulfilling the new Tier 4I and Stage III B emission requirements.

Buses
– strong increase in deliveries

- Slow recovery in Europe and North America
- Deliveries up 36%
- First Hybrid bus order outside Europe

Slow recovery

The bus market is recovering slowly in general, with the exception of city buses in Europe and North America, where demand is roughly flat. During the first five months of the year, the total market in Europe rose 3%. The North American coach market has improved slightly, while procurements of city buses are few. In Mexico, activity for both coaches and city buses increased somewhat. The trend in the bus market in South America remains favorable, due in part to the effect of the advance purchase of coaches prior to the introduction of Euro 5 on January 1, 2012. The trend in the total market in Asia and Africa remained positive. However, the Chinese bus market has slowed down, particularly in Shanghai where large purchases were previously made for the World Expo 2010. Globally, interest in hybrid buses and environmentally adapted buses is widespread.

Increased deliveries

Deliveries during the second quarter of 2011 amounted to 3,127 buses, compared with 2,297 in the same quarter of 2010, up 36%. Deliveries increased in almost all markets. The order intake for the second quarter was in line with the year-earlier period and amounted to 3,124 buses (3,081). South America accounted for the largest increase, almost doubling its order intake.

One of the orders signed during the second quarter was for 60 hybrid buses in Curitiba in Brazil – the first order for hybrid buses outside Europe. An additional order of 328 Nova articulated buses for public transport in New York City was signed.

Higher sales

Net sales in the second quarter rose 6% to SEK 5,593 M (5,253). Adjusted for exchange-rate fluctuations, net sales increased 19%.

Operating income for the second quarter of 2011 amounted to SEK 275 M (259). Earnings in the Asia Pacific region had a favorable trend, while profitability in Europe weakened as a result of weak demand and stiff competition. The operating margin was 4.9% (4.9).

Net sales by market area

	Second quarter			First six months		
SEK M	**2011**	2010	Change in %	**2011**	2010	Change in %
Europe	**1,742**	1,864	(7)	**3,162**	3,322	(5)
North America	**1,855**	1,725	8	**3,512**	3,762	(7)
South America	**595**	327	82	**946**	723	31
Asia	**716**	664	8	**1,623**	1,577	3
Other markets	**685**	673	2	**1,209**	936	29
Total	**5,593**	**5,253**	**6**	**10,452**	**10,320**	**1**

Continued cost program and capacity increases

The slow recovery in the bus markets in Europe and North America entails a continued focus on capital efficiency, the ongoing costs program and activities to generate profitable growth. Due to the higher order intake, production is being increased in the U.S., Mexico, India and Brazil.

In order to be able to meet increasing demand in the segment for front engine buses, which in Brazil amounts to 10,000-12,000 buses per year, a new front engine bus has been launched. The new bus received a very positive response at the introduction. Interest in hybrid buses is now growing markedly on a global scale and has prompted Volvo Buses to also commence the manufacture of hybrid buses at the plant in Curitiba.

Volvo Penta
– operating margin of 12.2%

- Strong global demand for industrial engines, weaker for marine
- Improved profitability
- Strengthened market shares in both Marine and Industrial

Net sales by market area

	Second quarter			First six months		
SEK M	**2011**	2010	Change in %	**2011**	2010	Change in %
Europe	**1,379**	1,395	(1)	**2,652**	2,513	6
North America	**414**	507	(18)	**712**	814	(13)
South America	**84**	80	5	**137**	152	(10)
Asia	**603**	549	10	**1,044**	949	10
Other markets	**85**	100	(15)	**167**	180	(7)
Total	**2,565**	**2,631**	**(3)**	**4,712**	**4,608**	**2**

Strong market for industrial engines

The total market for all types of industrial engines continued its very strong performance during the second quarter. The positive trend applied globally and the industry has been at full capacity utilization during the year.

Total demand for marine engines remained very weak in North America and is now at historically low levels. Marine volumes in Europe were slightly better, while demand fell far short of the levels noted in record years.

Increased market shares

Volvo Penta has captured market shares in both the marine and industrial segments, primarily in Europe and North America. Within industrial engines Volvo Penta continued to gain markets shares in diesel-powered generator sets, which is the largest industrial engine segment in terms of volume.

The volume in the order book at June 30, 2011 was 29% higher than a year earlier.

Good profitability

Volvo Penta's net sales during the second quarter of 2011 declined by 3% year-on-year to SEK 2,565 M (2,631). Adjusted for currency fluctuations, sales increased by 7%. Sales were distributed as follows between the two business segments: Marine SEK 1,412 M (1,543) and Industrial SEK 1,153 M (1,088).

Operating income amounted to SEK 314 M, compared with SEK 312 M in the year-earlier period. Profit was positively impacted by increased industrial engine sales with a more favorable product mix. The operating margin was 12.2% (11.9)

New products

In the forthcoming model year for marine leisure engines, Volvo Penta will launch a new state-of-the-art version of the D6 engine. With the new D6 400 hp model, Volvo Penta can offer the world's most powerful diesel sterndrive, thus further strengthening the engine program for planing boats of approximately 30 to 45 feet. With its high-tech D series, Volvo Penta currently has a very modern and competitive marine product program with excellent environmental, comfort and performance features.

Volvo Aero
– a challenging quarter

- Air traffic growth continues
- Low but improving profitability
- Agreement on participation in the new PW1100G engine

Continued growth in air traffic

The International Air Transport Association (IATA) reported that global year-to date traffic for the first five months of 2011 showed an increase of 7% for passenger and 2% for cargo traffic compared to the same period in 2010. IATA has downgraded its airline industry profit forecast for 2011 from USD 8.6 billion (in March) to USD 4 billion, primarily due to higher fuel prices.

Airbus and Boeing announced 1,007 orders in the first two quarters, up 216% compared to same period last year, whereof 660 orders are for Airbus A320neo. The A320neo is offered with the PW1100G engine, in which Volvo Aero is a risk and revenue sharing partner. The aircraft manufacturers delivered 480 aircraft in the first two quarters, up 2% compared to the same period last year.

Net sales by market area

	Second quarter			First six months		
SEK M	**2011**	2010	Change in %	**2011**	2010	Change in %
Europe	**791**	1,064	(26)	**1,538**	2,101	(27)
North America	**745**	978	(24)	**1,597**	1,769	(10)
South America	**1**	6	(83)	**8**	12	(33)
Asia	**35**	67	(48)	**51**	122	(58)
Other markets	**16**	18	(11)	**34**	39	(13)
Total	**1,588**	**2,133**	**(26)**	**3,228**	**4,043**	**(20)**

Improved but still low profitability

For Volvo Aero, sales during the second quarter decreased by 26% to SEK 1,588 M compared to SEK 2,133 M in the prior year. Adjusted for currency fluctuations and the divestment of Volvo Aero Services, sales during the second quarter increased by 8%.

Operating income amounted to SEK 55 M, compared to a loss of SEK 372 M in the same period a year ago when results were negatively affected by the sale of Volvo Aero Services. Operating income is still affected by the low US dollar as well as manufacturing disturbances and supplier issues. The operating margin was 3.5% (neg. 17.4%).

Important agreement with Pratt & Whitney

Volvo Aero has signed an agreement with Pratt & Whitney regarding participation in the PW1100G engine. The PW1100G will be installed in an upgraded version of the Airbus A320, called A320neo. Volvo Aero will develop and manufacture two important components for the new engine, both based on advanced light-weight technologies. For Volvo Aero, the deal is expected to generate sales of around SEK 40 billion over a 50 year period. . Sales are expected to ramp up in the second half of this decade.

Consolidated income statement, second quarter

	Industrial Operations		Customer Finance		Eliminations		Volvo Group Total	
SEK M	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Net sales	**77,286**	**66,717**	**2,225**	**2,426**	**(548)**	**(378)**	**78,962**	**68,765**
Cost of sales	**(58,618)**	(51,066)	**(1,430)**	(1,670)	**548**	378	**(59,499)**	(52,358)
Gross income	**18,668**	**15,651**	**795**	**756**	**0**	**0**	**19,463**	**16,407**
Research and development expenses	**(3,370)**	(3,201)	**0**	0	**0**	0	**(3,370)**	(3,201)
Selling expenses	**(5,928)**	(5,783)	**(399)**	(381)	**0**	0	**(6,327)**	(6,163)
Administrative expenses	**(1,740)**	(1,430)	**(7)**	(6)	**0**	0	**(1,747)**	(1,436)
Other operating income and expenses	**(184)**	(445)	**(139)**	(361)	**0**	0	**(324)**	(807)
Income (loss) from investments in associated companies	**(51)**	(37)	**0**	0	**0**	0	**(51)**	(37)
Income from other investments	**3**	7	**0**	0	**0**	0	**3**	7
Operating income	**7,398**	**4,763**	**250**	**7**	**0**	**0**	**7,648**	**4,770**
Interest income and similar credits	**148**	136	**0**	0	**(1)**	(24)	**148**	112
Interest expenses and similar charges	**(734)**	(838)	**0**	0	**1**	24	**(734)**	(815)
Other financial income and expenses	**187**	475	**0**	0	**0**	0	**187**	475
Income after financial items	**6,999**	**4,536**	**250**	**7**	**0**	**0**	**7,249**	**4,541**
Income taxes	**(1,919)**	(1,302)	**(90)**	(14)	**0**	0	**(2,009)**	(1,315)
Income for the period*	**5,080**	**3,234**	**161**	**(7)**	**0**	**0**	**5,241**	**3,226**
* Attributable to:								
Equity holders of the parent company							**5,117**	3,145
Minority interests							**124**	81
							5,241	**3,226**
Basic earnings per share, SEK							**2.52**	1.55
Diluted earnings per share, SEK							**2.52**	1.55

Consolidated other comprehensive income

Income for the period	**5,241**	3,226
Exchange differences on translation of foreign operations	**1,267**	1,207
Exchange differences on hedge instruments of net investment in foreign operations	**(5)**	(21)
Accumulated translation difference reversed to income	**0**	(33)
Available for sale investments	**77**	(50)
Cash flow hedges	**(23)**	(73)
Other comprehensive income, net of income taxes	**1,316**	1,030
Total comprehensive income for the period*	**6,557**	**4,256**
* Attributable to		
Equity holders of the parent company	**6,405**	4,168
Minority interests	**152**	88
	6,557	4,256

Consolidated income statement, first six months

	Industrial Operations		Customer Finance		Eliminations		Volvo Group Total	
SEK M	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Net sales	**147,242**	**123,176**	**4,324**	**4,934**	**(1,026)**	**(728)**	**150,539**	**127,382**
Cost of sales	**(111,099)**	(94,645)	**(2,784)**	(3,407)	**1,026**	728	**(112,856)**	(97,324)
Gross income	**36,143**	**28,531**	**1,540**	**1,527**	**0**	**0**	**37,683**	**30,058**
Research and development expenses	**(6,679)**	(6,205)	**0**	0	**0**	0	**(6,679)**	(6,205)
Selling expenses	**(11,634)**	(11,259)	**(780)**	(759)	**0**	0	**(12,414)**	(12,018)
Administrative expenses	**(3,455)**	(3,052)	**(15)**	(13)	**0**	0	**(3,470)**	(3,065)
Other operating income and expenses	**(579)**	(419)	**(316)**	(733)	**0**	0	**(895)**	(1,153)
Income (loss) from investments in associated companies	**(70)**	(56)	**0**	0	**0**	0	**(70)**	(56)
Income from other investments	**15**	7	**0**	0	**0**	0	**15**	7
Operating income	**13,741**	**7,548**	**429**	**21**	**0**	**0**	**14,170**	**7,569**
Interest income and similar credits	**314**	260	**0**	0	**(16)**	(45)	**299**	215
Interest expenses and similar charges	**(1,470)**	(1,681)	**0**	0	**16**	45	**(1,454)**	(1,636)
Other financial income and expenses	**81**	622	**0**	0	**0**	0	**81**	622
Income after financial items	**12,666**	**6,749**	**429**	**21**	**0**	**0**	**13,096**	**6,769**
Income taxes	**(3,522)**	(1,774)	**(152)**	(49)	**0**	0	**(3,674)**	(1,823)
Income for the period*	**9,144**	**4,975**	**278**	**(28)**	**0**	**0**	**9,422**	**4,946**
* Attributable to:								
Equity holders of the parent company							**9,202**	4,826
Minority interests							**220**	120
							9,422	**4,946**
Basic earnings per share, SEK							**4.54**	2.38
Diluted earnings per share, SEK							**4.54**	2.38

Consolidated other comprehensive income

Income for the period	**9,422**	4,946
Exchange differences on translation of foreign operations	**(1,116)**	21
Exchange differences on hedge instruments of net investment in foreign operations	**(2)**	79
Accumulated translation difference reversed to income	**(18)**	(33)
Available for sale investments	**43**	20
Cash flow hedges	**(80)**	(245)
Other comprehensive income, net of income taxes	**(1,173)**	(158)
Total comprehensive income for the period*	**8,249**	**4,788**
* Attributable to		
Equity holders of the parent company	**8,058**	4,653
Minority interests	**191**	135
	8,249	4,788

Consolidated balance sheet

	Industrial Operations		Customer Finance		Eliminations		Volvo Group Total	
SEK M	**June 30 2011**	Dec 31 2010	**June 30 2011**	Dec 31 2010	**June 30 2011**	Dec 31 2010	**June 30 2011**	Dec 31 2010
Assets								
Non-current assets								
Intangible assets	**40,448**	40,613	**104**	101	**0**	0	**40,552**	40,714
Tangible assets								
Property, plant and equipment	**52,744**	54,169	**87**	72	**0**	0	**52,831**	54,242
Assets under operating leases	**14,505**	13,217	**10,923**	10,055	**(4,197)**	(3,625)	**21,231**	19,647
Financial assets								
Shares and participations	**2,060**	2,080	**1**	18	**0**	0	**2,061**	2,098
Non-current customer-financing receivables	**529**	598	**37,051**	36,270	**(1,124)**	(843)	**36,456**	36,025
Deferred tax assets	**10,480**	12,019	**317**	291	**0**	0	**10,797**	12,310
Prepaid pensions	**1,561**	1,636	**12**	12	**0**	0	**1,573**	1,648
Non-current interest-bearing receivables	**932**	941	**6**	204	**(361)**	(379)	**577**	766
Other non-current receivables	**3,496**	3,401	**49**	41	**(205)**	(24)	**3,340**	3,418
Total non-current assets	**126,755**	**128,674**	**48,550**	**47,064**	**(5,887)**	**(4,871)**	**169,418**	**170,868**
Current assets								
Inventories	**44,116**	38,956	**739**	882	**0**	0	**44,855**	39,837
Current receivables								
Customer-financing receivables	**884**	830	**35,202**	36,897	**(1,037)**	(1,064)	**35,049**	36,663
Tax assets	**1,025**	1,045	**87**	90	**0**	0	**1,112**	1,135
Interest-bearing receivables	**1,058**	1,071	**765**	1,283	**(1,363)**	(2,012)	**460**	342
Internal funding	**4,296**	7,505	**0**	0	**(4,296)**	(7,505)	**0**	0
Accounts receivable	**29,401**	24,332	**128**	101	**0**	0	**29,529**	24,433
Other receivables	**13,376**	11,561	**1,420**	1,352	**(785)**	(1,056)	**14,011**	11,857
Non interest-bearing assets held for sale	**0**	136	**0**	0	**0**	0	**0**	136
Interest-bearing assets held for sale	**0**	0	**0**	0	**0**	0	**0**	0
Marketable securities	**7,396**	9,735	**39**	32	**0**	0	**7,435**	9,767
Cash and cash equivalents	**17,546**	21,756	**1,421**	1,545	**(118)**	(335)	**18,849**	22,966
Total current assets	**119,098**	**116,928**	**39,801**	**42,182**	**(7,599)**	**(11,970)**	**151,300**	**147,139**
Total assets	**245,853**	**245,602**	**88,351**	**89,246**	**(13,486)**	**(16,841)**	**320,718**	**318,007**
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company	**67,474**	65,090	**8,598**	8,020	**0**	0	**76,072**	73,110
Minority interests	**874**	1,011	**0**	0	**0**	0	**874**	1,011
Total shareholders' equity	**68,348**	**66,101**	**8,598**	**8,020**	**0**	**0**	**76,946**	**74,121**
Non-current provisions								
Provisions for post-employment benefits	**6,954**	7,478	**36**	32	**0**	0	**6,990**	7,510
Provisions for deferred taxes	**2,971**	3,026	**1,347**	1,496	**0**	0	**4,318**	4,522
Other provisions	**5,388**	5,785	**166**	150	**2**	1	**5,556**	5,936
Non-current liabilities								
Bond loans	**42,132**	38,767	**0**	0	**0**	0	**42,132**	38,767
Other loans	**32,736**	37,180	**6,402**	8,225	**(82)**	(78)	**39,056**	45,327
Internal funding	**(29,004)**	(26,971)	**28,581**	25,927	**424**	1,044	**0**	0
Other liabilities	**11,132**	11,172	**594**	389	**(3,015)**	(2,330)	**8,711**	9,231
Current provisions	**9,544**	8,429	**114**	105	**1**	1	**9,659**	8,534
Current liabilities								
Loans	**33,069**	32,101	**6,692**	8,299	**(772)**	(799)	**38,990**	39,601
Internal funding	**(24,764)**	(21,220)	**32,764**	33,643	**(8,000)**	(12,423)	**0**	0
Non interest-bearing liabilities held for sale	**0**	135	**0**	0	**0**	0	**-**	135
Trade payables	**50,006**	47,111	**168**	139	**0**	0	**50,174**	47,250
Tax liabilities	**1,765**	1,571	**271**	161	**0**	0	**2,036**	1,732
Other liabilities	**35,576**	34,937	**2,618**	2,660	**(2,044)**	(2,257)	**36,150**	35,341
Total shareholders' equity and liabilities	**245,853**	**245,602**	**88,351**	**89,246**	**(13,486)**	**(16,841)**	**320,718**	**318,007**
Contingent liabilities							**13,308**	11,003

Consolidated cash flow statement for the second quarter

	Industrial Operations		Customer Finance		Eliminations		Volvo Group Total	
SEK bn	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Operating activities								
Operating income (loss)	**7.4**	4.8	**0.2**	0.0	**0.0**	0.0	**7.6**	4.8
Depreciation tangible assets	**1.5**	1.5	**0.0**	0.0	**0.0**	0.0	**1.5**	1.5
Amortization intangible assets	**0.8**	0.8	**0.0**	0.0	**0.0**	0.0	**0.8**	0.8
Depreciation leasing vehicles	**0.6**	0.5	**0.6**	0.6	**0.0**	0.0	**1.2**	1.1
Other non-cash items	**0.1**	0.6	**0.2**	0.4	**(0.1)**	0.0	**0.2**	1.0
Total change in working capital whereof	**(1.4)**	3.3	**(3.5)**	0.4	**0.1**	0.1	**(4.8)**	3.8
Change in accounts receivable	***(0.9)***	*(1.9)*	***0.0***	*(0.1)*	***0.1***	*0.0*	***(0.9)***	*(2.0)*
Change in inventories	***(2.3)***	*(1.6)*	***0.1***	*0.3*	***(0.1)***	*0.0*	***(2.3)***	*(1.3)*
Change in trade payables	***2.7***	*7.0*	***0.0***	*0.0*	***0.0***	*0.0*	***2.7***	*7.0*
Other changes in working capital	***(0.9)***	*(0.2)*	***(3.6)***	*0.2*	***0.1***	*0.1*	***(4.3)***	*0.1*
Net of interest and other financial items	**(0.6)**	(0.6)	**0.0**	0.0	**0.0**	0.0	**(0.6)**	(0.6)
Income taxes paid	**(0.7)**	(0.5)	**(0.1)**	(0.1)	**0.0**	0.0	**(0.8)**	(0.6)
Cash flow from operating activities	**7.7**	**10.4**	**(2.6)**	**1.3**	**0.0**	**0.1**	**5.1**	**11.8**
Investing activities								
Investments in tangible assets	**(1.5)**	(1.1)	**0.0**	(0.1)	**0.0**	0.1	**(1.5)**	(1.1)
Investments in intangible assets	**(1.0)**	(0.8)	**0.0**	0.0	**0.0**	0.0	**(1.0)**	(0.8)
Investment in leasing vehicles	**(0.2)**	(0.1)	**(1.8)**	(0.7)	**0.1**	0.0	**(1.9)**	(0.8)
Disposals of fixed assets and leasing vehicles	**0.2**	0.1	**0.6**	0.6	**0.0**	0.0	**0.8**	0.7
Operating cash flow	**5.2**	**8.5**	**(3.8)**	**1.1**	**0.1**	**0.2**	**1.5**	**9.8**
Investments and divestments of shares, net							**(0.1)**	0.0
Acquired and divested operations, net							**(0.3)**	0.2
Interest-bearing receivables incl marketable securites							**2.4**	(1.4)
Cash-flow after net investments							**3.5**	**8.6**
Financing activities								
Change in loans, net							**0.9**	(6.0)
Dividend to AB Volvo shareholders							**(5.1)**	0.0
Dividend to minority shareholders							**0.0**	(0.1)
Other							**0.0**	0.0
Change in cash and cash equivalents excl. translation differences							**(0.7)**	**2.5**
Translation difference on cash and cash equivalents							**0.2**	0.5
Change in cash and cash equivalents							**(0.5)**	**3.0**

Consolidated cash flow statement for the first six months

	Industrial Operations		Customer Finance		Eliminations		Volvo Group Total	
SEK bn	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Operating activities								
Operating income	**13.7**	7.6	**0.4**	0.0	**0.0**	0.0	**14.1**	7.6
Depreciation tangible assets	**2.9**	3.0	**0.0**	0.0	**0.0**	0.0	**2.9**	3.0
Amortization intangible assets	**1.6**	1.6	**0.0**	0.0	**0.0**	0.0	**1.6**	1.6
Depreciation leasing vehicles	**1.0**	1.0	**1.2**	1.2	**0.0**	0.0	**2.2**	2.2
Other non-cash items	**0.4**	0.2	**0.3**	0.7	**0.0**	0.0	**0.7**	0.9
Total change in working capital whereof	**(10.7)**	(1.2)	**(4.1)**	2.8	**(0.3)**	0.1	**(15.1)**	1.7
Change in accounts receivable	***(5.6)***	*(5.2)*	***0.0***	*(0.1)*	***0.0***	*0.0*	***(5.6)***	*(5.3)*
Change in inventories	***(6.1)***	*(2.9)*	***0.0***	*0.5*	***0.0***	*0.0*	***(6.1)***	*(2.4)*
Change in trade payables	***3.5***	*8.6*	***0.0***	*(0.1)*	***0.0***	*0.0*	***3.5***	*8.5*
Other changes in working capital	***(2.5)***	*(1.7)*	***(4.1)***	*2.5*	***(0.3)***	*0.1*	***(6.9)***	*0.9*
Net of interest and other financial items	**(1.1)**	(1.3)	**0.0**	0.0	**0.0**	0.0	**(1.1)**	(1.3)
Income taxes paid	**(2.2)**	(1.5)	**(0.1)**	0.0	**0.0**	0.0	**(2.3)**	(1.5)
Cash flow from operating activities	**5.6**	**9.4**	**(2.3)**	**4.7**	**(0.3)**	**0.1**	**3.0**	**14.2**
Investing activities								
Investments in tangible assets	**(2.7)**	(2.3)	**0.0**	(0.1)	**0.0**	0.1	**(2.7)**	(2.3)
Investments in intangible assets	**(1.9)**	(1.6)	**0.0**	0.0	**0.0**	0.0	**(1.9)**	(1.6)
Investment in leasing vehicles	**(0.2)**	(0.1)	**(3.2)**	(1.4)	**0.1**	0.0	**(3.3)**	(1.5)
Disposals of fixed assets and leasing vehicles	**0.4**	0.4	**0.9**	1.1	**0.0**	0.0	**1.3**	1.5
Operating cash flow	**1.2**	**5.8**	**(4.6)**	**4.3**	**(0.2)**	**0.2**	**(3.6)**	**10.3**
Investments and divestments of shares, net							**(0.1)**	(0.1)
Acquired and divested operations, net							**(0.5)**	0.2
Interest-bearing receivables incl marketable securites							**2.2**	1.1
Cash-flow after net investments							**(2.0)**	**11.5**
Financing activities								
Change in loans, net							**3.6**	(10.1)
Dividend to AB Volvo shareholders							**(5.1)**	0.0
Dividend to minority shareholders							**0.0**	(0.1)
Other							**0.0**	0.0
Change in cash and cash equivalents excl. translation differences							**(3.5)**	**1.3**
Translation difference on cash and cash equivalents							**(0.6)**	0.6
Change in cash and cash equivalents							**(4.1)**	**1.9**

Consolidated net financial position

	Industrial operations		Volvo Group	
SEK M	**June 30 2011**	Dec 31 2010	**June 30 2011**	Dec 31 2010
Non-current interest-bearing assets				
Non-current customer-financing receivables	**-**	–	**36,456**	36,025
Non-current interest-bearing receivables	**932**	941	**577**	766
Current interest-bearing assets				
Customer-financing receivables	**-**	–	**35,049**	36,663
Interest-bearing receivables	**1,058**	1,071	**460**	342
Internal funding	**4,296**	7,505	**-**	–
Interest-bearing assets held for sale	**0**	0	**0**	0
Marketable securities	**7,396**	9,735	**7,435**	9,767
Cash and cash equivalents	**17,546**	21,756	**18,849**	22,966
Total financial assets	**31,228**	**41,008**	**98,826**	**106,529**
Non-current interest-bearing liabilities				
Bond loans	**42,132**	38,767	**42,132**	38,767
Other loans	**32,736**	37,180	**39,056**	45,327
Internal funding	**(29,004)**	(26,971)	**-**	–
Current interest-bearing liabilities				
Loans	**33,069**	32,101	**38,990**	39,601
Internal funding	**(24,764)**	(21,220)	**-**	–
Total financial liabilities	**54,169**	**59,857**	**120,178**	**123,695**
Net financial position excl post-employment benefits	**(22,941)**	**(18,849)**	**(21,352)**	**(17,166)**
Provisions for post-employment benefits, net	**5,393**	5,842	**5,417**	5,862
Net financial position incl post-employment benefits	**(28,334)**	**(24,691)**	**(26,769)**	**(23,028)**

Changes in net financial position, Industrial operations

SEK bn	Second quarter 2011	First six months 2011
Beginning of period	**(27.3)**	**(24.7)**
Cash flow from operating activities	7.7	5.6
Investments in fixed assets	(2.7)	(4.8)
Disposals	0.2	0.4
Operating cash-flow	**5.2**	**1.2**
Investments and divestments of shares, net	(0.1)	(0.1)
Acquired and divested operations, net	(0.8)	(1.5)
Capital injections to/from Customer Finance operations	0.1	0.0
Currency effect	(0.4)	1.7
Dividend paid to AB Volvo shareholders	(5.1)	(5.1)
Other changes	0.1	0.2
Total change	**(1.0)**	**(3.6)**
Net financial position at end of period	**(28.3)**	**(28.3)**

Consolidated changes in shareholders' equity

	First six months	
SEK bn	**2011**	2010
Total equity at end of previous period	**74.1**	**67.0**
Transition effect IFRS 3, capitalized transaction costs	**0.0**	(0.1)
Total equity at beginning of period	**74.1**	**66.9**
Shareholders' equity attributable to equity holders of the parent company at beginning of period	**73.1**	**66.4**
Income for the period	**9.2**	4.8
Other comprehensive income	**(1.2)**	(0.3)
Total comprehensive income	**8.0**	**4.5**
Dividend to AB Volvo's shareholders	**(5.1)**	0.0
Share-based payments	**0.0**	0.0
Transactions with minority interests	**0.0**	0.0
Other changes	**0.0**	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	**76.0**	**70.9**
Minority interests at beginning of period	**1.0**	**0.6**
Income for the period	**0.2**	0.1
Other comprehensive income	**0.0**	0.1
Total comprehensive income	**0.2**	**0.2**
Dividend	**0.0**	(0.1)
Capital contribution	**0.0**	0.0
Minority regarding acquisitions and divestments	**(0.3)**	0.0
Other changes	**0.0**	0.0
Minority interests at end of period	**0.9**	**0.7**
Total equity at end of period	**76.9**	**71.6**

Key ratios

Industrial operations

	First six months	
	2011	2010
Gross margin, %	**24.5**	23.2
Research and development expenses in % of net sales	**4.5**	5.0
Selling expenses in % of net sales	**7.9**	9.1
Administrative expenses in % of net sales	**2.3**	2.5
Operating margin, %	**9.3**	6.1

	June 30 2011	Dec 31 2010
Return on operating capital, %, 12 months rolling values	**27.1**	19.5
Net financial position at end of period, SEK billion	**(28.3)**	(24.7)
Net financial position in % of shareholders' equity at end of period	**(41.5)**	(37.4)
Shareholders' equity as percentage of total assets, end of period	**27.8**	26.9

Customer finance

	June 30 2011	Dec 31 2010
Return on shareholders' equity, %, 12 months rolling values	**4.1**	0.4
Equity ratio at end of period, %	**9.7**	9.0
Asset growth, % from preceding year end until end of period	**(1.0)**	(9.6)

Volvo Group

	First six months	
	2011	2010
Gross margin, %	**25.0**	23.6
Research and development expenses in % of net sales	**4.4**	4.9
Selling expenses in % of net sales	**8.2**	9.4
Administrative expenses in % of net sales	**2.3**	2.4
Operating margin, %	**9.4**	5.9

	June 30 2011	Dec 31 2010
Basic earnings per share, SEK, 12 months rolling values	**7.52**	5.36
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	**37.5**	36.1
Return on shareholders' equity, %, 12 months rolling values	**21.3**	16.0
Shareholders' equity as percentage of total assets, end of period	**24.0**	23.3

Share data

	First six months	
	2011	2010
Basic earnings per share, SEK	**4.54**	2.38
Diluted earnings per share, SEK	**4.54**	2.38
Number of shares outstanding, million	**2,027**	2,027
Average number of shares during period, million	**2,027**	2,027
Average diluted number of shares during period, million	**2,027**	2,027
Number of company shares, held by AB Volvo, million	**101**	101
Average number of company shares, held by AB Volvo, million	**101**	101

Quarterly figures

SEK M unless otherwise stated

Industrial operations	2/2010	3/2010	4/2010	1/2011	2/2011
Net sales	**66,717**	**62,225**	**71,974**	**69,956**	**77,286**
Cost of sales	(51,066)	(47,015)	(55,820)	(52,481)	**(58,618)**
Gross income	**15,651**	**15,210**	**16,154**	**17,475**	**18,668**
Research and development expenses	(3,201)	(3,125)	(3,640)	(3,309)	**(3,370)**
Selling expenses	(5,783)	(5,520)	(5,870)	(5,706)	**(5,928)**
Administrative expenses	(1,430)	(1,295)	(1,293)	(1,715)	**(1,740)**
Other operating income and expenses	(445)	(377)	137	(395)	**(184)**
Income (loss) from investments in associated companies	(37)	(10)	(20)	(19)	**(51)**
Income from other investments	7	(15)	(49)	12	**3**
Operating income Industrial operations	**4,763**	**4,866**	**5,420**	**6,343**	**7,398**
Customer Finance					
Finance and lease income	2,426	2,146	1,951	2,099	**2,226**
Finance and lease expenses	(1,670)	(1,387)	(1,180)	(1,354)	**(1,430)**
Gross income	**756**	**759**	**771**	**745**	**796**
Selling and administrative expenses	(388)	(384)	(369)	(389)	**(407)**
Credit provision expenses	(414)	(339)	(311)	(178)	**(190)**
Other operating income and expenses	53	12	7	1	**51**
Operating income Customer Finance	**7**	**48**	**98**	**179**	**250**
Volvo Group					
Operating income	**4,770**	**4,913**	**5,518**	**6,522**	**7,648**
Interest income and similar credits	112	115	112	151	**148**
Interest expense and similar charges	(815)	(739)	(767)	(720)	**(734)**
Other financial income and expenses	475	(39)	(370)	(106)	**187**
Income after financial items	**4,541**	**4,251**	**4,494**	**5,847**	**7,249**
Income taxes	(1,315)	(1,401)	(1,078)	(1,665)	**(2,009)**
Income for the period*	**3,226**	**2,851**	**3,415**	**4,181**	**5,241**
* Attributable to					
Equity holders of AB Volvo	3,145	2,807	3,233	4,085	**5,117**
Minority interests	81	44	182	96	**124**
	3,226	**2,851**	**3,415**	**4,181**	**5,241**

Key operating ratios, Industrial operations					
Gross margin, %	23.5	24.4	22.4	25.0	**24.2**
Research and development expenses in % of net sales	4.8	5.0	5.1	4.7	**4.4**
Selling expenses in % of net sales	8.7	8.9	8.2	8.2	**7.7**
Administrative expenses in % of net sales	2.1	2.1	1.8	2.5	**2.3**
Operating margin, %	7.1	7.8	7.5	9.1	**9.6**

Depreciation and amortization, included above					
Product and Software development, amortization	706	709	727	680	**754**
Other intangible assets, amortization	111	119	112	108	**116**
Tangible assets, depreciation	2,663	2,703	2,545	2,463	**2,632**
Total	**3,480**	**3,531**	**3,384**	**3,251**	**3,502**
Of which					
Industrial operations	2,858	2,928	2,769	2,658	**2,862**
Customer Finance	622	603	615	593	**640**
Total	**3,480**	**3,531**	**3,384**	3,251	**3,502**

Research and development expenses					
Capitalization	464	621	771	800	**912**
Amortization	(569)	(575)	(614)	(588)	**(690)**
Net capitalization of research and development expenses	**(105)**	**46**	**157**	**212**	**222**

Quarterly figures

Share data	2/2010	3/2010	4/2010	1/2011	2/2011
Earnings per share, SEK[1]	1.55	1.38	1.59	2.01	**2.52**
Number of shares outstanding, million	2,027	2,027	2,027	2,027	**2,027**
Average number of shares during period, million	2,027	2,027	2,027	2,027	**2,027**
Number of company shares, held by AB Volvo, million	101	101	101	101	**101**

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

Net sales

SEK M	2/2010	3/2010	4/2010	1/2011	2/2011
Trucks	41,589	41,187	48,041	45,620	**50,062**
Construction Equipment	15,295	12,710	14,657	15,759	**17,520**
Buses	5,253	4,594	5,602	4,859	**5,593**
Volvo Penta	2,631	2,077	2,031	2,147	**2,565**
Volvo Aero	2,133	1,815	1,850	1,640	**1,588**
Eliminations and other	(184)	(158)	(207)	(68)	**(43)**
Industrial operations	**66,717**	**62,225**	**71,974**	**69,956**	**77,286**
Customer Finance	2,426	2,146	1,951	2,099	**2,225**
Eliminations	(378)	(402)	(528)	(478)	**(548)**
Volvo Group	**68,765**	**63,969**	**73,398**	**71,577**	**78,962**

Operating income

SEK M	2/2010	3/2010	4/2010	1/2011	2/2011
Trucks	2,478	2,700	3,490	4,286	**5,106**
Construction Equipment	2,086	1,330	1,758	1,708	**1,893**
Buses	259	155	221	281	**275**
Volvo Penta	312	72	73	164	**314**
Volvo Aero	(372)	224	282	28	**55**
Group functions and other	0	385	(404)	(123)	**(246)**
Industrial operations	**4,763**	**4,866**	**5,420**	**6,343**	**7,398**
Customer Finance	7	48	98	179	**250**
Volvo Group	**4,770**	**4,913**	**5,518**	**6,522**	**7,648**

Operating margin

%	2/2010	3/2010	4/2010	1/2011	2/2011
Trucks	6.0	6.6	7.3	9.4	**10.2**
Construction Equipment	13.6	10.5	12.0	10.8	**10.8**
Buses	4.9	3.4	3.9	5.8	**4.9**
Volvo Penta	11.9	3.5	3.6	7.6	**12.2**
Volvo Aero	(17.4)	12.3	15.2	1.7	**3.5**
Industrial operations	**7.1**	**7.8**	**7.5**	**9.1**	**9.6**
Volvo Group	**6.9**	**7.7**	**7.5**	**9.1**	**9.7**

Accounting principles

As from January 1, 2005, AB Volvo applies the International Financial Reporting Standards (IFRS) as adopted by the EU, for the group consolidation. The accounting principles, which were applied during the preparation of this report, are described in Note 1 to the consolidated financial statements, which is included in the 2010 Annual Report for the Volvo Group. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Annual Accounts Act.

The financial reporting of the parent company has been prepared in accordance with the Annual Accounts Act and RFR 2 Reporting for legal entities. Application of RFR 2 entails that in interim reporting for legal entities, the parent company is to apply all IFRSs and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligations Vesting Act, and taking into account the connection between accounting and taxation.

New accounting principles in 2011

In accordance with considerations presented in the Annual Report, Note 3, regarding new accounting principles for 2011, a number of new standards and IFRIC interpretations became effective January 1, 2011. They are expected not to have a significant effect on the financial statements of the Group.

Otherwise, accounting principles and methods of calculations have remained essentially unchanged from those applied in the 2010 Annual Report.

Hedging of commercial currency flows

Volvo only hedges firm flows whereof the major part is realized within 6 months. Hedge accounting is not applied and unrealized gains and losses from fluctuations in the fair values of the contracts are reported in the income statement. As from January 1, 2011 unrealized changes in fair value of commercial derivates related to a receivable or payable is reported in the respective business area. All other unrealized changes in fair value of commercial derivates are reported in the income statement in the segment Group functions and others. This has negatively affected the Group's operating income by SEK 101 M during the second quarter whereof SEK 82 M in Group functions and other. During the second quarter of 2010 the total effect was negative in an amount of SEK 231 M.

Group functions and other

As from January 1, 2011 Volvo reports some selected entities in the segment Group functions and other. As from January 1, 2011 Volvo Rents is reported in this segment. The reason for the change in segment is to strengthen the profile of Volvo Rents and make the operation more independent from Volvo CE.

Risks and uncertainties

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favorable profitability. Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. Volvo works continuously to identify, measure and manage risk, and in some cases Volvo can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Volvo's control, the aim is to minimize the consequences.

The risks to which the Volvo Group are exposed are classified into three main categories:

External-related risks – such as the cyclical nature of the commercial vehicles business, intense competition, changes in prices for commercial vehicles and government regulations;

Financial risks – such as currency fluctuations, interest levels fluctuations, valuations of shares or similar instruments, credit risk and liquidity risk and;

Operational risks – such as market reception of new products, reliance on suppliers, protection and maintenance of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital. For a more elaborated account for these risks, please refer to the Risk Management section on pages 53–55 in the 2010 Annual Report for the Volvo Group. The Annual Report is available on the internet at www.volvogroup.com. Short-term risks, when applicable, are also described in the respective report per business area of this report.

A rapid increase in demand could potentially result in delivery disturbances due to suppliers' financial instability or shortage of resources.

Uncertainty regarding customers' access to the financing of products in emerging markets might have a negative impact on demand.

Volvo verifies annually, or more frequently if necessary, the goodwill value of its business areas and other intangible assets for possible impairment. The size of the overvalue differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities at June 30, 2011, amounted to SEK 13.3 billion, an increase of SEK 2.3 billion compared to December 31, 2010. The increase is mainly related to credit guarantees issued as a result of the increased sales in emerging markets. Included in the total is a contingent liability of SEK 0.5 billion pertaining to a claim on Volvo Powertrain to pay penalties following a demand by the U.S. Environmental Protection Agency (EPA). The demand is a consequence of dissenting opinions on whether an agreement between EPA and Volvo Powertrain regarding lower emitting engines also should include engines sold by Volvo Penta.

Members of the U.S. trade union, the United Auto Workers (UAW), have approved a new 40-month Master Agreement with the Volvo Group's subsidiary Mack Trucks. The agreement includes the establishment of an independent trust that will completely eliminate Mack's commitments for providing healthcare to retired employees. The trust must be approved by the U.S. District Court for the Eastern District of Pennsylvania, which is currently scheduled for the last six months of 2011. The Volvo Group will fund the trust with USD 525 M, to be paid out during a five-year period as from 2010. The funding obligation is reported as a financial liability and amortizations will be reported as cash flow from financing activities.

Nissan Diesel Thailand Co. Limited on 30 November 2009 filed a claim at the Pathumthani Provincial Court of First Instance, Thailand, against AB Volvo and three of its employees, claiming damages of approximately SEK 2.3 billion. AB Volvo considers that the claim is of no merit. Further information is available in note 29 to the consolidated financial statements, included in the 2010 Annual Report for the Volvo Group.

In September 2010 Volvo Trucks' and Renault Trucks' UK subsidiaries have, together with a number of other international truck companies, become the subject of an investigation initiated by the OFT (Office of Fair Trading), the British competition authority. Volvo Trucks' and Renault Trucks' British subsidiaries have received letters from the OFT as part of the investigation and will cooperate fully with the OFT during the course of the investigation.

In January 2011 Volvo Group and a number of other companies in the truck industry became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. Volvo Group will cooperate fully with the Commission during the course of the investigative work.

In April 2011, Volvo Group's truck business in Korea and a number of other truck companies became subject of an investigation by the Korean Fair Trade Commission. The Volvo Group will cooperate fully with the Commission in the investigation.

In May 2011 Volvo Penta became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. Volvo Group will cooperate fully with the Commission during the course of the investigative work.

Corporate acquisitions and divestments

During the second quarter assets and liabilities earlier classified as "held for sale" have been reclassified to the related balance sheet items, as a consequence of a discontinued sale process. In connection to the reclassification, write-downs made in earlier periods have been reversed, affecting operating income positively in a total amount of SEK 49 M in the second quarter.

During the first and second quarter Volvo has expanded the ownership in construction equipment rental operations through several minor acquisitions of assets and liabilities. These acquisitions have increased assets under operating lease of the Volvo Group by SEK 606 M and added SEK 379 M to the Volvo Group goodwill. The impact on net debt of Industrial operations, from assumed liabilities in the acquisitions, is SEK 909 M, of which SEK 502 M are Group-internal liabilities to the segment Customer Finance. Other than that the acquisitions have had no significant impact on the Volvo Group.

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

Acquisitions after the end of the period

Volvo has not made any acquisitions after the end of the second quarter that have had a significant impact on the Volvo Group.

Related-party transactions

Sales to associated companies amounted to SEK 322 M (281) and purchases from associated companies amounted to SEK 16 M (10) during the second quarter of 2011. On June 30, 2011, receivables from associated companies amounted to SEK 151 M (174) and liabilities to associated companies to SEK 127 M (125). Sales to related-party Renault s.a.s. amounted to SEK 15 M (15) and purchases from Renault s.a.s to SEK 650 M (453) during the second quarter of 2011. Receivables from Renault s.a.s. amounted to SEK 12 M (15) and liabilities to Renault s.a.s. to SEK 408 M (291) on June 30, 2011.

Parent company

Income statement

SEK M	Second quarter 2011	Second quarter 2010	First six months 2011	First six months 2010
Net sales[1]	**197**	160	**385**	323
Cost of sales[1]	**(197)**	(160)	**(385)**	(323)
Gross income	**0**	0	**0**	0
Operating expenses[1]	**(220)**	(141)	**(417)**	(313)
Income (loss) from investments in Group companies	**2,286**	5,906	**1,925**	5,555
Income (loss) from investments in associated companies	**(6)**	(31)	**(4)**	(45)
Income (loss) from other investments	**-**	2	**4**	2
Operating income (loss)	**2,060**	**5,736**	**1,508**	**5,199**
Interest income and expenses	**(464)**	(152)	**(836)**	(317)
Other financial income and expenses	**(45)**	(44)	**(58)**	(48)
Income after financial items	**1,551**	**5,540**	**614**	**4,834**
Income taxes	**307**	210	**560**	339
Income for the period	**1,858**	**5,750**	**1,174**	**5,173**

1 Of net sales in the second quarter, SEK 172 M (143) pertained to Group companies, while purchases from Group companies amounted to SEK 150 M (116).

Other comprehensive income

Income for the period	**1,858**	**5,750**	**1,174**	**5,173**
Available-for-sale investments	**74**	(26)	**49**	**32**
Other comprehensive income, net of income taxes	**74**	**(26)**	**49**	**32**
Total comprehensive income for the period	**1,932**	**5,724**	**1,223**	**5,205**

Balance Sheets

SEK M		June 30 2011		Dec 31 2010
Assets				
Non-current assets				
Intangible assets		**95**		103
Tangible assets		**60**		16
Financial assets				
Shares and participations in Group companies	**59,438**		59,429	
Other shares and participations	**2,962**		2,498	
Deferred tax assets	**4,218**		3,657	
Other long-term receivables[1]	**10**	**66,628**	0	65,584
Total non-current assets		**66,783**		**65,703**
Current assets				
Short-term receivables from Group companies		**134**		12,226
Other short-term receivables		**638**		261
Cash and bank accounts		**0**		0
Total current assets		**772**		**12,487**
Total assets		**67,555**		**78,190**
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity	**9,891**		9,891	
Unrestricted equity	**28,129**	**38,020**	31,962	41,853
Untaxed reserves		**4**		4
Provisions		**133**		134
Non-current liabilites[2]		**17**		17
Currrent liabilites[3]		**29,381**		36,182
Total shareholders' equity and liabilities		**67,555**		**78,190**

1 Of which SEK 10 M (0) pertains to Group companies.
2 Of which SEK 7 M (7) pertains to Group companies.
3 Of which SEK 29,032 M (35,835) pertains to Group companies.

Income from investments in Group companies for the second quarter includes dividends amounting to SEK 2,719 M (6,338).

In 2011 revaluation of the ownership in the listed company Deutz AG has increased the value by SEK 49 M, recognized in other comprehensive income.

Investments in intangible and tangible assets amounted to SEK – M (22) and SEK 45 M (1) respectively.

Financial net debt amounted to SEK 28,659 M at the end of the second quarter (30,376).

The changed assumptions of life-expectancy for the PRI defined benefit plan have been considered in the second quarter close. However, it has had no effect on income or financial position of the parent company.

Events after the balance sheet date

See Important events on page 5 of this report. No other significant events have occurred after the end of the second quarter 2011 that are expected to have a substantial effect on the Volvo Group.

The Board of Directors and the CEO certify that the half-year 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.

Göteborg, July 22, 2011
AB Volvo (publ)

Louis Schweitzer
Board Chairman

Peter Bijur
Board member

Jean-Baptiste Duzan
Board member

Leif Johansson
President and CEO of the Volvo Group and Board member

Anders Nyrén
Board member

Hanne De Mora
Board member

Ying Yeh
Board member

Ravi Venkatesan
Board member

Lars Westerberg
Board member

Martin Linder
Board member

Mikael Sällström
Board member

Berth Thulin
Board member

Review report

We have reviewed this report for the period 1 January 2011 to 30 June 2011 for AB Volvo. The board of directors and the President are responsible for the preparation and presentation of this 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.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report 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 is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion.

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

Göteborg, July 22, 2011
PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Lead Auditor

Johan Rippe
Authorized Public Accountant

Deliveries

Delivered trucks

	Second quarter			First six months		
	2011	2010	Change in %	**2011**	2010	Change in %
Trucks						
Europe	**26,337**	15,805	67	**49,397**	27,986	77
Western Europe	**21,024**	13,666	54	**40,055**	24,307	65
Eastern Europe	**5,313**	2,139	148	**9,342**	3,679	154
North America	**10,290**	4,388	135	**19,111**	9,643	98
South America	**7,467**	5,495	36	**13,579**	10,048	35
Asia	**12,009**	13,211	(9)	**25,738**	25,022	3
Other markets	**3,808**	3,715	3	**7,154**	6,855	4
Total Trucks	**59,911**	**42,614**	**41**	**114,979**	**79,554**	**45**
Light duty (< 7 tons)	**6,454**	6,857	(6)	**12,853**	12,424	3
Medium duty (7–16 tons)	**7,869**	7,693	2	**15,910**	15,169	5
Heavy duty (>16 tons)	**45,588**	28,065	62	**86,216**	51,962	66
Total Trucks	**59,911**	**42,614**	**41**	**114,979**	**79,554**	**45**
Mack Trucks						
Europe	**-**	–	–	**-**	–	–
Western Europe	**-**	–	–	**-**	–	–
Eastern Europe	**-**	–	–	**-**	–	–
North America	**3,986**	1,674	138	**7,805**	4,533	72
South America	**767**	634	21	**1,243**	898	38
Asia	**2**	3	(33)	**2**	14	(86)
Other markets	**344**	253	36	**548**	412	33
Total Mack Trucks	**5,099**	**2,564**	**99**	**9,598**	**5,857**	**64**
Light duty (< 7 tons)	**-**	–	–	**-**	–	–
Medium duty (7–16 tons)	**-**	–	–	**-**	–	–
Heavy duty (>16 tons)	**5,099**	2,564	99	**9,598**	5,857	64
Total Mack Trucks	**5,099**	**2,564**	**99**	**9,598**	**5,857**	**64**
Renault Trucks						
Europe	**13,747**	8,530	61	**25,723**	15,747	63
Western Europe	**12,363**	7,907	56	**23,171**	14,580	59
Eastern Europe	**1,384**	623	122	**2,552**	1,167	119
North America	**51**	13	292	**66**	18	267
South America	**261**	94	178	**417**	184	127
Asia	**1,384**	739	87	**2,506**	1,214	106
Other markets	**1,164**	1,667	(30)	**2,268**	2,729	(17)
Total Renault Trucks	**16,607**	**11,043**	**50**	**30,980**	**19,892**	**56**
Light duty (< 7 tons)	**5,344**	3,987	34	**9,772**	6,790	44
Medium duty (7–16 tons)	**2,323**	2,177	7	**4,145**	3,962	5
Heavy duty (>16 tons)	**8,940**	4,879	83	**17,063**	9,140	87
Total Renault Trucks	**16,607**	**11,043**	**50**	**30,980**	**19,892**	**56**

AB Volvo (publ) discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 7.30 a.m. on July 22, 2011.

This report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although the Company believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business and operating initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

This report does not imply that the company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with the OMX Nordic Exchange Stockholm if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

Deliveries

	Second quarter			First six months		
	2011	2010	Change in %	**2011**	2010	Change in %
Volvo Trucks						
Europe	**12,590**	7,275	73	**23,674**	12,239	93
Western Europe	**8,661**	5,759	50	**16,884**	9,727	74
Eastern Europe	**3,929**	1,516	159	**6,790**	2,512	170
North America	**5,908**	2,344	152	**10,633**	4,454	139
South America	**6,371**	4,713	35	**11,810**	8,855	33
Asia	**3,308**	2,466	34	**6,470**	4,297	51
Other markets	**1,087**	956	14	**1,979**	1,889	5
Total Volvo Trucks	**29,264**	**17,754**	**65**	**54,566**	**31,734**	**72**
Light duty (< 7 tons)	**-**	–	–	**-**	–	–
Medium duty (7–16 tons)	**511**	489	4	**958**	952	1
Heavy duty (>16 tons)	**28,753**	17,265	67	**53,608**	30,782	74
Total Volvo Trucks	**29,264**	**17,754**	**65**	**54,566**	**31,734**	**72**
UD Trucks						
Europe	**-**	–	–	**-**	–	–
Western Europe	**-**	–	–	**-**	–	–
Eastern Europe	**-**	–	–	**-**	–	–
North America	**345**	357	(3)	**607**	638	(5)
South America	**68**	54	26	**109**	111	(2)
Asia	**2,971**	6,560	(55)	**6,848**	11,800	(42)
Other markets	**1,213**	839	45	**2,359**	1,825	29
Total UD Trucks	**4,597**	**7,810**	**(41)**	**9,923**	**14,374**	**(31)**
Light duty (< 7 tons)	**476**	2,477	(81)	**1,696**	4,722	(64)
Medium duty (7–16 tons)	**2,151**	2,492	(14)	**4,186**	4,549	(8)
Heavy duty (>16 tons)	**1,970**	2,841	(31)	**4,041**	5,103	(21)
Total UD Trucks	**4,597**	**7,810**	**(41)**	**9,923**	**14,374**	**(31)**
Eicher[1]						
Europe	**-**	–	–	**-**	–	–
Western Europe	**-**	–	–	**-**	–	–
Eastern Europe	**-**	–	–	**-**	–	–
North America	**-**	–	–	**-**	–	–
South America	**-**	–	–	**-**	–	–
Asia	**4,345**	3,444	26	**9,913**	7,698	29
Other markets	**-**	–	–	**-**	–	–
Total Eicher	**4,345**	**3,444**	**26**	**9,913**	**7,698**	**29**
Light duty (< 7 tons)	**634**	393	62	**1,385**	912	52
Medium duty (7–16 tons)	**2,884**	2,535	14	**6,621**	5,706	16
Heavy duty (>16 tons)	**827**	517	60	**1,907**	1,081	76
Total Eicher	**4,345**	**3,444**	**26**	**9,913**	**7,698**	**29**

1 The delivery figures relate to the 50% of the joint venture with Eicher Motor which is consolidated in the Volvo Group

Delivered buses

	Second quarter			First six months		
	2011	2010	Change in %	**2011**	2010	Change in %
Buses						
Europe	**771**	657	17	**1,237**	1,181	5
Western Europe	**740**	652	13	**1,188**	1,159	3
Eastern Europe	**31**	5	520	**49**	22	123
North America	**689**	427	61	**1,392**	1,034	35
South America	**460**	170	170	**743**	431	72
Asia	**903**	704	28	**1,681**	1,690	(1)
Other markets	**304**	339	(10)	**607**	512	19
Total Buses	**3,127**	**2,297**	**36**	**5,660**	**4,848**	**17**

Further publication dates

Report on the third quarter 2011	October 25, 2011
Report on 2011 operations	February 3, 2012
Annual Report	March 2012
Annual General Meeting	April 4, 2012
Report on the first quarter 2012	April 26, 2012
Report on the second quarter 2012	July 24, 2012
Report on the third quarter 2012	October 24, 2012

The annual and quarterly reports are published on www.volvogroup.com

Contacts

Investor Relations:

Christer Johansson	031-66 13 34
Patrik Stenberg	031-66 13 36
Anders Christensson	031-66 11 91
John Hartwell	+1 212 418 74 32

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

VOLVO

AB Volvo (publ)
SE-405 08 Göteborg, Sweden
Telephone +46 31 66 00 00
www.volvo.com