

VOLVO

Volvo Group

REPORT ON THE SECOND QUARTER 2016



- » In Q2 2016 net sales decreased by 7% to SEK 78.9 billion (84.8). Adjusted for currency movements and acquired and divested units sales decreased by 3%.
- » Operating income in Q2 2016 amounted to SEK 6,130 M (5,979), corresponding to an operating margin of 7.8% (7.1), excluding a provision of SEK 2,334 M related to the EU competition investigation in Q2 2016 and restructuring charges of SEK 799 M and a capital gain of SEK 2,137 M from the sale of shares in Eicher Motors Limited in Q2 2015.
- » Currency movements had a negative impact on operating income of SEK 317 M.
- » Operating cash flow in the Industrial Operations was positive in an amount of SEK 6.9 billion (8.6).

| SEK M unless otherwise stated | Second quarter | | First six months | |
|--|----------------|--------|------------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Net sales | 78,890 | 84,783 | 150,597 | 159,570 |
| Operating income excl. restructuring charges | 3,796 | 8,116 | 9,139 | 15,182 |
| Operating margin excl. restructuring charges, % | 4.8 | 9.6 | 6.1 | 9.5 |
| Restructuring charges related to efficiency program 2015 | - | -799 | - | -1,028 |
| Operating income | 3,796 | 7,317 | 9,139 | 14,154 |
| Operating margin, % | 4.8 | 8.6 | 6.1 | 8.9 |
| Income after financial items | 3,453 | 6,362 | 8,752 | 12,329 |
| Income for the period | 1,991 | 5,193 | 5,779 | 9,428 |
| Diluted earnings per share, SEK | 0.97 | 2.53 | 2.83 | 4.63 |
| Operating cash flow in Industrial Operations, SEK bn | 6.9 | 8.6 | -3.5 | 6.9 |
| Return on shareholders' equity, 12 months rolling, % | | | 13.5 | 9.9 |
| Net order intake, number of trucks | 45,422 | 49,551 | 95,468 | 106,321 |
| Deliveries, number of trucks | 52,670 | 55,613 | 98,780 | 103,939 |
| Net order intake, number of construction equipment | 10,548 | 12,708 | 23,638 | 27,400 |
| Deliveries, number of construction equipment | 11,764 | 14,005 | 23,936 | 25,989 |

CEO'S COMMENTS

Improved underlying profitability on lower volumes



In the second quarter we were able to continue the improvement of our underlying profitability despite declining sales, thanks to positive cost development. Sales decreased by 7% to SEK 78.9 billion. Despite this, the underlying operating income increased to SEK 6.1 billion, corresponding to an operating margin of 7.8%. It is encouraging to see that the internal efficiency program that has been carried out continues to yield results.

The development that we saw during the first quarter with lower truck deliveries but improved profitability year-on-year continued during the second quarter. Despite a positive development in Europe, total deliveries of trucks decreased by 5% mainly due to a weakening in North America and continued low demand in South America and other emerging markets. Lower net sales had a negative impact on profitability, but thanks to lower costs and good volume flexibility, the truck business had an operating margin of 10.0% excluding the EU provision.

Our ambition is to grow together with our customers and to support their daily operations, but also to partner with them for further strengthened competitive advantage. During the quarter, we demonstrated an autonomous truck to a broader audience for the first time. The truck is part of a research and development project involving autonomous vehicles, which will substantially improve safety, fuel efficiency and productivity, initially for customers in the mining industry.

Volvo CE's net sales were impacted by continued weak demand in many markets, declining 12%. In this challenging environment Volvo CE continues to gain market shares in the heavy segment, particularly in Europe. The operating margin amounted to 5.9%, which is an improvement compared to the seasonally weak first quarter but at the same time lower than the second quarter last year.

Sales in Buses increased in key markets, boosted by the strong order intake from the end of last year and the start of

this year. The positive trend has extended into the second quarter. Profitability is also moving in the right direction with an operating margin of 4.6%. Volvo Buses maintains its strong position in electromobility, most recently with an order for electric hybrids combined with charging stations for an operator in Luxembourg.

Volvo Penta's good performance continues, not least thanks to a series of innovative products that strengthens the company's position. Sales increased by 4% during the second quarter, mainly due to a good development in Europe. Profitability continues to be solid with an operating margin of 14.5%.

The Financial services' credit portfolio continues to develop well overall, reporting a return on equity of 13.5%. The Group's customer financing operation is a key element of the customer offering and is crucial in strengthening the relationships with our customers.

Our new brand organization for trucks with a clear profit and loss responsibility for each business area has been in place since March 1. Although it has only been a few months since it was implemented, we can see that there is a lot of energy and satisfaction from the brand organizations being given distinct responsibility for their own commercial development. With the restructuring carried out in recent years, it is now about building a culture of continuous improvements to improve customer satisfaction and efficiency in all parts of the Group. Increased focus on the service business will deepen the partnership with our customers and make their businesses more successful.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE SECOND QUARTER 2016

Net sales

In the second quarter of 2016, net sales for the Volvo Group decreased by 7% to SEK 78,890 M (84,783). The decrease was primarily an effect of the slowdown in the North American truck market, which was partly counterbalanced by improving demand for the Group's products in Europe. Adjusted for currency movements and acquired and divested operations, net sales decreased by 3% compared with the previous year.

Vehicle sales decreased by 9%, primarily as a consequence of lower truck volumes in North America and emerging markets. Adjusted for currency movements vehicle sales decreased by 6% compared with the preceding year.

Service sales decreased by 1%, primarily as a consequence of currency movements. Adjusted for currency movements, service sales increased by 3% compared with last year.

Operating income

Operating income in Q2 2016 amounted to SEK 6,130 M (5,979), corresponding to an operating margin of 7.8% (7.1), excluding a provision of SEK 2,334 M related to the EU competition investigation in Q2 2016 and restructuring charges of SEK 799 M and a capital gain of SEK 2,137 M from the sale of shares in Eicher Motors Limited in Q2 2015. The provision for the competition investigation is recorded in Other operating income and expenses.

Operating income was positively impacted by SEK 739 M lower selling and administrative expenses related to the efficiency program, lower material costs as well as SEK 266 M lower R&D expenses as a consequence of higher capitalization. This was partly off-set by lower net sales and unfavorable currency movements compared to the same quarter last year of SEK 317 M.

Operating income also includes a negative impact from

| Net sales by market area SEK M | Second quarter | | Change % | First six months | | Change % |
|-----------------------------------|----------------|---------------|-------------|------------------|----------------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Europe | 34,896 | 31,817 | 10 | 65,415 | 60,294 | 8 |
| North America | 22,150 | 27,916 | -21 | 42,883 | 52,381 | -18 |
| South America | 3,584 | 4,336 | -17 | 6,494 | 8,172 | -21 |
| Asia | 13,313 | 14,830 | -10 | 26,924 | 28,156 | -4 |
| Africa and Oceania | 4,947 | 5,884 | -16 | 8,882 | 10,567 | -16 |
| Total | 78,890 | 84,783 | -7 | 150,597 | 159,570 | -6 |
| Of which: | | | | | | |
| Vehicles ¹ | 59,801 | 65,845 | -9 | 112,958 | 121,736 | -7 |
| Services | 16,565 | 16,675 | -1 | 32,694 | 33,256 | -2 |
| Financial Services revenue | 2,724 | 2,803 | -3 | 5,425 | 5,614 | -3 |
| Eliminations | -200 | -541 | 63 | -480 | -1,036 | 54 |

¹ Including construction equipment machines and Volvo Penta engines

| Consolidated Income Statement, Volvo Group SEK M | Second quarter | | First six months | |
|---|----------------|---------------|------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Net sales | 78,890 | 84,783 | 150,597 | 159,570 |
| Cost of sales | -60,412 | -65,403 | -115,813 | -122,854 |
| Gross income | 18,478 | 19,379 | 34,784 | 36,716 |
| Research and development expenses | -3,675 | -3,941 | -7,124 | -8,026 |
| Selling expenses | -6,664 | -7,175 | -13,188 | -14,100 |
| Administrative expenses | -1,366 | -1,594 | -2,708 | -3,017 |
| Other operating income and expenses | -3,189 | -1,528 | -2,686 | -2,064 |
| Income/loss from investments in Joint Ventures and associated companies | 179 | 31 | -22 | 33 |
| Income from other investments | 32 | 2,144 | 84 | 4,613 |
| Operating income | 3,796 | 7,317 | 9,139 | 14,154 |
| Interest income and similar credits | 55 | 80 | 121 | 146 |
| Interest expenses and similar charges | -429 | -548 | -883 | -1,115 |
| Other financial income and expenses | 32 | -487 | 375 | -856 |
| Income after financial items | 3,453 | 6,362 | 8,752 | 12,329 |
| Income taxes | -1,462 | -1,169 | -2,973 | -2,900 |
| Income for the period * | 1,991 | 5,193 | 5,779 | 9,428 |
| * Attributable to: | | | | |
| Equity holders of the parent company | 1,977 | 5,150 | 5,744 | 9,398 |
| Minority interests | 14 | 43 | 35 | 30 |
| | 1,991 | 5,193 | 5,779 | 9,428 |
| Basic earnings per share, SEK | 0.97 | 2.54 | 2.83 | 4.63 |
| Diluted earnings per share, SEK | 0.97 | 2.53 | 2.83 | 4.63 |

costs for credit losses in China in amount of SEK 176 M (147) in Volvo CE.

Financial items

Compared with the second quarter of 2015, net interest expense decreased primarily due to lower outstanding debt. Net interest expense amounted to SEK 374 M (468). Net interest expense in the first quarter of 2016 amounted to SEK 387 M.

In the second quarter of 2016 other financial income and expenses were positively impacted in an amount of SEK 47 M from realized result and unrealized revaluation of derivatives, compared with a negative impact of SEK 286 M in the second quarter of 2015.

Income taxes

In the second quarter 2016 the tax expense amounted to SEK 1,462 M (1,169). The high tax expense in relation to earnings is mainly a result of the provision for the EU competition investigation not being tax deductible.

Income for the period and earnings per share

In the second quarter 2016, income for the period amounted to SEK 1,991 M (5,193). Diluted earnings per share amounted to SEK 0.97 (2.53).

Operating cash flow in the Industrial Operations

In the second quarter of 2016, operating cash flow in the Industrial Operations was positive in an amount of SEK 6.9 billion (8.6). The positive cash flow is primarily coming from operating income and increased trade payables, which was partly off-set by higher tax payments.

Volvo Group financial position

At the end of the second quarter net financial debt, excluding provision for post-employment benefits, in the Industrial

Operations amounted to SEK 9.0 billion, an increase of SEK 0.6 billion compared to the end of the first quarter and equal to 12.0% of shareholders' equity. Including provisions for post-employment benefits, the Industrial Operations net financial debt amounted to SEK 26.6 billion which is equal to 35.5% of shareholders' equity. The change is mainly explained by a positive operating cash flow of SEK 6.9 billion in the quarter, reduced by the dividend paid to AB Volvo shareholders of SEK 6.1 billion and remeasurements of the defined benefit pension obligations of SEK 1.4 billion. The increase in the defined benefit obligations is an effect of a decrease in the discount rates, mainly in the US and Sweden. During the second quarter currency movements increased net financial debt by SEK 2.5 billion.

Total assets in the Volvo Group have increased by SEK 15.1 billion since year-end 2015 whereof SEK 13.6 billion is related to currency effects from revaluation of assets in foreign subsidiaries.

At the end of the second quarter the shareholders' equity for the Volvo Group amounted to SEK 85.8 billion compared to SEK 85.6 billion at year-end 2015. The equity ratio was 22.1% compared to 22.9% on December 31 2015. At the same date the equity ratio in the Industrial Operations amounted to 27.7% (28.6).

Number of employees

On June 30, 2016 the Volvo Group had 97,290 employees including temporary employees and consultants, which was a decrease of 2,211 employees compared with December 31, 2015 and 7,034 employees compared with a year ago.

| Number of employees | Jun 30 2016 | Mar 31 2016 | Dec 31 2015 | Jun 30 2015 |
|--|----------------|----------------|----------------|----------------|
| Blue-collar | 47,768 | 46,825 | 47,368 | 50,745 |
| Of which temporary employees and consultants | 6,060 | 4,977 | 4,341 | 5,802 |
| White-collar | 49,522 | 51,819 | 52,133 | 53,579 |
| Of which temporary employees and consultants | 6,055 | 6,806 | 6,696 | 6,861 |
| Total number of employees | 97,290 | 98,644 | 99,501 | 104,324 |
| Of which temporary employees and consultants | 12,115 | 11,783 | 11,037 | 12,663 |

BUSINESS SEGMENT OVERVIEW

| Net sales SEK M | Second quarter | | Change % | Change % ¹ | First six months | | Change % | Change % ¹ | 12 months rolling | Jan-Dec 2015 |
|------------------------------------|----------------|---------------|-------------|--------------------------|------------------|----------------|-------------|--------------------------|----------------------|-----------------|
| | 2016 | 2015 | | | 2016 | 2015 | | | | |
| Trucks | 52,313 | 57,062 | -8 | -5 | 100,350 | 108,718 | -8 | -5 | 205,610 | 213,978 |
| Construction Equipment | 13,630 | 15,419 | -12 | -8 | 26,082 | 28,157 | -7 | -4 | 48,933 | 51,008 |
| Buses | 6,734 | 6,051 | 11 | 17 | 11,992 | 10,799 | 11 | 16 | 24,773 | 23,580 |
| Volvo Penta | 2,679 | 2,584 | 4 | 6 | 5,019 | 4,834 | 4 | 6 | 9,590 | 9,406 |
| Group Functions & Other | 1,773 | 2,080 | -15 | 6 | 3,642 | 3,767 | -3 | 8 | 8,221 | 8,346 |
| Eliminations | -762 | -677 | -13 | -13 | -1,432 | -1,283 | -12 | -12 | -2,886 | -2,736 |
| Industrial Operations | 76,367 | 82,520 | -7 | -4 | 145,652 | 154,993 | -6 | -3 | 294,241 | 303,582 |
| Financial Services | 2,724 | 2,803 | -3 | 2 | 5,425 | 5,614 | -3 | 1 | 11,010 | 11,199 |
| Reclassifications and eliminations | -200 | -541 | 63 | 63 | -480 | -1,036 | 54 | 54 | -1,709 | -2,265 |
| Volvo Group | 78,890 | 84,783 | -7 | -3 | 150,597 | 159,570 | -6 | -2 | 303,542 | 312,515 |

¹ Adjusted for exchange rate fluctuations and acquired and divested units.

| Operating income SEK M | Second quarter | | Change % | First six months | | Change % | 12 months rolling ² | Jan-Dec 2015 ² |
|------------------------------|-------------------|---------------------|-------------|------------------|-------------------|-------------|-----------------------------------|------------------------------|
| | 2016 ¹ | 2015 ^{2,3} | | 2016 | 2015 ² | | | |
| Trucks | 2,888 | 6,542 | -56 | 6,629 | 12,788 | -48 | 15,390 | 21,549 |
| Construction Equipment | 810 | 1,353 | -40 | 1,152 | 1,705 | -32 | 1,537 | 2,090 |
| Buses | 313 | 111 | 182 | 371 | 214 | 73 | 1,039 | 882 |
| Volvo Penta | 389 | 353 | 10 | 755 | 645 | 17 | 1,212 | 1,102 |
| Group Functions & Other | -1,092 | -726 | -50 | -726 | -1,133 | 36 | -1,566 | -1,973 |
| Eliminations | -11 | -13 | 15 | -34 | -9 | -278 | -31 | -6 |
| Industrial Operations | 3,297 | 7,619 | -57 | 8,148 | 14,212 | -43 | 17,582 | 23,646 |
| Financial Services | 499 | 497 | 0 | 992 | 971 | 2 | 2,027 | 2,006 |
| Volvo Group | 3,796 | 8,116 | -53 | 9,139 | 15,182 | -40 | 19,609 | 25,652 |

¹ Operating income in Trucks amounted to SEK 5,222 M excluding the provision for the EU competition investigation (SEK 2,334 M).

² Excluding restructuring charges in 2015. For more information, please see note 6.

³ Operating income in Trucks amounted to SEK 4,405 M excluding restructuring charges of SEK 701 M and a capital gain of SEK 2,137 M from the sale of shares in Eicher Motors Limited.

| Operating margin % | Second quarter | | First six months | | 12 months rolling ² | Jan-Dec 2015 ² |
|--|-------------------|---------------------|------------------|-------------------|-----------------------------------|------------------------------|
| | 2016 ¹ | 2015 ^{2,3} | 2016 | 2015 ² | | |
| Trucks | 5.5 | 11.5 | 6.6 | 11.8 | 7.5 | 10.1 |
| Construction Equipment | 5.9 | 8.8 | 4.4 | 6.1 | 3.1 | 4.1 |
| Buses | 4.6 | 1.8 | 3.1 | 2.0 | 4.2 | 3.7 |
| Volvo Penta | 14.5 | 13.7 | 15.0 | 13.4 | 12.6 | 11.7 |
| Industrial Operations | 4.3 | 9.2 | 5.6 | 9.2 | 6.0 | 7.8 |
| Volvo Group excl restructuring charge | 4.8 | 9.6 | 6.1 | 9.5 | 6.5 | 8.2 |
| Volvo Group | 4.8 | 8.6 | 6.1 | 8.9 | 6.0 | 7.5 |

¹ Operating margin in Trucks amounted to 10.0 % excluding the provision for the EU competition investigation (SEK 2,334 M).

² Excluding restructuring charges in 2015. For more information, please see note 6.

³ Operating margin in Trucks amounted to 7.7 % excluding restructuring charges (SEK 701 M) and a capital gain from sale of shares in Eicher Motors Limited (SEK 2,137 M).

TRUCKS

Improved underlying profitability on lower volumes

- » Good demand in Europe, weakening in North America and continued low in Brazil
- » Increased provision of SEK 2,334 M for EU competition investigation
- » Improved underlying profitability – operating margin of 10.0% adjusted for the EU provision



Market development

During the second quarter the truck market in Europe continued to develop favorably. As of May registrations in Europe 30 increased by 20% compared with the previous year. Demand for transport continued to be good, resulting in high capacity utilization of the truck fleets and good customer profitability. Demand for new trucks is also driven by some customers renewing their truck fleets.

The correction in the North American market continued in the second quarter and the total North American retail market for heavy-duty trucks decreased by 14% as of June. A continued good development in the economy, low fuel prices and low interest rates support the market, but with stagnant freight volumes, increased availability of competitively priced used trucks and less need for fleet renewal, the market is expected to settle on a more normal level during 2016.

In Brazil demand continued to be weak during the second quarter. As of June registrations of heavy-duty trucks declined by 30% from already low levels. With a contracting economy and low business confidence, the Brazilian market is expected to decrease for the full year 2016.

In India registrations of heavy-duty trucks increased by 27% through June, driven by good economic activity and a continued good business confidence.

The Chinese total market for heavy-duty trucks increased by 15% and medium-duty by 16% in the first six months of 2016.

In Japan, demand remained good in the first six months. Registrations of medium- and heavy-duty trucks increased somewhat compared to the same quarter last year.

| Total market development | First six months | | Change in % | Full year 2015 | Forecast 2016 | Change vs. previous forecast |
|---|------------------|---------|-------------|----------------|---------------|------------------------------|
| | 2016 | 2015 | | | | |
| Registrations, number of trucks | | | | | | |
| Europe 30 ¹ heavy-duty (as of May) | 127,000 | 106,167 | 20 | 270,000 | 290,000 | Unchanged |
| North America heavy-duty | 127,879 | 147,998 | -14 | 301,700 | 240,000 | -10,000 |
| Brazil heavy-duty | 15,091 | 21,455 | -30 | 41,600 | 30,000 | Unchanged |
| China heavy-duty | 340,229 | 295,489 | 15 | 550,700 | 610,000 | +55,000 |
| China medium-duty | 107,967 | 93,103 | 16 | 200,400 | 210,000 | +15,000 |
| India heavy-duty | 124,609 | 97,986 | 27 | 209,900 | 250,000 | Unchanged |
| India medium-duty | 38,284 | 31,546 | 21 | 68,200 | 80,000 | Unchanged |
| Japan heavy-duty | 23,237 | 22,181 | 5 | 44,500 | 45,000 | Unchanged |
| Japan medium-duty | 22,090 | 22,205 | -1 | 45,200 | 45,000 | Unchanged |

¹EU minus Bulgaria plus Norway and Switzerland.

| Net order intake per market area | Second quarter | | Change % | First six months | | Change % |
|----------------------------------|----------------|---------------|-------------|------------------|----------------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Number of trucks | | | | | | |
| Europe | 24,438 | 25,059 | -2 | 53,190 | 48,504 | 10 |
| North America | 7,467 | 10,528 | -29 | 16,359 | 29,819 | -45 |
| South America | 1,954 | 2,278 | -14 | 4,009 | 4,546 | -12 |
| Asia | 8,138 | 8,529 | -5 | 15,497 | 17,195 | -10 |
| Africa and Oceania | 3,425 | 3,157 | 8 | 6,413 | 6,257 | 2 |
| Total orders | 45,422 | 49,551 | -8 | 95,468 | 106,321 | -10 |
| Heavy duty (>16 tons) | 37,773 | 41,478 | -9 | 77,276 | 90,289 | -14 |
| Medium duty (7-16 tons) | 3,865 | 3,757 | 3 | 7,835 | 7,667 | 2 |
| Light duty (<7 tons) | 3,784 | 4,316 | -12 | 10,357 | 8,365 | 24 |
| Total orders | 45,422 | 49,551 | -8 | 95,468 | 106,321 | -10 |
| Volvo | 25,086 | 28,678 | -13 | 50,441 | 57,912 | -13 |
| UD | 5,470 | 5,399 | 1 | 10,702 | 11,328 | -6 |
| Renault Trucks | 11,859 | 12,868 | -8 | 26,640 | 25,738 | 4 |
| Mack | 3,007 | 2,606 | 15 | 7,685 | 11,343 | -32 |
| Total orders | 45,422 | 49,551 | -8 | 95,468 | 106,321 | -10 |

Non-consolidated operations

| | | | | | | |
|---------------------------------|--------|--------|----|--------|--------|---|
| VE Commercial Vehicles (Eicher) | 11,208 | 11,855 | -5 | 23,128 | 22,652 | 2 |
|---------------------------------|--------|--------|----|--------|--------|---|

Orders and deliveries

Total net orders decreased by 8% in the second quarter compared with the second quarter last year and deliveries declined by 5%.

Orders in Europe declined by 2% as a result of order intake for Renault Trucks being down 11%. For Volvo Trucks, on the other hand, order intake increased by 5%. Production in Europe has been adjusted in order to meet the increased order intake during the first quarter and deliveries increased by 20%.

In North America order intake declined by 29% compared to the same quarter last year and deliveries came down by 33%

in total. The decline in both orders and deliveries compared with 2015 was caused by the market correction and dealers focusing on reducing their inventories. Production in the Group's North American manufacturing system will be lowered further to meet the lower demand and allow for inventory reduction at dealers.

Order intake in South America declined by 14% in the second quarter as a consequence of the further weakening in the Brazilian market, and deliveries were down by 8%.

In Asia order intake decreased by 5% in the second quarter, which reflects weak demand in primarily the Middle East. Deliveries were down 9%.

| Deliveries per market area | Second quarter | | Change % | First six months | | Change % |
|----------------------------|----------------|---------------|-------------|------------------|----------------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Number of trucks | | | | | | |
| Europe | 26,734 | 22,329 | 20 | 49,651 | 42,123 | 18 |
| North America | 12,039 | 17,839 | -33 | 22,779 | 33,789 | -33 |
| South America | 2,549 | 2,784 | -8 | 4,439 | 4,901 | -9 |
| Asia | 7,963 | 8,734 | -9 | 15,817 | 16,048 | -1 |
| Africa and Oceania | 3,385 | 3,927 | -14 | 6,094 | 7,078 | -14 |
| Total deliveries | 52,670 | 55,613 | -5 | 98,780 | 103,939 | -5 |
| Heavy duty (>16 tons) | 43,265 | 47,472 | -9 | 81,547 | 88,347 | -8 |
| Medium duty (7-16 tons) | 4,467 | 4,048 | 10 | 8,232 | 7,585 | 9 |
| Light duty (<7 tons) | 4,938 | 4,093 | 21 | 9,001 | 8,007 | 12 |
| Total deliveries | 52,670 | 55,613 | -5 | 98,780 | 103,939 | -5 |
| Volvo | 28,255 | 30,997 | -9 | 52,570 | 57,370 | -8 |
| UD | 5,177 | 5,220 | -1 | 10,574 | 10,189 | 4 |
| Renault Trucks | 13,650 | 12,236 | 12 | 24,872 | 22,649 | 10 |
| Mack | 5,588 | 7,160 | -22 | 10,764 | 13,731 | -22 |
| Total deliveries | 52,670 | 55,613 | -5 | 98,780 | 103,939 | -5 |

Non-consolidated operations

| | | | | | | |
|--|--------|--------|----|--------|--------|----|
| VE Commercial Vehicles (Eicher) | 11,143 | 7,708 | 45 | 22,952 | 15,834 | 45 |
| Dongfeng Commercial Vehicle Company (Dongfeng Trucks) ¹ | 36,378 | 36,928 | -1 | 50,283 | 52,741 | -5 |

¹ Deliveries as of May 2015 and May 2016.

| Net sales and operating income SEK M | Second quarter | | Change % | First six months | | Change % |
|---|----------------|---------------|-------------|------------------|----------------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Europe | 23,797 | 21,621 | 10 | 45,432 | 41,890 | 8 |
| North America | 14,427 | 19,930 | -28 | 28,229 | 37,893 | -26 |
| South America | 2,561 | 3,061 | -16 | 4,692 | 5,529 | -15 |
| Asia | 8,034 | 8,452 | -5 | 15,758 | 15,975 | -1 |
| Africa and Oceania | 3,493 | 3,997 | -13 | 6,240 | 7,431 | -16 |
| Total net sales | 52,313 | 57,062 | -8 | 100,350 | 108,718 | -8 |
| Of which: | | | | | | |
| Vehicles | 40,186 | 44,950 | -11 | 76,163 | 84,176 | -10 |
| Services | 12,126 | 12,112 | 0 | 24,186 | 24,542 | -1 |
| Operating income¹ | 2,888 | 6,542 | -56 | 6,629 | 12,788 | -48 |
| Operating margin ¹ , % | 5.5 | 11.5 | | 6.6 | 11.8 | |

¹ Operating income in the second quarter 2016 amounted to SEK 5,222 M excluding the provision for the EU competition investigation (SEK 2,334 M) and operating margin amounted to 10.0 %.

Operating income in the second quarter 2015 amounted to SEK 4,405 M excluding restructuring charges of SEK 701 M and a capital gain of SEK 2,137 M from the sale of shares in Eicher Motors Limited and operating margin amounted to 7.7 %. Excluding restructuring charges in 2015. For more information, please see note 6.

Net sales and operating income

During the second quarter of 2016, the truck operation's net sales amounted to SEK 52,313 M, which was 8% lower than the second quarter last year. The decrease in sales was mainly driven by North America, South America, Africa and Oceania. Adjusted for currency movements, net sales decreased by 5%. Service sales amounted to SEK 12,126 M, which was an increase of 3% when adjusted for currency impact in the quarter. Sales of vehicles decreased by 8% adjusted for currency.

Operating income amounted to SEK 5,222 M (4,405) corresponding to an operating margin of 10.0% (7.7) excluding a provision of SEK 2,334 M related to the EU competition investigation in Q2 2016 and restructuring charges of SEK 701 M and a capital gain of SEK 2,137 M from the sale of shares in Eicher Motors Limited in Q2 2015.

Earnings were positively impacted by lower selling and administrative expenses as a consequence of the efficiency program and lower R&D expenses as a consequence of higher capitalization as well as lower material costs and a positive market mix with increased volumes in Europe compared to the same quarter last year. This was partly offset by lower volumes and unfavorable currency movements.

Compared with the second quarter of 2015 currency movements had a negative impact of SEK 355 M.

Events in the quarter

During the second quarter the Volvo Group for the first time ever demonstrated its self-driving truck for a broader audience. The truck is part of a research and development project involving autonomous vehicles, intended to create greater business advantages for customers, mainly in the mining industry. The unique truck, which is a fully fitted out construction vehicle, navigates and operates entirely autonomously both above and underground. The aim of these projects is to create sustainable transport solutions and improve traffic safety, which benefits both the customer and society as a whole.

Volvo Trucks also showed its new concept vehicle, with almost one-third lower fuel consumption, which demonstrates how it is possible to drastically boost productivity in long-haul operations. Aerodynamic design and lower curb weight are among the features behind these remarkable fuel savings.

CONSTRUCTION EQUIPMENT Overall decline in global markets

- » Low demand in most markets outside Europe
- » SDLG deliveries down 46% post Q1 pre-buy in China
- » Market share gains for Volvo's larger machines
- » Operating margin of 5.9%



Market development

Demand for construction equipment continues to be weak in many markets. There is growth in the European market, flat development in North America but a continuing strong decline in South America.

As of May the European market was up by 7%, mainly driven by a significant recovery in the French market. This growth was tempered by a slowdown in the UK, as well as further declines in Russia, from already low levels.

The North American market is on the same level as last year with a continued decline for larger production machines, caused by low activity in oil and gas and the mining industry. However, there is growth in the compact equipment segment, with economic growth driving demand in general construction.

The strong decline in South America continues with Brazil 49% below last year and struggling with low overall business confidence.

The Chinese market declined by 8% through May. Because of the pre-buy of machines prior to the new Tier 3 engine regulation coming into effect April 1, deliveries were strong in March, but this was offset by low deliveries in April and May.

The total excavator market shows signs of stabilization at a low level, however fleet utilization remains low, and it will take time before demand for new machines pick up.

In Asia outside of China the total market is 3% below last year mainly driven by declines in Korea and Japan, however the positive growth trend continues in India.

Orders and deliveries

In the second quarter net order intake was 17% below last year. This decline was driven by lower order intake for SDLG branded machines after the pre-buy in China in March. Order intake for the Volvo brand was on the same level as last year.

Total deliveries decreased by 16% compared to last year, with SDLG branded products declining 46% and deliveries of Volvo branded products being roughly flat. Volvo CE continued to gain market share with the Volvo branded larger machines.

In Europe, order intake in the second quarter was 23% above last year and deliveries were up 22%, mainly driven by good demand in Germany, France and Scandinavia.

Order intake in North America in the second quarter was

| Total market development | Year-to-date May | | |
|-------------------------------|------------------|---------------|-------------------|
| | 2016 | Forecast 2016 | Previous forecast |
| Change in % measured in units | | | |
| Europe | 7 | 0% to +10% | 0% to +10% |
| North America | 0 | -10% to 0% | -10% to 0% |
| South America | -40 | -35% to -25% | -20% to -10% |
| Asia excl. China | -3 | -10% to 0% | -10% to 0% |
| China ¹ | -8 | -15% to -5% | -15% to -5% |

¹Through June, the Chinese market for wheel loaders and excavators decreased by 10%.

| Net order intake per market area | Second quarter | | Change % | First six months | | Change % |
|----------------------------------|----------------|---------------|------------|------------------|---------------|------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Number of construction equipment | | | | | | |
| Europe | 4,011 | 3,267 | 23 | 7,994 | 7,462 | 7 |
| North America | 1,449 | 1,538 | -6 | 3,132 | 3,356 | -7 |
| South America | 177 | 293 | -40 | 324 | 1,275 | -75 |
| Asia | 4,362 | 7,091 | -38 | 11,100 | 14,187 | -22 |
| Africa and Oceania | 549 | 519 | 6 | 1,088 | 1,120 | -3 |
| Total orders | 10,548 | 12,708 | -17 | 23,638 | 27,400 | -14 |
| Of which | | | | | | |
| Volvo | 8,005 | 8,005 | 0 | 16,585 | 18,810 | -12 |
| SDLG | 2,543 | 4,703 | -46 | 7,053 | 8,590 | -18 |
| Of which in China | 1,727 | 4,057 | -57 | 5,726 | 7,192 | -20 |

6% below 2015 and deliveries decreased by 11%. This is due to the continuing decline in the market for larger machines as well as the product exit in 2015.

In South America order intake was 40% below last year and deliveries also continued to decrease significantly in the quarter (-52%), because of lower demand, especially in Brazil, affecting sales for both Volvo and SDLG branded machines.

Order intake in Asia (including China) was 38% below last year and deliveries declined by 37%. For the Volvo brand this is mainly because of lower demand in the Middle East and South East Asia. For the SDLG brand it is due to lower demand in China.

Net sales and operating income

In the second quarter of 2016, net sales decreased by 12% to SEK 13,630 M (15,419). Adjusted for currency movements net sales were down by 7%.

Net sales of machines decreased by 13%, mainly as a consequence of the weaker markets in China and Brazil as well as for larger machines in North America. This was partly compensated by higher sales in the European market. Adjusted for currency movements, net sales of machines were 9% lower compared with the second quarter of 2015.

Service sales decreased by 5%, driven by currency. Adjusted for currency movements service sales were flat.

Operating income decreased to SEK 810 M. During the second quarter of 2015 operating income amounted to SEK 1,353 M excluding restructuring charges of SEK 17 M. The operating margin in Q2 2016 was 5.9% (8.8). Operating income was negatively impacted by lower sales, a credit provision in China of SEK 176 M (147) and unfavorable currency movements in an amount of SEK 27 M compared to the second quarter last year.

Events in the quarter

Workforce adjustments were announced at multiple Volvo CE locations around the world during the quarter as a consequence of reduced demand and efficiency measures

The Volvo Co-Pilot system from Volvo CE was named winner of the 'most innovative Human Machine Interface feature' in the Car HMI Awards 2016 held in Berlin in June. The in-house developed Volvo Co-Pilot uses a tablet computer to deliver a new generation of intelligent machine services, such as Load Assist, Dig Assist, Compact Assist and Pave Assist. Volvo Co-Pilot and the assist-functionalities help operators to produce higher quality outcomes, in less time and with less effort.

| Deliveries per market area | Second quarter | | Change % | First six months | | Change % |
|----------------------------------|----------------|---------------|-------------|------------------|---------------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Number of construction equipment | | | | | | |
| Europe | 4,670 | 3,828 | 22 | 8,228 | 6,699 | 23 |
| North America | 1,702 | 1,917 | -11 | 2,900 | 3,146 | -8 |
| South America | 219 | 458 | -52 | 436 | 1,186 | -63 |
| Asia | 4,557 | 7,218 | -37 | 11,298 | 13,853 | -18 |
| Africa and Oceania | 616 | 584 | 5 | 1,074 | 1,105 | -3 |
| Total deliveries | 11,764 | 14,005 | -16 | 23,936 | 25,989 | -8 |

Of which

| | | | | | | |
|-------------------|-------|-------|-----|--------|--------|-----|
| Volvo | 9,221 | 9,302 | -1 | 16,883 | 17,401 | -3 |
| SDLG | 2,543 | 4,703 | -46 | 7,053 | 8,588 | -18 |
| Of which in China | 1,727 | 4,057 | -57 | 5,726 | 7,192 | -20 |

| Net sales and operating income | Second quarter | | Change % | First six months | | Change % |
|--------------------------------|----------------|---------------|-------------|------------------|---------------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| SEK M | | | | | | |
| Europe | 5,696 | 5,108 | 12 | 10,263 | 9,177 | 12 |
| North America | 3,178 | 3,823 | -17 | 5,783 | 6,398 | -10 |
| South America | 309 | 572 | -46 | 555 | 1,254 | -56 |
| Asia | 3,693 | 5,099 | -28 | 8,165 | 9,781 | -17 |
| Africa and Oceania | 754 | 818 | -8 | 1,317 | 1,546 | -15 |
| Total net sales | 13,630 | 15,419 | -12 | 26,082 | 28,157 | -7 |

Of which:

| | | | | | | |
|------------------------|--------|--------|-----|--------|--------|----|
| Construction Equipment | 11,272 | 12,938 | -13 | 21,466 | 23,306 | -8 |
| Services | 2,358 | 2,481 | -5 | 4,615 | 4,850 | -5 |

| | | | | | | |
|-------------------------------------|------------|--------------|------------|--------------|--------------|------------|
| Operating income¹ | 810 | 1,353 | -40 | 1,152 | 1,705 | -32 |
| Operating margin ¹ , % | 5.9 | 8.8 | | 4.4 | 6.1 | |

¹ Excluding restructuring charges in 2015. For more information, please see note 6.

BUSES

Improved profitability

- » Order intake improved by 33%
- » Operating margin of 4.6% (1.8)
- » Order for electric hybrid buses from Luxembourg



The European bus market has continued to improve and increased by 7% during the first four months of 2016. The positive market development in the city and coach segments in North America continues. The market remains on very low levels in Brazil driven by the general negative economic development. The Asian markets are improving gradually.

Volvo Buses delivered 2,804 buses during the second quarter 2016, an increase of 28% driven by North America and Europe. Order intake in the second quarter totaled 2,021 buses and coaches, an increase of 33%.

Major orders in the quarter were 50 Volvo 9800 to Mexico, 78 buses to Morocco and 56 double-decker hybrid buses to London, UK. Approximately half of the 6,000 double-deckers in London have Volvo chassis and out of those 950 are hybrids. Volvo Buses also received an order for 5 electric hybrid buses to the city of Luxembourg. During the quarter, testing of the Volvo Electric Hybrid began in Curitiba, Brazil. This is the first Volvo electric hybrid delivered to South

America. The Volvo 7900 Electric Hybrid's total energy consumption is 60% lower than buses powered by diesel.

Net sales increased by 11% to SEK 6,734 M (6,051). Adjusted for currency fluctuations, sales increased by 17%, compared to the same period 2015. Vehicle sales increased by 14% mainly due to increased sales in Europe and North America. Adjusted for currency movements vehicle sales increased by 20%. Service sales decreased by 3%. Adjusted for currency movements service sales increased by 2%.

Buses reported an operating income of SEK 313 M. In Q2 2015 the operating income amounted to SEK 111 M excluding restructuring charges of SEK 5 M. The operating margin in Q2 2016 was 4.6% (1.8). Earnings in the quarter were positively impacted by higher volumes on maintained cost level as well as some positive currency effects. Compared with the second quarter of 2015, operating income was positively impacted by changes in currency exchange rates in an amount of SEK 24 M.

| Net order intake and deliveries | Second quarter | | Change % | First six months | | Change % |
|---------------------------------|----------------|-------|-------------|------------------|-------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Number of buses | | | | | | |
| Total orders | 2,021 | 1,515 | 33 | 4,388 | 3,616 | 21 |
| Total deliveries | 2,804 | 2,191 | 28 | 4,835 | 3,775 | 28 |

| Net sales and operating income | Second quarter | | Change % | First six months | | Change % |
|-------------------------------------|----------------|--------------|-------------|------------------|---------------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| SEK M | | | | | | |
| Europe | 2,363 | 1,984 | 19 | 3,530 | 3,286 | 7 |
| North America | 2,822 | 2,602 | 8 | 5,550 | 4,962 | 12 |
| South America | 375 | 329 | 14 | 582 | 627 | -7 |
| Asia | 768 | 501 | 53 | 1,566 | 1,015 | 54 |
| Africa and Oceania | 407 | 634 | -36 | 765 | 908 | -16 |
| Total net sales | 6,734 | 6,051 | 11 | 11,992 | 10,799 | 11 |
| Of which: | | | | | | |
| Vehicles | 5,717 | 5,001 | 14 | 9,983 | 8,769 | 14 |
| Services | 1,018 | 1,050 | -3 | 2,010 | 2,030 | -1 |
| Operating income¹ | 313 | 111 | 182 | 371 | 214 | 73 |
| Operating margin ¹ , % | 4.6 | 1.8 | | 3.1 | 2.0 | |

¹ Excluding restructuring charges in 2015. For more information, please see note 6.

VOLVO PENTA Continued strong performance

- » Sales growth continues, with gains in off-road engine segment
- » Operating margin of 14.5%
- » Launch of new easy boating products for marine leisure market



The overall marine leisure market remains flat, but the gasoline segment is declining. The marine commercial market is impacted by turmoil in the oil and gas industry. There are positive signs within niche segments, e.g. wind farm supply vessels.

For industrial off-road engines, the market development is fragmented – with stability in the materials handling segment and declining demand for construction and mining. The market for industrial power generation engines shows stable development in Asia, Middle East, Africa, and the export-oriented European market.

Net order intake during the second quarter was 9,897 units, which was 2% lower than last year driven by a slowdown in the marine leisure gasoline segment partly compensated by positive development in the industrial off-road engine segment. In the second quarter a total of 10,152 engines were delivered, a decrease of 1% compared to the preceding year.

Net sales increased by 4% to SEK 2,679 M (2,584). Adjusted for currency movements, net sales increased by 6%.

Net sales of engines increased by 1% mainly driven by higher volumes in Europe for the off-road engine segment. Adjusted for currency the increase was 3%.

Net sales of services increased by 12% also driven by higher volumes in Europe as well as North America. Adjusted for currency the increase was 15%.

Operating income amounted to SEK 389 M (353). The operating margin was 14.5% (13.7), positively impacted by higher sales. Compared with the second quarter of 2015, operating income was impacted negatively by changes in currency exchange rates in an amount of SEK 7 M.

In April, Volvo Penta launched a new Stage II, 16-liter engine for mobile versatile applications. In June, Volvo Penta launched an 8 liter marine diesel engine matched with a new Volvo Penta IPS drive. Additional new products include a patented joystick for inboard boats and a battery management system, which includes e-Key remote – enabling remote control of the boat's systems and electrical equipment from the dock.

| Net order intake and deliveries | Second quarter | | Change % | First six months | | Change % |
|---------------------------------|----------------|--------|-------------|------------------|--------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Number of Engines | | | | | | |
| Total orders | 9,897 | 10,071 | -2 | 19,871 | 21,322 | -7 |
| Total deliveries | 10,152 | 10,228 | -1 | 19,431 | 19,370 | 0 |

| Net sales and operating income SEK M | Second quarter | | Change % | First six months | | Change % |
|---|----------------|--------------|-------------|------------------|--------------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Europe | 1,420 | 1,223 | 16 | 2,638 | 2,363 | 12 |
| North America | 574 | 558 | 3 | 1,075 | 1,044 | 3 |
| South America | 51 | 103 | -50 | 123 | 206 | -40 |
| Asia | 494 | 558 | -11 | 920 | 955 | -4 |
| Africa and Oceania | 140 | 141 | -1 | 262 | 266 | -2 |
| Total net sales | 2,679 | 2,584 | 4 | 5,019 | 4,834 | 4 |
| Of which: | | | | | | |
| Engines | 1,874 | 1,863 | 1 | 3,608 | 3,536 | 2 |
| Services | 805 | 721 | 12 | 1,410 | 1,298 | 9 |
| Operating income¹ | 389 | 353 | 10 | 755 | 645 | 17 |
| Operating margin ¹ , % | 14.5 | 13.7 | | 15.0 | 13.4 | |

¹ Excluding restructuring charges in 2015. For more information, please see note 6.

FINANCIAL SERVICES

Solid results

- » Continued good portfolio performance
- » Profitable portfolio growth
- » Good financial performance



Volvo Financial Services (VFS) recorded lower levels of new business volume on stable deliveries and lower penetration as competition intensified in most markets and demand remained weak in Brazil, China and Russia. Nonetheless, the portfolio increased by 2% on a currency adjusted basis during the quarter.

The portfolio continued to perform well during the quarter, highlighted by low customer overdues and credit losses in most markets. The Brazil portfolio continues to be negatively impacted by the economic downturn and the proactive

management of this market decline remains a top priority for VFS.

Operating income was stable at SEK 499 M (497) as lower credit provisions were offset by unfavorable currency movements and increased operating expenses.

During the quarter VFS syndicated approximately SEK 1.6 billion of the credit portfolio across a number of markets, effectively reducing concentration risks and freeing up credit capacity to support sales.

| Financial Services SEK M | Second quarter | | First six months | |
|--|----------------|--------|------------------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| Number of financed units | 12,466 | 13,427 | 24,051 | 23,746 |
| Total penetration rate ¹ , % | 23 | 26 | 24 | 25 |
| New financing volume, SEK billion | 13.5 | 15.0 | 25.7 | 26.6 |
| Credit portfolio net, SEK billion | | | 127 | 123 |
| Credit provision expenses | 144 | 209 | 274 | 416 |
| Operating income, SEK M | 499 | 497 | 992 | 971 |
| Credit reserves, % of credit portfolio | | | 1.38 | 1.40 |
| Return on shareholders' equity, rolling 12 months, % | | | 13.5 | 13.3 |

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

IMPORTANT EVENTS

Additional provision in connection with EU competition investigation

On June 25, 2016 the Volvo Group announced an additional provision of EUR 250 million (SEK 2.3 billion) in connection with the ongoing investigation, in which the EU Commission's preliminary standpoint is that Volvo and other companies in the truck industry may have violated EU antitrust laws in the period prior to January 18, 2011. The provision impacted operating income in the second quarter of 2016.

Previously reported important events

- New truck organization
- Volvo completed sale of IT operation
- Annual General Meeting of AB Volvo

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

CONSOLIDATED INCOME STATEMENT SECOND QUARTER

| SEK M | Industrial Operations | | Financial Services | | Eliminations | | Volvo Group | |
|---|-----------------------|---------------|--------------------|--------------|--------------|------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Net sales | 76,367 | 82,520 | 2,724 | 2,803 | -200 | -541 | 78,890 | 84,783 |
| Cost of sales | -58,991 | -64,289 | -1,622 | -1,655 | 200 | 541 | -60,412 | -65,403 |
| Gross income | 17,376 | 18,231 | 1,102 | 1,149 | - | - | 18,478 | 19,379 |
| Research and development expenses | -3,675 | -3,941 | - | - | - | - | -3,675 | -3,941 |
| Selling expenses | -6,184 | -6,707 | -480 | -468 | - | - | -6,664 | -7,175 |
| Administrative expenses | -1,356 | -1,583 | -10 | -10 | - | - | -1,366 | -1,594 |
| Other operating income and expenses | -3,075 | -1,354 | -113 | -174 | - | - | -3,189 | -1,528 |
| Income/loss from investments in Joint Ventures and associated companies | 179 | 31 | - | - | - | - | 179 | 31 |
| Income from other investments | 32 | 2,144 | 0 | 0 | - | - | 32 | 2,144 |
| Operating income | 3,297 | 6,821 | 499 | 497 | - | - | 3,796 | 7,317 |
| Interest income and similar credits | 55 | 80 | - | - | - | - | 55 | 80 |
| Interest expenses and similar charges | -429 | -548 | 0 | 0 | - | - | -429 | -548 |
| Other financial income and expenses | 33 | -487 | 0 | 0 | - | - | 32 | -487 |
| Income after financial items | 2,956 | 5,866 | 498 | 497 | - | - | 3,453 | 6,362 |
| Income taxes | -1,299 | -1,004 | -163 | -165 | - | - | -1,462 | -1,169 |
| Income for the period * | 1,657 | 4,862 | 335 | 332 | - | - | 1,991 | 5,193 |
| * Attributable to: | | | | | | | | |
| Equity holders of the parent company | | | | | | | 1,977 | 5,150 |
| Minority interests | | | | | | | 14 | 43 |
| | | | | | | | 1,991 | 5,193 |
| Basic earnings per share, SEK | | | | | | | 0.97 | 2.54 |
| Diluted earnings per share, SEK | | | | | | | 0.97 | 2.53 |
| Key operating ratios, % | | | | | | | | |
| Gross margin | 22.8 | 22.1 | - | - | - | - | 23.4 | 22.9 |
| Research and development expenses as percentage of net sales | 4.8 | 4.8 | - | - | - | - | 4.7 | 4.6 |
| Selling expenses as percentage of net sales | 8.1 | 8.1 | - | - | - | - | 8.4 | 8.5 |
| Administrative expenses as percentage of net sales | 1.8 | 1.9 | - | - | - | - | 1.7 | 1.9 |
| Operating margin | 4.3 | 8.3 | - | - | - | - | 4.8 | 8.6 |

CONSOLIDATED OTHER COMPREHENSIVE INCOME SECOND QUARTER

| SEK M | 2016 | 2015 |
|---|--------------|--------------|
| Income for the period | 1,991 | 5,193 |
| Items that will not be reclassified to income statement: | | |
| Remeasurements of defined benefit pension plans | -928 | 4,122 |
| Items that may be reclassified subsequently to income statement: | | |
| Exchange differences on translation of foreign operations | 2,425 | -2,159 |
| Share of OCI related to Joint Ventures and associated companies | -23 | 25 |
| Exchange differences on hedge instruments of net investment in foreign operations | - | - |
| Accumulated translation difference reversed to income | -5 | - |
| Available-for-sale investments | -38 | -2,108 |
| Change in cash flow hedges | 25 | -8 |
| Other comprehensive income, net of income taxes | 1,456 | -128 |
| Total comprehensive income for the period * | 3,447 | 5,064 |
| * Attributable to: | | |
| Equity holders of the parent company | 3,409 | 5,115 |
| Minority interests | 37 | -51 |
| | 3,447 | 5,064 |

CONSOLIDATED INCOME STATEMENT FIRST SIX MONTHS

| SEK M | Industrial Operations | | Financial Services | | Eliminations | | Volvo Group | |
|---|-----------------------|---------------|--------------------|--------------|--------------|--------|-----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Net sales | 145,652 | 154,993 | 5,425 | 5,614 | -480 | -1,036 | 150,597 | 159,570 |
| Cost of sales | -113,046 | -120,564 | -3,246 | -3,326 | 480 | 1,036 | -115,813 | -122,854 |
| Gross income | 32,606 | 34,428 | 2,179 | 2,288 | - | - | 34,784 | 36,716 |
| Research and development expenses | -7,124 | -8,026 | - | - | - | - | -7,124 | -8,026 |
| Selling expenses | -12,241 | -13,163 | -947 | -937 | - | - | -13,188 | -14,100 |
| Administrative expenses | -2,688 | -2,997 | -20 | -20 | - | - | -2,708 | -3,017 |
| Other operating income and expenses | -2,466 | -1,705 | -221 | -358 | - | - | -2,686 | -2,064 |
| Income/loss from investments in Joint Ventures and associated companies | -22 | 33 | - | - | - | - | -22 | 33 |
| Income from other investments | 83 | 4,615 | 0 | -2 | - | - | 84 | 4,613 |
| Operating income | 8,148 | 13,183 | 992 | 971 | - | - | 9,139 | 14,154 |
| Interest income and similar credits | 121 | 146 | - | - | - | - | 121 | 146 |
| Interest expenses and similar charges | -883 | -1,115 | 0 | 0 | - | - | -883 | -1,115 |
| Other financial income and expenses | 375 | -856 | 0 | 0 | - | - | 375 | -856 |
| Income after financial items | 7,761 | 11,358 | 991 | 971 | - | - | 8,752 | 12,329 |
| Income taxes | -2,663 | -2,579 | -310 | -321 | - | - | -2,973 | -2,900 |
| Income for the period * | 5,098 | 8,779 | 681 | 650 | - | - | 5,779 | 9,428 |
| * Attributable to: | | | | | | | | |
| Equity holders of the parent company | | | | | | | 5,744 | 9,398 |
| Minority interests | | | | | | | 35 | 30 |
| | | | | | | | 5,779 | 9,428 |
| Basic earnings per share, SEK | | | | | | | 2.83 | 4.63 |
| Diluted earnings per share, SEK | | | | | | | 2.83 | 4.63 |
| Key operating ratios, % | | | | | | | | |
| Gross margin | 22.4 | 22.2 | - | - | - | - | 23.1 | 23.0 |
| Research and development expenses as percentage of net sales | 4.9 | 5.2 | - | - | - | - | 4.7 | 5.0 |
| Selling expenses as percentage of net sales | 8.4 | 8.5 | - | - | - | - | 8.8 | 8.8 |
| Administrative expenses as percentage of net sales | 1.8 | 1.9 | - | - | - | - | 1.8 | 1.9 |
| Operating margin | 5.6 | 8.5 | - | - | - | - | 6.1 | 8.9 |

CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST SIX MONTHS

| SEK M | 2016 | 2015 |
|--|---------------|--------------|
| Income for the period | 5,779 | 9,428 |
| Items that will not be reclassified to income statement: | | |
| Remeasurements of defined benefit pension plans | -2,479 | 1,431 |
| Items that may be reclassified subsequently to income statement: | | |
| Exchange differences on translation of foreign operations | 3,152 | 454 |
| Share of OCI related to Joint Ventures and associated companies | -82 | 35 |
| Accumulated translation difference reversed to income | -5 | -10 |
| Available-for-sale investments | -112 | -3,968 |
| Change in cash flow hedges | 27 | -17 |
| Other comprehensive income, net of income taxes | 501 | -2,075 |
| Total comprehensive income for the period * | 6,280 | 7,353 |
| * Attributable to: | | |
| Equity holders of the parent company | 6,258 | 7,240 |
| Minority interests | 22 | 113 |
| | 6,280 | 7,353 |

CONSOLIDATED BALANCE SHEET

| SEK M | Industrial Operations | | Financial Services | | Eliminations | | Volvo Group | |
|---|-----------------------|----------------|--------------------|----------------|----------------|----------------|----------------|----------------|
| | Jun 30 2016 | Dec 31 2015 | Jun 30 2016 | Dec 31 2015 | Jun 30 2016 | Dec 31 2015 | Jun 30 2016 | Dec 31 2015 |
| Assets | | | | | | | | |
| Non-current assets | | | | | | | | |
| Intangible assets | 38,241 | 36,314 | 124 | 102 | - | - | 38,365 | 36,416 |
| <i>Tangible assets</i> | | | | | | | | |
| Property, plant and equipment | 54,451 | 53,554 | 70 | 64 | - | - | 54,521 | 53,618 |
| Assets under operating leases | 21,109 | 20,616 | 17,970 | 18,253 | -6,677 | -6,338 | 32,402 | 32,531 |
| <i>Financial assets</i> | | | | | | | | |
| Investments in Joint Ventures and associated companies | 11,267 | 11,148 | - | - | - | - | 11,267 | 11,148 |
| Other shares and participations | 750 | 893 | 10 | 8 | - | - | 760 | 902 |
| Non-current customer-financing receivables | 0 | 3 | 54,746 | 52,163 | -1,072 | -1,204 | 53,674 | 50,962 |
| Prepaid pensions | 50 | 34 | - | - | - | - | 50 | 34 |
| Non-current interest-bearing receivables | 1,394 | 1,138 | 4 | 500 | -285 | -487 | 1,114 | 1,150 |
| Other non-current receivables | 4,068 | 3,271 | 179 | 140 | -132 | -143 | 4,115 | 3,268 |
| Deferred tax assets | 13,407 | 12,582 | 997 | 868 | - | - | 14,404 | 13,450 |
| Total non-current assets | 144,738 | 139,552 | 74,101 | 72,098 | -8,166 | -8,172 | 210,673 | 203,478 |
| Current assets | | | | | | | | |
| Inventories | 48,363 | 44,194 | 342 | 196 | - | - | 48,706 | 44,390 |
| <i>Current receivables</i> | | | | | | | | |
| Customer-financing receivables | 9 | 9 | 54,259 | 52,404 | -792 | -792 | 53,476 | 51,621 |
| Tax assets | 1,869 | 1,537 | 97 | 624 | - | - | 1,966 | 2,161 |
| Interest-bearing receivables | 2,386 | 2,600 | 12 | 14 | -1,050 | -827 | 1,348 | 1,788 |
| Internal funding | 4,408 | 7,963 | - | - | -4,408 | -7,963 | - | - |
| Accounts receivable | 31,812 | 28,577 | 544 | 525 | - | - | 32,355 | 29,101 |
| Other receivables | 15,306 | 14,259 | 1,314 | 1,327 | -1,022 | -1,667 | 15,598 | 13,920 |
| Non interest-bearing assets held for sale | 3,746 | 3,314 | - | - | - | - | 3,746 | 3,314 |
| Marketable securities | 6,316 | 3,344 | - | - | - | - | 6,316 | 3,344 |
| Cash and cash equivalents | 11,510 | 17,866 | 3,972 | 3,651 | -434 | -469 | 15,049 | 21,048 |
| Total current assets | 125,726 | 123,664 | 60,540 | 58,741 | -7,707 | -11,717 | 178,559 | 170,687 |
| Total assets | 270,464 | 263,216 | 134,641 | 130,839 | -15,873 | -19,890 | 389,232 | 374,165 |
| Equity and liabilities | | | | | | | | |
| Equity attributable to the equity holders of the parent company | | | | | | | | |
| | 73,229 | 73,350 | 10,774 | 10,460 | - | - | 84,003 | 83,810 |
| Minority interests | 1,824 | 1,801 | - | - | - | - | 1,824 | 1,801 |
| Total equity | 75,052 | 75,151 | 10,774 | 10,460 | - | - | 85,827 | 85,610 |
| <i>Non-current provisions</i> | | | | | | | | |
| Provisions for post-employment benefits | 17,667 | 13,621 | 54 | 53 | - | - | 17,721 | 13,673 |
| Provisions for deferred taxes | -470 | 546 | 3,051 | 2,949 | - | - | 2,582 | 3,495 |
| Other provisions | 9,532 | 9,286 | 229 | 214 | 41 | 35 | 9,802 | 9,536 |
| <i>Non-current liabilities</i> | | | | | | | | |
| Bond loans | 50,634 | 47,776 | - | - | - | - | 50,634 | 47,776 |
| Other loans | 12,792 | 17,123 | 13,762 | 11,581 | -1,072 | -1,204 | 25,482 | 27,500 |
| Internal funding | -39,283 | -42,442 | 42,948 | 42,712 | -3,664 | -270 | 0 | 0 |
| Other liabilities | 21,965 | 20,359 | 791 | 733 | -4,787 | -4,554 | 17,968 | 16,538 |
| Current provisions | 16,828 | 14,104 | 62 | 67 | 34 | 6 | 16,923 | 14,176 |
| <i>Current liabilities</i> | | | | | | | | |
| Loans | 57,645 | 50,339 | 10,629 | 8,480 | -1,837 | -1,488 | 66,438 | 57,331 |
| Internal funding | -46,762 | -40,234 | 48,231 | 49,013 | -1,469 | -8,780 | - | - |
| Non interest-bearing liabilities held for sale | 323 | 573 | - | - | - | - | 323 | 573 |
| Trade payables | 50,461 | 55,250 | 516 | 398 | - | - | 50,978 | 55,648 |
| Tax liabilities | 1,948 | 1,113 | 308 | 209 | - | - | 2,257 | 1,322 |
| Other liabilities | 42,131 | 40,652 | 3,287 | 3,970 | -3,119 | -3,635 | 42,298 | 40,986 |
| Total equity and liabilities | 270,464 | 263,216 | 134,641 | 130,839 | -15,873 | -19,890 | 389,232 | 374,165 |
| Key ratios, % | | | | | | | | |
| Shareholders' equity as percentage of total assets | 27.7 | 28.6 | 8.0 | 8.0 | - | - | 22.1 | 22.9 |
| Shareholders' equity per share, excluding minority interests, SEK | - | - | - | - | - | - | 41.4 | 41.3 |
| Return on operating capital, 12 months rolling | 19.3 | 25.0 | - | - | - | - | - | - |
| Return on shareholders' equity, 12 months rolling | - | - | 13.5 | 13.4 | - | - | 13.5 | 18.4 |

CONSOLIDATED CASH FLOW STATEMENT SECOND QUARTER

| SEK bn | Industrial operations | | Financial services | | Eliminations | | Volvo Group Total | |
|--|-----------------------|-------------|--------------------|-------------|--------------|------------|-------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Operating activities | | | | | | | | |
| Operating income | 3.3 | 6.8 | 0.5 | 0.5 | 0.0 | 0.0 | 3.8 | 7.3 |
| Depreciation tangible assets | 1.6 | 1.6 | 0.0 | 0.0 | - | - | 1.6 | 1.6 |
| Amortization intangible assets | 0.8 | 0.8 | 0.0 | 0.0 | - | 0.0 | 0.8 | 0.8 |
| Depreciation leasing vehicles | 0.7 | 0.7 | 0.9 | 1.0 | 0.0 | 0.0 | 1.6 | 1.7 |
| Other non-cash items | 2.4 | -0.8 | 0.2 | 0.2 | -0.1 | 0.0 | 2.5 | -0.6 |
| Total change in working capital whereof | 2.6 | 2.8 | -2.1 | -4.6 | 0.1 | 0.0 | 0.6 | -1.8 |
| <i>Change in accounts receivables</i> | -0.3 | -1.8 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | -1.8 |
| <i>Change in customer financing receivables</i> | 0.0 | 0.0 | -2.1 | -4.6 | 0.0 | -0.1 | -2.0 | -4.7 |
| <i>Change in inventories</i> | -1.0 | -1.4 | 0.1 | 0.0 | 0.0 | 0.0 | -0.8 | -1.4 |
| <i>Change in trade payables</i> | 3.5 | 3.7 | 0.1 | 0.1 | 0.0 | 0.0 | 3.6 | 3.8 |
| <i>Other changes in working capital</i> | 0.2 | 2.3 | -0.3 | -0.1 | 0.1 | 0.1 | 0.1 | 2.3 |
| Interest and similar items received | 0.1 | 0.1 | - | - | 0.0 | 0.0 | 0.1 | 0.1 |
| Interest and similar items paid | -0.6 | -0.6 | - | - | 0.0 | 0.0 | -0.5 | -0.6 |
| Other financial items | 0.0 | -0.1 | - | - | - | - | 0.0 | -0.1 |
| Income taxes paid | -1.8 | -0.7 | 0.4 | -0.3 | 0.0 | 0.0 | -1.4 | -1.0 |
| Cash flow from operating activities | 9.1 | 10.8 | -0.1 | -3.2 | 0.0 | 0.0 | 9.0 | 7.6 |
| Investing activities | | | | | | | | |
| Investments in tangible assets | -1.5 | -1.6 | 0.0 | 0.0 | - | - | -1.5 | -1.7 |
| Investments in intangible assets | -0.8 | -0.5 | 0.0 | 0.0 | - | - | -0.8 | -0.5 |
| Investment in leasing vehicles | 0.0 | -0.1 | -2.3 | -2.4 | 0.0 | 0.0 | -2.3 | -2.5 |
| Disposals of fixed assets and leasing vehicles | 0.1 | 0.1 | 1.5 | 1.5 | 0.0 | 0.0 | 1.5 | 1.6 |
| Operating cash flow | 6.9 | 8.6 | -1.0 | -4.2 | 0.0 | 0.0 | 5.9 | 4.4 |
| Investments and divestments of shares, net | | | | | | | 0.1 | 2.2 |
| Acquired and divested operations, net | | | | | | | 0.0 | 0.1 |
| Interest-bearing receivables incl. marketable securities | | | | | | | -0.5 | 1.4 |
| Cash flow after net investments | | | | | | | 5.5 | 8.1 |
| Financing activities | | | | | | | | |
| Change in loans, net | | | | | | | -0.7 | -8.5 |
| Dividend to AB Volvo shareholders | | | | | | | -6.1 | -6.1 |
| Dividend to minority shareholders | | | | | | | - | 0.0 |
| Other | | | | | | | 0.0 | 0.0 |
| Change in cash and cash equivalents excl. translation differences | | | | | | | -1.2 | -6.5 |
| Translation difference on cash and cash equivalents | | | | | | | 0.5 | -0.5 |
| Change in cash and cash equivalents | | | | | | | -0.8 | -7.0 |

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST SIX MONTHS

| SEK bn | Industrial operations | | Financial services | | Eliminations | | Volvo Group Total | |
|--|-----------------------|-------------|--------------------|-------------|--------------|------------|-------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Operating activities | | | | | | | | |
| Operating income | 8.1 | 13.2 | 1.0 | 1.0 | 0.0 | 0.0 | 9.1 | 14.2 |
| Depreciation tangible assets | 3.1 | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 | 3.1 | 3.2 |
| Amortization intangible assets | 1.5 | 1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.5 | 1.7 |
| Depreciation leasing vehicles | 1.4 | 1.4 | 1.9 | 1.9 | 0.0 | 0.0 | 3.3 | 3.4 |
| Other non-cash items | 2.2 | -2.8 | 0.3 | 0.4 | 0.0 | 0.0 | 2.5 | -2.4 |
| Total change in working capital whereof | -12.6 | -3.4 | -1.0 | -5.1 | -0.2 | 0.6 | -13.8 | -7.9 |
| <i>Change in accounts receivables</i> | -2.6 | -2.0 | 0.0 | 0.0 | 0.0 | 0.0 | -2.6 | -1.9 |
| <i>Change in customer financing receivables</i> | 0.1 | 0.0 | -0.9 | -5.5 | -0.1 | 0.1 | -0.9 | -5.4 |
| <i>Change in inventories</i> | -3.1 | -6.3 | 0.0 | 0.0 | 0.0 | -0.1 | -3.1 | -6.5 |
| <i>Change in trade payables</i> | -6.5 | 2.5 | 0.1 | 0.1 | 0.0 | 0.0 | -6.4 | 2.7 |
| <i>Other changes in working capital</i> | -0.6 | 2.4 | -0.1 | 0.3 | 0.0 | 0.5 | -0.8 | 3.2 |
| Interest and similar items received | 0.2 | 0.2 | - | - | 0.0 | 0.0 | 0.2 | 0.2 |
| Interest and similar items paid | -1.0 | -1.0 | - | - | 0.0 | 0.0 | -1.0 | -1.0 |
| Other financial items | -0.1 | -0.1 | - | - | - | - | -0.1 | -0.1 |
| Income taxes paid | -2.2 | -1.9 | 0.3 | 0.1 | 0.0 | - | -1.9 | -1.9 |
| Cash flow from operating activities | 0.6 | 10.5 | 2.5 | -1.7 | -0.2 | 0.6 | 2.9 | 9.4 |
| Investing activities | | | | | | | | |
| Investments in tangible assets | -2.6 | -2.9 | 0.0 | 0.0 | 0.0 | 0.0 | -2.7 | -2.9 |
| Investments in intangible assets | -1.6 | -0.9 | 0.0 | 0.0 | 0.0 | 0.0 | -1.6 | -0.9 |
| Investment in leasing vehicles | 0.0 | -0.2 | -4.3 | -4.2 | - | - | -4.4 | -4.4 |
| Disposals of fixed assets and leasing vehicles | 0.2 | 0.4 | 2.7 | 2.6 | - | 0.0 | 2.9 | 3.0 |
| Operating cash flow | -3.5 | 6.9 | 0.8 | -3.3 | -0.2 | 0.6 | -2.8 | 4.2 |
| Investments and divestments of shares, net | | | | | | | 0.2 | -2.2 |
| Acquired and divested operations, net | | | | | | | 1.4 | 0.4 |
| Interest-bearing receivables incl. marketable securities | | | | | | | -2.9 | 0.3 |
| Cash flow after net investments | | | | | | | -4.1 | 2.8 |
| Financing activities | | | | | | | | |
| Change in loans, net | | | | | | | 3.7 | -5.4 |
| Dividend to AB Volvo shareholders | | | | | | | -6.1 | -6.1 |
| Dividend to minority shareholders | | | | | | | 0.0 | 0.0 |
| Other | | | | | | | 0.1 | 0.0 |
| Change in cash and cash equivalents excl. translation differences | | | | | | | -6.5 | -8.7 |
| Translation difference on cash and cash equivalents | | | | | | | 0.5 | 0.2 |
| Change in cash and cash equivalents | | | | | | | -6.0 | -8.5 |

CONSOLIDATED NET FINANCIAL POSITION

| SEK bn | Industrial operations | | Volvo Group | |
|---|-----------------------|----------------|----------------|----------------|
| | Jun 30 2016 | Dec 31 2015 | Jun 30 2016 | Dec 31 2015 |
| Non-current interest-bearing assets | | | | |
| Non-current customer-financing receivables | - | - | 53.7 | 51.0 |
| Non-current interest-bearing receivables | 1.4 | 1.1 | 1.1 | 1.2 |
| Current interest-bearing assets | | | | |
| Customer-financing receivables | - | - | 53.5 | 51.6 |
| Interest-bearing receivables | 2.4 | 2.6 | 1.3 | 1.8 |
| Internal funding | 4.4 | 8.0 | - | - |
| Marketable securities | 6.3 | 3.3 | 6.3 | 3.3 |
| Cash and cash equivalents | 11.5 | 17.9 | 15.0 | 21.0 |
| Total interest-bearing financial assets | 26.0 | 32.9 | 131.0 | 129.9 |
| Non-current interest-bearing liabilities | | | | |
| Bond loans | -50.6 | -47.8 | -50.6 | -47.8 |
| Other loans | -12.8 | -17.1 | -25.5 | -27.5 |
| Internal funding | 39.3 | 42.4 | - | - |
| Current interest-bearing liabilities | | | | |
| Loans | -57.6 | -50.3 | -66.4 | -57.3 |
| Internal funding | 46.8 | 40.2 | - | - |
| Total interest-bearing financial liabilities | -35.0 | -32.6 | -142.6 | -132.6 |
| Net financial position excl. post-employment benefits | -9.0 | 0.3 | -11.6 | -2.7 |
| Provisions for post-employment benefits, net | -17.6 | -13.6 | -17.7 | -13.6 |
| Net financial position incl. post-employment benefits | -26.6 | -13.2 | -29.2 | -16.3 |
| Key ratios, % | | | | |
| Net financial position excl. post-employment benefits as percentage of shareholders' equity | -12.0 | 0.5 | | |
| Net financial position incl. post-employment benefits as percentage of shareholders' equity | -35.5 | -17.6 | | |

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

| SEK bn | Second Quarter 2016 | First six months 2016 |
|--|---------------------------|-----------------------------|
| Net financial position at beginning of period | -24.2 | -13.2 |
| Cash flow from operating activities | 9.1 | 0.6 |
| Investments in fixed assets | -2.2 | -4.3 |
| Disposals | 0.1 | 0.2 |
| Operating cash flow | 6.9 | -3.5 |
| Investments and divestments of shares, net | 0.1 | 0.2 |
| Acquired and divested operations, net | 0.0 | 1.4 |
| Capital injections to/from Customer Finance operations | 0.7 | 1.3 |
| Currency effect | -2.5 | -3.2 |
| Dividend paid to AB Volvo shareholders | -6.1 | -6.1 |
| Remeasurements of defined benefit pension plans | -1.4 | -3.6 |
| Pension payments and costs, net | 0.0 | -0.1 |
| Other changes | -0.1 | 0.1 |
| Total change | -2.4 | -13.4 |
| Net financial position at end of period | -26.6 | -26.6 |

CONSOLIDATED CHANGES IN TOTAL EQUITY

| SEK bn | Jun 30 2016 | Dec 31 2015 |
|---|----------------|----------------|
| Total equity at end of previous period | 85.6 | 80.0 |
| Shareholders' equity attributable to equity holders of the parent company at beginning of period | 83.8 | 78.3 |
| Income for the period | 5.7 | 15.1 |
| Other comprehensive income | 0.5 | -3.5 |
| Total comprehensive income | 6.3 | 11.5 |
| Dividend to AB Volvo's shareholders | -6.1 | -6.1 |
| Share-based payments | 0.0 | 0.1 |
| Other changes | 0.0 | 0.0 |
| Shareholders' equity attributable to equity holders of the parent company at end of period | 84.0 | 83.8 |
| Minority interests at beginning of period | 1.8 | 1.7 |
| Income for the period | 0.0 | 0.0 |
| Other comprehensive income | 0.0 | 0.0 |
| Total comprehensive income | 0.0 | 0.1 |
| Other changes | 0.0 | 0.0 |
| Minority interests at end of period | 1.8 | 1.8 |
| Total equity at end of period | 85.8 | 85.6 |

QUARTERLY FIGURES

| Income Statements, Volvo Group | | | | | | First six months | First six months |
|---|---------------|---------------|---------------|---------------|---------------|------------------|------------------|
| SEK M unless otherwise stated | 2/2015 | 3/2015 | 4/2015 | 1/2016 | 2/2016 | 2016 | 2015 |
| Net sales | 84,783 | 73,309 | 79,636 | 71,707 | 78,890 | 150,597 | 159,570 |
| Cost of sales | -65,403 | -56,042 | -61,757 | -55,400 | -60,412 | -115,813 | -122,854 |
| Gross income | 19,379 | 17,266 | 17,879 | 16,307 | 18,478 | 34,784 | 36,716 |
| Research and development expenses | -3,941 | -3,497 | -3,844 | -3,449 | -3,675 | -7,124 | -8,026 |
| Selling expenses | -7,175 | -6,460 | -7,134 | -6,524 | -6,664 | -13,188 | -14,100 |
| Administrative expenses | -1,594 | -1,223 | -1,529 | -1,342 | -1,366 | -2,708 | -3,017 |
| Other operating income and expenses | -1,528 | -1,348 | -768 | 502 | -3,189 | -2,686 | -2,064 |
| Income/loss from investments in Joint Ventures and associated companies | 31 | -75 | -100 | -201 | 179 | -22 | 33 |
| Income from other investments | 2,144 | -10 | 6 | 52 | 32 | 84 | 4,613 |
| Operating income | 7,317 | 4,653 | 4,511 | 5,344 | 3,796 | 9,139 | 14,154 |
| Interest income and similar credits | 80 | 58 | 52 | 66 | 55 | 121 | 146 |
| Interest expenses and similar charges | -548 | -568 | -683 | -453 | -429 | -883 | -1,115 |
| Other financial income and expenses | -487 | 45 | 20 | 343 | 32 | 375 | -856 |
| Income after financial items | 6,362 | 4,188 | 3,901 | 5,299 | 3,453 | 8,752 | 12,329 |
| Income taxes | -1,169 | -1,115 | -1,305 | -1,510 | -1,462 | -2,973 | -2,900 |
| Income for the period * | 5,193 | 3,073 | 2,597 | 3,789 | 1,991 | 5,779 | 9,428 |
| * Attributable to: | | | | | | | |
| Equity holders of the parent company | 5,150 | 3,071 | 2,589 | 3,767 | 1,977 | 5,744 | 9,398 |
| Minority interests | 43 | 3 | 8 | 22 | 14 | 35 | 30 |
| | 5,193 | 3,073 | 2,597 | 3,789 | 1,991 | 5,779 | 9,428 |
| Key operating ratios, Volvo Group, % | | | | | | | |
| Gross margin | 22.9 | 23.6 | 22.5 | 22.7 | 23.4 | 23.1 | 23.0 |
| Research and development expenses as percentage of net sales | 4.6 | 4.8 | 4.8 | 4.8 | 4.7 | 4.7 | 5.0 |
| Selling expenses as percentage of net sales | 8.5 | 8.8 | 9.0 | 9.1 | 8.4 | 8.8 | 8.8 |
| Administrative expenses as percentage of net sales | 1.9 | 1.7 | 1.9 | 1.9 | 1.7 | 1.8 | 1.9 |
| Operating margin | 8.6 | 6.3 | 5.7 | 7.5 | 4.8 | 6.1 | 8.9 |
| Key operating ratios, Industrial operations, % | | | | | | | |
| Gross margin | 22.1 | 22.7 | 21.6 | 22.0 | 22.8 | 22.4 | 22.2 |
| Research and development expenses as percentage of net sales | 4.8 | 4.9 | 5.0 | 5.0 | 4.8 | 4.9 | 5.2 |
| Selling expenses as percentage of net sales | 8.1 | 8.4 | 8.6 | 8.7 | 8.1 | 8.4 | 8.5 |
| Administrative expenses as percentage of net sales | 1.9 | 1.7 | 2.0 | 1.9 | 1.8 | 1.8 | 1.9 |
| Operating margin | 8.3 | 5.8 | 5.1 | 7.0 | 4.3 | 5.6 | 8.5 |
| EBITDA, Industrial operations, % | | | | | | | |
| Operating income Industrial operations | 6,821 | 4,153 | 3,976 | 4,851 | 3,297 | 8,148 | 13,183 |
| Product and Software development, amortization | 728 | 702 | 701 | 672 | 667 | 1,339 | 1,551 |
| Other intangible assets, amortization | 90 | 90 | 91 | 90 | 92 | 182 | 180 |
| Tangible assets, depreciation | 2,347 | 2,198 | 2,418 | 2,230 | 2,219 | 4,449 | 4,644 |
| Total depreciation and amortization | 3,165 | 2,990 | 3,210 | 2,993 | 2,978 | 5,970 | 6,375 |
| Operating income before depreciation and amortization (EBITDA) | 9,986 | 7,143 | 7,186 | 7,844 | 6,275 | 14,118 | 19,558 |
| EBITDA margin, % | 12.1 | 10.0 | 9.3 | 11.3 | 8.2 | 9.7 | 12.6 |
| Net capitalization of research and development | | | | | | | |
| Capitalization | 516 | 433 | 863 | 806 | 749 | 1,555 | 842 |
| Amortization | -662 | -635 | -639 | -622 | -618 | -1,240 | -1,413 |
| Net capitalization and amortization | -146 | -202 | 223 | 184 | 131 | 315 | -571 |

QUARTERLY FIGURES

| Net sales | | | | | | First six months | First six months |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|------------------|
| SEK M | 2/2015 | 3/2015 | 4/2015 | 1/2016 | 2/2016 | 2016 | 2015 |
| Trucks | 57,062 | 50,182 | 55,077 | 48,037 | 52,313 | 100,350 | 108,718 |
| Construction Equipment | 15,419 | 11,884 | 10,967 | 12,452 | 13,630 | 26,082 | 28,157 |
| Buses | 6,051 | 5,492 | 7,289 | 5,258 | 6,734 | 11,992 | 10,799 |
| Volvo Penta | 2,584 | 2,344 | 2,228 | 2,340 | 2,679 | 5,019 | 4,834 |
| Group Functions & Other | 2,080 | 1,843 | 2,736 | 1,870 | 1,773 | 3,642 | 3,767 |
| Eliminations | -677 | -585 | -868 | -672 | -762 | -1,432 | -1,283 |
| Industrial Operations | 82,520 | 71,160 | 77,429 | 69,285 | 76,367 | 145,652 | 154,993 |
| Financial Services | 2,803 | 2,825 | 2,760 | 2,701 | 2,724 | 5,425 | 5,614 |
| Reclassifications and eliminations | -541 | -676 | -553 | -279 | -200 | -480 | -1,036 |
| Volvo Group | 84,783 | 73,309 | 79,636 | 71,707 | 78,890 | 150,597 | 159,570 |

| Operating income ¹ | | | | | | First six months | First six months |
|-------------------------------|--------------|--------------|--------------|--------------|---------------|------------------|------------------|
| SEK M | 2/2015 | 3/2015 | 4/2015 | 1/2016 | 2/2016 | 2016 | 2015 |
| Trucks | 6,542 | 3,615 | 5,146 | 3,741 | 2,888 | 6,629 | 12,788 |
| Construction Equipment | 1,353 | 576 | -191 | 341 | 810 | 1,152 | 1,705 |
| Buses | 111 | 337 | 331 | 59 | 313 | 371 | 214 |
| Volvo Penta | 353 | 316 | 140 | 366 | 389 | 755 | 645 |
| Group Functions & Other | -726 | -266 | -574 | 366 | -1,092 | -726 | -1,133 |
| Eliminations | -13 | 8 | -5 | -22 | -11 | -34 | -9 |
| Industrial Operations | 7,619 | 4,586 | 4,848 | 4,851 | 3,297 | 8,148 | 14,212 |
| Financial Services | 497 | 501 | 534 | 493 | 499 | 992 | 971 |
| Volvo Group | 8,116 | 5,087 | 5,382 | 5,344 | 3,796 | 9,139 | 15,182 |

¹ Excluding restructuring charges in 2015. For more information, please see note 6.

| Operating margin ¹ | | | | | | First six months | First six months |
|-------------------------------|------------|------------|------------|------------|-------------|------------------|------------------|
| % | 2/2015 | 3/2015 | 4/2015 | 1/2016 | 2/2016 | 2016 | 2015 |
| Trucks | 11.5 | 7.2 | 9.3 | 7.8 | 5.5 | 6.6 | 11.8 |
| Construction Equipment | 8.8 | 4.8 | -1.7 | 2.7 | 5.9 | 4.4 | 6.1 |
| Buses | 1.8 | 6.1 | 4.5 | 1.1 | 4.6 | 3.1 | 2.0 |
| Volvo Penta | 13.7 | 13.5 | 6.3 | 15.6 | 14.5 | 15.0 | 13.4 |
| Industrial Operations | 9.2 | 6.4 | 6.3 | 7.0 | 4.3 | 5.6 | 9.2 |
| Volvo Group | 9.6 | 6.9 | 6.8 | 7.5 | 4.8 | 6.1 | 9.5 |

¹ Excluding restructuring charges in 2015. For more information, please see note 6.

| Share data | | | | | | First six months | First six months |
|--|--------|--------|--------|--------|--------------|------------------|------------------|
| | 2/2015 | 3/2015 | 4/2015 | 1/2016 | 2/2016 | 2016 | 2015 |
| Earnings per share, SEK ¹ | 2.54 | 1.51 | 1.27 | 1.85 | 0.97 | 2.83 | 4.63 |
| Earnings per share, SEK ¹ , 12 months rolling | 3.91 | 4.68 | 7.42 | 7.18 | 5.62 | - | - |
| Diluted earnings per share, SEK | 2.53 | 1.51 | 1.27 | 1.85 | 0.97 | 2.83 | 4.63 |
| Number of outstanding shares in millions | 2,030 | 2,030 | 2,031 | 2,031 | 2,031 | 2,031 | 2,030 |
| Average number of shares before dilution in millions | 2,030 | 2,030 | 2,031 | 2,031 | 2,031 | 2,031 | 2,030 |
| Average number of shares after dilution in millions | 2,032 | 2,032 | 2,032 | 2,032 | 2,032 | 2,033 | 2,032 |
| Number of own shares in millions | 98 | 98 | 98 | 97 | 97 | 97 | 98 |
| Average number of own shares in millions | 98 | 98 | 98 | 98 | 98 | 97 | 99 |

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.

NOTE 1 | ACCOUNTING PRINCIPLES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted and definitions are consistent with those described in the Volvo Group Annual Report 2015 (available at www.volvogroup.com). There are no new accounting principles applicable from 2016 that significantly affects the Volvo Group.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The parent company applies the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities.

NOTE 2 | RISKS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 is 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 elaborate account of these risks, please refer to the Risk Management section on pages 107-109 in the Volvo Group Annual Report 2015 (available at www.volvogroup.com).

Risk updates for the period

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

An 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 surplus value 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 as of June 30, 2016, amounted to SEK 15.6 billion, the same level as December 31, 2015. The gross exposure of SEK 15.6 billion is partly reduced by counter guarantees and collaterals. The contingent liabilities for credit guarantees for construction equipment in China have decreased. However, including both contingent liabilities and on-balance sheet exposure the credit risk is still significant, and in the second quarter of 2016 an additional cost for credit losses of SEK 176 M was recognized. The decrease in the contingent liabilities for credit guarantees are offset by increased tax claims and residual value guarantees.

Please refer to the Volvo Group Annual Report 2015 note 21 and note 24 for descriptions of the nature of provisions and contingent liabilities for legal proceedings and investigations, including information on legal proceedings and investigations that the Group is currently involved in and subject to. In June 2016, the Volvo Group decided to make an additional provision of SEK 2,334 M in connection with the on-going EU competition investigation. The provision has impacted the Group's operating income in the second quarter of 2016 negatively with the same amount. The Volvo Group will re-assess the size of the provision regularly following the development of the proceedings. The other legal proceedings and investigations mentioned in the Volvo Group Annual Report 2015 are progressing but no material changes have occurred in these matters in the second quarter of 2016 compared to the descriptions provided in note 21 and note 24 of the Volvo Group Annual Report 2015.

NOTE 3 | CORPORATE ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments

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

Volvo completed the sale of its external IT operation and related assets and the outsourcing of its IT infrastructure during the first quarter. The divestment resulted in a positive effect on operating income and net financial debt of SEK 885 M.

Assets and liabilities held for sale

At the end of the second quarter assets amounting to SEK 3,746 M and liabilities amounting to SEK 323 M are classified as held for sale. This mainly pertains to the planned divestment of the North American used truck business, Arrow Truck Sales and real estate properties.

NOTE 4 | CURRENCY AND FINANCIAL INSTRUMENTS

Fair value of financial instruments

Valuation principles and principles for hedge accounting for Volvo Group financial instruments, as described in Volvo Group Annual Report 2015 Note 30 (available at www.volvogroup.com), have been consistently applied throughout the reporting period.

Financial instruments in the Volvo Group reported at fair value through profit and loss consist mainly of marketable securities (see balance sheet) and interest-, currency- and raw material derivatives. Derivatives with positive fair values amounted to SEK 3.6 billion and derivatives with negative fair

values amounted to SEK 2.0 billion as of June 30, 2016. The derivatives are accounted for on gross-basis.

Financial liabilities valued at amortized cost, reported as current and non-current bond loans and other loans, amounted to SEK 141.2 billion in reported carrying value with a fair value of SEK 145.9 billion. In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 1.4 billion.

| Currency effect on operating income Industrial operations | Compared to second quarter 2015 | | | Compared to first quarter 2016 | | |
|--|---------------------------------|---------------------|-------------|--------------------------------|--------------------|-------------|
| | Second quarter 2016 | Second quarter 2015 | Change | Second quarter 2016 | First quarter 2016 | Change |
| SEK M | | | | | | |
| Net flow in foreign currency | | | -615 | | | -177 |
| Realized and unrealized gains and losses on hedging contracts | 0 | 0 | 0 | 0 | 2 | -2 |
| Unrealized gains and losses on receivables and liabilities in foreign currency | 19 | -424 | 443 | 19 | 4 | 16 |
| Translation effect on operating income in foreign subsidiaries | | | -145 | | | -44 |
| Total currency effect on operating income Industrial operations¹ | | | -317 | | | -207 |

¹The devaluation effect in Venezuela of SEK 208 M in the first quarter of 2015 is excluded as the entity was divested in 2015.

| Applicable currency rates | Quarterly exchange rates | | Close rates | |
|---------------------------|--------------------------|---------------------|-------------|-------------|
| | Second quarter 2016 | Second quarter 2015 | Jun 30 2016 | Jun 30 2015 |
| BRL | 2.34 | 2.74 | 2.61 | 2.64 |
| CNY | 1.26 | 1.36 | 1.28 | 1.33 |
| EUR | 9.28 | 9.31 | 9.43 | 9.23 |
| USD | 8.21 | 8.42 | 8.48 | 8.24 |
| JPY | 0.0761 | 0.0695 | 0.0828 | 0.0675 |

NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 332 M (552) and purchases from associated companies amounted to SEK 560 M (666) during the second quarter of 2016. As of June 30, 2016, receivables from associated companies amounted to SEK 363 M (637) and liabilities to associated companies to SEK 520 M (515). Sales to joint ventures

amounted to SEK 355 M (545) and purchases from joint ventures amounted to SEK 124 M (182) during the second quarter of 2016. As of June 30, 2016, receivables from joint ventures amounted to SEK 285 M (319) and liabilities to joint ventures to SEK 240 M (194).

NOTE 6 | OTHER INFORMATION

Restructuring charges related to Efficiency program in 2015

| SEK M | 1/2015 | 2/2015 | 3/2015 | 4/2015 | Year |
|------------------------------|-------------|-------------|-------------|-------------|---------------|
| Trucks | -127 | -701 | -368 | -837 | -2,032 |
| Construction Equipment | -75 | -17 | 5 | 41 | -46 |
| Buses | - | -5 | -9 | -8 | -23 |
| Volvo Penta | -16 | - | - | - | -16 |
| Group Functions & Other | -11 | -76 | -62 | -67 | -216 |
| Industrial operations | -229 | -799 | -434 | -871 | -2,333 |
| Financial Services | - | - | - | - | - |
| Volvo Group | -229 | -799 | -434 | -871 | -2,333 |

Net sales

| SEK M | 1/2015 | 2/2015 | 3/2015 | 4/2015 | Year |
|------------------------------------|---------------|---------------|---------------|---------------|----------------|
| Trucks | 51,657 | 57,062 | 50,182 | 55,077 | 213,978 |
| whereof Services | 12,430 | 12,112 | 12,294 | 12,112 | 48,949 |
| Construction Equipment | 12,737 | 15,419 | 11,884 | 10,967 | 51,008 |
| whereof Services | 2,369 | 2,481 | 2,437 | 2,300 | 9,588 |
| Buses | 4,748 | 6,051 | 5,492 | 7,289 | 23,580 |
| whereof Services | 980 | 1,050 | 1,008 | 972 | 4,011 |
| Volvo Penta | 2,250 | 2,584 | 2,344 | 2,228 | 9,406 |
| whereof Services | 577 | 721 | 714 | 558 | 2,570 |
| Volvo Group | 74,788 | 84,783 | 73,309 | 79,636 | 312,515 |
| whereof Services | 16,581 | 16,675 | 16,552 | 16,344 | 66,152 |
| whereof Financial Services revenue | 2,811 | 2,803 | 2,825 | 2,760 | 11,199 |

PARENT COMPANY

Income from investments in Group companies for the second quarter includes dividends amounting to SEK 69 M (565).

During the second quarter 2015, the divestment of Eicher Motors Limited resulted in a capital gain of SEK 2,137 M. Reversal of revaluation to market value amounted to SEK 2,105 M and was recognized in other comprehensive income. During the first quarter 2015 a first divestment of shares in Eicher Motors limited resulted in a capital gain of SEK 2,471 M with a corresponding reversal of revaluation to market value amounting to SEK 2,230 M.

Shareholder's contribution has been paid to UD Trucks in Japan by SEK 417 M.

Investments in tangible assets amounted to SEK 1 M (10). Financial net debt amounted to SEK 50,912 M (42,933) at the end of the second quarter.

| Income Statement | Second quarter | | First six months | |
|--|----------------|--------------|------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| SEK M | | | | |
| Net sales¹ | 148 | 241 | 236 | 396 |
| Cost of sales ¹ | -148 | -241 | -236 | -396 |
| Gross income | 0 | 0 | 0 | 0 |
| Operating expenses ¹ | -430 | -442 | -839 | -821 |
| Income from investments in Group companies | -145 | 411 | -317 | 234 |
| Income from investments in joint ventures and associated companies | 20 | 20 | 71 | 55 |
| Income from other investments | 19 | 2,144 | 19 | 4,615 |
| Operating income (loss) | -536 | 2,133 | -1,066 | 4,083 |
| Interest income and expenses | -241 | -300 | -482 | -626 |
| Other financial income and expenses | 21 | -23 | 11 | -7 |
| Income after financial items | -756 | 1,810 | -1,537 | 3,450 |
| Income taxes | 188 | 209 | 370 | 369 |
| Income for the period | -568 | 2,019 | -1,167 | 3,819 |

¹ Of net sales in the second quarter, SEK 124 M (210) pertained to Group companies, while purchases from Group companies amounted to SEK 119 M (205).

| Other comprehensive income | | | | |
|---|-------------|---------------|---------------|---------------|
| Income for the period | -568 | 2,019 | -1,167 | 3,819 |
| <i>Items that may be reclassified subsequently to income statement:</i> | | | | |
| Available-for-sale investments | - | -2,105 | - | -3,995 |
| Other comprehensive income, net of income taxes | -568 | -2,105 | -1,167 | -3,995 |
| Total comprehensive income for the period | -568 | -86 | -1,167 | -176 |

| Balance Sheet | June 30 | Dec 31 |
|--|----------------|----------------|
| SEK M | 2016 | 2015 |
| Assets | | |
| Non-current assets | | |
| Intangible assets | 1 | 8 |
| Tangible assets | 41 | 41 |
| Financial assets | | |
| Shares and participations in Group companies | 61,183 | 60,766 |
| Receivables from Group companies | 44 | 54 |
| Investments in joint ventures and associated companies | 10,397 | 10,397 |
| Other shares and participations | 7 | 13 |
| Deferred tax assets | 527 | 157 |
| Total non-current assets | 72,200 | 71,436 |
| Current assets | | |
| Current receivables from Group companies | 27,907 | 28,627 |
| Tax assets | 413 | - |
| Other current receivables | 387 | 116 |
| Total current assets | 28,707 | 28,743 |
| Total assets | 100,907 | 100,179 |
| Shareholders' equity and liabilities | | |
| Shareholders' equity | | |
| Restricted equity | 9,891 | 9,891 |
| Unrestricted equity | 23,887 | 31,115 |
| Untaxed reserves | 4 | 4 |
| Provisions | 123 | 128 |
| Non-current liabilities ¹ | 13,976 | 13,976 |
| Current liabilities ² | 53,026 | 45,065 |
| Total shareholders' equity and liabilities | 100,907 | 100,179 |

¹ Of which SEK 13,973 M (13,973) pertains to Group companies.

² Of which SEK 52,403 M (44,470) pertains to Group companies.

Events after the balance sheet date

No significant events have occurred after the end of the second quarter 2016 that are expected to have a substantial effect on the Volvo Group.

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

Göteborg July 19, 2016
AB Volvo (publ)

Carl-Henric Svanberg
Chairman of the Board

Matti Alahuhta
Board member

Eckhard Cordes
Board member

James W. Griffith
Board member

Martin Lundstedt
President, CEO
and Board member

Kathryn V. Marinello
Board member

Martina Merz
Board member

Hanne de Mora
Board member

Håkan Samuelsson
Board member

Helena Stjernholm
Board member

Lars Westerberg
Board member

Lars Ask
Board member

Mats Henning
Board member

Mikael Sällström
Board member

REPORT OF REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the condensed interim report for AB Volvo (publ), reg no 556012-5790, for the period 1 January - 30 June 2016. The board of directors and the CEO 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.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 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.

Conclusion

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, 19 July 2016
PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Lead partner

Johan Palmgren
Authorized Public Accountant
Partner

NET ORDER INTAKE

| Net order intake of trucks by brand | Second quarter | | Change % | First six months | | Change % |
|-------------------------------------|----------------|---------------|-------------|------------------|---------------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Number of trucks | | | | | | |
| Volvo | | | | | | |
| Europe | 14,041 | 13,379 | 5 | 29,013 | 25,391 | 14 |
| North America | 4,562 | 8,151 | -44 | 9,249 | 19,351 | -52 |
| South America | 1,884 | 2,144 | -12 | 3,541 | 3,769 | -6 |
| Asia | 3,098 | 3,417 | -9 | 5,849 | 6,567 | -11 |
| Africa and Oceania | 1,501 | 1,587 | -5 | 2,789 | 2,834 | -2 |
| Total Volvo | 25,086 | 28,678 | -13 | 50,441 | 57,912 | -13 |
| Heavy duty (>16 tons) | 24,220 | 27,891 | -13 | 48,682 | 56,491 | -14 |
| Medium duty (7-16 tons) | 866 | 787 | 10 | 1,759 | 1,421 | 24 |
| Total Volvo | 25,086 | 28,678 | -13 | 50,441 | 57,912 | -13 |
| UD | | | | | | |
| North America | 15 | -11 | 236 | 47 | 23 | 104 |
| South America | - | 16 | - | 97 | 99 | -2 |
| Asia | 4,642 | 4,470 | 4 | 8,882 | 9,369 | -5 |
| Africa and Oceania | 813 | 924 | -12 | 1,676 | 1,837 | -9 |
| Total UD | 5,470 | 5,399 | 1 | 10,702 | 11,328 | -6 |
| Heavy duty (>16 tons) | 3,583 | 3,516 | 2 | 6,896 | 7,292 | -5 |
| Medium duty (7-16 tons) | 1,610 | 1,665 | -3 | 3,347 | 3,675 | -9 |
| Light duty (<7 tons) | 277 | 218 | 27 | 459 | 361 | 27 |
| Total UD | 5,470 | 5,399 | 1 | 10,702 | 11,328 | -6 |
| Renault Trucks | | | | | | |
| Europe | 10,397 | 11,680 | -11 | 24,177 | 23,113 | 5 |
| North America | 89 | 57 | 56 | 145 | 137 | 6 |
| South America | 6 | 21 | -71 | 9 | 31 | -71 |
| Asia | 398 | 637 | -38 | 766 | 1,254 | -39 |
| Africa and Oceania | 969 | 473 | 105 | 1,543 | 1,203 | 28 |
| Total Renault Trucks | 11,859 | 12,868 | -8 | 26,640 | 25,738 | 4 |
| Heavy duty (>16 tons) | 6,963 | 7,465 | -7 | 14,013 | 15,163 | -8 |
| Medium duty (7-16 tons) | 1,389 | 1,305 | 6 | 2,729 | 2,571 | 6 |
| Light duty (<7 tons) | 3,507 | 4,098 | -14 | 9,898 | 8,004 | 24 |
| Total Renault Trucks | 11,859 | 12,868 | -8 | 26,640 | 25,738 | 4 |
| Mack | | | | | | |
| North America | 2,801 | 2,331 | 20 | 6,918 | 10,308 | -33 |
| South America | 64 | 97 | -34 | 362 | 647 | -44 |
| Asia | - | 5 | - | - | 5 | - |
| Africa and Oceania | 142 | 173 | -18 | 405 | 383 | 6 |
| Total Mack | 3,007 | 2,606 | 15 | 7,685 | 11,343 | -32 |
| Heavy duty (>16 tons) | 3,007 | 2,606 | 15 | 7,685 | 11,343 | -32 |
| Total Mack | 3,007 | 2,606 | 15 | 7,685 | 11,343 | -32 |

DELIVERIES

| Delivered trucks by brand | Second quarter | | Change % | First six months | | Change % |
|-----------------------------|----------------|---------------|-------------|------------------|---------------|-------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Volvo | | | | | | |
| Number of trucks | | | | | | |
| Europe | 14,430 | 12,343 | 17 | 27,282 | 23,239 | 17 |
| North America | 6,786 | 11,208 | -39 | 12,583 | 20,987 | -40 |
| South America | 2,247 | 2,321 | -3 | 3,886 | 4,068 | -4 |
| Asia | 3,338 | 3,658 | -9 | 6,270 | 6,477 | -3 |
| Africa and Oceania | 1,454 | 1,467 | -1 | 2,549 | 2,599 | -2 |
| Total Volvo | 28,255 | 30,997 | -9 | 52,570 | 57,370 | -8 |
| Heavy duty (>16 tons) | 27,179 | 30,340 | -10 | 50,792 | 56,120 | -9 |
| Medium duty (7-16 tons) | 1,076 | 657 | 64 | 1,778 | 1,250 | 42 |
| Total Volvo | 28,255 | 30,997 | -9 | 52,570 | 57,370 | -8 |
| UD | | | | | | |
| North America | 32 | 8 | 300 | 88 | 39 | 126 |
| South America | 143 | 25 | 472 | 244 | 92 | 165 |
| Asia | 4,147 | 4,229 | -2 | 8,541 | 8,230 | 4 |
| Africa and Oceania | 855 | 958 | -11 | 1,701 | 1,828 | -7 |
| Total UD | 5,177 | 5,220 | -1 | 10,574 | 10,189 | 4 |
| Heavy duty (>16 tons) | 3,314 | 3,167 | 5 | 6,781 | 6,280 | 8 |
| Medium duty (7-16 tons) | 1,593 | 1,900 | -16 | 3,335 | 3,589 | -7 |
| Light duty (<7 tons) | 270 | 153 | 76 | 458 | 320 | 43 |
| Total UD | 5,177 | 5,220 | -1 | 10,574 | 10,189 | 4 |
| Renault Trucks | | | | | | |
| Europe | 12,304 | 9,986 | 23 | 22,369 | 18,884 | 18 |
| North America | 29 | 76 | -62 | 73 | 119 | -39 |
| South America | 2 | 100 | -98 | 6 | 144 | -96 |
| Asia | 477 | 839 | -43 | 1,004 | 1,313 | -24 |
| Africa and Oceania | 838 | 1,235 | -32 | 1,420 | 2,189 | -35 |
| Total Renault Trucks | 13,650 | 12,236 | 12 | 24,872 | 22,649 | 10 |
| Heavy duty (>16 tons) | 7,184 | 6,805 | 6 | 13,210 | 12,216 | 8 |
| Medium duty (7-16 tons) | 1,798 | 1,491 | 21 | 3,119 | 2,746 | 14 |
| Light duty (<7 tons) | 4,668 | 3,940 | 18 | 8,543 | 7,687 | 11 |
| Total Renault Trucks | 13,650 | 12,236 | 12 | 24,872 | 22,649 | 10 |
| Mack | | | | | | |
| North America | 5,192 | 6,547 | -21 | 10,035 | 12,644 | -21 |
| South America | 157 | 338 | -54 | 303 | 597 | -49 |
| Asia | 1 | 8 | -88 | 2 | 28 | -93 |
| Africa and Oceania | 238 | 267 | -11 | 424 | 462 | -8 |
| Total Mack | 5,588 | 7,160 | -22 | 10,764 | 13,731 | -22 |
| Heavy duty (>16 tons) | 5,588 | 7,160 | -22 | 10,764 | 13,731 | -22 |
| Total Mack | 5,588 | 7,160 | -22 | 10,764 | 13,731 | -22 |

This information is information that AB Volvo (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out in the press release concerning this report, at 07.20 CET on July 19, 2016.

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

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

Financial calendar

| | |
|---------------------------------------|------------------|
| Report on the third quarter 2016 | October 21, 2016 |
| Report on the fourth quarter 2016 | February 1, 2017 |
| Annual and Sustainability Report 2016 | March 2017 |
| Annual General Meeting 2017 | April 4, 2017 |
| Report on the first quarter 2017 | April 25, 2017 |
| Report on the second quarter 2017 | July 20, 2017 |
| Report on the third quarter 2017 | October 20, 2017 |

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