

VOLVO GROUP

REPORT ON THE SECOND QUARTER 2012

- »» In the second quarter, net sales increased by 6% to SEK 83.9 billion (79.0) which is the highest sales so far for a second quarter. Adjusted for currency movements and acquired and divested units, sales increased by 1%.
- »» The second quarter operating income amounted to SEK 7,335 M (7,648), including a positive impact of SEK 495 M from VAT credits in Brazil relating to previous years. Compared to the second quarter of 2011, changes in exchange rates had a positive impact of SEK 513 M.
- »» Operating margin in the second quarter was 8.7% (9.7).
- »» In the second quarter, basic and diluted earnings per share amounted to SEK 2.40 (2.52).
- »» In the second quarter, operating cash flow in the Industrial Operations was positive in an amount of SEK 2.5 billion (positive SEK 5.2 billion).
- »» AB Volvo acquires shares in engine manufacturer Deutz AG and increases ownership to 25%.
- »» AB Volvo divests Volvo Aero to British GKN for SEK 6.9 billion.



Quarter

	Second quarter		First six months	
	2012	2011	2012	2011
Net sales Volvo Group, SEK M	83,904	78,962	162,742	150,539
Operating income Volvo Group, SEK M	7,335	7,648	13,574	14,170
Operating income Industrial operations, SEK M	6,949	7,391	12,855	13,726
Operating income Customer Finance, SEK M	386	257	719	444
Operating margin Volvo Group, %	8.7	9.7	8.3	9.4
Income after financial items, SEK M	6,764	7,249	12,366	13,096
Income for the period, SEK M	4,943	5,241	9,035	9,422
Diluted earnings per share, SEK	2.40	2.52	4.38	4.54
Operating Cash Flow in Industrial Operations, SEK Bn	2.5	5.2	(2.4)	1.2
Return on shareholders' equity, rolling 12 months, %			21.0	21.3

VOLVO

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Quarter 2

CEO'S COMMENTS

STRENGTHENED FOCUS ON CORE BUSINESS



The Volvo Group's sales continued to grow during the second quarter. Net sales rose 6% to SEK 83.9 billion – representing the highest sales so far for a second quarter. The downturn in Brazil and Western Europe was offset by growth primarily in North America, as well as by higher sales in Eastern Europe and Africa. Operating income totaled SEK 7.3 billion, which includes a positive impact of SEK 495 M as a result of VAT credits in Brazil. The operating margin of 8.7% is slightly lower than the year-earlier quarter, due primarily to a change in market mix. The operating cash flow amounted to a positive SEK 2.5 billion.

After the first quarter, we have taken two strategically important steps. One of these was the sale of Volvo Aero. At the beginning of July, we concluded an agreement to divest Volvo Aero to the UK engineering group, GKN, for an enterprise value of SEK 6.9 billion. GKN is a major player in the production of aircraft components. Volvo Aero will be a part of its core business, and be capable of capitalizing on synergies with its other operations. Meanwhile, we will free up capital that can be utilized to expand our core operations, notably in growth markets such as Asia.

The other step was that we signed an agreement to increase our shareholding in the German engine manufacturer, Deutz, from 6.7% to slightly more than 25%. The price for the shares is EUR 130 M and the purchase will make Volvo the largest shareholder in the company. For many years, Deutz has been our strategic partner on medium-duty engines for construction equipment, a segment in which they are specialists. We are also studying the potential of cooperating with Deutz in establishing a joint venture company in China for engine

production to support our growth in construction equipment.

Weaker demand for trucks

The second quarter saw truck deliveries decline by 2% to 58,800 vehicles. Lower deliveries to markets in Western Europe and Brazil were almost offset by increases in North America, Africa and Eastern Europe. Net sales rose 3% to SEK 51.3 billion, which was due to advantageous exchange-rate movements. Operating income totaled SEK 4.1 billion and the operating margin was 8.0%, including SEK 314 M from the VAT credits in Brazil. The decline in profitability compared with the year-earlier period is due primarily to the change in market mix, with a lower share of sales in Europe and Brazil.

The total order intake amounted to almost 53,000 trucks during the second quarter, representing a decline of 19% compared with the second quarter of 2011. The decline was mainly driven by the North American market, which had a very high order intake in the second quarter of last year, and a further weakening in Southern Europe.

During the quarter, the Northern and Eastern European markets continued on relatively good levels, so the overall demand for Volvo trucks in Europe remained stable. On the other hand, we noted a continuing decline in demand for trucks in Southern Europe and a more cautious approach by customers in France. This adversely affected demand for Renault trucks. Given the reduction in production at the beginning of the year and the additional adjustments that we continually make, output is balanced with demand. We retain our assessment that the market for heavy-duty trucks in Europe will amount to about 230,000 vehicles in 2012,

even though the market during the latter six months of the year is difficult to forecast, not least in view of the macroeconomic background.

In early July, we announced a new engine designed to meet the emissions rules to be introduced in Europe as of 2014. The engine, which offers major environmental benefits, will be used in Volvo trucks in early 2013. Compared with current engines, emissions of nitrogen oxides are cut by 77%, along with a halving of particulate emissions from already low levels. Thanks to this development, our diesel engines will offer close to zero emissions of nitrogen oxide and particulates.

In North America deliveries rose by 34% to 13,800 trucks, while the order intake declined as a result of customers making substantial orders at the end of 2011 and the beginning of 2012 and have now adopted a more cautious stance in terms of orders as a result of growing concerns regarding the US economy. Current lower demand means that we are manufacturing at a pace which is slightly too high and are preparing to balance production to meet current demand during the autumn. Also in the case of North America, it is difficult to assess the second half of the year but we retain our assessment that the overall market will amount to about 250,000 heavy-duty trucks during 2012.

As expected, the Brazilian market during the second quarter was adversely affected by the transition to stricter Euro V emissions, along with the slowdown in the Brazilian economy. Our deliveries in South America decreased 27% to 5,500 trucks. The Brazilian government has introduced measures to stimulate the economy and subsidies to

increase investments in, for example, trucks. However, these actions have not yet had any major effect. During June and July, we reduced production to meet current demand. Due to lower demand during the first half of the year and the considerably lower growth in the economy, we have reduced our forecast of the overall Brazilian market from about 105,000 heavy-duty trucks to about 90,000.

Meanwhile, in Japan deliveries of heavy-duty trucks rose a full 76% during the first six months, supported by tax subsidies for investments in new trucks and because of low truck deliveries last year in the wake of the earthquake. Subsidies have now ceased and, thus, we expect a weaker latter half of the year. Nevertheless, due to the high demand at the beginning of the year, we retain our forecast of a total market of about 30,000 heavy-duty trucks in 2012.

The Indian market has weakened, but VECV – our joint venture company with Eicher Motors – continued to progress well, with increased market shares, good sales and high profitability. In the rest of Asia, demand remained stable, although we see signs of falling demand in the mineral and mining industries.

Volvo CE reported a strong performance

During the second quarter, Volvo CE's sales rose 15% to SEK 19.7 billion amid a global market in which most regions, except for China, showed continuing growth. Meanwhile, operating income increased to SEK 2.6 billion, representing an operating margin of 13.3%. The favorable profitability trend is partly attributable to a competitive total solution of products and services, along with good cost control. In addition, earnings were supported by positive non-recurring items corresponding to SEK 161 M, along with a favorable trend in exchange rates.

Sales growth continued to be robust during the quarter, notably in North America. In Asia, we managed to offset a sharp decline in the overall market in China by continuing to gain market shares, while demand in Southeast Asia remained strong.

Over the course of the quarter, it became clearer that growth was weakening in an

increasing number of markets, and we note a trend towards higher inventories among our dealers in Europe and China, combined with stiffer price competition. As a result, we have decided to reduce production rates in our European and Chinese plants, and we are also downgrading our forecast for the European market. We now expect the total European market to be on approximately the same level as last year.

Our dual brand strategy has proved highly successful both in China and Brazil. To date in Brazil, SDLG has only sold wheel loaders, but we are now taking the next step and plan to launch a range of SDLG excavators that will be manufactured in our Pederneiras plant.

Lower sales impact profitability for Volvo Buses

Volvo Buses' sales dipped 5% to SEK 5.2 billion. Operating income totaled SEK 176 M, including SEK 50 M from the VAT credits in Brazil. The operating margin was 3.4%. Volvo Buses' profitability was adversely impacted by low demand in Europe and North America. Very stiff competition and low capacity utilization has led to considerable price pressure for city buses in these markets. Meanwhile, in Brazil, demand for buses with the new Euro V engines has not gained momentum since the introduction of the new emissions regulations in early 2012. We have taken actions to reduce the capacity in the industrial system in Europe, North America and South America.

However, the Group's hybrid buses continue to make global progress with inroads into Brazil and Mexico. To date, we have sold 760 hybrid buses worldwide. In view of the fact that fuel savings can be as high as 35%, we are convinced that an increasing number of metropolitan authorities will seek hybrid buses, and we have a strong position in this future segment.

Good profitability in Volvo Penta, Volvo Aero and Volvo Financial Services

Volvo Penta reported operating income of SEK 268 M for the second quarter, including SEK 69 M from the VAT credits in Brazil. The operating margin was 12.1% during the

quarter which is seasonally strong in the marine aftermarket. Sluggish demand for marine engines in Europe in the wake of the protracted crisis in the European economy was offset by competitive products and internal action programs to reduce costs.

Volvo Aero continued to report good profitability, with an operating margin of 15.7% primarily as a result of improved productivity and a favorable currency exchange rate development.

For our customer-financing operations via Volvo Financial Services, the credit portfolio continues to expand, in parallel with an improvement in profitability. The return on equity during the second quarter approached 10%. Despite a weak economic trend in Southern Europe and slowdowns in Brazil and China, the portfolio developed well.

Finally, in parallel with focusing on our customers, we are working intensively with the reorganization in order to improve the Group's efficiency and better capitalize on the potential of our brands and products. Currently, the focus is on identifying the areas that offer potential for efficiency enhancement. Moreover, there is also extensive work to optimize the brand positions for our brands in the truck operations, which is expected to be completed by year-end.



Olof Persson
President and CEO

IMPORTANT EVENTS

AB Volvo acquires shares in Deutz AG

On June 13 AB Volvo announced that it had signed an agreement under which the company is offered the opportunity to increase its shareholding in Deutz AG from 6.7% to just over 25% by acquiring a total of 22,117,693 shares from Same Deutz-Fahr Group at a price of EUR 5.88 per share, EUR 130 M in total. Completion of the transaction is subject to the fulfillment of a number of conditions, including the approval of the relevant competition authorities. The transaction would make AB Volvo the largest shareholder in Deutz AG, which since many years is a strategic partner within medium-duty engines for construction equipment.

AB Volvo divests Volvo Aero to British GKN for SEK 6.9 billion

On July 5 it was announced that AB Volvo divests the Group's subsidiary Volvo Aero to

the global engineering company GKN for an enterprise value of SEK 6.9 billion. The transaction is scheduled for completion during the third quarter of 2012. The transaction is expected to generate a positive effect on the Group's operating income for the third quarter of about SEK 200 M. The divestment is expected to reduce the Group's net debt by approximately SEK 5 billion. To close the transaction, approval is required from the appropriate authorities.

New Volvo engine for Euro VI

On July 5 Volvo Trucks presented an engine tailored for the Euro VI environmental standards. Nitrogen oxide emissions have dropped by 77% and particulate emissions have been halved from already low levels. First off the mark is Volvo's D13 460 horsepower engine, which today powers more than one-third of all Volvo trucks.

Previously reported important events

- Annual General Meeting of AB Volvo
- AB Volvo signs memorandum of understanding with Deutz
- Unfavorable court ruling in the U.S. pertaining to Volvo Penta engines

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

FINANCIAL SUMMARY OF THE SECOND QUARTER

VOLVO GROUP**Net sales and operating income**

During the second quarter of 2012, Volvo Group's net sales increased by 6% to SEK 83,904 M (78,962) and operating income amounted to SEK 7,335 M (7,648). For detailed information on the development, see separate sections below.

Net financial items

Net interest expense in the second quarter was SEK 535 M compared to an expense of SEK 586 M in the previous year. In the first quarter of 2012 net interest expense amounted to SEK 553 M.

During the second quarter, market valuation of derivatives used for hedging interest-rate exposure in the debt portfolio had a positive impact on Other financial income and expenses amounting to SEK 27 M compared to a positive impact of SEK 242 M in the second quarter of 2011.

Income taxes

The tax expense in the second quarter amounted to SEK 1,820 M (2,009), corresponding to a tax rate of 27% (28).

Income Statement Volvo Group SEK M	Second quarter		First six months	
	2012	2011	2012	2011
Net sales Volvo Group	83,904	78,962	162,742	150,539
Operating Income Volvo Group	7,335	7,648	13,574	14,170
<i>Operating income Industrial operations</i>	<i>6,949</i>	<i>7,391</i>	<i>12,855</i>	<i>13,726</i>
<i>Operating income Customer Finance</i>	<i>386</i>	<i>257</i>	<i>719</i>	<i>444</i>
Interest income and similar credits	51	148	193	299
Interest expense and similar charges	(586)	(734)	(1,281)	(1,454)
Other financial income and expenses	(36)	187	(120)	81
Income after financial items	6,764	7,249	12,366	13,096
Income taxes	(1,820)	(2,009)	(3,330)	(3,674)
Income for the period	4,943	5,241	9,035	9,422

Income for the period and earnings per share

Income for the period amounted to SEK 4,943 M in the second quarter of 2012 compared to SEK 5,241 M in the second quarter of 2011.

Basic and diluted earnings per share in the second quarter amounted to SEK 2.40 (2.52).

VOLVO GROUP'S INDUSTRIAL OPERATIONS

GOOD GROWTH IN NORTH AMERICA

In the second quarter, net sales for the Volvo Group's Industrial Operations increased by 6% to SEK 81,938 M (77,286). Adjusted for changes in exchange rates and acquired and divested units net sales increased by 1%. Sales increased in all regions with the exception of South America and Western Europe. North America noted the strongest gain.

Operating margin impacted by market mix

In the second quarter of 2012, operating income for the Volvo Group's Industrial Operations amounted to SEK 6,949 M, compared to SEK 7,391 M in the second quarter of 2011. The operating margin was 8.5%, which is lower than the 9.6% for the second quarter of 2011. The operating margin was lower primarily due to the changed market mix, with a higher proportion of sales in North America, and lower in Brazil and Europe. Increased research and development expenses as well as selling and administrative expenses related to investments in future products also had a negative impact.

In the second quarter of 2012 Cost of sales was positively affected by the recognition of VAT credits in Brazil of SEK 495 M relating to too high payments in previous years. Operating income in the second quarter was also positively affected by SEK 100 M from insurance compensation within Construction Equipment for damages from the earthquake and tsunami in Japan in 2011.

Compared to the second quarter of 2011, changes in currency exchange rates had a positive impact on operating income amounting to SEK 513 M.

Net sales by market area							
SEK M	Second quarter			First six months			Share of industrial operations' net sales, %
	2012	2011	Change in %	2012	2011	Change in %	
Western Europe	24,406	26,199	(7)	47,023	49,859	(6)	30
Eastern Europe	5,829	5,346	9	10,179	9,495	7	6
North America	20,159	14,039	44	38,337	26,572	44	24
South America	6,644	8,725	(24)	13,901	15,729	(12)	9
Asia	18,836	17,888	5	38,191	36,111	6	24
Other markets	6,065	5,089	19	11,342	9,476	20	7
Total Industrial operations	81,938	77,286	6	158,972	147,242	8	100

Income Statement Industrial operations				
SEK M	Second quarter		First six months	
	2012	2011	2012	2011
Net sales	81,938	77,286	158,972	147,242
Cost of sales	(62,567)	(58,969)	(121,981)	(111,779)
Gross income	19,371	18,317	36,991	35,463
<i>Gross margin, %</i>	<i>23.6</i>	<i>23.7</i>	<i>23.3</i>	<i>24.1</i>
Research and development expenses	(3,923)	(3,370)	(7,631)	(6,679)
Selling expenses	(6,843)	(6,158)	(13,332)	(12,140)
Administrative expenses	(1,511)	(1,166)	(2,743)	(2,284)
Other operating income and expenses	(114)	(184)	(406)	(579)
Income (loss) from investments in associated companies	(7)	(51)	1	(70)
Income from other investments	(25)	3	(25)	15
Operating income	6,949	7,391	12,855	13,726
<i>Operating margin, %</i>	<i>8.5</i>	<i>9.6</i>	<i>8.1</i>	<i>9.3</i>
Operating income before depreciation and amortization (EBITDA)	9,713	10,253	18,429	19,246
<i>EBITDA margin, %</i>	<i>11.9</i>	<i>13.3</i>	<i>11.6</i>	<i>13.1</i>

In the second quarter of 2011, 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.

Operating cash flow of SEK 2.5 billion

In the second quarter of 2012, operating cash flow from the Industrial Operations was

positive in amount of SEK 2.5 billion compared to a positive SEK 5.2 billion in the second quarter of 2011. The operating income of SEK 6.9 billion was off-set by higher investments related to the introductions of new products and the expansion of the industrial system and commercial networks primarily in emerging markets as well as investments in fleet population in Volvo Rents.

VOLVO GROUP'S CUSTOMER FINANCE PROFITABLE GROWTH

During the quarter, the customer finance business achieved higher levels of profitability and continued to grow its credit portfolio. Portfolio risk metrics improved slightly during the quarter, highlighted by strong North America performance.

New financing volume during the quarter amounted to SEK 12.7 billion (12.0). Adjusting for movements in exchange rates, new financing volume increased by 3.0% compared to the second quarter of 2011. In total, 13,506 new Volvo Group units (13,564) were financed during the quarter. In the markets where financing is offered, the average market penetration rate in the second quarter was 27% (25).

As of June 30, 2012, the gross credit portfolio amounted to SEK 101.9 billion (84.4). On a currency adjusted basis, the credit portfolio increased by 19.2% when compared to the second quarter 2011.

Credit provisions in the quarter amounted to SEK 194 M (191) while write-offs of SEK

Income Statement Customer Finance SEK M	Second quarter		First six months	
	2012	2011	2012	2011
Finance and lease income	2,487	2,225	4,854	4,324
Finance and lease expenses	(1,521)	(1,430)	(3,004)	(2,784)
Gross income	967	795	1,850	1,540
Selling and administrative expenses	(446)	(399)	(865)	(780)
Credit provision expenses	(194)	(191)	(320)	(369)
Other operating income and expenses	60	52	55	53
Operating income	386	257	719	444
Income taxes	(119)	(90)	(224)	(152)
Income for the period	267	168	495	293
<i>Return on Equity, 12 month moving values</i>			9.7%	4.1%

163 M (247) were recorded. Credit reserves decreased from 1.31% to 1.26% of the credit portfolio at March 31, 2012 and June 30, 2012, respectively. The annualized write-off ratio through June 30, 2012 was 0.57% (0.99).

Operating income in the second quarter amounted to SEK 386 M (257). The improvement compared to the previous year is driven mainly by higher earning assets and

improved margins. In May 2012, VFS syndicated approximately SEK 3.2 billion of the Brazilian credit portfolio in accordance with its risk diversification strategy, which had a positive effect on Other operating income and expenses.



VOLVO GROUP FINANCIAL POSITION

Net financial debt in the Industrial Operations amounted to SEK 27.5 billion at June 30, 2012, an increase of SEK 5.7 billion compared to the first quarter of 2012, and equal to 34.9% of shareholders' equity. Excluding provision for post-employment benefits, the Industrial Operations net debt amounted to SEK 23.2 billion, which is equal to 29.5% of shareholders' equity.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable secu-

rities combined, amounted to SEK 31.1 billion at June 30, 2012. In addition to this, granted but unutilized credit facilities amounted to SEK 33.8 billion.

During the second quarter, currency movements increased the Volvo Group's total assets by SEK 5.2 billion related to revaluation of assets in foreign subsidiaries.

The equity ratio in the Volvo Group amounted to 23.9% on June 30, 2012 compared to 24.3% at year-end 2011. On the

same date, the equity ratio in the Industrial Operations amounted to 28.5% (28.5).

At June 30, shareholder's equity in the Volvo Group amounted to SEK 87.4 billion.

Number of employees

On June 30, 2012 the Volvo Group had 100,941 employees and 20,419 temporary employees and consultants, compared with 98,162 employees and 19,675 temporary employees and consultants at year-end 2011.

BUSINESS SEGMENT OVERVIEW

Net sales	Second quarter				First six months			
	2012	2011	Change in %	Change in %*	2012	2011	12 months rolling values	Jan-Dec 2011
SEK M								
Trucks	51,331	49,641	3	0	100,242	94,769	204,393	198,920
Construction Equipment	19,715	17,153	15	7	37,714	32,575	68,639	63,500
Buses	5,189	5,467	(5)	(10)	10,413	10,209	22,027	21,823
Volvo Penta	2,224	2,469	(10)	(13)	4,157	4,535	8,080	8,458
Volvo Aero	1,945	1,547	26	13	3,627	3,145	6,838	6,356
Other and eliminations	1,535	1,008	-	-	2,819	2,009	5,342	4,532
Industrial operations	81,938	77,286	6	1	158,972	147,242	315,319	303,589
Customer Finance	2,487	2,225	12	9	4,854	4,324	9,412	8,882
Reclassifications and eliminations	(522)	(548)	-	-	(1,085)	(1,027)	(2,162)	(2,104)
Volvo Group	83,904	78,962	6	1	162,742	150,539	322,569	310,367

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

Operating income	Second quarter				First six months			
	2012	2011	Change in %	2012	2011	12 months rolling values	Jan-Dec 2011	
SEK M								
Trucks	4,120	5,105	(19)	7,641	9,378	16,490	18,227	
Construction Equipment	2,629	1,945	35	4,760	3,700	7,872	6,812	
Buses	176	298	(41)	238	601	751	1,114	
Volvo Penta	268	327	(18)	380	504	701	825	
Volvo Aero	305	62	392	540	97	803	360	
Group functions and other	(549)	(346)	-	(706)	(554)	(1,560)	(1,408)	
Industrial operations	6,949	7,391	(6)	12,855	13,726	25,059	25,930	
Customer Finance	386	257	50	719	444	1,244	969	
Volvo Group	7,335	7,648	(4)	13,574	14,170	26,303	26,899	

Operating margin	Second quarter				First six months			
	2012	2011	2012	2011	12 months rolling values	Jan-Dec 2011		
%								
Trucks	8.0	10.3	7.6	9.9	8.1	9.2		
Construction Equipment	13.3	11.3	12.6	11.4	11.5	10.7		
Buses	3.4	5.5	2.3	5.9	3.4	5.1		
Volvo Penta	12.1	13.2	9.1	11.1	8.7	9.8		
Volvo Aero	15.7	4.0	14.9	3.1	11.7	5.7		
Industrial operations	8.5	9.6	8.1	9.3	7.9	8.5		
Volvo Group	8.7	9.7	8.3	9.4	8.2	8.7		

OVERVIEW OF INDUSTRIAL OPERATIONS

TRUCKS**MARKET MIX AND INVESTMENTS IN FUTURE PRODUCTS IMPACT PROFITABILITY**

- »» Mixed market conditions in Europe, declining order momentum in North America
- »» New engine tailored for the Euro VI emission standard taking effect 2014
- »» Net sales up 3%, operating margin of 8.0%

**Mixed market conditions in Europe, declining order momentum in North America**

In the first five months of 2012, the heavy-duty truck market in Europe 26 (EU minus United Kingdom, Ireland and Bulgaria plus Norway and Switzerland) reached 83,500 trucks, down by 9% compared to 2011. The demand on the European truck market varies significantly between different regions. In Southern Europe, demand continues to deteriorate and this has also spread to the French market. In Central and Northern Europe demand is roughly stable, while demand in Russia continues to grow. Due to the uncertain macro-economic situation in Europe, it is difficult to assess demand in the second half of the year. However, the current estimate is that the total market for heavy-duty trucks in Europe 29 will reach about 230,000 trucks in 2012 (unchanged forecast).

Through the second quarter of 2012, the total North American retail market for heavy-duty trucks increased by 35% to 125,590 vehicles, compared with 93,088 in 2011. The ongoing need to replace the aging commercial vehicle population continued to drive demand, and highway sales compensated for a continued weak construction market. Also in the case of North America, it is difficult to assess the second half of the year but the forecast of an overall market of about 250,000 heavy-duty trucks during 2012 is retained.

During the first six months of 2012, the total Brazilian market decreased by 19% from 54,254 to 43,771 in comparison to the same period 2011. The truck operation in Brazil continued to be negatively impacted

Net sales by market area

SEK M	Second quarter		Change in %	First six months		Change in %
	2012	2011		2012	2011	
Europe	20,422	22,201	(8)	39,752	42,277	(6)
North America	12,476	8,663	44	23,852	16,684	43
South America	5,061	6,964	(27)	10,166	12,665	(20)
Asia	9,280	8,386	11	18,549	16,885	10
Other markets	4,092	3,426	19	7,922	6,257	27
Total	51,331	49,641	3	100,242	94,769	6

Deliveries per market

Number of trucks	Second quarter		Change in %	First six months		Change in %
	2012	2011		2012	2011	
Europe	22,569	26,337	(14)	42,565	49,397	(14)
North America	13,822	10,290	34	26,670	19,111	40
South America	5,481	7,467	(27)	10,618	13,579	(22)
Asia	12,389	12,009	3	26,269	25,738	2
Other markets	4,508	3,808	18	8,758	7,154	22
Total Trucks	58,769	59,911	(2)	114,880	114,979	0

by the transition to new emissions regulations on trucks produced as of January 1, 2012. The market has also been impacted by the slowdown in the Brazilian economy. The Brazilian government recently announced financing incentives to stimulate commercial vehicle sales. The total Brazilian market for heavy-duty trucks is expected to decline and reach a level of about 90,000 trucks in 2012 (previous forecast 105,000).

In Japan the total market for heavy-duty trucks through June 2012 rose by 76% to 17,349 vehicles (9,861) partly driven by government incentives that ran out in July as well as the need for trucks for reconstruction work following the earthquake and the subsequent tsunami that hit Japan in March 2011. For 2012, the total Japanese market for heavy-duty trucks is expected to increase to about 30,000 trucks (unchanged forecast).

In India, the total market for heavy-duty trucks through May 2012 declined by 8% to 94,941 trucks (103,410).

Slightly lower deliveries

In the second quarter of 2012, the Volvo Group delivered a total of 58,769 trucks, which was 2% less than in the second quarter of 2011.

Slower order intake in North America and Europe

The truck operation's total net order intake declined by 19% in the second quarter compared to the year-earlier period. Compared to the first quarter orders declined by 13%.

European orders reached 21,538 trucks in the second quarter of 2012, 13% lower than in the second quarter last year as a result of a further weakening in Southern

Europe including France. Compared with the second quarter of 2011, the Volvo brand had a stable order intake, while Renault Trucks order intake declined. The number of delivered trucks reached 22,569 units.

In North America, order intake during the second quarter decreased by 47% compared with the strong second quarter of 2011 and by 19% year-to-date. Order intake in the second quarter were negatively impacted in part by stocking programs in the first quarter, but it is also clear that concerns about the domestic and global economic environment continued to weigh on purchasing decisions.

In South America, orders declined as customers are more cautious following a slow-down in the economy. Order intake in the second quarter was down 7% compared with the same quarter last year. Compared with the first quarter of 2012 orders improved by 10%.

Orders in Asia declined by 4% while orders to Other markets were down by 16%.

Changes in market mix - operating margin of 8.0%

During the second quarter of 2012, the truck operation's net sales amounted to SEK 51,331 M, which was 3% higher than in the second quarter of 2011. Adjusted for

Net order intake per market						
Number of trucks	Second quarter			First six months		
	2012	2011	Change in %	2012	2011	Change in %
Europe	21,538	24,623	(13)	44,954	48,435	(7)
North America	8,056	15,314	(47)	21,822	27,041	(19)
South America	6,157	6,597	(7)	11,760	14,019	(16)
Asia	13,220	13,724	(4)	26,909	28,583	(6)
Other markets	3,975	4,748	(16)	8,207	8,220	0
Total Trucks	52,946	65,006	(19)	113,652	126,298	(10)

changes in exchange rates net sales were on the same level as the preceding year. Increased sales in North America, Asia and Other markets compensated for lower sales in Europe and South America.

The truck operations posted an operating income of SEK 4,120 M in the second quarter of 2012 compared with an operating income of SEK 5,105 M in the second quarter of 2011. The operating margin was 8.0%, compared with 10.3% in the year-earlier period. Operating margin was lower primarily due to the changed market mix, with a higher proportion of sales in North America, and lower in Brazil and Europe. The operating margin was also negatively impacted by increased costs related to investments in future products. Earnings in the second quarter of 2012 were positively affected by VAT credits in Brazil of SEK 314 M relating to previous years. Compared with the second quarter of

2011, operating income was positively impacted by changes in currency exchange rates in an amount of SEK 88 M.

Earnings in the second quarter of 2011 were negatively affected by costs related to the earthquake and tsunami in Japan amounting to approximately SEK 100 M.

New Volvo engine for Euro VI

On July 5 Volvo Trucks presented an engine tailored for the Euro VI environmental standards. Nitrogen oxide emissions have dropped by 77% and particulate emissions have been halved from already low levels. First off the mark is Volvo's D13 460 horsepower engine, which today powers more than one-third of all Volvo trucks.

CONSTRUCTION EQUIPMENT STRONG EARNINGS

- » Strong second quarter
- » Sales up 15%, operating income increased 35% and operating margin at 13.3%
- » China total market down 38%, other world markets up
- » Capacity adjustments in Europe and China



Market growth outside China

Measured in units, the total market for construction equipment declined by 12% through May compared to the same period last year. In Europe the market increased by 6%, North America was up 35% and South America increased 10%. Asia excluding China was up 25% while China decreased by 38%. Other markets were up 24%. Despite the downturn in China, it is still a very important market and still bigger than the combined total markets in North America and Europe.

Volvo CE has been able to maintain its strong position within wheel loaders and excavators in China. As of June 30, 2012 the 12-month rolling market share was 14.7% compared to 13.7% at the end of the first quarter of 2012 according to CCMA, China Construction Machinery Association.

Given the present global macroeconomics the rest of the year is uncertain from a volume and pricing point of view. For the full year 2012, Europe is expected to be flat (previous forecast up 10–20%), while North America is expected to grow by 15–25% (unchanged forecast) and South America by 0–10% (unchanged forecast). Asia excluding China is expected to grow by 0–10% (unchanged forecast) while China is expected to decline by 15–25% (unchanged forecast).

Net sales by market area

SEK M	Second quarter		Change in %	First six months		Change in %
	2012	2011		2012	2011	
Europe	5,019	4,905	2	8,853	8,587	3
North America	4,052	2,140	89	7,370	3,712	99
South America	1,103	1,101	0	2,096	2,005	5
Asia	8,223	8,195	0	17,172	16,598	3
Other markets	1,318	811	63	2,223	1,674	33
Total	19,715	17,153	15	37,714	32,575	16

Strong earnings

In the second quarter of 2012 net sales increased by 15% to SEK 19,715 M (17,153). Adjusted for currency movements, net sales increased by 7%. The higher sales were driven by favorable product and geographical mix and good demand for equipment in most markets outside China.

Operating income increased by 35% to SEK 2,629 M (1,945) and the operating margin was 13.3% (11.3). The higher earnings were positively impacted by active sales price realization and cost reductions. Earnings in the second quarter were also positively affected by VAT credits in Brazil of SEK 61 M relating to previous years as well as SEK 100 M from insurance compensation for damages from the earthquake and tsunami in Japan in 2011. Compared with the second quarter of 2011, operating income was positively impacted by changes in

currency exchange rates in an amount of SEK 418 M.

In the second quarter of 2011 operating income was negatively impacted by approximately SEK 300 M due to Japanese supplier issues.

The value of the order book at June 30 was 14% higher than a year earlier.

SDLG to launch excavators in Brazil

Volvo CE's dual brand strategy has proved highly successful both in China and Brazil. To date in Brazil, SDLG has only marketed wheel loaders, but Volvo CE is now going a step further and plans to launch a range of SDLG excavators that will be manufactured in the Pederneiras plant.

In April construction began of a new 20,660 square meter facility in Kaluga that, when completed in 2013, will produce six models of excavators for the Russian market.

BUSES

PROFITABILITY IMPACTED BY LOWER SALES

- » Lower sales volumes and increased pricing pressure
- » Order for 550 Volvo double-deck buses for Singapore
- » To date have 760 Volvo Hybrids been sold to 20 countries



Lower demand in the bus market outside Asia

Demand is lower in most of the world's bus markets with the exception of China and India where it is stable.

In Europe, the total market for the first five months of 2012 was 7% lower compared with the same period in 2011. In Southern Europe the drop was more than 30%. As a result of the low levels of demand the price pressure in the European tender business continues.

In North America the bus market is weak and both coach and transit operators are still hesitant when it comes to investing in new vehicles. The South American market is experiencing a slowdown and the Brazilian market declined due to pre-buys of buses ahead of the new emission standards that came into effect on January 1, 2012.

In Asia Pacific the tender activity continued on a stable level. China continued to grow in all segments and the market increased by 11% to the end of May. India still showed growth but at a slower pace. Following an increase of 20% in the first quarter, the market increased by 8% in the second quarter when compared to last year.

Lower volumes

Deliveries during the second quarter of 2012 amounted to 2,498 buses, compared with 3,127 in the year-earlier period, down 20%. With the exception of Europe all main markets had lower deliveries compared to

SEK M	Second quarter		Change in %	First six months		Change in %
	2012	2011		2012	2011	
Europe	1,980	1,637	21	3,178	2,959	7
North America	1,545	1,852	(17)	3,376	3,508	(4)
South America	411	593	(31)	1,520	942	61
Asia	744	698	6	1,413	1,590	(11)
Other markets	508	686	(26)	925	1,210	(24)
Total	5,189	5,467	(5)	10,413	10,209	2

same period in 2011. Volvo Buses has strengthened its market share in Europe on the back of its new, competitive product portfolio.

Order intake for the second quarter amounted to 2,678 buses, compared with 3,124 in the year-earlier period, down 14%.

During the second quarter a number of significant orders were signed, including one for 550 double-deck buses for SBS in Singapore. In addition, Volvo Buses received an order for 80 hybrid buses in South America. Production of hybrid buses in Brazil will start in the latter part of 2012. In total, 760 Volvo hybrid buses have been sold to 20 countries to date.

Operating income affected by lower sales

In the second quarter, net sales declined by 5% to SEK 5,189 M (5,467). Adjusted for currency movements, net sales decreased by 10%.

Operating income declined to SEK 176 M (298). Operating margin was 3.4% (5.5).

Operating income was negatively affected by lower volumes, negative market mix and lower capacity utilization. Earnings in the second quarter were positively affected by VAT credits in Brazil of SEK 50 M relating to previous years. Compared with the second quarter of 2011, operating income was negatively impacted by changes in currency exchange rates in an amount of SEK 37 M.

Actions have been taken to reduce the capacity in the industrial system in Europe, North America and South America.

VOLVO PENTA

LOWER SALES IMPACTED PROFITABILITY

- » Strengthened product portfolio
- » Operating margin of 12.1%
- » Tough market conditions for both marine and industrial engines



Tough market conditions

The recent years' weak global market for marine engines continued during the second quarter of 2012. The debt crisis in Europe had a severe impact on demand for leisure boats, resulting in declining sales and profitability problems for many boat builders. However, in North America, leisure boat sales successively strengthened in recent quarters, but demand is still far from the peak years.

Uncertainty in Europe is also impacting sales of industrial engines, which remained weak in Europe and North America. The slowdown also applies to most of the remaining major industrial-engine markets, with the exception of markets like for instance the Middle East, Japan and South Africa.

Strengthened product portfolio

This year, Volvo Penta launched several electronic products that will simplify boat life for end customers and boat builders. The success with joystick-maneuvering was followed-up by joystick-steering at cruising speed, which will contribute to creating prerequisites for Volvo Penta to design modularized and more ergonomically adapted driver environments and thus further integrate the development work conducted with leading boat builders.

Net sales by market area

SEK M	Second quarter		Change in %	First six months		Change in %
	2012	2011		2012	2011	
Europe	1,039	1,309	(21)	2,025	2,524	(20)
North America	463	412	12	799	710	13
South America	87	83	5	152	133	14
Asia	546	579	(6)	997	999	0
Other markets	89	87	2	184	169	9
Total	2,224	2,469	(10)	4,157	4,535	(8)

Volvo Penta's market positions in the core segments within Marine and Industrial have been confirmed and strengthened during the year. Recent years' engine launches, for instance the D6-400 marine diesel, have been very well-received by customers.

The volume in the order book as of June 30, 2012 was 54% lower than the year-earlier period as an effect of changed order patterns with shorter lead times from customers. Order intake in the second quarter was on the same level as last year.

Lower sales impacted profitability

Net sales in the second quarter of 2012 declined 10% year-on-year to SEK 2,224 M (2,469). Adjusted for currency fluctuations, sales declined by 13%. Sales were distributed between the two business segments as follows: Marine SEK 1,251 M (1,360) and Industrial SEK 973 M (1,109).

Operating income during the quarter which is seasonally strong in the marine aftermarket amounted to SEK 268 M compared with the year-earlier period of SEK 327 M. Earnings were negatively impacted by lower sales. Earnings in the second quarter were positively affected by VAT credits in Brazil of SEK 69 M relating to previous years. Compared with the second quarter of 2011, operating income was negatively impacted by changes in currency exchange rates in an amount of SEK 13 M. Operating margin was 12.1% (13.2).

VOLVO AERO INCREASED SALES AND PROFITABILITY

- » Increased sales
- » Positive productivity trend, favorable product mix and currency tailwinds
- » Volvo Aero to be divested to GKN



Air traffic continues to grow

Global passenger traffic increased by 4.5% in May compared to the same month last year, according to the International Air Transport Association (IATA). Global air freight traffic declined 1.9% in May. IATA's June industry net profit forecast for 2012 remained unchanged at USD 3 billion compared to the forecast in March. However, the regional composition of the profit forecast has changed with larger losses expected in Europe but more profit projected for US and Latin American airlines.

Airbus and Boeing reported 729 orders in the first two quarters of this year, down 28% compared to the first two quarters of 2011. The backlog for large commercial aircraft increased from 8,208 aircraft at the end of 2011 to 8,312 at the end of June. The aircraft manufacturers delivered 566 aircraft in the first six months of this year, up 18% compared to the first six months of last year.

Strong quarter for Volvo Aero

For Volvo Aero, net sales during the second quarter increased by 26 % to SEK 1,945 M (1,547). Adjusted for currency fluctuations, net sales during the second quarter increased by 13%.

Net sales by market area

SEK M	Second quarter		Change in %	First six months		Change in %
	2012	2011		2012	2011	
Europe	884	753	17	1,660	1,460	14
North America	997	743	34	1,863	1,595	17
South America	0	1	(95)	0	7	(100)
Asia	42	34	24	68	49	39
Other markets	23	16	44	37	34	9
Total	1,945	1,547	26	3,627	3,145	15

Operating income amounted to SEK 305 M compared to SEK 62 M in the same quarter of 2011. The improvement is a result of a positive trend with higher productivity, fewer disturbances in the production facilities, and a favorable product mix. Earnings were also positively impacted by a stronger US dollar. Compared with the second quarter of 2011, operating income was positively impacted by changes in currency exchange rates in an amount of SEK 61 M. Operating margin was 15.7% (4.0).

First components delivered to PW1100G engine

In late June, Volvo Aero delivered its first components to the new PW1100G engine. The components were sent to Pratt & Whitney in the USA where they will be installed in the

first engine to be tested during the autumn. One application for the PW1100G is the Airbus aircraft A320neo which is planned to enter service in 2015.

Volvo Aero to be sold to GKN

On July 5, AB Volvo announced that Volvo Aero will be sold to the British industry group GKN for an enterprise value of SEK 6.9 billion. The transaction, which requires approval from relevant authorities, is likely to be completed during the third quarter.

CONSOLIDATED INCOME STATEMENT

SECOND QUARTER

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	81,938	77,286	2,487	2,225	(522)	(548)	83,904	78,962
Cost of sales	(62,567)	(58,969)	(1,520)	(1,430)	522	548	(63,566)	(59,850)
Gross income	19,371	18,317	967	795	0	0	20,338	19,112
Research and development expenses	(3,923)	(3,370)	0	0	0	0	(3,923)	(3,370)
Selling expenses	(6,843)	(6,158)	(440)	(399)	0	0	(7,283)	(6,557)
Administrative expenses	(1,511)	(1,166)	(6)	0	0	0	(1,518)	(1,166)
Other operating income and expenses	(114)	(184)	(134)	(139)	0	0	(248)	(324)
Income (loss) from investments in associated companies	(7)	(51)	0	0	0	0	(7)	(51)
Income from other investments	(25)	3	0	0	0	0	(26)	3
Operating income	6,949	7,391	386	257	0	0	7,335	7,648
Interest income and similar credits	100	148	0	0	(48)	(1)	51	148
Interest expenses and similar charges	(634)	(734)	0	0	48	1	(586)	(734)
Other financial income and expenses	(36)	187	0	0	0	0	(36)	187
Income after financial items	6,379	6,992	386	257	0	0	6,764	7,249
Income taxes	(1,702)	(1,919)	(119)	(90)	0	0	(1,820)	(2,009)
Income for the period*	4,677	5,073	267	168	0	0	4,943	5,241
*Attributable to:								
Equity holders of the parent company							4,862	5,117
Minority interests							81	124
							4,943	5,241
Basic earnings per share, SEK							2,40	2,52
Diluted earnings per share, SEK							2,40	2,52

CONSOLIDATED OTHER COMPREHENSIVE INCOME

SECOND QUARTER

Income for the period	4,943	5,241
Exchange differences on translation of foreign operations	159	1,267
Exchange differences on hedge instruments of net investment in foreign operations	0	(5)
Accumulated translation difference reversed to income	0	0
Available for sale investments	(90)	77
Cash flow hedges	8	(23)
Other comprehensive income, net of income taxes	77	1,316
Total comprehensive income for the period*	5,020	6,557
* Attributable to		
Equity holders of the parent company	4,894	6,405
Minority interests	126	152
	5,020	6,557

CONSOLIDATED INCOME STATEMENT

FIRST SIX MONTHS

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total		
	2012	2011	2012	2011	2012	2011	2012	2011	
Net sales	158,972	147,242	4,854	4,324	(1,085)	(1,026)	162,742	150,539	
Cost of sales	(121,981)	(111,779)	(3,004)	(2,784)	1,085	1,026	(123,901)	(113,536)	
Gross income	36,991	35,463	1,850	1,540	0	0	38,841	37,003	
Research and development expenses	(7,631)	(6,679)	0	0	0	0	(7,631)	(6,679)	
Selling expenses	(13,332)	(12,140)	(850)	(780)	0	0	(14,182)	(12,920)	
Administrative expenses	(2,743)	(2,284)	(15)	0	0	0	(2,759)	(2,284)	
Other operating income and expenses	(406)	(579)	(265)	(316)	0	0	(671)	(895)	
Income (loss) from investments in associated companies	1	(70)	0	0	0	0	1	(70)	
Income from other investments	(25)	15	0	0	0	0	(26)	15	
Operating income	12,855	13,726	719	444	0	0	13,574	14,170	
Interest income and similar credits	281	314	0	0	(88)	(16)	193	299	
Interest expenses and similar charges	(1,369)	(1,470)	0	0	88	16	(1,281)	(1,454)	
Other financial income and expenses	(120)	81	0	0	0	0	(120)	81	
Income after financial items	11,647	12,651	719	444	0	0	12,366	13,096	
Income taxes	(3,106)	(3,522)	(224)	(152)	0	0	(3,330)	(3,674)	
Income for the period*	8,541	9,129	495	293	0	0	9,035	9,422	
*Attributable to:									
Equity holders of the parent company							8,875	9,202	
Minority interests							160	220	
							9,035	9,422	
Basic earnings per share, SEK							4.38	4.54	
Diluted earnings per share, SEK							4.38	4.54	

CONSOLIDATED OTHER COMPREHENSIVE INCOME

FIRST SIX MONTHS

Income for the period	9,035	9,422
Exchange differences on translation of foreign operations	(1,214)	(1,116)
Exchange differences on hedge instruments of net investment in foreign operations	0	(2)
Accumulated translation difference reversed to income	(66)	(18)
Available for sale investments	1	43
Cash flow hedges	1	(80)
Other comprehensive income, net of income taxes	(1,278)	(1,173)
Total comprehensive income for the period*	7,757	8,249
* Attributable to		
Equity holders of the parent company		7,596
Minority interests		161
		7,757
		8,249

CONSOLIDATED BALANCE SHEET

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	Jun 30 2012	Dec 31 2011	Jun 30 2012	Dec 31 2011	Jun 30 2012	Dec 31 2011	Jun 30 2012	Dec 31 2011
Assets								
Non-current assets								
Intangible assets	40,320	39,385	120	122	0	0	40,440	39,507
Tangible assets								
Property, plant and equipment	54,758	54,446	93	94	0	0	54,851	54,540
Assets under operating leases	19,076	16,749	11,731	11,525	(4,453)	(4,352)	26,354	23,922
Financial assets								
Shares and participations	1,847	1,871	5	3	0	0	1,852	1,874
Non-current customer-financing receivables	639	579	44,596	44,651	(5,887)	(4,612)	39,348	40,618
Deferred tax assets	13,266	12,480	406	358	0	0	13,672	12,838
Prepaid pensions	2,684	2,263	15	14	0	0	2,699	2,277
Non-current interest-bearing receivables	415	757	0	0	169	(63)	584	694
Other non-current receivables	4,980	4,500	57	50	(383)	(235)	4,654	4,315
Total non-current assets	137,985	133,030	57,023	56,817	(10,554)	(9,262)	184,454	180,585
Current assets								
Inventories	47,507	43,828	434	771	0	0	47,941	44,599
Current receivables								
Customer-financing receivables	665	1,123	44,255	38,050	(1,077)	(1,092)	43,843	38,081
Tax assets	1,134	1,152	53	48	0	0	1,187	1,200
Interest-bearing receivables	2,287	1,461	17	226	(900)	(1,020)	1,404	667
Internal funding	2,566	2,253	0	0	(2,566)	(2,253)	0	0
Accounts receivable	31,033	27,492	224	207	0	0	31,257	27,699
Other receivables	14,992	13,438	1,768	1,411	(1,245)	(1,024)	15,515	13,825
Non interest-bearing assets held for sale	9,468	9,344	0	0	0	0	9,468	9,344
Interest-bearing assets held for sale	2	4	0	0	0	0	2	4
Marketable securities	4,976	6,838	46	24	0	0	5,023	6,862
Cash and cash equivalents	24,666	29,113	1,647	1,593	(245)	(327)	26,068	30,379
Total current assets	139,296	136,046	48,444	42,330	(6,033)	(5,717)	181,708	172,659
Total assets	277,281	269,076	105,467	99,147	(16,587)	(14,979)	366,162	353,244
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company								
Minority interests	1,262	1,100	0	0	0	0	1,262	1,100
Total shareholders' equity	78,939	76,682	8,442	8,999	0	0	87,382	85,681
Non-current provisions								
Provisions for post-employment benefits	6,979	6,635	33	30	0	0	7,012	6,665
Provisions for deferred taxes	5,180	4,171	1,335	1,465	0	0	6,515	5,636
Other provisions	5,434	5,492	161	154	3	2	5,598	5,648
Non-current liabilities								
Bond loans	37,089	38,192	0	0	0	0	37,089	38,192
Other loans	42,322	38,848	11,409	8,974	(6,021)	(57)	47,710	47,765
Internal funding	(35,460)	(35,453)	35,036	33,459	424	1,994	0	0
Other liabilities	13,996	12,902	721	740	(3,535)	(3,195)	11,182	10,447
Current provisions	10,448	9,438	105	92	3	1	10,556	9,531
Current liabilities								
Loans	48,712	38,644	6,937	6,741	(1,573)	(863)	54,076	44,522
Internal funding	(34,541)	(24,837)	37,971	35,373	(3,430)	(10,536)	0	0
Non interest-bearing liabilities held for sale	4,466	4,710	0	0	0	0	4,466	4,710
Interest-bearing liabilities held for sale	39	6	-	-	-	-	39	6
Trade payables	55,835	56,546	257	242	0	0	56,092	56,788
Tax liabilities	1,944	2,220	171	171	0	0	2,115	2,391
Other liabilities	35,899	34,880	2,889	2,707	(2,458)	(2,325)	36,330	35,262
Total shareholders' equity and liabilities	277,281	269,076	105,467	99,147	(16,587)	(14,979)	366,162	353,244

CONSOLIDATED CASH FLOW STATEMENT

SECOND QUARTER

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Operating activities								
Operating income (loss)	6.9	7.4	0.4	0.2	0.0	0.0	7.3	7.6
Depreciation tangible assets	1.4	1.5	0.0	0.0	0.0	0.0	1.4	1.5
Amortization intangible assets	0.8	0.8	0.0	0.0	(0.1)	0.0	0.7	0.8
Depreciation of assets under operating leases	0.6	0.6	0.7	0.6	0.0	0.0	1.3	1.2
Other non-cash items	(0.3)	0.1	0.2	0.2	0.0	(0.1)	(0.1)	0.2
Total change in working capital whereof	(0.6)	(1.4)	(8.1)	(3.5)	2.3	0.1	(6.4)	(4.8)
<i>Change in accounts receivable</i>	(0.1)	(0.9)	0.0	0.0	0.0	0.1	(0.1)	(0.9)
<i>Change in customer financing receivables</i>	0.2	(0.1)	(8.1)	(3.4)	2.2	0.0	(5.7)	(3.5)
<i>Change in inventories</i>	(0.8)	(2.3)	0.1	0.1	(0.1)	(0.1)	(0.8)	(2.3)
<i>Change in trade payables</i>	(1.1)	2.7	(0.1)	0.0	0.0	0.0	(1.2)	2.7
<i>Other changes in working capital</i>	1.2	(0.8)	0.0	(0.2)	0.2	0.1	1.4	(0.8)
Interest and similar items received	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Interest and similar items paid	(0.8)	(0.7)	0.0	0.0	0.0	0.0	(0.8)	(0.7)
Other financial items	(0.1)	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0
Income taxes paid	(1.0)	(0.7)	(0.3)	(0.1)	0.0	0.0	(1.3)	(0.8)
Cash flow from operating activities	7.0	7.7	(7.1)	(2.6)	2.2	0.0	2.1	5.1
Investing activities								
Investments in tangible assets	(2.1)	(1.5)	0.0	0.0	0.0	0.0	(2.1)	(1.5)
Investments in intangible assets	(1.2)	(1.0)	0.0	0.0	0.0	0.0	(1.2)	(1.0)
Investments in assets under operating leases	(1.2)	(0.2)	(1.7)	(1.8)	0.0	0.1	(2.9)	(1.9)
Disposals of fixed assets and assets under operating leases	0.0	0.2	0.8	0.6	0.0	0.0	0.8	0.8
Operating cash flow	2.5	5.2	(8.0)	(3.8)	2.2	0.1	(3.3)	1.5
Investments and divestments of shares, net							0.0	(0.1)
Acquired and divested operations, net							(0.4)	(0.3)
Interest-bearing receivables incl marketable securities							3.9	2.4
Cash-flow after net investments							0.2	3.5
Financing activities								
Change in loans, net							3.7	0.9
Dividend to AB Volvo shareholders							(6.1)	(5.1)
Dividend to minority shareholders							0.0	0.0
Other							0.0	0.0
Change in cash and cash equivalents excl translation differences							(2.2)	(0.7)
Translation difference on cash and cash equivalents							0.3	0.2
Change in cash and cash equivalents							(1.9)	(0.5)

CONSOLIDATED CASH FLOW STATEMENT

FIRST SIX MONTHS

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Operating activities								
Operating income	12.9	13.7	0.7	0.4	0.0	0.0	13.6	14.1
Depreciation tangible assets	2.8	2.9	0.0	0.0	0.0	0.0	2.8	2.9
Amortization intangible assets	1.5	1.6	0.0	0.0	0.0	0.0	1.5	1.6
Depreciation of assets under operating leases	1.2	1.0	1.3	1.2	0.1	0.0	2.6	2.2
Other non-cash items	(0.1)	0.4	0.3	0.3	0.0	0.0	0.2	0.7
Total change in working capital whereof	(8.6)	(10.7)	(10.2)	(4.1)	1.1	(0.3)	(17.7)	(15.1)
<i>Change in accounts receivable</i>	(3.8)	(5.6)	0.0	0.0	0.0	0.0	(3.8)	(5.6)
<i>Change in customer financing receivables</i>	0.4	(0.1)	(10.4)	(4.6)	1.2	(0.2)	(8.8)	(4.9)
<i>Change in inventories</i>	(4.7)	(6.1)	0.3	0.0	0.0	0.0	(4.4)	(6.1)
<i>Change in trade payables</i>	(0.4)	3.5	0.0	0.0	0.0	0.0	(0.4)	3.5
<i>Other changes in working capital</i>	(0.1)	(2.4)	(0.1)	0.5	(0.1)	(0.1)	(0.3)	(2.0)
Interest and similar items received	0.2	0.3	0.0	0.0	0.0	0.0	0.2	0.3
Interest and similar items paid	(1.4)	(1.3)	0.0	0.0	0.0	0.0	(1.4)	(1.3)
Other financial items	(0.2)	(0.1)	0.0	0.0	0.0	0.0	(0.2)	(0.1)
Income taxes paid	(3.1)	(2.2)	(0.4)	(0.1)	0.0	0.0	(3.5)	(2.3)
Cash flow from operating activities	5.2	5.6	(8.3)	(2.3)	1.2	(0.3)	(1.9)	3.0
Investing activities								
Investments in tangible assets	(3.6)	(2.7)	0.0	0.0	0.0	0.0	(3.6)	(2.7)
Investments in intangible assets	(2.4)	(1.9)	0.0	0.0	0.0	0.0	(2.4)	(1.9)
Investments in assets under operating leases	(1.8)	(0.2)	(3.0)	(3.2)	0.0	0.1	(4.8)	(3.3)
Disposals of fixed assets and assets under operating leases	0.2	0.4	1.3	0.9	0.0	0.0	1.5	1.3
Operating cash flow	(2.4)	1.2	(10.0)	(4.6)	1.2	(0.2)	(11.2)	(3.6)
Investments and divestments of shares, net							0.0	(0.1)
Acquired and divested operations, net							(0.9)	(0.5)
Interest-bearing receivables incl marketable securities							1.5	2.2
Cash-flow after net investments							(10.6)	(2.0)
Financing activities								
Change in loans, net							12.5	3.6
Dividend to AB Volvo shareholders							(6.1)	(5.1)
Dividend to minority shareholders							0.0	0.0
Other							0.0	0.0
Change in cash and cash equivalents excl. translation differences							(4.2)	(3.5)
Translation difference on cash and cash equivalents							(0.1)	(0.6)
Change in cash and cash equivalents							(4.3)	(4.1)

CONSOLIDATED NET FINANCIAL POSITION

SEK M	Industrial operations		Volvo Group	
	Jun 30 2012	Dec 31 2011	Jun 30 2012	Dec 31 2011
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	39,348	40,618
Non-current interest-bearing receivables	415	757	584	694
Current interest-bearing assets				
Customer-financing receivables	-	-	43,843	38,081
Interest-bearing receivables	2,287	1,461	1,404	667
Internal funding	2,566	2,253	-	-
Interest-bearing assets held for sale	2	4	2	4
Marketable securities	4,976	6,838	5,023	6,862
Cash and cash equivalents	24,666	29,113	26,068	30,379
Total financial assets	34,912	40,426	116,272	117,305
Non-current interest-bearing liabilities				
Bond loans	(37,089)	(38,192)	(37,089)	(38,192)
Other loans	(42,322)	(38,848)	(47,710)	(47,765)
Internal funding	35,460	35,453	-	-
Current interest-bearing liabilities				
Loans	(48,712)	(38,644)	(54,076)	(44,522)
Internal funding	34,541	24,837	-	-
Interest-bearing liabilities held for sale	(39)	(6)	(39)	(6)
Total financial liabilities	(58,161)	(55,400)	(138,914)	(130,485)
Net financial position excl post-employment benefits	(23,249)	(14,974)	(22,642)	(13,180)
Provisions for post-employment benefits, net	(4,295)	(4,372)	(4,313)	(4,388)
Net financial position incl post-employment benefits	(27,544)	(19,346)	(26,955)	(17,568)

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Second quarter 2012	First six months 2012
Beginning of period	(21.8)	(19.3)
Cash flow from operating activities	7.0	5.2
Investments in fixed assets	(4.5)	(7.8)
Disposals	0.0	0.2
Operating cash-flow	2.5	(2.4)
Investments and divestments of shares, net	0.0	0.0
Acquired and divested operations, net	(0.4)	(1.0)
Capital injections to/from Customer Finance operations	0.0	0.8
Currency effect	(2.0)	0.4
Dividend paid to minority shareholders	0.0	0.0
Dividend paid to AB Volvo shareholders	(6.1)	(6.1)
Other changes	0.3	0.1
Total change	(5.7)	(8.2)
Net financial position at end of period	(27.5)	(27.5)

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

SEK bn	First six months	
	2012	2011
Total equity at end of previous period	85.7	74.1
Shareholders' equity attributable to equity holders of the parent company at beginning of period	84.6	73.1
Income for the period	9.0	9.2
Other comprehensive income	(1.3)	(1.2)
Total comprehensive income	7.7	8.0
Dividend to AB Volvo's shareholders	(6.1)	(5.1)
Share-based payments	0.0	0.0
Transactions with minority interests	0.0	0.0
Other changes	(0.1)	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	86.1	76.0
Minority interests at beginning of period	1.1	1.0
Income for the period	0.2	0.2
Other comprehensive income	0.0	0.0
Total comprehensive income	0.2	0.2
Dividend	0.0	0.0
Minority regarding acquisitions and divestments	0.0	(0.3)
Other changes	0.0	0.0
Minority interests at end of period	1.3	0.9
Total equity at end of period	87.4	76.9

KEY RATIOS

Industrial operations	First six months	
	2012	2011
Gross margin, %	23.3	24.1
Research and development expenses in % of net sales	4.8	4.5
Selling expenses in % of net sales	8.4	8.2
Administrative expenses in % of net sales	1.7	1.6
Operating margin, %	8.1	9.3
	Jun 30	Dec 31
	2012	2011
Return on operating capital, %, 12 months rolling values	26.7	28.8
Net financial position at end of period, SEK billion	(27.5)	(19.3)
Net financial position in % of shareholders' equity at end of period	(34.9)	(25.2)
Shareholders' equity as percentage of total assets, end of period	28.5	28.5

Customer Finance	Jun 30	Dec 31
	2012	2011
Return on shareholders' equity, %, 12 months rolling values	9.7	7.3
Equity ratio at end of period, %	8.0	9.1
Asset growth, % from preceding year end until end of period	6.4	11.1

Volvo Group	First six months	
	2012	2011
Gross margin, %	23.9	24.6
Research and development expenses in % of net sales	4.7	4.4
Selling expenses in % of net sales	8.7	8.6
Administrative expenses in % of net sales	1.7	1.5
Operating margin, %	8.3	9.4
	Jun 30	Dec 31
	2012	2011
Basic earnings per share, SEK, 12 months rolling values	8.59	8.76
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	42.5	41.7
Return on shareholders' equity, %, 12 months rolling values	21.0	23.1
Shareholders' equity as percentage of total assets, end of period	23.9	24.3

SHARE DATA

	First six months	
	2012	2011
Basic earnings per share, SEK	4.38	4.54
Diluted earnings per share, SEK	4.38	4.54
Number of shares outstanding, million	2,028	2,027
Average number of shares during period, million	2,027	2,027
Average diluted number of shares during period, million	2,028	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	2/2011	3/2011	4/2011	1/2012	2/2012
Net sales	77,286	71,559	84,788	77,034	81,938
Cost of sales	(58,969)	(55,488)	(65,830)	(59,414)	(62,567)
Gross income	18,317	16,071	18,958	17,620	19,371
Research and development expenses	(3,370)	(3,207)	(3,390)	(3,708)	(3,923)
Selling expenses	(6,158)	(6,153)	(6,888)	(6,489)	(6,843)
Administrative expenses	(1,166)	(1,105)	(1,364)	(1,232)	(1,511)
Other operating income and expenses	(184)	(97)	(369)	(292)	(114)
Income (loss) from investments in associated companies	(51)	(1)	(11)	8	(7)
Income from other investments	3	8	(248)	0	(25)
Operating income Industrial operations	7,391	5,516	6,688	5,906	6,949
Customer Finance					
Finance and lease income	2,225	2,237	2,321	2,367	2,487
Finance and lease expenses	(1,430)	(1,434)	(1,475)	(1,484)	(1,520)
Gross income	795	803	846	883	967
Selling and administrative expenses	(399)	(409)	(429)	(419)	(446)
Credit provision expenses	(191)	(145)	(169)	(127)	(194)
Other operating income and expenses	52	7	18	(5)	60
Operating income Customer Finance	257	258	267	333	386
Volvo Group					
Operating income	7,648	5,774	6,955	6,239	7,335
Interest income and similar credits	148	146	164	142	51
Interest expense and similar charges	(734)	(735)	(686)	(695)	(586)
Other financial income and expenses	187	259	(43)	(84)	(36)
Income after financial items	7,249	5,443	6,390	5,602	6,764
Income taxes	(2,009)	(1,548)	(1,592)	(1,510)	(1,820)
Income for the period*	5,241	3,895	4,798	4,092	4,943
*Attributable to					
Equity holders of AB Volvo	5,117	3,827	4,722	4,013	4,862
Minority interests	124	68	76	79	81
	5,241	3,895	4,798	4,092	4,943
Key operating ratios, Industrial operations					
Gross margin, %	23.7	22.5	22.4	22.9	23.6
Research and development expenses in % of net sales	4.4	4.5	4.0	4.8	4.8
Selling expenses in % of net sales	8.0	8.6	8.1	8.4	8.4
Administrative expenses in % of net sales	1.5	1.5	1.6	1.6	1.8
Operating margin, %	9.6	7.7	7.9	7.7	8.5
Depreciation and amortization, included above					
Product and Software development, amortization	754	695	659	653	639
Other intangible assets, amortization	116	116	119	103	100
Tangible assets, depreciation	2,632	2,829	2,821	2,711	2,719
Total	3,502	3,640	3,599	3,466	3,458
Of which					
Industrial operations	2,862	2,984	2,915	2,811	2,764
Customer Finance	640	656	683	656	693
Total	3,502	3,640	3,599	3,466	3,458
Research and development expenses					
Capitalization	912	768	1,157	996	1,128
Amortization	(690)	(592)	(570)	(586)	(583)
Net capitalization of research and development expenses	222	176	587	410	545

QUARTERLY FIGURES

Share data	2/2011	3/2011	4/2011	1/2012	2/2012
Earnings per share, SEK ¹	2.52	1.89	2.33	1.98	2.40
Number of shares outstanding, million	2,027	2,027	2,027	2,028	2,028
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	2/2011	3/2011	4/2011	1/2012	2/2012
SEK M					
Trucks	49,641	47,412	56,739	48,911	51,331
Construction Equipment	17,153	14,571	16,354	17,999	19,715
Buses	5,467	5,043	6,571	5,224	5,189
Volvo Penta	2,469	2,084	1,839	1,933	2,224
Volvo Aero	1,547	1,377	1,834	1,682	1,945
Other and eliminations	1,008	1,072	1,451	1,284	1,535
Industrial operations	77,286	71,559	84,788	77,034	81,938
Customer Finance	2,225	2,237	2,321	2,367	2,487
Reclassifications and eliminations	(548)	(476)	(602)	(563)	(522)
Volvo Group	78,962	73,321	86,507	78,838	83,904

Operating income	2/2011	3/2011	4/2011	1/2012	2/2012
SEK M					
Trucks	5,105	3,983	4,866	3,521	4,120
Construction Equipment	1,945	1,438	1,674	2,131	2,629
Buses	298	205	308	62	176
Volvo Penta	327	219	102	112	268
Volvo Aero	62	108	155	235	305
Group functions and other	(347)	(437)	(417)	(157)	(549)
Industrial operations	7,391	5,516	6,688	5,906	6,949
Customer Finance	257	258	267	333	386
Volvo Group	7,648	5,774	6,955	6,239	7,335

Operating margin	2/2011	3/2011	4/2011	1/2012	2/2012
%					
Trucks	10.3	8.4	8.6	7.2	8.0
Construction Equipment	11.3	9.9	10.2	11.8	13.3
Buses	5.5	4.1	4.7	1.2	3.4
Volvo Penta	13.2	10.5	5.5	5.8	12.1
Volvo Aero	4.0	7.8	8.5	14.0	15.7
Industrial operations	9.6	7.7	7.9	7.7	8.5
Volvo Group	9.7	7.9	8.0	7.9	8.7

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 2011 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.

VOLVO REORGANIZATION – IMPACT ON REPORTING STRUCTURE

New organization

As of January 1, 2012, the Volvo Group has introduced a new functional organization which better utilizes the global potential of the Group's brands and products and a new financial framework to reflect the changes in the organization. The re-organization and the new framework impacts to some extent how revenues and expenses are reported in the income statement and between the different reportable segments.

In the new organization from January 1, 2012, the Trucks operations have been structured according to a functional approach, whereby the entire Trucks business is managed as one single business area consisting of five different functional organizations: Group Trucks Sales & Marketing EMEA (Europe, Middle East, Africa), Group Trucks Sales & Marketing Americas, Group Trucks Sales & Marketing APAC (Asia Pacific), Group Trucks Operations and Group Trucks Technology. In addition, a separate unit for Truck Joint Ventures is included in business area Trucks. Business areas Buses, Construction Equipment, Volvo Penta, Volvo Aero and Customer Finance remain as separate business areas. Governmental Sales and Volvo Rents are treated as separate business areas under the new organization. The Volvo Group is thereby organized in eight business areas from January 1, 2012.

Former business units Volvo Powertrain, Volvo 3P, Volvo Logistics and Volvo Parts are

included in business area Trucks from 2012. The costs of these operations are shared between the different business areas based on utilization according to the principles of the new financial framework.

Volvo IT, Volvo Business Services and Volvo Real Estate are treated as business support functions and costs of operations are shared by the business areas based on utilization according to the principles of the new financial framework.

Impact on segment reporting

Under the prior organization, the Trucks operations were organized in four business areas, which were aggregated to one reportable segment for Trucks. Under the new organization, the consolidation of the four truck areas into one Trucks business area is further emphasizing the utilization of resources between the different brands to optimize the overall global potential for the Trucks business. Therefore, the overall Truck business is considered one single operating segment under the new organization. The Volvo Group will thus continue to be reported in the six segments Trucks, Construction Equipment, Buses, Volvo Penta, Volvo Aero and Customer Finance. The reported segment information is based on the information used internally by the chief operating decision maker, i.e. the Volvo Group CEO.

The heading Other contains the cost of corporate functions, external business

related to the business support functions and the operations within business areas Volvo Rents and Governmental Sales.

Impact on goodwill impairment testing

The Trucks segment is considered one single cash generating unit (CGU) under the new organization. Goodwill related to the area Trucks will therefore be evaluated based on the cash generation capacity of the overall Trucks segment from January 1, 2012.

Restatement of financial reporting for 2011

The implementation of the functional organization has resulted in a reallocation of responsibilities within the Group. As a consequence, certain cost items have been redefined from a functional perspective, causing a shift between the lines in the income statement of the Volvo Group as well as the income statement of the Industrial Operations. In addition, as a result of the reorganization as well as the new financial framework, certain sales and cost items are reported differently from a segment reporting perspective from 2012. To facilitate comparability between the years, 2011 income statement and segment reporting data has been restated. A detailed description of effects on income statements and segment reporting data because of the restatement is enclosed in the first quarterly report 2012.

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 69–70 in the 2011 Annual Report for the Volvo Group. The Annual Report is available at www.volvogroup.com. Short-term risks, when applicable, are also described in the respective report per business area of this report.

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

Volvo verifies annually, or more frequently if necessary, the goodwill value of its busi-

ness 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, 2012, amounted to SEK 19,417 M, an increase of SEK 2,263 M compared to December 31, 2011. A major part of the total contingent liabilities is related to credit guarantees issued as a result of the increased sales in emerging markets.

An American court (The United District Court of the District of Columbia), on April 13, 2012 handed down a decision in a dispute between Volvo Powertrain and the U.S. Environmental Protection Agency (EPA) regarding whether Volvo Penta's non-road engines sold in 2005 were subject to an agreement between EPA and Volvo Powertrain whereby the 2006 nonroad emission standards were pulled-ahead to January 1, 2005. The Court found in favor of EPA and ordered Volvo Powertrain to pay penalties and interest of approximately USD 72 M. Volvo Powertrain will appeal the decision. An amount of SEK 66 M has been set as a provision and SEK 432 M has been retained as a contingent liability.

Volvo Group is subject to investigations by competition authorities. Volvo Group cooperates fully with the respective authority.

In September 2010 Volvo Trucks' and Renault Trucks' UK subsidiaries, together with a number of other international truck companies, became the subject of an investigation initiated by the Office of Fair Trading (OFT), the British competition authority.

In June 2012, OFT decided to close its investigation on the grounds that it considers the European Commission to be best placed to act in the matter. The OFT has reserved its right to reopen 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.

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.

Given the nature of the ongoing investigations initiated by competition authorities, the Volvo Group cannot exclude that they may affect the Group's result and cash flow with an amount that may be material. However, as regards the investigation initiated in Europe, it is too early to assess whether and when such effect may occur and hence if and when it could be accounted for. The Volvo Group has therefore not reported any contingent liability or any provision for the investigation initiated in Europe. Concerning the investigation initiated in Korea a contingent liability has however been registered.

In May 2011 Volvo Penta became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. In June 2012, the European Commission closed the investigation without further actions.

CORPORATE ACQUISITIONS AND DIVESTMENTS

At the end of the second quarter total assets and liabilities held for sale amounted to SEK 9,470 M and SEK 4,505 M respectively. This is referring to the process to divest the business area Volvo Aero. A divestment is in line with the further streamlining of the Volvo Group towards commercial vehicles. Regarding the development, see Important events on page 5.

During 2012 Volvo has expanded the ownership in construction equipment rental operations through several minor acquisitions of assets and liabilities. These acquisi-

tions have increased assets under operating lease of the Volvo Group by SEK 380 M and added SEK 493 M to the Volvo Group goodwill. The impact on net debt of Industrial operations is SEK 932 M, whereof assumed liabilities in the acquisitions are SEK 66 M. Of the assumed liabilities, SEK 62 M are Group-internal liabilities to the segment Customer Finance. The impact on the Group's cash flow from these acquisitions is SEK 866 M. Other than the above 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 and divestments after the end of the period

Volvo has not made any acquisitions or divestments after the end of the second quarter that have had a significant impact on the Volvo Group. However, see Important events on page 5.

EXTENDED CURRENCY DISCLOSURES

Currency effect on operating income Industrial operations	Compared to second quarter 2011			Compared to first quarter 2012		
	Second quarter 2012	Second quarter 2011	Change	Second quarter 2012	First quarter 2012	Change
SEK M						
Net flows in foreign currency			1,033			283
Realized gains and losses on hedging contracts	(125)	201	(326)	(125)	(39)	(86)
Unrealized gains and losses on receivables and liabilities in foreign currency	(6)	156	(162)	(6)	(221)	215
Unrealized gains and losses on hedging contracts	(79)	(101)	22	(79)	200	(279)
<i>whereof:</i>						
<i>Business Areas</i>	(28)	(19)	(9)	(28)	87	(115)
<i>Group functions and other</i>	(51)	(82)	31	(51)	113	(164)
Translation effect on operating income in foreign subsidiaries			(54)			(99)
Total currency effect on operating income Industrial operations			513			34
<i>whereof:</i>						
<i>Business Areas</i>			517			217
<i>Group headquarter function and other</i>			(4)			(183)

Hedging of commercial currency flows

Volvo only hedges firm flows whereof the major part is realized within six 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.

Applicable currency rates	Quarterly exchange rates		Close rates	
	Second quarter 2012	Second quarter 2011	June 2012	June 2011
CNY	1.09736	0.96373	1.0958	0.9761
EUR	8.92393	9.02338	8.77525	9.15595
JPY	0.0868676	0.076795	0.08743	0.07856
USD	6.9493	6.26433	6.96445	6.31025

RELATED-PARTY TRANSACTIONS

Sales to associated companies amounted to SEK 469 M (322) and purchases from associated companies amounted to SEK 7 M (16) during the second quarter of 2012. On June 30, 2012, receivables from associated

companies amounted to SEK 250 M (186) and liabilities to associated companies to SEK 126 M (129).

Sales to related-party Renault s.a.s. amounted to SEK 14 M (15) and purchases

from Renault s.a.s to SEK 363 M (650) during the second quarter of 2012. Receivables from Renault s.a.s amounted to SEK 12 M (11) and liabilities to Renault s.a.s. to SEK 244 M (372) on June 30, 2012.

PARENT COMPANY

Income statement SEK M	Second quarter		First six months	
	2012	2011	2012	2011
Net sales¹⁾	140	197	286	385
Cost of sales ¹⁾	(140)	(197)	(286)	(385)
Gross income	0	0	0	0
Operating expenses ¹⁾	(357)	(220)	(531)	(417)
Income from investments in Group companies	(76)	2,286	(434)	1,925
Income from investment in associated companies	-	(6)	36	(4)
Income from other investment	-	-	5	4
Operating income (loss)	(433)	2,060	(924)	1,508
Interest income and expenses	(455)	(464)	(856)	(836)
Other financial income and expenses	(40)	(45)	(51)	(58)
Income after financial items	(928)	1,551	(1,831)	614
Income taxes	331	307	579	560
Income for the period	(597)	1,858	(1,252)	1,174

¹ Of net sales in the second quarter, SEK 112 M (172) pertained to Group companies, while purchase from Group companies amounted to SEK 100 M (150).

Other comprehensive income				
Income for the period	(597)	1,858	(1,252)	1,174
Available-for-sale investments	(74)	74	(13)	49
Other comprehensive income, net of income taxes	(74)	74	(13)	49
Total comprehensive income for the period	(671)	1,932	(1,265)	1,223

Balance sheet SEK M	Jun 30	Dec 31
	2012	2011
Assets		
Non-current assets		
Intangible assets	81	88
Tangible assets	69	80
Financial assets		
Shares and participations in Group companies	59,460	59,460
Receivables from Group companies	61	38
Other shares and participations	2,940	2,953
Deferred tax assets	3,633	3,060
Total non-current assets	66,244	65,679
Current assets		
Short-term receivables from Group companies	10,942	10,843
Other short-term receivables	651	501
Cash and bank accounts	0	0
Total current assets	11,593	11,344
Total assets	77,837	77,023
Shareholders' equity and liabilities		
Shareholders equity		
Restricted equity	9,891	9,891
Unrestricted equity	24,965	32,268
Untaxed reserves	4	4
Provisions	162	183
Non-current liabilities ¹⁾	18	18
Current liabilities ²⁾	42,797	34,659
Total shareholders' equity and liabilities	77,837	77,023

¹ Of which SEK 7 M (7) pertains to Group companies.

² Of which SEK 42,388 M (34,260) pertains to Group companies.

Income from investments in Group companies for the second quarter includes dividends amounting to SEK 313 M (2,719).

During the year revaluation of the ownership in the listed company Deutz AG has decreased the value by SEK 13 M, recognized in other comprehensive income.

Investments in tangible assets amounted to SEK 48 M (65).

Financial net debt amounted to SEK 38,879 M at the end of the second quarter (30,665).

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 2012 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 24, 2012
AB Volvo (publ)

Carl-Henric Svanberg
Board Chairman

Peter Bijur
Board member

Lars Westerberg
Board member

Jean-Baptiste Duzan
Board member

Anders Nyrén
Board member

Ravi Venkatesan
Board member

Hanne de Mora
Board member

Ying Yeh
Board member

Olof Persson
President and CEO of the
Volvo Group and Board
member

Mikael Sällström
Board member

Berth Thulin
Board member

Peteris Lauberts
Board member

REVIEW REPORT

We have reviewed this report for the period 1 January 2012 to 30 June 2012 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 signifi-

cant 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 24, 2012
PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Auditor in Charge

Johan Rippe
Authorized Public Accountant

DELIVERIES

	Second quarter			First six months		
	2012	2011	Change in %	2012	2011	Change in %
Delivered Trucks						
Trucks						
Europe	22,569	26,337	(14)	42,565	49,397	(14)
Western Europe	16,888	21,024	(20)	32,819	40,055	(18)
Eastern Europe	5,681	5,313	7	9,746	9,342	4
North America	13,822	10,290	34	26,670	19,111	40
South America	5,481	7,467	(27)	10,618	13,579	(22)
Asia	12,389	12,009	3	26,269	25,738	2
Other markets	4,508	3,808	18	8,758	7,154	22
Total Trucks	58,769	59,911	(2)	114,880	114,979	0
Light duty (< 7 tons)	4,394	6,454	(32)	9,352	12,853	(27)
Medium duty (7-16 tons)	8,365	7,869	6	17,651	15,910	11
Heavy duty (>16 tons)	46,010	45,588	1	87,878	86,216	2
Total Trucks	58,769	59,911	(2)	114,880	114,979	0
Mack Trucks						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	6,682	3,986	68	12,824	7,805	64
South America	616	767	(20)	1,054	1,243	(15)
Asia	23	2	1,050	25	2	1,150
Other markets	248	344	(28)	588	548	7
Total Mack Trucks	7,569	5,099	48	14,491	9,598	51
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	-	-	-	-	-	-
Heavy duty (>16 tons)	7,569	5,099	48	14,491	9,598	51
Total Mack Trucks	7,569	5,099	48	14,491	9,598	51
Renault Trucks						
Europe	10,743	13,747	(22)	20,749	25,723	(19)
Western Europe	9,397	12,363	(24)	18,371	23,171	(21)
Eastern Europe	1,346	1,384	(3)	2,378	2,552	(7)
North America	13	51	(75)	45	66	(32)
South America	381	261	46	588	417	41
Asia	1,080	1,384	(22)	1,897	2,506	(24)
Other markets	1,442	1,164	24	2,674	2,268	18
Total Renault Trucks	13,659	16,607	(18)	25,953	30,980	(16)
Light duty (< 7 tons)	3,419	5,344	(36)	7,156	9,772	(27)
Medium duty (7-16 tons)	1,960	2,323	(16)	3,768	4,145	(9)
Heavy duty (>16 tons)	8,280	8,940	(7)	15,029	17,063	(12)
Total Renault Trucks	13,659	16,607	(18)	25,953	30,980	(16)

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 7.20 a.m. on July 24, 2012.

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.

	Second quarter			First six months		
	2012	2011	Change in %	2012	2011	Change in %
Volvo Trucks						
Europe	11,826	12,590	(6)	21,816	23,674	(8)
Western Europe	7,491	8,661	(14)	14,448	16,884	(14)
Eastern Europe	4,335	3,929	10	7,368	6,790	9
North America	7,023	5,908	19	13,521	10,633	27
South America	4,439	6,371	(30)	8,904	11,810	(25)
Asia	2,539	3,308	(23)	5,182	6,470	(20)
Other markets	1,632	1,087	50	3,050	1,979	54
Total Volvo Trucks	27,459	29,264	(6)	52,473	54,566	(4)
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	463	511	(9)	881	958	(8)
Heavy duty (>16 tons)	26,996	28,753	(6)	51,592	53,608	(4)
Total Volvo Trucks	27,459	29,264	(6)	52,473	54,566	(4)
UD Trucks						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	104	345	(70)	280	607	(54)
South America	45	68	(34)	72	109	(34)
Asia	4,346	2,971	46	8,787	6,848	28
Other markets	1,186	1,213	(2)	2,446	2,359	4
Total UD Trucks	5,681	4,597	24	11,585	9,923	17
Light duty (< 7 tons)	478	476	0	941	1,696	(45)
Medium duty (7-16 tons)	3,000	2,151	39	6,030	4,186	44
Heavy duty (>16 tons)	2,203	1,970	12	4,614	4,041	14
Total UD Trucks	5,681	4,597	24	11,585	9,923	17
Eicher¹						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	-	-	-	-	-	-
South America	-	-	-	-	-	-
Asia	4,401	4,345	1	10,378	9,913	5
Other markets	-	-	-	-	-	-
Total Eicher	4,401	4,345	1	10,378	9,913	5
Light duty (< 7 tons)	497	634	(22)	1,255	1,385	(9)
Medium duty (7-16 tons)	2,942	2,884	2	6,972	6,621	5
Heavy duty (>16 tons)	962	827	16	2,152	1,907	13
Total Eicher	4,401	4,345	1	10,378	9,913	5

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

	Second quarter			First six months		
	2012	2011	Change in %	2012	2011	Change in %
Delivered Buses						
Buses						
Europe	817	771	6	1,296	1,237	5
Western Europe	784	740	6	1,246	1,188	5
Eastern Europe	33	31	6	50	49	2
North America	360	689	(48)	941	1,392	(32)
South America	313	460	(32)	1,176	743	58
Asia	763	903	(16)	1,421	1,681	(15)
Other markets	245	304	(19)	464	607	(24)
Total Buses	2,498	3,127	(20)	5,298	5,660	(6)

Further publication dates

Report on the third quarter 2012	October 24, 2012
Report on the fourth quarter and full-year 2012	February 6, 2013
Annual Report	March, 2013
Annual General Meeting	April 4, 2013
<i>Preliminary</i>	
Report on the first quarter 2013	April 25, 2013
Report on the second quarter 2013	July 24, 2013
Report on the third quarter 2013	October 25, 2013

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