

REPORT ON THE SECOND QUARTER 2019



- » In Q2 2019, net sales increased by 16% to SEK 120.7 billion (103.6). Adjusted for currency movements, net sales increased by 11%.
- » The adjusted operating income amounted to SEK 15,105 M (11,519), corresponding to an adjusted operating margin of 12.5% (11.1).
- » The reported operating income amounted to SEK 15,105 M (12,337).
- » Currency movements had a positive impact on operating income of SEK 1,004 M.
- » Diluted earnings per share rose to SEK 5.47 (4.53).
- » Operating cash flow in the Industrial Operations amounted to SEK 13,867 M (8,322).

SEK M unless otherwise stated	Second quarter		First six months	
	2019	2018	2019	2018
Net sales	120,694	103,623	227,902	192,767
Adjusted operating income ¹	15,105	11,519	27,802	19,816
Adjusted operating margin, %	12.5	11.1	12.2	10.3
Operating income	15,105	12,337	29,267	20,634
Operating margin, %	12.5	11.9	12.8	10.7
Income after financial items	14,566	11,685	27,846	19,412
Income for the period	11,352	9,384	22,115	15,180
Diluted earnings per share, SEK	5.47	4.53	10.69	7.31
Operating cash flow in Industrial Operations	13,867	8,322	16,622	9,810
Return on capital employed in Industrial Operations, %			26.3	24.0
Return on equity, %			25.2	23.4
Net order intake, number of trucks	47,821	60,656	93,705	132,621
Deliveries, number of trucks	65,237	59,571	123,831	111,145
Net order intake, number of construction equipment	24,085	22,787	46,331	46,725
Deliveries, number of construction equipment	26,888	24,108	50,027	46,210

¹ For more information on adjusted operating income, please see note 7.

CEO'S COMMENTS

Sales growth and continued profitability improvement

In Q2 2019 the Volvo Group continued on the path of increased sales and improved profitability. Both our net sales of SEK 121 billion (104) and adjusted operating income of SEK 15.1 billion (11.5) were the highest we have had in a quarter so far. We improved the adjusted operating margin to 12.5% (11.1). Increased vehicle volumes were the main contributor to the profit improvement. Operating cash flow in the Industrial Operations increased to SEK 13.9 billion (8.3).

Our Truck operations continued the good development in Q2, with truck volumes increasing by 10%. Net sales rose to SEK 75.9 billion (65.2) and the operating income increased by 32% to SEK 9.5 billion. The operating margin reached 12.6% (11.1). Our global truck order intake was 21% below Q2 2018, with an expected low level in North America and with heavy-duty and medium-duty trucks in Europe declining 9%. Consequently, we will during the course of the second half of the year adapt our production.

Compared with Q2 2018, our deliveries of construction equipment increased by 12%. Volvo Construction Equipment's net sales of SEK 26.8 billion were 10% higher than a year ago. The adjusted operating income increased by 13% to SEK 4.2 billion, corresponding to an adjusted operating margin of 15.5% (15.1). To further extend the cooperation between Volvo CE and SDLG, all excavators above 15 tons made for the Chinese market will be based on the latest Volvo technology and sold under the Volvo brand as of the end of next year.

Buses sustained the strong sales momentum, with Q2 net sales increasing by 30% to SEK 8.9 billion. Buses operating margin improved and amounted to 4.5% (3.8). In the quarter Volvo Buses made a breakthrough in the Middle East with large contracts in Abu Dhabi and Dubai.

For Volvo Penta, Q2 net sales were on par with last year, however the operating margin declined to 16.9% (19.9). Volvo Penta continues its progress in developing an electric platform for the future and in the quarter we showed an electric-powered terminal tractor, using proven technology from our buses and trucks.



Financial Services' credit portfolio continued to perform well with low levels of overdues and credit losses. The operating income rose by 18% to SEK 686 M. Return on equity amounted to 14.7% (15.0).

The Group's progress is visible both in our current financial performance and in the products we are developing for the sustainable transport solutions of the future. During the quarter, Renault Trucks handed over the first fully-electric refuse truck to our customer Lyon Metropole. We also unveiled the Mack LR battery electric vehicle, which the New York City Department of Sanitation will begin testing in 2020. An important step in creating a viable electric platform is the strategic alliance which we have entered into with Samsung SDI covering the joint development of battery packs for our trucks.

Automation is an area transforming the transportation industry. We are excited to have signed a partnership agreement with NVIDIA to jointly develop the decision making system of autonomous commercial vehicles and machines. The system is initially planned to be used in commercial pilots and later in commercial offerings. We continue to gradually introduce solutions in the entire spectrum of automation and revealed the first assignment for Vera, Volvo Trucks' electric, connected and autonomous vehicle, with the logistics company DFDS.

The work to strengthen our customers' competitiveness and the Volvo Group's performance continues. We are committed to driving both the day-to-day performance of our business and the transformation of the transport industry towards safer and more sustainable solutions. A strong focus on our service business, volume flexibility in the industrial system and tight cost control across the organization are key priorities to maintain a good profitability over the business cycle.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE SECOND QUARTER 2019

Net sales

In Q2 2019, the Volvo Group's net sales increased by 16% to SEK 120,694 M (103,623). Adjusted for currency movements, net sales increased by 11%.

Vehicle sales increased by 13% adjusted for currency movements, primarily driven by higher volumes of trucks, construction equipment and buses. Adjusted for currency movements, service sales increased by 3%.

Operating income

The adjusted operating income in Q2 2019 amounted to SEK 15,105 M (11,519), corresponding to an operating margin of 12.5% (11.1). There were no adjustments in Q2 2019. In Q2 2018, adjusted operating income excluded a capital gain of SEK 818 M.

Compared with Q2 2018, the higher operating income is mainly an effect of increased vehicle sales, improved prices and mix as well as higher capacity utilization in the industrial system. This was partly offset by higher R&D expenses and selling expenses.

Income from other investments includes capital gains of SEK 222 M, primarily relating to divestments by Volvo Group Venture Capital. Currency movements, compared with Q2 2018, had a positive impact of SEK 1,004 M.

Reported operating income amounted to SEK 15,105 M (12,337).

Financial items

Compared with Q2 2018 interest income increased by SEK 32 M to SEK 86 M as a result of higher cash assets. Interest expenses amounted to SEK 459 M (386). The increase relates mainly to interest expenses on lease liabilities as a result of applying the new lease accounting standard IFRS 16 as of January 1, 2019.

In Q2 2019 Other financial income and expenses amounted to SEK -167 M (-319). The change compared with the previous year is primarily related to unrealized revaluations and realized results on derivatives.

Net sales SEK M	Second quarter		Change %	First six months		Change %
	2019	2018		2019	2018	
Europe	45,322	42,316	7	85,940	80,108	7
North America	38,551	27,680	39	72,725	50,827	43
South America	7,832	5,251	49	14,565	9,720	50
Asia	22,329	21,975	2	42,045	40,374	4
Africa and Oceania	6,660	6,402	4	12,626	11,739	8
Total	120,694	103,623	16	227,902	192,767	18
Of which:						
Vehicles ¹	95,903	80,834	19	179,152	148,382	21
Services	21,407	19,727	9	42,316	38,484	10
Financial Services revenue	3,774	3,263	16	7,283	6,289	16
Eliminations	-390	-202	-	-849	-388	-

¹ Including construction equipment and Volvo Penta engines

Consolidated Income Statement, Volvo Group		Second quarter		First six months	
SEK M		2019	2018	2019	2018
Net sales		120,694	103,623	227,902	192,767
Cost of sales		-91,116	-78,150	-171,656	-145,958
Gross income		29,578	25,474	56,245	46,809
Research and development expenses		-4,814	-4,192	-8,939	-8,460
Selling expenses		-8,456	-7,992	-16,308	-15,336
Administrative expenses		-1,476	-1,622	-2,950	-3,052
Other operating income and expenses		-425	-525	78	-918
Income/loss from investments in joint ventures and associated companies		476	1,187	901	1,572
Income from other investments		222	9	240	20
Operating income		15,105	12,337	29,267	20,634
Interest income and similar credits		86	54	159	92
Interest expenses and similar charges		-459	-386	-913	-810
Other financial income and expenses		-167	-319	-668	-504
Income after financial items		14,566	11,685	27,846	19,412
Income taxes		-3,213	-2,300	-5,731	-4,232
Income for the period *		11,352	9,384	22,115	15,180
* Attributable to:					
Owners of AB Volvo		11,131	9,221	21,746	14,875
Non-controlling interest		221	163	369	305
		11,352	9,384	22,115	15,180
Basic earnings per share, SEK		5.47	4.54	10.69	7.32
Diluted earnings per share, SEK		5.47	4.53	10.69	7.31

Income taxes

In Q2 2019 the tax expense amounted to SEK 3,213 M (2,300) corresponding to a tax rate of 22% (20).

Income for the period and earnings per share

In Q2 2019 income for the period amounted to SEK 11,352 M (9,384). Diluted earnings per share amounted to SEK 5.47 (4.53).

Operating cash flow in the Industrial Operations

During Q2 2019, operating cash flow in the Industrial Operations was positive in an amount of SEK 13,867 M (8,322). The cash flow was favorably impacted by the increased operating income of SEK 2,664 M as well as a positive effect from a reduction in working capital of SEK 576 M in Q2 2019 compared with an increase of SEK 3,209 M in Q2 2018.

Volvo Group financial position

During Q2 2019, net financial assets in the Industrial Operations, excluding provisions for post-employment benefits and lease liabilities decreased by SEK 6.5 billion, resulting in a net financial asset position of SEK 41.0 billion on June 30, 2019. This equals 35.5% of total equity. Including provisions for post-employment benefits and

lease liabilities, the Industrial Operations net financial assets amounted to SEK 16.9 billion which equals 14.6% of total equity. In Q2, the financial position was positively impacted by the operating cash flow of SEK 13.9 billion. The dividend paid to AB Volvo shareholders of SEK 20.3 billion had a negative impact. Remeasurements of defined benefit plans have impacted negatively by SEK 0.8 billion. Currency movements decreased net financial assets by SEK 0.6 billion.

On June 30, 2019 total equity for the Volvo Group amounted to SEK 129.5 billion compared with SEK 125.8 billion at year-end 2018. The equity ratio was 25.1% (26.5). On the same date the equity ratio in the Industrial Operations amounted to 30.4% (31.9).

Number of employees

On June 30, 2019, the Volvo Group had 107,329 employees, including temporary employees and consultants, which was an increase of 2,740 employees compared with June 30, 2018. The number of blue-collar employees increased by 1,563 and the number of white-collar employees increased by 1,177. The increase in employees is primarily related to Trucks.

Number of employees	Jun 30 2019	Mar 31 2019	Dec 31 2018	Jun 30 2018
Blue-collar	54,516	54,016	53,065	52,953
Whereof temporary employees and consultants	7,437	7,173	6,501	8,072
White-collar	52,813	52,264	52,110	51,636
Whereof temporary employees and consultants	6,854	6,607	6,545	6,556
Total number of employees	107,329	106,280	105,175	104,589
Whereof temporary employees and consultants	14,291	13,780	13,046	14,628

BUSINESS SEGMENT OVERVIEW

Net sales	Second quarter		Change	Change	First six months		Change	Change	12 months	Jan-Dec
SEK M	2019	2018	%	% ¹	2019	2018	%	% ¹	rolling	2018
Trucks	75,872	65,155	16	11	144,073	121,144	19	12	273,287	250,358
Construction Equipment	26,814	24,403	10	6	50,968	45,317	12	7	89,889	84,238
Buses	8,885	6,847	30	22	15,732	12,535	26	17	29,024	25,826
Volvo Penta	3,667	3,555	3	-1	7,090	6,702	6	1	14,128	13,741
Group Functions & Other	2,956	1,504	97	88	5,273	2,827	87	77	10,014	7,568
Eliminations	-884	-903	-	-	-1,669	-1,659	-	-	-3,421	-3,411
Industrial Operations	117,310	100,562	17	11	221,468	186,866	19	12	412,921	378,320
Financial Services	3,774	3,263	16	11	7,283	6,289	16	10	14,065	13,070
Reclassifications and eliminations	-390	-202	-	-	-849	-388	-	-	-1,017	-555
Volvo Group	120,694	103,623	16	11	227,902	192,767	18	12	425,969	390,834

¹ Adjusted for exchange rate fluctuations.

Adjusted operating income ¹	Second quarter		Change	First six months		Change	12 months	Jan-Dec
SEK M	2019	2018	%	2019	2018	%	rolling	2018
Trucks	9,548	7,236	32	17,841	12,145	47	32,048	26,351
Construction Equipment	4,153	3,675	13	7,799	6,562	19	12,543	11,306
Buses	403	260	55	697	246	183	1,217	765
Volvo Penta	618	709	-13	1,303	1,217	7	2,426	2,341
Group Functions & Other	-302	-932	68	-1,106	-1,523	27	-2,086	-2,503
Eliminations	-2	-11	-	-20	-16	-	-17	-12
Industrial Operations	14,419	10,937	32	26,514	18,632	42	46,130	38,249
Financial Services	686	582	18	1,288	1,184	9	2,515	2,411
Volvo Group	15,105	11,519	31	27,802	19,816	40	48,645	40,660
Adjustments ¹	-	818	-100	1,466	818	79	-5,534	-6,182
Volvo Group operating income	15,105	12,337	22	29,267	20,634	42	43,111	34,478

¹ For more information on adjusted operating income, please see note 7.

Adjusted operating margin	Second quarter		First six months		12 months	Jan-Dec
%	2019	2018	2019	2018	rolling	2018
Trucks	12.6	11.1	12.4	10.0	11.7	10.5
Construction Equipment	15.5	15.1	15.3	14.5	14.0	13.4
Buses	4.5	3.8	4.4	2.0	4.2	3.0
Volvo Penta	16.9	19.9	18.4	18.2	17.2	17.0
Industrial Operations	12.3	10.9	12.0	10.0	11.2	10.1
Volvo Group	12.5	11.1	12.2	10.3	11.4	10.4
Volvo Group operating margin	12.5	11.9	12.8	10.7	10.1	8.8

TRUCKS

Continued profit growth

- » In Q2, deliveries increased by 10% and net sales grew by 16% to SEK 75,872 M
- » Both the adjusted and reported operating income amounted to SEK 9,548 M (7,236), with an operating margin of 12.6% (11.1)
- » Order intake declined by 21%



Market development

In terms of registrations the European market for heavy-duty trucks grew by 8% in the first five months of 2019. The increase was partly an effect of pre-registering of vehicles ahead of new legislation related to tachographs that was implemented June 15. Even though transport activity has remained solid, customers have become more cautious to invest in new trucks.

In North America, the heavy-duty truck market grew by 20% through June. Freight volumes have remained good while trucking capacity has caught up with demand, hence both contractual and spot rates have started to decrease from high levels, making customers more cautious.

In Brazil, the need for fleet renewal continued to drive the market for new trucks. The increased demand is broad-based across several customer segments, with the heavy-duty truck market growing by 58% through June.

The Indian truck market continued its decline from the first quarter, affected by tight credit conditions for truck financing, impacting all segments of the truck market.

In China, the shift towards heavy-duty trucks has continued with the market for heavy-duty trucks almost on par with last year while the market for medium-duty trucks has declined by 29% in the first six months of the year.

In Japan, market development was flat in the first half of the year while the market sentiment is somewhat lower ahead of the VAT increase planned for October.

Orders and deliveries

Total truck net order intake in Q2 2019 decreased by 21% to 47,821 trucks while deliveries increased by 10% to 65,237 vehicles.

In Europe, order intake of heavy- and medium-duty trucks decreased by 9% to 20,537 vehicles, while the deliveries of 24,187 vehicles were on the same level as in the preceding year. Volvo Trucks' heavy-duty market share through May decreased to 15.4% compared with 16.7% in the same period last year. Renault Trucks' market share was 8.6% (8.5%).

North American order intake decreased by 53% to 7,428 vehicles while deliveries increased by 35% to 19,010 trucks. The order intake decline is related to the exceptionally strong order activity in 2018 and the fact that customers have ordered what they need for 2019. Customers are also awaiting more visibility on the economic development in 2020 before placing new orders. Volvo Trucks' heavy-duty truck market share decreased to 9.4% (10.9) and Mack Trucks' heavy-duty market share declined to 6.4% (6.9).

South American order intake increased with 49% to 6,352 trucks and deliveries increased by 47% to 5,654 vehicles. Volvo Trucks' market share in heavy-duty trucks in Brazil increased to 20.9% (20.2).

In Asia, order intake declined by 19% to 7,665 vehicles primarily driven by a decline in the Middle East and Indonesia and deliveries declined by 15% to 7,732 vehicles. In Japan, UD Trucks' heavy-duty grew its market share to 18.5% (17.0). Deliveries from the Indian joint venture, VECV, decreased by 19% to 10,067 vehicles while the Chinese joint venture, DFCV, increased its deliveries by 6% to 59,703 vehicles.

Total market development	First six months		Change %	Full year 2018	Forecast 2019	Change vs. previous forecast
	2019	2018				
Registrations, number of trucks						
Europe 28 ¹ heavy-duty (as of May)	132,065	122,089	8	284,149	-	-
Europe 30 ¹ heavy-duty				322,123	320,000	+20,000
North America heavy-duty (Retail sales)	166,944	138,699	20	310,557	325,000	+15,000
Brazil heavy-duty	34,076	21,557	58	52,654	70,000	unchanged
China heavy-duty	656,331	671,848	-2	1,147,884	970,000	unchanged
China medium-duty	71,955	100,928	-29	177,206	180,000	unchanged
India heavy-duty	132,666	161,706	-18	306,113	250,000	-40,000
India medium-duty	59,701	55,829	7	114,270	110,000	unchanged
Japan heavy-duty	24,067	24,036	0	48,242	45,000	unchanged

¹ EU 28 includes Norway and Switzerland but excludes the UK and Bulgaria. Forecast for EU 30 includes the UK and Bulgaria.

Net order intake	Second quarter		Change	First six months		Change
Number of trucks	2019	2018	%	2019	2018	%
Europe	23,340	27,306	-15	49,347	58,627	-16
Heavy- and medium-duty	20,537	22,612	-9	41,592	47,414	-12
Light-duty	2,803	4,694	-40	7,755	11,213	-31
North America	7,428	15,860	-53	12,897	39,265	-67
South America	6,352	4,250	49	10,350	8,410	23
Asia	7,665	9,520	-19	15,135	19,164	-21
Africa and Oceania	3,036	3,720	-18	5,976	7,155	-16
Total orders	47,821	60,656	-21	93,705	132,621	-29
Heavy-duty (>16 tons)	41,612	52,529	-21	79,398	113,739	-30
Medium-duty (7-16 tons)	3,144	3,231	-3	6,079	7,115	-15
Light-duty (<7 tons)	3,065	4,896	-37	8,228	11,767	-30
Total orders	47,821	60,656	-21	93,705	132,621	-29
Volvo	28,832	36,035	-20	52,363	74,304	-30
UD	4,697	5,044	-7	9,916	10,825	-8
Renault Trucks	10,537	14,285	-26	24,428	32,248	-24
Heavy- and medium-duty	7,701	9,526	-19	16,574	20,811	-20
Light-duty	2,836	4,759	-40	7,854	11,437	-31
Mack	3,755	5,292	-29	6,998	15,244	-54
Total orders	47,821	60,656	-21	93,705	132,621	-29
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	9,937	12,690	-22	26,697	32,098	-17

Net sales and operating income

The truck operation's net sales amounted to SEK 75,872 M, which was 16% higher than in Q2 2018. Net sales adjusted for currency increased by 11%, with sales of vehicles increasing by 13% and service sales increasing by 3%.

Both adjusted and reported operating income amounted to SEK 9,548 M (7,236) corresponding to an operating margin of 12.6% (11.1).

Compared with Q2 2018, the higher operating income is mainly an effect of higher vehicle sales, improved capacity utilization in the industrial system as well as improved prices and mix. This was partly offset by higher R&D expenses and selling expenses.

Compared with Q2 2018, currency movements had a positive impact of SEK 436 M.

Deliveries	Second quarter		Change	First six months		Change
Number of trucks	2019	2018	%	2019	2018	%
Europe	29,454	28,915	2	56,338	55,019	2
Heavy- and medium-duty	24,187	24,276	0	45,774	46,192	-1
Light-duty	5,267	4,639	14	10,564	8,827	20
North America	19,010	14,114	35	36,215	26,240	38
South America	5,654	3,857	47	10,388	7,077	47
Asia	7,732	9,077	-15	14,420	16,107	-10
Africa and Oceania	3,387	3,608	-6	6,470	6,702	-3
Total deliveries	65,237	59,571	10	123,831	111,145	11
Heavy-duty (>16 tons)	56,237	50,961	10	105,880	94,710	12
Medium-duty (7-16 tons)	3,378	3,846	-12	6,719	7,364	-9
Light-duty (<7 tons)	5,622	4,764	18	11,232	9,071	24
Total deliveries	65,237	59,571	10	123,831	111,145	11
Volvo	37,035	33,933	9	69,101	63,588	9
UD	4,998	5,126	-2	9,600	9,536	1
Renault Trucks	15,256	14,212	7	29,561	26,761	10
Heavy- and medium-duty	9,874	9,495	4	18,790	17,795	6
Light-duty	5,382	4,717	14	10,771	8,966	20
Mack	7,948	6,300	26	15,569	11,260	38
Total deliveries	65,237	59,571	10	123,831	111,145	11
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	10,067	12,368	-19	27,342	31,943	-14
Dongfeng Commercial Vehicle Company (Dongfeng Trucks)	59,703	56,160	6	81,441	80,127	2

Net sales and operating income SEK M	Second quarter		Change %	First six months		Change %
	2019	2018		2019	2018	
Europe	30,832	29,084	6	58,589	55,015	6
North America	24,971	17,851	40	48,003	33,189	45
South America	5,771	3,977	45	10,639	7,304	46
Asia	9,695	9,959	-3	18,256	17,874	2
Africa and Oceania	4,603	4,285	7	8,586	7,762	11
Total net sales	75,872	65,155	16	144,073	121,144	19
Of which:						
Vehicles	60,193	50,715	19	112,780	92,716	22
Services	15,679	14,440	9	31,293	28,428	10
Adjusted operating income ¹	9,548	7,236	32	17,841	12,145	47
Adjustments ¹	-	-	-	-	-	-
Operating income	9,548	7,236	32	17,841	12,145	47
Adjusted operating margin, %	12.6	11.1		12.4	10.0	
Operating margin, %	12.6	11.1		12.4	10.0	

¹ For more information on adjusted operating income, please see note 7.

Important events

During Q2, Renault Trucks handed over the first fully-electric 26-ton refuse truck to its customer Lyon Metropole. The commercial launch is scheduled for the end of the year.

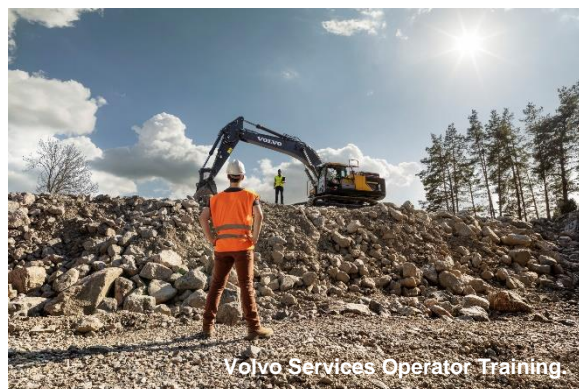
Furthermore, the Mack LR battery electric vehicle was unveiled. Real world testing in the demanding operations of the New York City Department of Sanitation will begin in 2020.

Volvo Trucks announced the first assignment for Vera, its electric, connected and autonomous vehicle. In a collaboration with the logistics company DFDS, Vera will form part of an integrated solution to transport goods from a logistics center to a port terminal in Gothenburg, Sweden.

CONSTRUCTION EQUIPMENT

Sales growth and profit improvement

- » Continued market growth in Europe and North America, but decline in some Asian markets
- » Adjusted operating income amounted to SEK 4,153 M (3,675) with an operating margin of 15.5% (15.1)
- » Volvo CE and SDLG further extended their cooperation in China



Market development

Through May, the European market for construction equipment was up by 5% compared with the same period in 2018, with stable growth in most major markets including Germany, the UK and Italy.

The North American market was 7% above the previous year mainly because of increased deliveries of large excavators, road equipment and articulated haulers.

In South America, the market was 6% above the historically low level of last year driven by growth in Brazil.

The Asian market (excluding China) was 11% below last year as a consequence of a continued decrease in most key markets, such as the Middle East, Southeast Asia and India. The Chinese market was 8% above last year, primarily driven by growth for compact excavators.

Orders and deliveries

Order intake increased by 6% in Q2 with SDLG branded products increasing by 28%. Order intake on Volvo branded products declined by 17% and consequently production will be adapted during the second half of the year.

In Europe order intake declined by 4% with lower intake in key markets such as the UK, France and Russia.

In North America orders declined by 5% and in South America by 4%.

Order intake in Asia (excluding China) decreased by 27% due to lower demand in the Middle East and Southeast Asia. In China, on the other hand, order intake increased by 21% driven by strong demand for SDLG branded wheel loaders and excavators.

Deliveries increased by 12% in Q2 with China as the most important contributor and with stable growth for Volvo products in North America and Europe.

Total market development	Year-to-date May		
	2019	Forecast 2019	Previous forecast
Change in % measured in units			
Europe	5	-5% to +5%	-5% to +5%
North America	7	0% to +10%	0% to +10%
South America	6	0% to +10%	0% to +10%
Asia excl. China	-11	-10% to 0%	-10% to 0%
China	8	0% to +10%	0% to +10%

Net order intake	Second quarter			First six months		
	2019	2018	Change %	2019	2018	Change %
Number of construction equipment						
Europe	4,696	4,868	-4	9,966	10,746	-7
North America	1,528	1,613	-5	3,600	4,425	-19
South America	492	514	-4	885	981	-10
Asia	16,746	14,879	13	30,747	28,837	7
Africa and Oceania	623	913	-32	1,133	1,736	-35
Total orders	24,085	22,787	6	46,331	46,725	-1
Large and medium construction equipment	18,088	17,812	2	34,576	35,576	-3
Compact construction equipment	5,997	4,975	21	11,755	11,149	5
Total orders	24,085	22,787	6	46,331	46,725	-1
Of which:						
Volvo	9,233	11,107	-17	20,919	25,405	-18
SDLG	14,808	11,610	28	25,321	21,197	19
Of which in China	13,373	10,151	32	22,970	18,666	23

Deliveries	Second quarter		Change %	First six months		Change %
	2019	2018		2019	2018	
Number of construction equipment						
Europe	6,057	5,713	6	11,987	11,044	9
North America	2,592	2,259	15	4,679	3,962	18
South America	573	533	8	972	970	0
Asia	16,982	14,841	14	31,020	28,636	8
Africa and Oceania	684	762	-10	1,369	1,598	-14
Total deliveries	26,888	24,108	12	50,027	46,210	8
Large and medium construction equipment	20,449	18,211	12	37,272	34,259	9
Compact construction equipment	6,439	5,897	9	12,755	11,951	7
Total deliveries	26,888	24,108	12	50,027	46,210	8
Of which:						
Volvo	12,036	12,428	-3	24,615	24,890	-1
SDLG	14,808	11,610	28	25,321	21,197	19
Of which in China	13,373	10,151	32	22,970	18,666	23

Net sales and operating income SEK M	Second quarter		Change %	First six months		Change %
	2019	2018		2019	2018	
Europe	8,788	7,752	13	16,881	14,351	18
North America	5,621	4,463	26	10,547	7,896	34
South America	666	603	10	1,212	1,118	8
Asia	10,485	10,394	1	19,864	19,485	2
Africa and Oceania	1,253	1,191	5	2,464	2,466	0
Total net sales	26,814	24,403	10	50,968	45,317	12
Of which:						
Construction equipment	23,687	21,436	11	44,860	39,609	13
Services	3,126	2,966	5	6,108	5,707	7
Adjusted operating income¹	4,153	3,675	13	7,799	6,562	19
Adjustments ¹	-	818	-100	-	818	-100
Operating income	4,153	4,493	-8	7,799	7,380	6
Adjusted operating margin, %	15.5	15.1		15.3	14.5	
Operating margin, %	15.5	18.4		15.3	16.3	

¹ For more information on adjusted operating income, please see note 7.

Net sales and operating income

Net sales in Q2 2019 increased by 10% to SEK 26,814 M (24,403). Adjusted for currency movements, net sales increased by 6%, of which net sales of machines increased by 6% and sales of services by 1%.

Adjusted operating income amounted to SEK 4,153 M (3,675), corresponding to an operating margin of 15.5% (15.1). Earnings were positively impacted by higher machine sales partly offset by lower capacity utilization in the industrial system for the Volvo brand. Changes in currency exchange rates had a positive impact on operating income in an amount of SEK 340 M.

Reported operating income amounted to SEK 4,153 M (4,493).

Important events

In Q2, Volvo CE and SDLG further extended their cooperation. In order to accelerate growth in conjunction with the upcoming China IV emission standards, all excavators above 15 tons for the Chinese market will be based on the latest Stage IV Volvo technology and branded Volvo by December 2020.

BUSES

Higher profit

- » Deliveries increased by 20%
- » Both adjusted and reported operating income amounted to SEK 403 M (260) with an operating margin of 4.5% (3.8)
- » Breakthrough frame agreements in the Middle East



The European market remained strong during the first half of the year with increased volumes in the Nordic region, following large tenders, and in Southern Europe. The UK market was somewhat weaker and uncertainty regarding the potential impact of Brexit remains. In North America, the market continued to be good for both coach and transit buses, but with signals of a softer development going forward. Markets in Asia Pacific and the Middle East remained strong, particularly for transit buses.

Net order intake decreased by 39% to 2,152 units (3,528). This derives from a combination of a very high order intake in Q2 2018, related to major tenders in North America and Europe, and a lower order intake in Asia and the UK in Q2 2019.

In June, Volvo Buses was awarded a frame agreement for 373 city buses to the Dubai Roads and Transport Authority. This is Volvo's largest chassis agreement to date in Dubai, and the largest ever purchase of Euro VI city buses in the Middle East. Another significant contract was a frame agreement of 168 units to Abu Dhabi.

In Q2, Volvo Buses delivered 2,692 units, 20% more than in the same period last year (2,239). The increase

was mainly driven by higher volumes in North America, South America and the Nordic region.

In Q2 net sales increased by 30% to SEK 8,885 M (6,847) compared with the same period in 2018. Adjusted for currency movements, sales grew by 22% with vehicle sales increasing by 25% due to higher volumes and a higher share of complete vehicle sales. Service sales increased by 5%, adjusted for currency.

Both adjusted and reported operating income amounted to SEK 403 M (260), corresponding to an operating margin of 4.5% (3.8). Earnings were positively impacted primarily by higher vehicle volumes partly offset by unfavorable market mix and lower industrial efficiency as a result of supply chain issues. Compared with Q2 2018, currency movements had a positive impact on operating income in an amount of SEK 127 M.

In May, a further 65 Volvo Buses equipped with Volvo Automatic Speed Control for increased traffic safety were delivered to the city of Curitiba, Brazil. With this proprietary Volvo technology and connectivity service, Curitiba has since March 2018 reduced accidents by 50% in the northern corridor Bus Rapid Transit (BRT) system.

Net order intake and deliveries	Second quarter		Change	First six months		Change
	2019	2018		2019	2018	
Number of buses			%			%
Total orders	2,152	3,528	-39	4,574	5,351	-15
Total deliveries	2,692	2,239	20	4,711	3,953	19

Net sales and operating income	Second quarter		Change	First six months		Change
	2019	2018		2019	2018	
SEK M			%			%
Europe	2,365	1,981	19	3,870	3,945	-2
North America	4,440	3,478	28	7,768	6,166	26
South America	948	324	193	1,926	588	228
Asia	644	437	47	1,283	879	46
Africa and Oceania	488	628	-22	884	957	-8
Total net sales	8,885	6,847	30	15,732	12,535	26
Of which:						
Vehicles	7,516	5,604	34	13,079	10,115	29
Services	1,369	1,243	10	2,653	2,419	10
Adjusted operating income ¹	403	260	55	697	246	183
Adjustments ¹	-	-	-	-	-	-
Operating income	403	260	55	697	246	183
Adjusted operating margin, %	4.5	3.8		4.4	2.0	
Operating margin, %	4.5	3.8		4.4	2.0	

¹ For more information on adjusted operating income, please see note 7.

VOLVO PENTA

Stable sales with lower earnings

- » Lower order intake and deliveries after prebuy
- » Both adjusted and reported operating income amounted to SEK 618 M (709), with an operating margin of 16.9% (19.9)
- » Significant product launches

The marine leisure market remained stable and Volvo Penta had an increase in sales due to a product mix shift towards the larger yacht segment. There was a positive development in the marine commercial market, especially within off-shore energy. There has also been an increased interest for electrified solutions.

The market for industrial off-road engines is showing signs of slowing down. In Europe this has been further accentuated by last year's, EU Stage V-related, prebuy. Demand for industrial power generation engines has also shown a slight decline, counterbalanced by growth in the data center back-up business.

The net order intake of 9,622 units was 41% lower than in Q2 2018, when order intake was exceptionally high due to the prebuy of industrial off-road engines. Deliveries decreased by 12% to 10,572 units as a consequence of lower volumes after the prebuy.

Net sales increased by 3% to SEK 3,667 M (3,555) impacted by a positive product mix. Adjusted for currency movements, net sales decreased by 1%, of which sales of engines decreased by 1% and sales of services increased by 1%.



In Q2 2019, both adjusted and reported operating income amounted to SEK 618 M (709). The operating margin was 16.9% (19.9). Earnings were negatively impacted by lower volumes and higher R&D costs. This was partly counterbalanced by a favorable product mix. Compared with Q2 2018, the currency impact on operating income was positive in an amount of SEK 69 M.

During Q2, Volvo Penta launched its new generation of D4/D6 propulsion packages. The introduction includes new engines, a completely new Aquamatic sterndrive, an updated IPS drive and an upgraded Electronic Vessel Control System. Designed to meet upcoming IMO III emissions legislation, a new D8 package for marine heavy-duty and genset applications was showcased.

Next steps in the concept development towards automation and electric solutions were also announced. This includes assisted maneuvering technology - a step towards Volvo Penta's self-docking concept - as well as the reveal of an electric test vessel and an electric terminal tractor proof-of-concept.

Net order intake and deliveries	Second quarter		Change	First six months		Change
	2019	2018		2019	2018	
Number of Engines			%			%
Total orders	9,622	16,321	-41	20,948	29,626	-29
Total deliveries	10,572	11,995	-12	21,269	23,702	-10

Net sales and operating income	Second quarter		Change	First six months		Change
	2019	2018		2019	2018	
SEK M			%			%
Europe	1,727	1,832	-6	3,525	3,511	0
North America	1,027	803	28	1,769	1,453	22
South America	77	72	7	145	148	-2
Asia	663	707	-6	1,321	1,306	1
Africa and Oceania	173	142	22	329	284	16
Total net sales	3,667	3,555	3	7,090	6,702	6
Of which:						
Engines	2,663	2,595	3	5,260	5,029	5
Services	1,004	960	5	1,830	1,673	9
Adjusted operating income¹	618	709	-13	1,303	1,217	7
Adjustments ¹	-	-	-	-	-	-
Operating income	618	709	-13	1,303	1,217	7
Adjusted operating margin, %	16.9	19.9		18.4	18.2	
Operating margin, %	16.9	19.9		18.4	18.2	

¹ For more information on adjusted operating income, please see note 7.

FINANCIAL SERVICES

Profitable portfolio growth

- » New business volume up 7%
- » Operating income of SEK 686 M (582)
- » Stable portfolio performance

In Q2 2019, Volvo Financial Services (VFS) continued to grow the credit portfolio and improve operating income.

Adjusted for currency, the credit portfolio increased by 13% on a year over year basis. For the quarter, new business volume was up by 7% due to increased deliveries of Group products and favorable currency movements.

Overall portfolio performance continued to be good with low levels of customer overdues and credit losses.



During Q2, operating income increased to SEK 686 M (582) driven primarily by profitable portfolio growth. Return on equity was 14.7% (15.0) excluding a positive impact from the revaluation of deferred tax liabilities due to the tax reform legislation in the United States in the prior year.

VFS syndicated approximately SEK 2.8 billion of the credit portfolio across a number of markets, effectively reducing concentration risks.

Financial Services SEK M	Second quarter		First six months	
	2019	2018	2019	2018
Number of financed units, 12 months rolling			59,380	56,184
Total penetration rate, 12 months rolling, % ¹			24	25
New retail financing volume, SEK billion	20.9	19.4	36.8	32.6
Credit portfolio net, SEK billion			165	142
Credit provision expenses	191	127	347	235
Operating income	686	582	1,288	1,184
Credit reserves, % of credit portfolio			1.57	1.69
Return on equity, %			14.7	23.0
Return on equity excluding effect from US tax reform 2017, % ²			14.7	15.0

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

² Excluding the positive impact of SEK 897 M from the revaluation of deferred tax liabilities related to the year 2017 tax reform in the United States.

IMPORTANT EVENTS FOR THE VOLVO GROUP

Vera's first assignment

In June, it was announced that Volvo Trucks' electric, connected and autonomous vehicle called Vera will form part of an integrated solution to transport goods from a logistics center to a port terminal in Gothenburg, Sweden. The assignment is a result of a new collaboration between Volvo Trucks and the logistics company DFDS.

Partnership with NVIDIA

In June, the Volvo Group signed an agreement with NVIDIA to jointly develop the decision making system of autonomous commercial vehicles and machines. Utilizing NVIDIA's end-to-end artificial intelligence platform for training, simulation and in-vehicle computing, the resulting system is designed to safely handle fully autonomous driving on public roads and highways. The solution will be built on NVIDIA's full software stack for sensor processing, perception, map localization and path planning, enabling a wide range of possible autonomous driving applications, such as freight transport, refuse and recycling collection,

public transport, construction, mining and forestry. The system is planned to be used first in commercial pilots and later in commercial offerings.

Strategic alliance with Samsung SDI

In July, the Volvo Group and Samsung SDI entered into a strategic alliance to develop battery packs for Volvo Group's electric trucks. Samsung SDI intends to provide battery cells and modules to meet the demand for the Volvo Group's electric trucks. The intention is that Volvo Group will utilize Samsung SDI's battery pack technology for assembly in Volvo Group's manufacturing operations.

Previously reported important events

- Sale of shares in WirelessCar completed
- 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	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	117,310	100,562	3,774	3,263	-390	-202	120,694	103,623
Cost of sales	-89,176	-76,411	-2,330	-1,940	390	202	-91,116	-78,150
Gross income	28,134	24,150	1,444	1,323	-	-	29,578	25,474
Research and development expenses	-4,814	-4,192	-	-	-	-	-4,814	-4,192
Selling expenses	-7,821	-7,409	-635	-583	-	-	-8,456	-7,992
Administrative expenses	-1,472	-1,612	-4	-10	-	-	-1,476	-1,622
Other operating income and expenses	-305	-378	-119	-147	-	-	-425	-525
Income/loss from investments in joint ventures and associated companies	476	1,187	-	-	-	-	476	1,187
Income from other investments	222	9	0	0	-	-	222	9
Operating income	14,419	11,755	686	582	-	-	15,105	12,337
Interest income and similar credits	85	54	-	-	0	-	86	54
Interest expenses and similar charges	-458	-386	0	0	0	-	-459	-386
Other financial income and expenses	-168	-319	-	-	-	-	-167	-319
Income after financial items	13,879	11,104	686	582	0	-	14,566	11,685
Income taxes	-3,046	-2,154	-167	-146	-	-	-3,213	-2,300
Income for the period *	10,832	8,950	519	436	0	-	11,352	9,384
* Attributable to:								
Owners of AB Volvo							11,131	9,221
Non-controlling interest							221	163
							11,352	9,384
Basic earnings per share, SEK							5.47	4.54
Diluted earnings per share, SEK							5.47	4.53

Key ratios, %

Gross margin	24.0	24.0	-	-	-	-	24.5	24.6
Research and development expenses as percentage of net sales	4.1	4.2	-	-	-	-	4.0	4.0
Selling expenses as percentage of net sales	6.7	7.4	-	-	-	-	7.0	7.7
Administrative expenses as percentage of net sales	1.3	1.6	-	-	-	-	1.2	1.6
Operating margin	12.3	11.7	-	-	-	-	12.5	11.9

CONSOLIDATED OTHER COMPREHENSIVE INCOME SECOND QUARTER

SEK M	2019	2018
Income for the period	11,352	9,384
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-657	-44
Holding of shares at fair value	-19	33
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	60	1,470
Share of OCI related to joint ventures and associated companies	-120	0
Accumulated translation difference reversed to income	-	-94
Other comprehensive income, net of income taxes	-736	1,365
Total comprehensive income for the period *	10,616	10,749
* Attributable to:		
Owners of AB Volvo	10,457	10,549
Non-controlling interest	159	200
	10,616	10,749

CONSOLIDATED INCOME STATEMENT FIRST SIX MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	221,468	186,866	7,283	6,289	-849	-388	227,902	192,767
Cost of sales	-167,986	-142,595	-4,520	-3,751	849	388	-171,656	-145,958
Gross income	53,482	44,270	2,763	2,538	-	-	56,245	46,809
Research and development expenses	-8,939	-8,460	-	-	-	-	-8,939	-8,460
Selling expenses	-15,056	-14,217	-1,252	-1,119	-	-	-16,308	-15,336
Administrative expenses	-2,943	-3,032	-7	-20	-	-	-2,950	-3,052
Other operating income and expenses	295	-704	-217	-214	0	-	78	-918
Income/loss from investments in joint ventures and associated companies	901	1,572	-	-	-	-	901	1,572
Income from other investments	240	20	0	0	-	-	240	20
Operating income	27,979	19,450	1,288	1,184	0	-	29,267	20,634
Interest income and similar credits	159	92	-	-	0	-	159	92
Interest expenses and similar charges	-913	-810	0	0	0	-	-913	-810
Other financial income and expenses	-668	-504	-	-	-	-	-668	-504
Income after financial items	26,557	18,228	1,288	1,184	-	-	27,846	19,412
Income taxes	-5,407	-3,927	-323	-306	-	-	-5,731	-4,232
Income for the period *	21,150	14,301	965	878	-	-	22,115	15,180
* Attributable to:								
Owners of AB Volvo							21,746	14,875
Non-controlling interest							369	305
							22,115	15,180
Basic earnings per share, SEK							10.69	7.32
Diluted earnings per share, SEK							10.69	7.31
Key ratios, %								
Gross margin	24.1	23.7	-	-	-	-	24.7	24.3
Research and development expenses as percentage of net sales	4.0	4.5	-	-	-	-	3.9	4.4
Selling expenses as percentage of net sales	6.8	7.6	-	-	-	-	7.2	8.0
Administrative expenses as percentage of net sales	1.3	1.6	-	-	-	-	1.3	1.6
Operating margin	12.6	10.4	-	-	-	-	12.8	10.7

CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST SIX MONTHS

SEK M	2019	2018
Income for the period	22,115	15,180
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-1,362	617
Holding of shares at fair value	1	44
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	3,493	4,113
Share of OCI related to joint ventures and associated companies	-120	-
Accumulated translation difference reversed to income	-	-94
Other comprehensive income, net of income taxes	2,012	4,680
Total comprehensive income for the period *	24,127	19,860
* Attributable to:		
Owners of AB Volvo	23,692	19,427
Non-controlling interest	435	433
	24,127	19,860

CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Jun 30 2019	Dec 31 2018	Jun 30 2019	Dec 31 2018	Jun 30 2019	Dec 31 2018	Jun 30 2019	Dec 31 2018
Assets								
Non-current assets								
Intangible assets	39,290	37,889	241	215	-	-	39,531	38,104
<i>Tangible assets</i>								
Property, plant and equipment ¹	63,197	55,631	88	42	-	-	63,285	55,673
Assets under operating leases	33,200	32,700	21,736	22,154	-12,338	-11,751	42,599	43,103
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	12,083	11,135	-	-	-	-	12,083	11,135
Other shares and participations	705	731	9	9	-	-	714	740
Non-current customer-financing receivables	932	891	70,131	66,154	-943	-898	70,121	66,148
Prepaid pensions	1,462	1,549	-	-	-	-	1,462	1,549
Non-current interest-bearing receivables	684	1,300	-	-	176	-5	859	1,296
Other non-current receivables	9,588	9,030	288	244	-585	-538	9,292	8,736
Deferred tax assets	12,455	12,506	1,060	999	-	-	13,515	13,505
Total non-current assets	173,596	163,363	93,554	89,817	-13,690	-13,191	253,461	239,989
Current assets								
Inventories	70,835	65,366	397	417	-	-	71,232	65,783
<i>Current receivables</i>								
Customer-financing receivables	708	669	73,214	60,860	-870	-750	73,053	60,779
Tax assets	2,203	1,326	311	343	-	-	2,513	1,669
Interest-bearing receivables	3,802	2,581	-	1	-1,146	-485	2,656	2,097
Internal funding	20,681	21,465	-	-	-20,681	-21,465	-	-
Accounts receivable	50,842	40,376	1,646	1,530	-	-	52,489	41,906
Other receivables	17,625	15,095	1,311	1,258	-1,340	-1,210	17,596	15,144
Non interest-bearing assets held for sale	182	203	-	-	-	-	182	203
Marketable securities	185	160	-	-	-	-	185	160
Cash and cash equivalents	38,889	43,747	4,385	4,419	-698	-1,233	42,577	46,933
Total current assets	205,951	190,989	81,265	68,829	-24,734	-25,143	262,482	234,675
Total assets	379,548	354,351	174,819	158,646	-38,424	-38,334	515,943	474,663
Equity and liabilities								
Equity attributable to owners of AB Volvo	112,662	110,692	13,992	12,687	-	-	126,654	123,379
Non-controlling interest	2,892	2,452	-	-	-	-	2,892	2,452
Total equity	115,554	113,144	13,992	12,687	-	-	129,546	125,831
<i>Non-current provisions</i>								
Provisions for post-employment benefits	18,295	16,374	106	108	-	-	18,401	16,482
Provisions for deferred taxes	1,087	1,472	2,828	2,656	-	-	3,915	4,128
Other provisions	14,516	13,991	249	278	414	321	15,179	14,590
<i>Non-current liabilities</i>								
Bond loans	65,960	59,115	-	-	-	-	65,960	59,115
Other loans ¹	19,733	13,411	18,833	15,638	-1,004	-954	37,562	28,095
Internal funding	-61,975	-54,024	60,994	58,750	980	-4,726	-	-
Other liabilities	41,726	39,369	1,764	1,621	-8,345	-8,040	35,144	32,949
Current provisions	13,568	13,013	199	222	404	213	14,171	13,448
<i>Current liabilities</i>								
Bond loans	29,349	26,657	-	-	-	-	29,349	26,657
Other loans ¹	14,454	12,950	12,252	11,154	-2,916	-2,114	23,790	21,989
Internal funding	-36,995	-32,781	58,307	49,907	-21,312	-17,126	0	-
Trade payables	78,371	72,683	617	947	-	-	78,988	73,630
Tax liabilities	5,772	3,493	280	256	-	-	6,052	3,749
Other liabilities	60,133	55,485	4,397	4,421	-6,644	-5,907	57,886	53,999
Total equity and liabilities	379,548	354,351	174,819	158,646	-38,424	-38,334	515,943	474,663
Key ratios, %								
Equity ratio	30.4	31.9	8.0	8.0	-	-	25.1	26.5
Equity per share, excluding non-controlling interest, SEK	-	-	-	-	-	-	62.3	60.7
Return on operating capital	47.7	39.0	-	-	-	-	-	-
Return on capital employed	26.3	22.4	-	-	-	-	-	-
Return on equity	-	-	14.7	15.1	-	-	25.2	21.3

¹ As from January 1, 2019, IFRS 16 Leases is applied and the effect is included in the opening balance for 2019 with SEK 6,209 M whereof SEK 6,147 M in Industrial Operations and SEK 62 M in Financial Services. For more information, please see Note 1.

CONSOLIDATED CASH FLOW STATEMENT SECOND QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Operating activities								
Operating income	14,419	11,755	686	582	-	-	15,105	12,337
Amortization intangible assets	741	762	11	7	0	-	752	769
Depreciation tangible assets	2,078	1,590	8	1	0	-	2,087	1,591
Depreciation leasing vehicles	1,057	1,531	1,163	1,145	0	0	2,220	2,677
Other non-cash items	-676	-94	269	182	-29	-8	-437	79
Total change in working capital whereof	576	-3,209	-7,473	-3,339	91	163	-6,806	-6,385
<i>Change in accounts receivables</i>	-2,808	-1,006	-69	-83	0	0	-2,877	-1,088
<i>Change in customer-financing receivables</i>	-5	-38	-7,052	-3,743	116	164	-6,941	-3,617
<i>Change in inventories</i>	2,619	-4,578	78	90	0	0	2,697	-4,488
<i>Change in trade payables</i>	576	3,030	-46	24	0	0	530	3,055
<i>Other changes in working capital</i>	195	-616	-385	373	-24	-1	-215	-246
Interest and similar items received	563	475	-	-	4	0	567	475
Interest and similar items paid	-563	-485	-	-	22	8	-541	-477
Other financial items	-86	-55	-	-	-	-	-86	-55
Income taxes paid	-1,755	-1,776	-190	-30	0	0	-1,946	-1,806
Cash flow from operating activities	16,354	10,494	-5,528	-1,451	89	162	10,915	9,205
Investing activities								
Investments in intangible assets	-970	-916	-21	-13	-	-	-992	-928
Investments in tangible assets	-1,614	-1,544	-1	-1	0	-	-1,614	-1,545
Investment in leasing vehicles	-51	-5	-2,418	-2,675	-	-	-2,468	-2,681
Disposals of in-/tangible assets and leasing vehicles	148	293	1,301	1,268	-	-	1,449	1,561
Operating cash flow	13,867	8,322	-6,667	-2,872	89	162	7,290	5,612
Investments and divestments of shares, net							261	967
Acquired and divested operations, net							2	-159
Interest-bearing receivables incl. marketable securities							199	-7
Cash flow after net investments							7,752	6,413
Financing activities								
Change in loans, net							1,274	-1,565
Dividend to shareholders of AB Volvo							-20,335	-8,636
Dividend to non-controlling interest							-8	-6
Other							-134	86
Change in cash and cash equivalents excl. translation differences							-11,450	-3,707
Translation difference on cash and cash equivalents							-27	117
Change in cash and cash equivalents							-11,477	-3,590

CONSOLIDATED CASH FLOW STATEMENT FIRST SIX MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Operating activities								
Operating income	27,979	19,450	1,288	1,184	-	-	29,267	20,634
Amortization intangible assets	1,444	1,531	17	16	0	-	1,461	1,546
Depreciation tangible assets	4,077	3,128	14	3	0	-	4,091	3,131
Depreciation leasing vehicles	2,111	2,358	2,422	2,217	0	0	4,533	4,575
Other non-cash items	-2,258	595	490	315	-53	0	-1,820	909
Total change in working capital whereof	-7,439	-9,115	-12,632	-5,438	140	194	-19,931	-14,358
Change in accounts receivables	-10,040	-5,094	-110	-160	0	0	-10,150	-5,255
Change in customer-financing receivables	-48	-36	-11,889	-5,885	165	195	-11,772	-5,726
Change in inventories	-3,385	-11,404	53	242	0	0	-3,332	-11,162
Change in trade payables	4,138	7,796	-356	85	0	0	3,782	7,881
Other changes in working capital	1,896	-376	-331	281	-25	-2	1,540	-97
Interest and similar items received	635	537	-	-	5	-1	640	536
Interest and similar items paid	-1,019	-946	-	-	45	1	-974	-945
Other financial items	-157	-117	-	-	-	-	-157	-117
Income taxes paid	-4,086	-3,861	-203	113	0	0	-4,289	-3,748
Cash flow from operating activities	21,288	13,559	-8,605	-1,590	137	192	12,820	12,162
Investing activities								
Investments in intangible assets	-2,026	-1,397	-34	-24	-	-	-2,060	-1,421
Investments in tangible assets	-2,803	-2,745	-3	-2	0	-	-2,806	-2,747
Investment in leasing vehicles	-72	-6	-4,348	-4,519	-	-	-4,420	-4,525
Disposals of in-/tangible assets and leasing vehicles	235	399	3,005	2,839	-	-	3,240	3,238
Operating cash flow	16,622	9,810	-9,986	-3,297	137	192	6,773	6,706
Investments and divestments of shares, net							279	975
Acquired and divested operations, net							1,189	-158
Interest-bearing receivables incl. marketable securities							-741	-70
Cash flow after net investments							7,501	7,453
Financing activities								
Change in loans, net							7,974	-192
Dividend to shareholders of AB Volvo							-20,335	-8,636
Dividend to non-controlling interest							-8	-6
Other							-53	19
Change in cash and cash equivalents excl. translation differences							-4,921	-1,361
Translation difference on cash and cash equivalents							564	424
Change in cash and cash equivalents							-4,358	-937

CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial Operations		Volvo Group	
	Jun 30 2019	Dec 31 2018	Jun 30 2019	Dec 31 2018
<i>Non-current interest-bearing assets</i>				
Non-current customer-financing receivables	-	-	70.1	66.1
Non-current interest-bearing receivables	0.7	1.3	0.9	1.3
<i>Current interest-bearing assets</i>				
Customer-financing receivables	-	-	73.1	60.8
Interest-bearing receivables	3.8	2.6	2.7	2.1
Internal funding	20.7	21.5	-	-
Marketable securities	0.2	0.2	0.2	0.2
Cash and cash equivalents	38.9	43.7	42.6	46.9
Total interest-bearing financial assets	64.2	69.3	189.5	177.4
<i>Non-current interest-bearing liabilities</i>				
Bond loans	-66.0	-59.1	-66.0	-59.1
Other loans	-14.2	-13.4	-32.1	-28.1
Internal funding	62.0	54.0	-	-
<i>Current interest-bearing liabilities</i>				
Bond loans	-29.3	-26.7	-29.3	-26.7
Other loans	-12.7	-12.9	-22.0	-22.0
Internal funding	37.0	32.8	-	-
Total interest-bearing financial liabilities excl. lease liabilities	-23.2	-25.3	-149.4	-135.9
Net financial position excl. post-employment benefits and lease liabilities	41.0	43.9	40.0	41.6
Non-current lease liabilities	-5.5	-	-5.5	-
Current lease liabilities	-1.8	-	-1.8	-
Provisions for post-employment benefits, net	-16.8	-14.8	-16.9	-14.9
Net financial position incl. post-employment benefits and lease liabilities	16.9	29.1	15.8	26.6
Key ratios, %				
Net financial position excl. post-employment benefits and lease liabilities as percentage of equity	35.5	38.8		
Net financial position incl. post-employment benefits and lease liabilities as percentage of equity	14.6	25.7		

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Second quarter 2019	First six months 2019
Net financial position at the end of previous period	25.1	29.1
Transition effect IFRS 16	-	-6.1
Net financial position after transitional effect IFRS 16 at the beginning of period	25.1	23.0
Cash flow from operating activities	16.4	21.3
Investments in in-/tangible assets and leasing vehicles	-2.6	-4.9
Disposals of in-/tangible assets and leasing vehicles	0.1	0.2
Operating cash flow	13.9	16.6
Investments and divestments of shares, net	0.3	0.3
Acquired and divested operations, net	0.0	1.2
Capital injections to/from Financial Services	-0.1	0.2
Currency effect	-0.6	-1.1
Dividend to shareholders of AB Volvo	-20.3	-20.3
Dividend to non-controlling interest	0.0	0.0
Investments in lease contracts	-0.5	-1.1
Remeasurements of defined benefit pension plans	-0.8	-1.8
Other changes	0.0	-0.1
Total change	-8.2	-6.1
Net financial position at end of period	16.9	16.9

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Jun 30 2019	Dec 31 2018
Total equity at the end of previous period	125.8	107.8
Transition effect IFRS 9	-	-0.4
Total equity after transition effect IFRS 9 at the beginning of period	125.8	107.4
Equity attributable to shareholders of AB Volvo at the end of previous period	123.4	105.9
Transition effect IFRS 9	-	-0.4
Equity attributable to shareholders of AB Volvo after transition effect IFRS 9 at the beginning of period	123.4	105.5
Income for the period	21.7	24.9
Other comprehensive income	1.9	1.6
Total comprehensive income	23.7	26.5
Dividend to AB Volvo shareholders	-20.3	-8.6
Share-based payments	0.0	0.0
Other changes	0.0	0.0
Equity attributable to shareholders of AB Volvo at end of period	126.7	123.4
Non-controlling interest at beginning of period	2.5	1.9
Income for the period	0.4	0.5
Other comprehensive income	0.1	0.1
Total comprehensive income	0.4	0.5
Dividend to non-controlling interest	0.0	0.0
Other changes	0.0	0.0
Non-controlling interest at end of period	2.9	2.5
Total equity at end of period	129.5	125.8

QUARTERLY FIGURES

Income Statements, Volvo Group						First six months	First six months
SEK M unless otherwise stated	2/2019	1/2019	4/2018	3/2018	2/2018	2019	2018
Net sales	120,694	107,208	105,786	92,282	103,623	227,902	192,767
Cost of sales	-91,116	-80,540	-87,707	-69,812	-78,150	-171,656	-145,958
Gross income	29,578	26,667	18,079	22,470	25,474	56,245	46,809
Research and development expenses	-4,814	-4,125	-4,112	-3,327	-4,192	-8,939	-8,460
Selling expenses	-8,456	-7,853	-8,234	-7,320	-7,992	-16,308	-15,336
Administrative expenses	-1,476	-1,474	-1,470	-1,275	-1,622	-2,950	-3,052
Other operating income and expenses	-425	503	-821	-535	-525	78	-918
Income/loss from investments in Joint Ventures and associated companies	476	425	144	234	1,187	901	1,572
Income from other investments	222	18	11	1	9	240	20
Operating income	15,105	14,162	3,597	10,247	12,337	29,267	20,634
Interest income and similar credits	86	73	58	48	54	159	92
Interest expenses and similar charges	-459	-455	-416	-433	-386	-913	-810
Other financial income and expenses	-167	-500	-201	-165	-319	-668	-504
Income after financial items	14,566	13,280	3,038	9,698	11,685	27,846	19,412
Income taxes	-3,213	-2,517	-374	-2,178	-2,300	-5,731	-4,232
Income for the period *	11,352	10,763	2,664	7,520	9,384	22,115	15,180
* Attributable to:							
Owners of AB Volvo	11,131	10,615	2,563	7,459	9,221	21,746	14,875
Non-controlling interest	221	148	101	61	163	369	305
	11,352	10,763	2,664	7,520	9,384	22,115	15,180
Key ratios, Volvo Group, %							
Gross margin	24.5	24.9	17.1	24.3	24.6	24.7	24.3
Research and development expenses as percentage of net sales	4.0	3.8	3.9	3.6	4.0	3.9	4.4
Selling expenses as percentage of net sales	7.0	7.3	7.8	7.9	7.7	7.2	8.0
Administrative expenses as percentage of net sales	1.2	1.4	1.4	1.4	1.6	1.3	1.6
Operating margin	12.5	13.2	3.4	11.1	11.9	12.8	10.7
Key ratios, Industrial Operations, %							
Gross margin	24.0	24.3	16.4	23.8	24.0	24.1	23.7
Research and development expenses as percentage of net sales	4.1	4.0	4.0	3.7	4.2	4.0	4.5
Selling expenses as percentage of net sales	6.7	6.9	7.5	7.6	7.4	6.8	7.6
Administrative expenses as percentage of net sales	1.3	1.4	1.4	1.4	1.6	1.3	1.6
Operating margin	12.3	13.0	2.9	10.8	11.7	12.6	10.4
EBITDA margin, Industrial Operations							
Operating income Industrial Operations	14,419	13,560	2,991	9,626	11,755	27,979	19,450
Product and software development, amortization	673	636	659	662	687	1,309	1,383
Other intangible assets, amortization	68	67	67	69	75	135	147
Tangible assets, depreciation	3,136	3,054	2,956	2,715	2,536 ¹	6,188	5,488 ¹
Total depreciation and amortization	3,876	3,756	3,681	3,445	3,298	7,631	7,019
Operating income before depreciation and amortization (EBITDA)	18,295	17,316	6,672	13,071	15,053	35,610	26,469
EBITDA margin, %	15.6	16.6	6.5	14.7	15.0	16.1	14.2
Net capitalization of research and development							
Capitalization	892	1,023	1,190	908	853	1,915	1,268
Amortization	-645	-604	-631	-631	-651	-1,250	-1,314
Net capitalization and amortization	247	419	559	277	202	665	-46
Return on operating capital in Industrial Operations, %	47.7	45.6	39.0	43.5	40.3		
Return on capital employed in Industrial Operations, %	26.3	25.5	22.4	25.5	24.0		

¹ Depreciation of tangible assets has been restated for Q1 and Q2 2018, which impacts the measurement of EBITDA, but has no effect on the reported operating income.

QUARTERLY FIGURES

Net sales						First six months	First six months
SEK M	2/2019	1/2019	4/2018	3/2018	2/2018	2019	2018
Trucks	75,872	68,201	68,532	60,682	65,155	144,073	121,144
Construction Equipment	26,814	24,155	20,323	18,598	24,403	50,968	45,317
Buses	8,885	6,847	7,487	5,804	6,847	15,732	12,535
Volvo Penta	3,667	3,423	3,832	3,207	3,555	7,090	6,702
Group Functions & Other	2,956	2,318	3,269	1,472	1,504	5,273	2,827
Eliminations	-884	-785	-1,035	-717	-903	-1,669	-1,659
Industrial Operations	117,310	104,158	102,407	89,047	100,562	221,468	186,866
Financial Services	3,774	3,509	3,437	3,344	3,263	7,283	6,289
Reclassifications and eliminations	-390	-459	-59	-109	-202	-849	-388
Volvo Group	120,694	107,208	105,786	92,282	103,623	227,902	192,767

Operating income						First six months	First six months
SEK M	2/2019	1/2019	4/2018	3/2018	2/2018	2019	2018
Trucks	9,548	8,293	640	6,757	7,236	17,841	12,145
Construction Equipment	4,153	3,646	2,157	2,587	4,493	7,799	7,380
Buses	403	294	76	254	260	697	246
Volvo Penta	618	684	493	630	709	1,303	1,217
Group Functions & Other	-302	662	-373	-608	-932	360	-1,523
Eliminations	-2	-18	-3	6	-11	-20	-16
Industrial Operations	14,419	13,560	2,991	9,626	11,755	27,979	19,450
Financial Services	686	602	605	621	582	1,288	1,184
Volvo Group	15,105	14,162	3,597	10,247	12,337	29,267	20,634

Adjusted operating income ¹						First six months	First six months
SEK M	2/2019	1/2019	4/2018	3/2018	2/2018	2019	2018
Trucks	9,548	8,293	7,450	6,757	7,236	17,841	12,145
Construction Equipment	4,153	3,646	2,157	2,587	3,675	7,799	6,562
Buses	403	294	266	254	260	697	246
Volvo Penta	618	684	493	630	709	1,303	1,217
Group Functions & Other	-302	-804	-373	-608	-932	-1,106	-1,523
Eliminations	-2	-18	-3	6	-11	-20	-16
Industrial Operations	14,419	12,095	9,991	9,626	10,937	26,514	18,632
Financial Services	686	602	605	621	582	1,288	1,184
Volvo Group	15,105	12,696	10,597	10,247	11,519	27,802	19,816

¹ For more information on adjusted operating income, please see note 7.

Operating margin						First six months	First six months
%	2/2019	1/2019	4/2018	3/2018	2/2018	2019	2018
Trucks	12.6	12.2	0.9	11.1	11.1	12.4	10.0
Construction Equipment	15.5	15.1	10.6	13.9	18.4	15.3	16.3
Buses	4.5	4.3	1.0	4.4	3.8	4.4	2.0
Volvo Penta	16.9	20.0	12.9	19.6	19.9	18.4	18.2
Industrial Operations	12.3	13.0	2.9	10.8	11.7	12.6	10.4
Volvo Group	12.5	13.2	3.4	11.1	11.9	12.8	10.7

Adjusted operating margin						First six months	First six months
%	2/2019	1/2019	4/2018	3/2018	2/2018	2019	2018
Trucks	12.6	12.2	10.9	11.1	11.1	12.4	10.0
Construction Equipment	15.5	15.1	10.6	13.9	15.1	15.3	14.5
Buses	4.5	4.3	3.6	4.4	3.8	4.4	2.0
Volvo Penta	16.9	20.0	12.9	19.6	19.9	18.4	18.2
Industrial Operations	12.3	11.6	9.8	10.8	10.9	12.0	10.0
Volvo Group	12.5	11.8	10.0	11.1	11.1	12.2	10.3

QUARTERLY FIGURES

Share data	2/2019	1/2019	4/2018	3/2018	2/2018	First six months 2019	First six months 2018
Earnings per share, SEK ¹	5.47	5.22	1.26	3.67	4.54	10.69	7.32
Earnings per share, SEK ¹ , 12 months rolling	15.62	14.69	12.25	13.30	12.29	-	-
Diluted earnings per share, SEK	5.47	5.22	1.26	3.67	4.53	10.69	7.31
Number of outstanding shares in millions	2,033	2,033	2,033	2,032	2,032	2,033	2,032
Average number of shares before dilution in millions	2,033	2,033	2,033	2,032	2,032	2,033	2,032
Average number of shares after dilution in millions	2,033	2,034	2,033	2,033	2,033	2,034	2,033
Number of own shares in millions	95	95	96	96	96	95	96
Average number of own shares in millions	95	95	96	96	96	95	96

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

NOTE 1 | ACCOUNTING POLICIES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting policies and definitions are consistently applied with those described in the Volvo Group Annual and Sustainability Report 2018 (available at www.volvogroup.com). 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.

New accounting policies for 2019

As of January 1, 2019 Volvo Group applies IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatment.

IFRS 16 Leases

IFRS 16 is the new accounting standard for leases and the main impact relates to the lessee accounting, as lease contracts are recognized in the balance sheet. For the Volvo Group this implies a change in accounting of lease contracts for real estate, company cars and other leased items.

Implementing the new lease accounting standard results in increased assets and interest-bearing liabilities in the balance sheet, thereby affecting the net financial position. It has also a positive impact on operating income in the income statement, as a part of the lease expenses is recognized as an interest expense within the finance net. In the cash flow statement, the lease payments are allocated between interests paid within the operating cash flow and repayment of lease liabilities within the financing activities. Thus, it has a positive effect on the operating cash flow.

IFRS 16 is applied retrospectively but prior period financial information has not been restated. Hence, the opening

balance for 2019 was adjusted in accordance with the new standard. For leases previously classified as operating leases with the Volvo Group as the lessee, a lease liability was recognized at the present value of future lease payments, amounting to SEK 6,209 M as of January 1, 2019. The asset was recognized at an amount equal to the lease liability; therefore no transition effect was presented in equity.

IFRIC 23 Uncertainty over Income Tax Treatment

IFRIC 23 is a new interpretation of uncertain income tax treatments within scope of IAS 12 Income Taxes. For the Volvo Group this implies a changed classification for identified income tax-related risks that were previously recognized as a provision for tax charges that are probable to regulate the obligation. Uncertain income tax treatments are now reported as tax liabilities.

IFRIC 23 is applied retrospectively but prior period financial information has not been restated. Hence, the opening balance for 2019 was adjusted in accordance with the new interpretation. Income tax risks previously recognized as current and non-current provisions were reclassified to tax liabilities with an amount of SEK 295 M as of January 1, 2019. Thus no transition effect was presented in equity.

The effect of implementing IFRS 16 is summarized in the table below. As the effect of implementing IFRIC 23 only was a reclassification within liabilities it is not included in the table. More details from the transition, restated financial information and a description of the new accounting policies are presented in the Volvo Group Annual and Sustainability Report 2018 in note 32.

Effect on the opening balance as of January 1, 2019 SEK M	Previously reported Dec 31, 2018	Restatement IFRS 16	After restatement Jan 1, 2019
Total assets	474,663	6,209	480,872
Total equity	125,831	-	125,831
Total liabilities	348,832	6,209	355,041
Total equity and liabilities	474,663	6,209	480,872
Effect on net financial position as of January 1, 2019 SEK bn	Previously reported Dec 31, 2018	Restatement IFRS 16	After restatement Jan 1, 2019
Net financial position incl. post-employment benefits	26,6	-6,2	20,4

NOTE 2 | RISKS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Each of the Volvo Group's Business Area is responsible for its own risk management. In addition, the Volvo Group works with Enterprise Risk Management (ERM), which is a systematic and structured process to report and analyze risk assessments and mitigations as well as to follow-up on the risks that might impact the Group's business. The objective of the ERM process is to improve business performance and to minimize the cost of managing risks; thus protecting the Group's enterprise value as well as enhancing and protecting the Group's assets. The risks within the Volvo Group are classified into four categories:

Strategic risks – such as geopolitical instability, intense competition, technology shift and convergence and extensive government regulations;

Operational risks – such as customer satisfaction, cyclical nature of the commercial vehicles industry, reliance on suppliers and scarce materials, interruptions, inefficiencies in the industrial system, residual value commitments, risk related to human capital and human rights and risk related to natural disasters, malicious intent or accident risks, as well as corruption and non-compliance with competition law;

Compliance risks – such as non-compliance with data privacy laws, protection and maintenance of intangible assets, complaints and legal actions by customers and other third parties, environmental regulations and contractual conditions related to takeover bids; and

Financial risks – such as currency fluctuations, interest level fluctuations, valuation of shares or similar instruments, credit risks, liquidity risks, as well as impairment on goodwill and other intangible assets.

For a more elaborate account of these risks, please refer to the Risk Management section on pages 108-115 in the Volvo Group Annual and Sustainability Report 2018 (available at www.volvogroup.com).

Risk updates for the reporting period

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

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

Changes in demand could potentially result in delivery disturbances due to, among others, suppliers' financial instability.

Volvo Group verifies annually, or more frequently if necessary, the goodwill value 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 a business recovery and volatility in interest and currency rates may be indications of impairment.

The reported amounts for contingent liabilities reflect a part of Volvo Group's risk exposure. Total contingent liabilities as of June 30, 2019, amounted to SEK 14.9 billion, an increase of SEK 0.7 billion compared with December 31, 2018. The gross exposure of SEK 14.9 billion is partly reduced by counter guarantees and collaterals.

Following the adoption of the European Commission's settlement decision, the Volvo Group has received and will be defending itself against numerous private damages claims brought by customers and other third parties alleging that they suffered loss by reason of the conduct covered in the decision. The claims are being brought in various countries by claimants either acting individually or as part of a wider group or class of claimants. Further claims are likely to be commenced. At this stage, it is not possible to make a reliable estimate of the amount of any liability that could arise from any such proceedings.

The other legal proceedings and investigations described in note 21 and note 24 in the Volvo Group Annual and Sustainability Report 2018 are progressing. No material changes have occurred in these matters in the second quarter of 2019.

As previously communicated, the Volvo Group has detected that an emissions control component used in certain markets and models, may degrade more quickly than expected, affecting the vehicles emission performance negatively. The Volvo Group has made a provision of SEK 7 billion impacting the operating income in the fourth quarter 2018, relating to the estimated costs to address the issue. Negative cash flow effects will start in 2019 and gradually ramp up in the coming years. The Volvo Group will continuously assess the size of the provision as the matter develops.

NOTE 3 | REVENUE

The two major revenue streams within the Volvo Group are vehicles and services.

Vehicles include sales of vehicles, machinery and engines. Revenue is recognized when the control of the vehicle has been transferred to the customer, normally at one point in time which is when the vehicle has been delivered to the customer. If the sale of a vehicle is combined with a residual value commitment the revenue is recognized over the residual value commitment period.

Services include sale of spare parts, maintenance services and other aftermarket products. Revenue is recognized when the control of the service has been

transferred to the customer, which is when the customer can benefit from the use of the delivered services. For spare parts, revenue is normally recognized at one point in time and for maintenance services and other aftermarket products, revenue is normally recognized over time. When payments for maintenance contracts are received in advance from the customers, the payments are recognized as contract liabilities. Income from operating leasing is recognized over the leasing period. Interest income related to finance leasing and installment credit contracts are recognized as net sales within Financial Services during the underlying contract period.

NOTE 4 | ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments

During the second quarter, the Volvo Group has made acquisitions and divestments, which resulted in a positive effect on operating income of SEK 222 M. The gain mainly pertains to the sale of ownership in Terratech AB. The Volvo Group has not made any other material acquisitions or divestments during the second quarter that have had a significant impact on the Volvo Group.

Assets and liabilities held for sale

Assets held for sale amounted to net SEK 182 (203) M in Q2. The amount corresponds mainly to the reclassification of planned property divestments.

NOTE 5 | CURRENCY AND FINANCIAL INSTRUMENTS

Fair value of financial instruments

Valuation principles and classifications of Volvo Group financial instruments, as described in Volvo Group Annual and Sustainability Report 2018 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 interest and currency derivatives. Derivatives with positive fair values amounted to SEK 3.8 billion (4.5) and derivatives with negative fair values

amounted to SEK 2.5 billion (1.5) as of June 30, 2019.

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 154.8 billion (134.7) in reported carrying value with a fair value of SEK 156.0 billion (135.8). In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 1.9 billion (1.2).

Currency effect on operating income, Volvo Group SEK M	Compared to second quarter 2018			Compared to first quarter 2019		
	Second quarter 2019	Second quarter 2018	Change	Second quarter 2019	First quarter 2019	Change
Net flow in foreign currency			571			379
Realized and unrealized gains and losses on derivatives	-25	1	-26	-25	-6	-19
Unrealized gains and losses on receivables and liabilities in foreign currency	-183	-93	-90	-183	-102	-81
Translation effect on operating income in foreign subsidiaries			549			152
Total currency effect on operating income, Volvo Group			1,004			431

Applicable currency rates	Quarterly exchange rates		Close rates	
	Second quarter 2019	Second quarter 2018	Jun 30 2019	Jun 30 2018
BRL	2.41	2.41	2.43	2.32
CNY	1.39	1.36	1.35	1.35
EUR	10.63	10.33	10.56	10.42
GBP	12.15	11.79	11.75	11.75
USD	9.45	8.67	9.27	8.96
JPY	0.0860	0.0794	0.0861	0.0810
KRW	0.0080	0.0080	0.0080	0.0080

NOTE 6 | TRANSACTIONS WITH RELATED PARTIES

SEK M	Sales of goods, services and other income		Purchases of goods, services and other expenses	
	Second quarter 2019	Second quarter 2018	Second quarter 2019	Second quarter 2018
Associated companies	572	288	44	27
Joint ventures	548	492	196	271
Other related parties	36	27	149	352

SEK M	Receivables		Payables	
	Jun 30 2019	Dec 31 2018	Jun 30 2019	Dec 31 2018
Associated companies	512	290	33	33
Joint ventures	208	353	23	166
Other related parties	113	80	164	252

NOTE 7 | RECONCILIATION OF ADJUSTED OPERATING INCOME

Adjusted operating income							First six months	First six months
SEK M	2/2019	1/2019	4/2018	3/2018	2/2018	1/2018	2019	2018
Trucks	9,548	8,293	7,450	6,757	7,236	4,909	17,841	12,145
Construction Equipment	4,153	3,646	2,157	2,587	3,675	2,888	7,799	6,562
Buses	403	294	266	254	260	-15	697	246
Volvo Penta	618	684	493	630	709	509	1,303	1,217
Group Functions & Other	-302	-804	-373	-608	-932	-591	-1,106	-1,523
Eliminations	-2	-18	-3	6	-11	-4	-20	-16
Industrial Operations	14,419	12,095	9,991	9,626	10,937	7,695	26,514	18,632
Financial Services	686	602	605	621	582	602	1,288	1,184
Volvo Group	15,105	12,696	10,597	10,247	11,519	8,297	27,802	19,816

Adjustments							First six months	First six months
SEK M	2/2019	1/2019	4/2018	3/2018	2/2018	1/2018	2019	2018
Adjustment items (segment)								
Provision for addressing the issue with an emission control component (Trucks)	-	-	-6,810	-	-	-	-	-
Provision for addressing the issue with an emission control component (Buses)	-	-	-190	-	-	-	-	-
Capital gain on sale of shares in Inner Mongolia North Hauler Joint Stock Co., Ltd (Construction Equipment)	-	-	-	-	818	-	-	818
Capital gain on sale of shares in WirelessCar (Group functions & Other)	-	1,466	-	-	-	-	1,466	-

Total adjustments								
Trucks	-	-	-6,810	-	-	-	-	-
Construction Equipment	-	-	-	-	818	-	-	818
Buses	-	-	-190	-	-	-	-	-
Group Functions & Other	-	1,466	-	-	-	-	1,466	-
Industrial Operations	-	1,466	-7,000	-	818	-	1,466	818
Volvo Group	-	1,466	-7,000	-	818	-	1,466	818

Operating income							First six months	First six months
SEK M	2/2019	1/2019	4/2018	3/2018	2/2018	1/2018	2019	2018
Trucks	9,548	8,293	640	6,757	7,236	4,909	17,841	12,145
Construction Equipment	4,153	3,646	2,157	2,587	4,493	2,888	7,799	7,380
Buses	403	294	76	254	260	-15	697	246
Volvo Penta	618	684	493	630	709	509	1,303	1,217
Group Functions & Other	-302	662	-373	-608	-932	-591	360	-1,523
Eliminations	-2	-18	-3	6	-11	-4	-20	-16
Industrial Operations	14,419	13,560	2,991	9,626	11,755	7,695	27,979	19,450
Financial Services	686	602	605	621	582	602	1,288	1,184
Volvo Group	15,105	14,162	3,597	10,247	12,337	8,297	29,267	20,634

For reconciliations of other Key Ratios, see www.volvogroup.com.

PARENT COMPANY

Income from investments in Group companies for the second quarter includes dividends amounting to SEK 4,250 M (758) and write-downs of SEK 2,554 M (-).

Income from investments in joint ventures and associated companies includes dividends of SEK 451 M (389).

Financial net debt amounted to SEK 50,367 M (27,785) at the end of the second quarter.

Income Statement				
SEK M	Second quarter		First six months	
	2019	2018	2019	2018
Net sales¹	71	214	220	343
Cost of sales ¹	-71	-214	-220	-343
Gross income	0	0	0	0
Operating expenses ¹	-366	-344	-730	-687
Income from investments in Group companies	1,697	750	1,706	760
Income from investments in joint ventures and associated companies	451	389	451	389
Operating income (loss)	1,782	795	1,427	462
Interest income and expenses	-245	-204	-429	-382
Other financial income and expenses	-16	-5	-17	-19
Income after financial items	1,521	586	981	61
Income taxes	133	108	237	218
Income for the period	1,654	694	1,218	279

¹ Of net sales in the second quarter, SEK 60 M (202) pertained to Group companies, while purchases from Group companies amounted to SEK 123 M (131).

Other comprehensive income				
Income for the period	1,654	694	1,218	279
Other comprehensive income, net of income taxes	-	-	-	-
Total comprehensive income for the period	1,654	694	1,218	279

Balance Sheet		
SEK M	June 30 2019	Dec 31 2018
Assets		
Non-current assets		
Tangible assets	7	7
Financial assets		
Shares and participations in Group companies	70,211	72,765
Investments in joint ventures and associated companies	8,894	8,894
Other shares and participations	4	4
Deferred tax assets	423	186
Total non-current assets	79,539	81,856
Current assets		
Current receivables from Group companies	39,030	35,027
Tax assets	947	-
Other current receivables	366	118
Total current assets	40,343	35,145
Total assets	119,882	117,001
Equity and liabilities		
Equity		
Restricted equity	9,891	9,891
Unrestricted equity	32,537	51,653
Total equity	42,428	61,544
Untaxed reserves	6,001	6,001
Provisions	257	258
Non-current liabilities ¹	13,977	13,977
Current liabilities ²	57,219	35,221
Total equity and liabilities	119,882	117,001

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

² Of which SEK 56,560 M (34,050) pertains to Group companies.

Events after the balance sheet date

For important events, please see page 13. No other significant events have occurred after the end of the second quarter 2019 that are expected to have a substantial effect on the Volvo Group.

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

Gothenburg, July 18, 2019
AB Volvo (publ)

Carl-Henric Svanberg
Chairman of the Board

Matti Alahuhta
Board member

Eckhard Cordes
Board member

Eric Elzvik
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

Helena Stjernholm
Board member

Lars Ask
Board member

Mats Henning
Board member

Mikael Sällström
Board member

AUDITOR'S REVIEW REPORT

AB Volvo (publ) org. nr 556012-5790

Introduction

We have reviewed the condensed interim financial information (interim report) of AB Volvo (publ) as of June 30, 2019 and the six-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of the interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

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

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

Conclusion

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

Gothenburg, July 18, 2019
Deloitte AB

Jan Nilsson
Authorized Public Accountant

NET ORDER INTAKE

Net order intake of trucks	Second quarter		Change %	First six months		Change %
	2019	2018		2019	2018	
Number of trucks						
Europe	23,340	27,306	-15	49,347	58,627	-16
Heavy- and medium-duty	20,537	22,612	-9	41,592	47,414	-12
Light-duty	2,803	4,694	-40	7,755	11,213	-31
North America	7,428	15,860	-53	12,897	39,265	-67
South America	6,352	4,250	49	10,350	8,410	23
Asia	7,665	9,520	-19	15,135	19,164	-21
Africa and Oceania	3,036	3,720	-18	5,976	7,155	-16
Total trucks	47,821	60,656	-21	93,705	132,621	-29
Heavy-duty (>16 tons)	41,612	52,529	-21	79,398	113,739	-30
Medium-duty (7-16 tons)	3,144	3,231	-3	6,079	7,115	-15
Light-duty (<7 tons)	3,065	4,896	-37	8,228	11,767	-30
Total trucks	47,821	60,656	-21	93,705	132,621	-29

Net order intake of trucks by brand

Volvo

Europe	13,675	14,366	-5	27,180	29,434	-8
North America	3,974	10,921	-64	6,066	24,736	-75
South America	6,033	3,724	62	9,549	7,292	31
Asia	3,411	5,006	-32	6,194	9,309	-33
Africa and Oceania	1,739	2,018	-14	3,374	3,533	-5
Total Volvo	28,832	36,035	-20	52,363	74,304	-30
Heavy-duty (>16 tons)	27,980	35,147	-20	50,681	72,522	-30
Medium-duty (7-16 tons)	852	888	-4	1,682	1,782	-6
Total Volvo	28,832	36,035	-20	52,363	74,304	-30

UD

North America	9	13	-31	18	33	-45
South America	49	112	-56	155	188	-18
Asia	3,953	4,047	-2	8,297	8,732	-5
Africa and Oceania	686	872	-21	1,446	1,872	-23
Total UD	4,697	5,044	-7	9,916	10,825	-8
Heavy-duty (>16 tons)	3,677	3,955	-7	7,959	8,485	-6
Medium-duty (7-16 tons)	791	952	-17	1,583	2,010	-21
Light-duty (<7 tons)	229	137	67	374	330	13
Total UD	4,697	5,044	-7	9,916	10,825	-8

Renault Trucks

Europe	9,665	12,940	-25	22,167	29,193	-24
Heavy- and medium-duty	6,862	8,246	-17	14,412	17,980	-20
Light-duty	2,803	4,694	-40	7,755	11,213	-31
North America	11	284	-96	656	519	26
South America	67	37	81	109	170	-36
Asia	301	467	-36	644	1,123	-43
Africa and Oceania	493	557	-11	852	1,243	-31
Total Renault Trucks	10,537	14,285	-26	24,428	32,248	-24
Heavy-duty (>16 tons)	6,200	8,135	-24	13,760	17,488	-21
Medium-duty (7-16 tons)	1,501	1,391	8	2,814	3,323	-15
Light-duty (<7 tons)	2,836	4,759	-40	7,854	11,437	-31
Total Renault Trucks	10,537	14,285	-26	24,428	32,248	-24

Mack

North America	3,434	4,642	-26	6,157	13,977	-56
South America	203	377	-46	537	760	-29
Africa and Oceania	118	273	-57	304	507	-40
Total Mack	3,755	5,292	-29	6,998	15,244	-54
Heavy-duty (>16 tons)	3,755	5,292	-29	6,998	15,244	-54
Total Mack	3,755	5,292	-29	6,998	15,244	-54

DELIVERIES

Deliveries of trucks	Second quarter		Change %	First six months		Change %
	2019	2018		2019	2018	
Number of trucks						
Europe	29,454	28,915	2	56,338	55,019	2
Heavy- and medium-duty	24,187	24,276	0	45,774	46,192	-1
Light-duty	5,267	4,639	14	10,564	8,827	20
North America	19,010	14,114	35	36,215	26,240	38
South America	5,654	3,857	47	10,388	7,077	47
Asia	7,732	9,077	-15	14,420	16,107	-10
Africa and Oceania	3,387	3,608	-6	6,470	6,702	-3
Total trucks	65,237	59,571	10	123,831	111,145	11
Heavy-duty (>16 tons)	56,237	50,961	10	105,880	94,710	12
Medium-duty (7-16 tons)	3,378	3,846	-12	6,719	7,364	-9
Light-duty (<7 tons)	5,622	4,764	18	11,232	9,071	24
Total trucks	65,237	59,571	10	123,831	111,145	11

Deliveries of trucks by brand

Volvo						
Europe	15,628	16,018	-2	29,302	30,594	-4
North America	11,124	8,204	36	20,865	15,658	33
South America	5,265	3,519	50	9,679	6,558	48
Asia	3,229	4,544	-29	5,808	7,653	-24
Africa and Oceania	1,789	1,648	9	3,447	3,125	10
Total Volvo	37,035	33,933	9	69,101	63,588	9
Heavy-duty (>16 tons)	36,101	32,932	10	67,263	61,668	9
Medium-duty (7-16 tons)	934	1,001	-7	1,838	1,920	-4
Total Volvo	37,035	33,933	9	69,101	63,588	9

UD						
North America	3	27	-89	36	39	-8
South America	95	27	-	160	86	86
Asia	4,171	4,037	3	7,942	7,520	6
Africa and Oceania	729	1,035	-30	1,462	1,891	-23
Total UD	4,998	5,126	-2	9,600	9,536	1
Heavy-duty (>16 tons)	3,977	3,945	1	7,526	7,245	4
Medium-duty (7-16 tons)	781	1,134	-31	1,613	2,186	-26
Light-duty (<7 tons)	240	47	-	461	105	-
Total UD	4,998	5,126	-2	9,600	9,536	1

Renault Trucks						
Europe	13,826	12,897	7	27,036	24,425	11
Heavy- and medium-duty	8,559	8,258	4	16,472	15,598	6
Light-duty	5,267	4,639	14	10,564	8,827	20
North America	499	43	-	822	112	-
South America	56	129	-57	90	138	-35
Asia	332	496	-33	670	934	-28
Africa and Oceania	543	647	-16	943	1,152	-18
Total Renault Trucks	15,256	14,212	7	29,561	26,761	10
Heavy-duty (>16 tons)	8,211	7,784	5	15,522	14,537	7
Medium-duty (7-16 tons)	1,663	1,711	-3	3,268	3,258	0
Light-duty (<7 tons)	5,382	4,717	14	10,771	8,966	20
Total Renault Trucks	15,256	14,212	7	29,561	26,761	10

Mack						
North America	7,384	5,840	26	14,492	10,431	39
South America	238	182	31	459	295	56
Africa and Oceania	326	278	17	618	534	16
Total Mack	7,948	6,300	26	15,569	11,260	38
Heavy-duty (>16 tons)	7,948	6,300	26	15,569	11,260	38
Total Mack	7,948	6,300	26	15,569	11,260	38

This information is information that AB Volvo (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out in the press release concerning this report, at 7.20 CEST on July 18, 2019.

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 2019	October 18, 2019
Report on the fourth quarter and full year 2019	January 30, 2020

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