

VOLVO

Volvo Group

REPORT ON THE SECOND QUARTER 2017



- » In Q2 2017 net sales increased by 12% to SEK 88.4 billion (78.9). Adjusted for currency movements and acquired and divested units sales increased by 6%.
- » Adjusted operating income amounted to SEK 8,540 M (6,130), corresponding to an adjusted operating margin of 9.7% (7.8).
- » Currency movements had a positive impact on operating income of SEK 350 M.
- » Operating cash flow in the Industrial Operations amounted to SEK 11.9 billion (6.9).
- » New Volvo VNL long-haul tractor launched in North America.

SEK M unless otherwise stated	Second quarter		First six months	
	2017	2016	2017	2016
Net sales	88,409	78,890	165,774	150,597
Adjusted operating income ¹	8,540	6,130	15,570	10,588
Adjusted operating margin, %	9.7	7.8	9.4	7.0
Operating income	8,540	3,796	15,570	9,139
Operating margin, %	9.7	4.8	9.4	6.1
Income after financial items	8,023	3,453	14,463	8,752
Income for the period	6,004	1,991	10,820	5,779
Diluted earnings per share, SEK	2.91	0.97	5.24	2.83
Operating cash flow in Industrial Operations	11,886	6,942	13,398	-3,480
Return on shareholders' equity, 12 months rolling, %			19.1	13.5
Net order intake, number of trucks	55,265	45,422	110,887	95,468
Deliveries, number of trucks	52,058	52,670	95,985	98,780
Net order intake, number of construction equipment	16,209	10,548	33,696	23,638
Deliveries, number of construction equipment	17,472	11,764	33,841	23,936

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

CEO'S COMMENTS

Continued profit improvement and strong cash flow

The Volvo Group increased both sales and profitability during the second quarter. Compared with the second quarter last year, net sales increased by 12% and amounted to SEK 88.4 billion. The profitability continued to develop positively with an adjusted operating income of SEK 8.5 billion (6.1), which corresponds to an operating margin of 9.7% (7.8). All our business areas improved their operating income. Cash flow in the Industrial Operations was also strong and amounted to SEK 11.9 billion (6.9).

The service business continued to develop favorably and grew by 3% compared with the same quarter last year on a currency adjusted basis. We continue to increase our focus on selling complete solutions combining products with services and financing to our customers.

Recent trends on the truck markets continue with good demand in Europe, including a distinct recovery in Russia, and a gradual improvement in North and South America, with increased order intake. In Europe, Renault Trucks has improved its market share and Volvo Trucks kept its historically high share while growing it in Russia.

Total truck deliveries were down 1% in the quarter driven by lower deliveries in North America. The adjusted operating margin was 9.6%, with the quarter being negatively affected by a stretched supply chain.

Our competitive trucks continue to make their mark in the industry. Volvo Trucks and Renault Trucks came in first and second place in the "Young Professionals Truck Award 2017", which is based on test driving by young truck drivers in Germany.

In North America we took a very important step in July with the announcement of the new Volvo VNL series. It is a groundbreaking long-haul tractor with cutting-edge innovations in fuel efficiency, driver productivity, safety and connectivity solutions to maximize uptime. The truck features a new cab with improved aerodynamics and interior, including an all-new, 70-inch sleeper. Together with the Volvo VNR for regional haul, which was announced in April, Volvo will have a product program in North America that is the strongest ever. The new trucks will be ramped-up in production gradually during the second half of 2017.

Following the introduction in the first quarter, UD Trucks new heavy-duty and medium-duty truck series with associated services are now launched in an increasing number of markets. Most recently at a major customer event with UD Croner in Dubai. The new trucks strengthen the Group's competitiveness in Japan as well as in emerging markets in Asia and other parts of the world. We see good progress for UD Trucks in Japan, where market share has recovered to 17.8% (16.5).

Demand for construction equipment continues to improve in Europe and China, and also with a clear recovery in the



mining segment in many parts of the world. Volvo CE's sales increased by 36% compared to a year ago and amounted to SEK 18.5 billion. Thanks to Volvo CE working intensively to reduce its cost base and keeping tight control over costs now as volumes return, the increased sales has resulted in a significant improvement in profitability with an adjusted operating margin of 13.3%.

In general Volvo CE has very competitive products and services with good positions in key markets and segments. We will continue to drive the transformation program that focuses on core products and segments, continuous improvement, improved quality and reduced costs.

Volvo Buses' profitability was stable with an adjusted operating margin of 4.6%. During the quarter Volvo Buses secured a frame agreement for 360 Prevost coaches to Greyhound/First Group, the largest order to date in North America.

In the seasonally strong second quarter, not least on the marine side, Volvo Penta's sales increased by 15% and they generated an adjusted operating margin of 15.5%. The positive development with good growth also applies to industrial engines, where Volvo Penta is currently investing to further strengthen their customer offering. In July, Volvo Penta made a move in to the segment for outboard engines when they acquired a majority in the US-based, innovative outboard engine manufacturer Seven Marine.

Volvo Financial Services continued to have a good return on equity with low credit losses. Financial services are a very important part of our complete solutions offer and they deepen the relationship with our customers.

We have a clear strategy on how to improve the Volvo Group's profitability and grow the service business while we continue to invest in new technologies. We have strong, Group-wide assets that business areas can utilize. At the same time, we are in the process of decentralizing responsibility and creating value chains that are more regional to drive accountability, simplicity and speed to better manage changes in demand. But above all, we are building a culture where continuous improvement is the guiding principle to better serve our customers.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE SECOND QUARTER 2017

Net sales

In Q2 2017, the Volvo Group's net sales increased by 12% to SEK 88,409 M. Adjusted for currency movements and acquired and divested operations, net sales increased by 6%.

Vehicle sales increased by 7% adjusted for currency movements. The increase was primarily an effect of good demand for the Group's products in Europe and Asia. This was partly offset by lower truck volumes in North America. Adjusted for currency movements, service sales increased by 3%, reflecting higher utilization of customer fleets.

Operating income

Adjusted operating income in Q2 2017 amounted to SEK 8,540 M (6,130), corresponding to an operating margin of 9.7% (7.8). There were no adjustments in Q2 2017. The

adjustment in Q2 2016 referred to a provision of SEK 2,334 M related to the EU competition investigation.

Compared with Q2 2016, the higher adjusted operating income is primarily an effect of significantly improved earnings in Volvo CE as well as a higher gross margin on services and a favorable product mix in Trucks. This was partly offset by higher selling and administrative costs, higher costs for R&D as a result of lower capitalization (net effect of SEK 398 M compared to Q2 2016) and costs related to a stretched supply chain. Favorable currency movements compared to Q2 2016 had a positive impact of SEK 350 M.

Earnings in Volvo CE in Q2 2016 included costs of SEK 176 M for credit losses in China.

Reported operating income in Q2 2017 amounted to SEK 8,540 M (3,796).

Net sales by market area SEK M	Second quarter			First six months		Change %
	2017	2016	Change %	2017	2016	
Europe	37,966	34,896	9	71,385	65,415	9
North America	23,648	22,150	7	41,969	42,883	-2
South America	4,311	3,584	20	7,969	6,494	23
Asia	16,868	13,313	27	33,659	26,924	25
Africa and Oceania	5,617	4,947	14	10,792	8,882	22
Total	88,409	78,890	12	165,774	150,597	10
Of which:						
Vehicles ¹	67,660	59,801	13	124,243	112,958	10
Services	18,008	16,565	9	36,077	32,694	10
Financial Services revenue	2,946	2,724	8	5,838	5,425	8
Eliminations	-205	-200	-3	-384	-480	20

¹ Including construction equipment and Volvo Penta engines

Consolidated Income Statement, Volvo Group SEK M	Second quarter		First six months	
	2017	2016	2017	2016
Net sales	88,409	78,890	165,774	150,597
Cost of sales	-67,017	-60,412	-124,852	-115,813
Gross income	21,392	18,478	40,922	34,784
Research and development expenses	-4,126	-3,675	-8,120	-7,124
Selling expenses	-7,247	-6,664	-14,189	-13,188
Administrative expenses	-1,443	-1,366	-2,729	-2,708
Other operating income and expenses	-395	-3,189	-1,011	-2,686
Income/loss from investments in Joint Ventures and associated companies	268	179	608	-22
Income from other investments	91	32	89	84
Operating income	8,540	3,796	15,570	9,139
Interest income and similar credits	30	55	80	121
Interest expenses and similar charges	-487	-429	-950	-883
Other financial income and expenses	-59	32	-236	375
Income after financial items	8,023	3,453	14,463	8,752
Income taxes	-2,019	-1,462	-3,643	-2,973
Income for the period*	6,004	1,991	10,820	5,779
* Attributable to:				
Equity holders of the parent company	5,916	1,977	10,647	5,744
Minority interests	88	14	173	35
	6,004	1,991	10,820	5,779
Basic earnings per share, SEK	2.91	0.97	5.24	2.83
Diluted earnings per share, SEK	2.91	0.97	5.24	2.83

Financial items

Compared with Q2 2016 interest income decreased by SEK 25 M while interest expenses increased by SEK 58 M.

In Q2 2017 other financial income and expenses amounted to SEK -59 M (32).

Income taxes

In Q2 2017 the tax expense amounted to SEK 2,019 M (1,462) corresponding to a tax rate of 25%.

Income for the period and earnings per share

In Q2 2017 income for the period amounted to SEK 6,004 M (1,991). Diluted earnings per share amounted to SEK 2.91 (0.97).

Operating cash flow in the Industrial Operations

In Q2 2017, operating cash flow in the Industrial Operations was positive in an amount of SEK 11.9 billion (6.9). The improved cash flow is primarily related to the higher operating income of SEK 8.0 billion and a SEK 3.6 billion reduction in working capital.

Volvo Group financial position

During the second quarter net financial assets in the Industrial Operations, excluding provisions for post-employment benefits increased by SEK 4.7 billion, resulting in a net financial asset position of SEK 5.0 billion on June 30, 2017. This equals to 5.6 % of shareholders equity.

Including provisions for post-employment benefits, the Industrial Operation is in a net financial debt position of SEK 7.5 billion corresponding to -8.4% of shareholders' equity. The change is mainly explained by a positive operating cash flow of SEK 11.9 billion, remeasurements of the defined benefit obligations of SEK 0.7 billion, reduced by the dividend paid to AB Volvo shareholders of SEK 6.6 billion. The decrease in the defined benefit obligations is mainly explained by high return on investment leading to increased pension asset value. During the second quarter the currency movements decreased the net financial position by SEK 1.4 billion.

On June 30, 2017 the shareholders' equity for the Volvo Group amounted to SEK 100.3 billion compared to SEK 97.8 billion at year-end 2016. The equity ratio was 25.1% (24.5). On the same date the equity ratio in the Industrial Operations amounted to 30.6% (30.9).

On June 30, 2017 S&P upgraded its long-term credit rating for the Volvo Group from BBB to BBB+ with stable outlook.

Number of employees

At the end of the second quarter the Volvo Group had 98,983 employees, including temporary employees and consultants, which was an increase of 1,693 employees compared with June 30, 2016. The number of blue-collar employees increased by 1,662 and the number of white-collar employees increased by 31.

Number of employees	Jun 30	Mar 31	Dec 31	Jun 30
	2017	2017	2016	2016
Blue-collar	49,430	47,098	45,744	47,768
Whereof temporary employees and consultants	7,417	5,961	4,946	6,060
White-collar	49,553	49,300	49,170	49,522
Whereof temporary employees and consultants	6,113	6,111	5,929	6,055
Total number of employees	98,983	96,398	94,914	97,290
Whereof temporary employees and consultants	13,530	12,072	10,875	12,115

BUSINESS SEGMENT OVERVIEW

Net sales SEK M	Second quarter		Change		First six months		Change		12 months rolling	Jan-Dec 2016
	2017	2016	%	% ¹	2017	2016	%	% ¹		
Trucks	56,366	52,313	8	2	105,833	100,350	5	0	206,134	200,650
Construction Equipment	18,511	13,630	36	29	34,673	26,082	33	27	59,322	50,731
Buses	6,971	6,734	4	0	12,519	11,992	4	1	25,913	25,386
Volvo Penta	3,081	2,679	15	10	5,782	5,019	15	10	10,657	9,893
Group Functions & Other	1,572	1,773	-11	-14	3,186	3,642	-13	-3	7,298	7,754
Eliminations	-833	-762	-9	-9	-1,675	-1,432	-17	-17	-3,197	-2,955
Industrial Operations	85,668	76,367	12	7	160,320	145,652	10	5	306,127	291,459
Financial Services	2,946	2,724	8	2	5,838	5,425	8	2	11,655	11,242
Reclassifications and eliminations	-205	-200	-3	-3	-384	-480	20	20	-691	-787
Volvo Group	88,409	78,890	12	6	165,774	150,597	10	5	317,091	301,914

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

Adjusted operating income ¹ SEK M	Second quarter		Change		First six months		Change		12 months rolling	Jan-Dec 2016
	2017	2016	%	% ¹	2017	2016	%	% ¹		
Trucks	5,417	5,222	4		10,327	8,963	15		18,836	17,472
Construction Equipment	2,460	810	204		4,077	1,152	254		5,172	2,246
Buses	320	313	2		421	371	13		920	870
Volvo Penta	479	389	23		899	755	19		1,413	1,269
Group Functions & Other	-641	-1,092	41		-1,188	-1,611	26		-2,399	-2,823
Eliminations	-17	-11	-55		-18	-33	45		-13	-28
Industrial Operations	8,019	5,631	42		14,518	9,597	51		23,929	19,008
Financial Services	521	499	4		1,052	992	6		2,147	2,086
Volvo Group	8,540	6,130	39		15,570	10,588	47		26,075	21,094
Adjustments ¹	-	-2,334	100		-	-1,449	100		1,181	-268
Volvo Group operating income	8,540	3,796	125		15,570	9,139	70		27,256	20,826

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

Adjusted operating margin %	Second quarter		First six months		12 months rolling	Jan-Dec 2016
	2017	2016	2017	2016		
Trucks	9.6	10.0	9.8	8.9	9.1	8.7
Construction Equipment	13.3	5.9	11.8	4.4	8.7	4.4
Buses	4.6	4.6	3.4	3.1	3.6	3.4
Volvo Penta	15.5	14.5	15.5	15.0	13.3	12.8
Industrial Operations	9.4	7.4	9.1	6.6	7.8	6.5
Volvo Group	9.7	7.8	9.4	7.0	8.2	7.0
Volvo Group operating margin	9.7	4.8	9.4	6.1	8.6	6.9

TRUCKS

Stable earnings

- » Demand in Europe remains high, pick-up in orders in North and South America
- » Adjusted operating income SEK 5,417 M (5,222) corresponding to an operating margin of 9.6% (10.0).
- » Important product launch by Volvo Trucks in North America



Market development

The truck market in Europe remained strong in Q2 2017. Demand for transport continued to be good, resulting in high capacity utilization for truck fleets and good customer profitability, leading to continued renewal and expansion of fleets. For 2017, demand for heavy-duty trucks in Europe is expected to remain on about the same high level as in 2016. Demand in Russia is growing as a consequence of the need to renew fleets.

In North America the highway segment is still characterized by over-capacity due to the underutilized population of used long-haulage trucks. However, regional distribution is showing signs of higher activity and construction segment continues to perform well. Heavy-duty truck industry orders increased during Q2 2017. The total market forecast for retail sales

volumes is modestly upgraded to 225,000 trucks for the full year 2017.

In the first six months registrations of heavy-duty trucks in Brazil declined by 13% from already low levels. The market seems to be bottoming out with some signs of improving order activity.

In India, registrations of heavy-duty trucks decreased by 9% as the market slowed down following the introduction of new emission regulations on April 1.

Registrations in the Chinese heavy-duty truck market increased by 72%. The increase is reflecting a good freight environment and higher construction activity. The total market forecast has been increased to 880,000.

In Japan, the market remains on good levels and demand for 2017 is expected to be similar as in 2016.

Total market development	First six months		Change %	Full year 2016	Forecast 2017	Change vs. previous forecast
	2017	2016				
Registrations, number of trucks						
Europe 28 ¹ heavy-duty (as of May)	114,877	112,928	2	264,600	-	-
Europe 30 ¹ heavy-duty	-	-	-	305,400	300,000	unchanged
North America heavy-duty	108,173	127,879	-15	243,200	225,000	+10,000
Brazil heavy-duty	13,093	15,091	-13	29,700	30,000	unchanged
China heavy-duty	583,655	340,229	72	732,900	880,000	+115,000
China medium-duty	117,341	107,967	9	229,000	180,000	-55,000
India heavy-duty	113,250	124,609	-9	219,900	215,000	unchanged
India medium-duty ²	34,304	38,284	-10	73,500	60,000	unchanged
Japan heavy-duty	23,007	23,237	-1	47,300	48,000	unchanged
Japan medium-duty	24,830	22,090	12	47,300	47,000	unchanged

¹ From the third quarter 2016 registration data is no longer available for the UK. Registrations for EU 28 for the year 2016 and first six months 2017 and 2016 include Norway and Switzerland but exclude the UK and Bulgaria. The UK reported 36,356 registered trucks for the full year 2016. Note! Forecast for EU 30 include the UK and Bulgaria.

² Forecast 2017 includes 5 ton segment (earlier from 6 ton)

Net order intake	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	28,583	24,438	17	56,961	53,190	7
Heavy- and medium-duty	23,347	21,007	11	47,773	43,470	10
Light-duty	5,236	3,431	53	9,188	9,720	-5
North America	9,720	7,467	30	21,054	16,359	29
South America	4,478	1,954	129	7,135	4,009	78
Asia	8,390	8,138	3	18,039	15,497	16
Africa and Oceania	4,094	3,425	20	7,698	6,413	20
Total orders	55,265	45,422	22	110,887	95,468	16
Heavy-duty (>16 tons)	46,262	37,773	22	93,190	77,276	21
Medium-duty (7-16 tons)	3,593	3,865	-7	8,225	7,835	5
Light-duty (<7 tons)	5,410	3,784	43	9,472	10,357	-9
Total orders	55,265	45,422	22	110,887	95,468	16
Volvo	30,480	25,086	22	60,344	50,441	20
UD	5,042	5,470	-8	11,177	10,702	4
Renault Trucks	14,997	11,859	26	28,377	26,640	7
Heavy- and medium-duty	9,635	8,352	15	19,019	16,742	14
Light-duty	5,362	3,507	53	9,358	9,898	-5
Mack	4,746	3,007	58	10,989	7,685	43
Total orders	55,265	45,422	22	110,887	95,468	16
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	7,350	11,208	-34	20,496	23,128	-11

Orders and deliveries

Truck deliveries declined by 1% to 52,058 vehicles in Q2 2017. Net orders in the quarter increased by 22% to 55,265 trucks, driven by a broad-based increase across all regions.

Deliveries of heavy-duty and medium-duty trucks in Europe increased by 7% to 23,553, while orders increased by 11% to 23,347 trucks. Orders for Renault Trucks' light-duty trucks increased by 53%, primarily as a consequence of all models now being available for sale with Euro 6 step C engines. Through May, Volvo Trucks' market share for heavy duty

trucks in Europe was stable at 16.9% (17.0), while Renault Trucks' increased its market share in heavy-duty to 8.3% (7.9).

In North America, deliveries were down 11%. Volvo Trucks' market share came in lower at 8.8% (9.6) while Mack gained market shares reaching 8.2% (7.9). The order intake increase of 30% was driven by both Mack and Volvo reflecting the higher activity within the construction segment and a somewhat improved freight environment.

Deliveries	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	27,686	26,734	4	51,288	49,651	3
Heavy- and medium-duty	23,553	22,113	7	43,617	41,219	6
Light-duty	4,133	4,621	-11	7,671	8,432	-9
North America	10,720	12,039	-11	17,785	22,779	-22
South America	2,692	2,549	6	4,581	4,439	3
Asia	7,823	7,963	-2	16,293	15,817	3
Africa and Oceania	3,137	3,385	-7	6,038	6,094	-1
Total deliveries	52,058	52,670	-1	95,985	98,780	-3
Heavy-duty (>16 tons)	44,075	43,265	2	80,839	81,547	-1
Medium-duty (7-16 tons)	3,762	4,467	-16	7,310	8,232	-11
Light-duty (<7 tons)	4,221	4,938	-15	7,836	9,001	-13
Total deliveries	52,058	52,670	-1	95,985	98,780	-3
Volvo	28,510	28,255	1	52,230	52,570	-1
UD	4,931	5,177	-5	9,680	10,574	-8
Renault Trucks	13,110	13,650	-4	24,643	24,872	-1
Heavy- and medium-duty	8,930	8,982	-1	16,898	16,329	3
Light-duty	4,180	4,668	-10	7,745	8,543	-9
Mack	5,507	5,588	-1	9,432	10,764	-12
Total deliveries	52,058	52,670	-1	95,985	98,780	-3
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	7,704	11,143	-31	20,857	22,952	-9
Dongfeng Commercial Vehicle Company (Dongfeng Trucks)	52,223	36,378	44	75,988	50,283	51

Net sales and operating income SEK M	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
Europe	25,883	23,797	9	48,775	45,432	7
North America	14,690	14,427	2	26,100	28,229	-8
South America	3,250	2,561	27	5,817	4,692	24
Asia	8,780	8,034	9	17,883	15,758	13
Africa and Oceania	3,762	3,493	8	7,259	6,240	16
Total net sales	56,366	52,313	8	105,833	100,350	5
Of which:						
Vehicles	43,381	40,186	8	79,414	76,163	4
Services	12,985	12,126	7	26,420	24,186	9
Adjusted operating income¹	5,417	5,222	4	10,327	8,963	15
Adjustments ¹	-	-2,334		-	-2,334	-
Operating income	5,417	2,888	88	10,327	6,629	56
Adjusted operating margin, %	9.6	10.0		9.8	8.9	
Operating margin, %	9.6	5.5		9.8	6.6	

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

Deliveries in South America increased slightly in Q2 2017. Volvo Trucks' heavy duty market share in Brazil declined somewhat and reached 18.1% (19.2) for the first six months. Order intake in South America increased by 129% from very low levels. Some customers in Brazil are renewing their fleets, despite the uncertain economic conditions. Demand outside Brazil continues to be good.

In Asia, truck deliveries remained rather flat in the quarter. Through June, UD Trucks increased its heavy duty market share in Japan to 17.8% (16.5). Orders in Asia increased by 3%.

Net sales and operating income

The truck operation's net sales amounted to SEK 56,366 M in Q2 2017, which was 8% higher than in Q2 2016. Adjusted for currency movements, net sales increased by 2%, with sales of vehicles increasing by 2% and service sales increasing by 1%.

Adjusted operating income in Q2 2017 amounted to SEK 5,417 M (5,222) corresponding to an operating margin of 9.6% (10.0). There were no adjustments in Q2 2017. Adjustments in Q2 2016 referred to a provision for the EU competition investigation of SEK 2,334 M. Reported operating income amounted to SEK 5,417 M (2,888).

Compared to Q2 2016, the adjusted operating income was positively impacted by higher gross margin in services, favorable product mix and higher earnings in the JV's. This was partly offset by higher selling and administrative costs, higher R&D costs as a consequence of lower capitalization and costs related to a stretched supply chain. Compared with Q2 2016, currency movements had a positive impact of SEK 276 M.

Important events

In North America a very important step was taken in July with the announcement of the new Volvo VNL series. It is a groundbreaking tractor with cutting-edge innovations in fuel efficiency, driver productivity, safety and uptime. The new truck features a new cab with improved aerodynamics and interior, including an all-new 70-inch sleeper. Together with the Volvo VNR, developed for regional haul that was announced in April, Volvo Trucks will have a product program in North America that is the strongest ever. The new trucks will be ramped-up in production gradually during the second half of 2017.

The Volvo FH Performance Edition truck was announced winner of the "Young Professionals Truck Award 2017", based on test driving by young truck drivers in Germany. The award was part of the "Best Commercial Vehicles 2017" event in Ludwigsburg. Renault Trucks T High Edition came in at second place.

CONSTRUCTION EQUIPMENT

Strong earnings

- » Transformation program yielding results
- » Adjusted operating income SEK 2,460 M (810) and operating margin 13.3% (5.9)
- » Most major markets showing increase in demand; Chinese market recovery



Volvo machines at work on Sulawesi in Indonesia.

Market development

The European market was up by 14% as of May, driven by growth in all major markets including Germany, the UK and France. The Russian market recovery continues from low levels.

The North American market was 4% above last year with growth in compact excavators and larger excavators.

The South American market recorded growth from very low levels, driven by markets outside Brazil. Brazil is continuing to struggle with low overall business confidence and economic uncertainty.

In Asia (excl. China) the total market was 8% above last year, driven by growth in India, Japan and Korea. There was strong growth also in Indonesia driven by the recovery in the mining segment.

The Chinese market was 65% above last year with a strong recovery in demand for both excavators and wheel loaders.

Orders and deliveries

In Q2 2017 order intake increased by 54% to 16,209 machines due to a continued global market recovery with strong order intake in China and rapid growth in Russia. Deliveries increased by 49% to 17,472 machines largely due to higher sales in China as well as stable growth in Europe and North America.

Orders in China increased by 221% driven by increased demand for SDLG wheel loaders as well as orders of both Volvo and SDLG excavators. Q2 2016 in China was low as a result of prebuys in Q1 2016 ahead of the introduction of new engine regulations from April 1, 2016.

In North America orders increased by 12% mainly due to increased demand for Volvo branded larger excavators and larger wheel loaders.

Orders in Europe increased 3% mainly due to a higher intake in Russia.

In South America a 53% order increase was recorded from very low levels last year driven by markets outside Brazil.

Total market development	Year-to-date May		
	2017	Forecast 2017	Previous forecast
Change in % measured in units			
Europe	14	+5% to +15%	+5% to +15%
North America	4	-5% to +5%	-5% to +5%
South America	4	-5% to +5%	-5% to +5%
Asia excl. China	8	0% to +10%	0% to +10%
China	65	+35% to +45%	+20% to +30%

Net order intake	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
Number of construction equipment						
Europe	4,135	4,011	3	9,236	7,994	16
North America	1,617	1,449	12	3,541	3,132	13
South America	271	177	53	617	324	90
Asia	9,419	4,362	116	18,573	11,100	67
Africa and Oceania	767	549	40	1,729	1,088	59
Total orders	16,209	10,548	54	33,696	23,638	43
Large and medium construction equipment ¹	12,570	7,759	62	25,426	17,481	45
Compact construction equipment ²	3,639	2,789	30	8,270	6,157	34
Total orders	16,209	10,548	54	33,696	23,638	43
Of which:						
Volvo	9,191	8,005	15	20,357	16,585	23
SDLG	6,976	2,543	174	13,234	7,053	88
Of which in China	5,895	1,727	241	11,076	5,726	93

¹ Excavators >10 tons, wheel loaders engine power >120 hp, articulated haulers, rigid haulers and road machinery products.

² Excavators <10 tons, wheel loaders engine power <120 hp, skid steer loaders and backhoe loaders.

Deliveries	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
Number of construction equipment						
Europe	5,183	4,670	11	9,987	8,228	21
North America	1,884	1,702	11	3,140	2,900	8
South America	297	219	36	636	436	46
Asia	9,392	4,557	106	18,533	11,298	64
Africa and Oceania	716	616	16	1,545	1,074	44
Total deliveries	17,472	11,764	49	33,841	23,936	41
Large and medium construction equipment ¹	12,981	8,443	54	24,446	17,471	40
Compact construction equipment ²	4,491	3,321	35	9,395	6,465	45
Total deliveries	17,472	11,764	49	33,841	23,936	41
Of which:						
Volvo	10,454	9,221	13	20,502	16,883	21
SDLG	6,976	2,543	174	13,234	7,053	88
Of which in China	5,895	1,727	241	11,076	5,726	93

¹ Excavators >10 tons, wheel loaders engine power >120 hp, articulated haulers, rigid haulers and road machinery products.

² Excavators <10 tons, wheel loaders engine power <120 hp, skid steer loaders and backhoe loaders.

Net sales and operating income	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
SEK M						
Europe	6,709	5,696	18	12,460	10,263	21
North America	3,799	3,178	20	6,723	5,783	16
South America	396	309	28	799	555	44
Asia	6,506	3,693	76	12,644	8,165	55
Africa and Oceania	1,101	754	46	2,047	1,317	55
Total net sales	18,511	13,630	36	34,673	26,082	33
Of which:						
Construction equipment	15,823	11,272	40	29,447	21,466	37
Services	2,687	2,358	14	5,227	4,615	13
Adjusted operating income¹	2,460	810	204	4,077	1,152	254
Adjustments ¹	-	-	-	-	-	-
Operating income	2,460	810	204	4,077	1,152	254
Adjusted operating margin, %	13.3	5.9		11.8	4.4	
Operating margin, %	13.3	5.9		11.8	4.4	

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

Net sales and operating income

In Q2 2017, net sales increased by 36% to SEK 18,511 M (13,630). Adjusted for currency movements net sales increased by 29% compared with Q2 2016, of which net sales of machines increased by 33% and service sales increased by 7%.

Both adjusted and reported operating income amounted to SEK 2,460 M (810), corresponding to an operating margin of 13.3% (5.9). Earnings were positively impacted by higher sales and capacity utilization. The rightsizing of the R&D organization contributed to keeping the operating expenses on the same level as last year. In Q2 2016 operating income was negatively impacted by SEK 176 M from a credit provision in China.

Currency movements had a positive impact on operating income in an amount of SEK 160 M.

Important events

Q2 2017 saw Volvo Construction Equipment unveil its latest concept machine – known as the EX2 – to industry specialists, policymakers, the media and academics at the Volvo Group Innovation Summit. The 100% electric compact excavator prototype delivers zero emissions, 10 times higher efficiency and 10 times lower noise levels.

Volvo CE also announced the appointment of a new president. Effective January 2018, Melker Jernberg will take over from current President Martin Weissburg, who will take up a position as Senior Advisor to Volvo Group President and CEO Martin Lundstedt.

BUSES

Good order intake

- » Total order intake increased by 7%
- » Operating margin at 4.6%
- » Largest ever coach order in North America, and important order for fully electric buses in Sweden



Total order intake for Q2 2017 increased by 7%, mainly driven by North America. The quarter presents a slightly weaker European bus market, but still at a high level. North America presents a stable market at a high level with continued good coach sales and demand for transit buses.

Demand continues to be at a low level in Brazil, but is stabilizing, whereas development in the rest of Latin America is more positive. The Indian market is gradually coming back, especially in the private segment. New important bus orders were also received in the Philippines and Indonesia.

Volvo Buses delivered 2,338 buses in Q2 2017, a decline of 17% compared to the same period in 2016. This was mainly driven by weakened Nordic and Brazilian markets, whereas North America developed in a more favorable way.

During the quarter Volvo Buses secured its largest ever order for coaches in North America, in a frame agreement for 360 coaches to be delivered to GLI (Greyhound/First Group) over the next three years.

Swedish bus operator Nobina ordered 13 fully electric Volvo buses to operate in the city of Malmö from the end of next year. Maintaining a position at the forefront of electrification, the first commercially manufactured full-electric Volvo buses started operating in the city of Differdange in Luxembourg.

In Q2 2017, net sales increased by 4% to SEK 6,971 M compared to the same period in 2016. Adjusted for currency movements, sales remained at the same level as last year. Vehicle sales decreased by 1% while deliveries declined by 17%. This is explained by a higher share of complete vehicles in North America versus lower chassis sales in South America. Service sales increased by 5%, adjusted for currency.

Both adjusted and reported operating income amounted to SEK 320 M (313), corresponding to an operating margin of 4.6% (4.6). Operating income was positively affected by a favorable product and market mix and positive effects from efficiency initiatives, which helped to offset 17% lower bus volumes. Compared to Q2 2016, currency movements had a negative impact on operating income of SEK 37 M.

Net order intake and deliveries	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
Number of buses						
Total orders	2,165	2,021	7	5,341	4,388	22
Total deliveries	2,338	2,804	-17	4,176	4,835	-14

Net sales and operating income	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
SEK M						
Europe	1,931	2,363	-18	3,647	3,530	3
North America	3,528	2,822	25	6,010	5,550	8
South America	289	375	-23	548	582	-6
Asia	811	768	6	1,502	1,566	-4
Africa and Oceania	412	407	1	813	765	6
Total net sales	6,971	6,734	4	12,519	11,992	4
Of which:						
Vehicles	5,860	5,717	3	10,282	9,983	3
Services	1,112	1,018	9	2,238	2,010	11
Adjusted operating income¹	320	313	2	421	371	13
Adjustments ¹	-	-	-	-	-	-
Operating income	320	313	2	421	371	13
Adjusted operating margin, %	4.6	4.6		3.4	3.1	
Operating margin, %	4.6	4.6		3.4	3.1	

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

VOLVO PENTA

Sales growth continues with increased profitability

- » Sales growth in both industrial and marine segments
- » Operating margin of 15.5% (14.5)
- » Volvo Penta acquires majority in the innovative outboard motor manufacturer, Seven Marine



Outboard motors from Seven Marine.

The overall marine leisure market remains flat, with signs of a modest increase. The gasoline segment is still at low levels, but Volvo Penta is gaining market share. In July, Volvo Penta acquired a majority in the US-based, outboard motor manufacturer, Seven Marine, which produces the most powerful outboard models in the world, running at 557 and 627 hp. This deal will broaden Volvo Penta's marine leisure technology platform, securing an entry in the outboard motor market.

The marine commercial market is still impacted by low demand from customers in the oil and gas industry. In May, Volvo Penta revealed its concept to meet future marine emission standards, IMO Tier III, at the Nor-Shipping International trade fair in Oslo.

The market for industrial off-road engines continues to show positive signs – with stability in the material handling and mining segments and increasing demand in the construction and agriculture segments. At the international forestry show Elmia Wood in June, Volvo Penta revealed its European Stage V D8 engine. Strong growth continues for Volvo Penta within the off-road engine segment.

The market for industrial power generation engines shows a slight increase in Asia, the Middle East, and the export-oriented European market. The market in North America is showing positive signs while the domestic European market is stable on low levels.

Net order intake in Q2 2017 increased by 9% to 10,805 units, while deliveries increased by 11% to 11,226 units.

Net sales increased by 15% to SEK 3,081 M (2,679). Adjusted for currency movements, net sales increased by 10%, of which net sales of engines increased by 13%, due to increased volumes for both industrial and marine segments, and net sales of services increased by 2%, primarily driven by positive growth globally.

Both adjusted and reported operating income amounted to SEK 479 M (389). The operating margin was 15.5% (14.5). Earnings were positively impacted by currency and higher sales. Compared with Q2 2016, operating income was impacted positively by currency movements in an amount of SEK 31 M.

Net order intake and deliveries	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
Number of Engines						
Total orders	10,805	9,897	9	21,954	19,871	10
Total deliveries	11,226	10,152	11	21,622	19,431	11

Net sales and operating income	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
SEK M						
Europe	1,612	1,420	14	3,055	2,638	16
North America	687	574	20	1,200	1,075	12
South America	44	51	-14	131	123	7
Asia	593	494	20	1,101	920	20
Africa and Oceania	144	140	3	296	262	13
Total net sales	3,081	2,679	15	5,782	5,019	15
Of which:						
Engines	2,220	1,874	18	4,218	3,608	17
Services	862	805	7	1,565	1,410	11
Adjusted operating income ¹	479	389	23	899	755	19
Adjustments ¹	-	-	-	-	-	-
Operating income	479	389	23	899	755	19
Adjusted operating margin, %	15.5	14.5		15.5	15.0	
Operating margin, %	15.5	14.5		15.5	15.0	

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

FINANCIAL SERVICES

Continued good financial performance

- » Good volume
- » Continued good portfolio performance
- » Solid profitability



Volvo Financial Services (VFS) recorded higher levels of new business volume on stable deliveries and improved penetration, despite intense competition in most markets. The portfolio increased by 3% 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.

During Q2 2017, operating income increased to SEK 521 M (499) mainly due to positive currency movements and lower credit provisions which were partly offset by increased operating expenses. The return on equity improved to 14.0% (13.5).

During the quarter, VFS syndicated approximately SEK 1.7 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	
	2017	2016	2017	2016
Number of financed units	13,389	12,466	23,808	24,051
Total penetration rate ¹ , %	26	23	24	24
New financing volume, SEK billion	15.3	13.5	27.0	25.7
Credit portfolio net, SEK billion			126	127
Credit provision expenses	139	144	287	274
Operating income, SEK M	521	499	1,052	992
Credit reserves, % of credit portfolio			1.42	1.38
Return on shareholders' equity, rolling 12 months, %			14.0	13.5

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

Melker Jernberg appointed President of Volvo Construction Equipment

On July 3 Melker Jernberg was appointed President of Volvo Construction Equipment and member of the Volvo Group Executive Board. He is currently President and CEO of the Sweden-based powder metallurgy company Höganäs AB and will assume his new position on January 1, 2018. Melker Jernberg replaces Martin Weissburg, who due to family reasons has decided to move back to the US and will take up a position as Senior Advisor to Volvo's President and CEO Martin Lundstedt.

The Volvo Group sold its shares in Deutz AG

On July 7 the Volvo Group sold its complete holding in the German listed engine manufacturer Deutz AG. Divestment proceeds amounted to SEK 1,897 M, which will impact the Group's cash flow in the same amount. The sale will result in

a capital gain of approximately SEK 350 M that will impact operating income in the third quarter of 2017.

New Volvo long-haul tractor in North America

On July 11 Volvo Trucks revealed the new Volvo VNL series for North America. The Volvo VNL is a long-haul tractor with cutting-edge innovations in efficiency, productivity, safety and uptime. The new truck is available in several configurations, including an all-new, 70-inch sleeper.

Previously reported important events

- Annual General Meeting of AB Volvo
- New heavy-duty and medium-duty trucks from UD
- New Volvo truck for regional haul in North America

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	
	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	85,668	76,367	2,946	2,724	-205	-200	88,409	78,890
Cost of sales	-65,448	-58,991	-1,774	-1,622	205	200	-67,017	-60,412
Gross income	20,220	17,376	1,172	1,102	-	-	21,392	18,478
Research and development expenses	-4,126	-3,675	-	-	-	-	-4,126	-3,675
Selling expenses	-6,722	-6,184	-525	-480	-	-	-7,247	-6,664
Administrative expenses	-1,433	-1,356	-10	-10	-	-	-1,443	-1,366
Other operating income and expenses	-279	-3,075	-116	-113	-	-	-395	-3,189
Income/loss from investments in Joint Ventures and associated companies	268	179	-	-	-	-	268	179
Income from other investments	91	32	0	0	-	-	91	32
Operating income	8,019	3,297	521	499	-	-	8,540	3,796
Interest income and similar credits	30	55	-	-	-	-	30	55
Interest expenses and similar charges	-487	-429	0	0	-	-	-487	-429
Other financial income and expenses	-59	33	-	0	-	-	-59	32
Income after financial items	7,503	2,956	521	498	-	-	8,023	3,453
Income taxes	-1,870	-1,299	-150	-163	-	-	-2,019	-1,462
Income for the period *	5,633	1,657	371	335	-	-	6,004	1,991
* Attributable to:								
Equity holders of the parent company							5,916	1,977
Minority interests							88	14
							6,004	1,991
Basic earnings per share, SEK							2.91	0.97
Diluted earnings per share, SEK							2.91	0.97
Key operating ratios, %								
Gross margin	23.6	22.8	-	-	-	-	24.2	23.4
Research and development expenses as percentage of net sales	4.8	4.8	-	-	-	-	4.7	4.7
Selling expenses as percentage of net sales	7.8	8.1	-	-	-	-	8.2	8.4
Administrative expenses as percentage of net sales	1.7	1.8	-	-	-	-	1.6	1.7
Operating margin	9.4	4.3	-	-	-	-	9.7	4.8

CONSOLIDATED OTHER COMPREHENSIVE INCOME **SECOND QUARTER**

SEK M	2017	2016
Income for the period	6,004	1,991
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	455	-928
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	-2,658	2,425
Share of OCI related to Joint Ventures and associated companies	-10	-23
Accumulated translation difference reversed to income	-	-5
Available-for-sale investments	8	-38
Change in cash flow hedges	10	25
Other comprehensive income, net of income taxes	-2,195	1,456
Total comprehensive income for the period *	3,809	3,447
* Attributable to:		
Equity holders of the parent company	3,779	3,409
Minority interests	30	37
	3,809	3,447

CONSOLIDATED INCOME STATEMENT FIRST SIX MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	160,320	145,652	5,838	5,425	-384	-480	165,774	150,597
Cost of sales	-121,720	-113,046	-3,515	-3,246	384	480	-124,852	-115,813
Gross income	38,599	32,606	2,323	2,179	-	-	40,922	34,784
Research and development expenses	-8,120	-7,124	-	-	-	-	-8,120	-7,124
Selling expenses	-13,161	-12,241	-1,028	-947	-	-	-14,189	-13,188
Administrative expenses	-2,709	-2,688	-20	-20	-	-	-2,729	-2,708
Other operating income and expenses	-789	-2,466	-223	-221	-	-	-1,011	-2,686
Income/loss from investments in Joint Ventures and associated companies	608	-22	-	-	-	-	608	-22
Income from other investments	89	83	0	0	-	-	89	84
Operating income	14,518	8,148	1,052	992	-	-	15,570	9,139
Interest income and similar credits	80	121	-	-	-	-	80	121
Interest expenses and similar charges	-950	-883	0	0	-	-	-950	-883
Other financial income and expenses	-236	375	-	0	-	-	-236	375
Income after financial items	13,412	7,761	1,052	991	-	-	14,463	8,752
Income taxes	-3,340	-2,663	-304	-310	-	-	-3,643	-2,973
Income for the period *	10,072	5,098	748	681	-	-	10,820	5,779
* Attributable to:								
Equity holders of the parent company							10,647	5,744
Minority interests							173	35
							10,820	5,779
Basic earnings per share, SEK							5.24	2.83
Diluted earnings per share, SEK							5.24	2.83
Key operating ratios, %								
Gross margin	24.1	22.4	-	-	-	-	24.7	23.1
Research and development expenses as percentage of net sales	5.1	4.9	-	-	-	-	4.9	4.7
Selling expenses as percentage of net sales	8.2	8.4	-	-	-	-	8.6	8.8
Administrative expenses as percentage of net sales	1.7	1.8	-	-	-	-	1.6	1.8
Operating margin	9.1	5.6	-	-	-	-	9.4	6.1

CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST SIX MONTHS

SEK M	2017	2016
Income for the period	10,820	5,779
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	856	-2,479
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	-2,478	3,152
Share of OCI related to Joint Ventures and associated companies	-21	-82
Accumulated translation difference reversed to income	-	-5
Available-for-sale investments	34	-112
Change in cash flow hedges	-11	27
Other comprehensive income, net of income taxes	-1,620	501
Total comprehensive income for the period *	9,200	6,280
* Attributable to:		
Equity holders of the parent company	9,099	6,258
Minority interests	101	22
	9,200	6,280

CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Jun 30 2017	Dec 31 2016	Jun 30 2017	Dec 31 2016	Jun 30 2017	Dec 31 2016	Jun 30 2017	Dec 31 2016
Assets								
Non-current assets								
Intangible assets	35,706	37,768	176	149	-	-	35,882	37,916
<i>Tangible assets</i>								
Property, plant and equipment	53,258	55,812	41	64	-	-	53,299	55,875
Assets under operating leases	23,052	22,752	19,684	19,556	-8,252	-7,615	34,484	34,693
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	11,706	11,643	-	-	-	-	11,706	11,643
Other shares and participations	788	766	10	11	-	-	797	776
Non-current customer-financing receivables	811	965	55,487	57,830	-811	-968	55,487	57,827
Prepaid pensions	87	79	-	-	-	-	87	79
Non-current interest-bearing receivables	2,167	2,481	-	-	-402	-1,222	1,765	1,258
Other non-current receivables	3,928	4,083	205	211	-139	-147	3,995	4,148
Deferred tax assets	12,875	13,332	951	1,068	-	-	13,826	14,399
Total non-current assets	144,377	149,679	76,553	78,888	-9,604	-9,953	211,327	218,615
Current assets								
Inventories	51,175	48,080	193	206	-	-	51,369	48,287
<i>Current receivables</i>								
Customer-financing receivables	640	733	50,623	53,082	-730	-821	50,532	52,994
Tax assets	1,783	1,166	334	193	-	-	2,118	1,359
Interest-bearing receivables	1,952	1,935	180	191	-1,031	-991	1,101	1,135
Internal funding	12,776	7,503	-	-	-12,776	-7,503	-	-
Accounts receivable	33,582	33,593	871	826	-	-	34,453	34,419
Other receivables	15,832	16,003	1,424	1,348	-2,354	-940	14,902	16,410
Non interest-bearing assets held for sale	7,295	525	-	-	-	-	7,295	525
Interest-bearing assets held for sale	6	-	-	-	-	-	6	-
Marketable securities	193	1,223	-	-	-	-	193	1,223
Cash and cash equivalents	23,137	19,653	3,504	5,175	-435	-879	26,205	23,949
Total current assets	148,371	130,414	57,129	61,021	-17,326	-11,134	188,173	180,301
Total assets	292,749	280,093	133,682	139,910	-26,930	-21,087	399,501	398,916
Equity and liabilities								
Equity attributable to the equity holders of the parent company								
Equity attributable to the equity holders of the parent company	87,765	84,876	10,697	11,185	-	-	98,462	96,061
Minority interests	1,788	1,703	-	-	-	-	1,788	1,703
Total equity	89,553	86,579	10,697	11,185	-	-	100,250	97,764
<i>Non-current provisions</i>								
Provisions for post-employment benefits	12,614	14,608	63	61	-	-	12,677	14,669
Provisions for deferred taxes	2,348	1,842	3,127	3,429	-	-	5,475	5,270
Other provisions	8,654	9,540	236	252	185	13	9,075	9,804
<i>Non-current liabilities</i>								
Bond loans	54,329	60,653	-	-	-	-	54,329	60,653
Other loans	16,440	13,578	12,702	11,287	-809	-968	28,333	23,898
Internal funding	-46,269	-52,487	44,154	48,071	2,115	4,415	-	-
Other liabilities	25,325	24,631	1,134	934	-5,501	-5,243	20,959	20,322
Current provisions	11,000	11,164	68	82	19	87	11,086	11,333
<i>Current liabilities</i>								
Loans	40,347	47,976	10,087	10,165	-1,745	-1,644	48,690	56,497
Internal funding	-29,908	-35,777	45,654	49,964	-15,746	-14,187	-	-
Non interest-bearing liabilities held for sale	4,554	148	-	-	-	-	4,554	148
Interest-bearing liabilities held for sale	301	-	-	-	-	-	301	-
Trade payables	60,754	54,790	615	474	-	-	61,370	55,264
Tax liabilities	2,555	544	299	141	-	-	2,854	685
Other liabilities	40,152	42,305	4,845	3,864	-5,448	-3,560	39,549	42,608
Total equity and liabilities	292,749	280,093	133,682	139,910	-26,930	-21,087	399,501	398,916
Key ratios, %								
Shareholders' equity as percentage of total assets	30.6	30.9	8.0	8.0	-	-	25.1	24.5
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	48.5	47.3
Return on operating capital, 12 months rolling	28.0	21.5	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling	-	-	14.0	13.7	-	-	19.1	14.9

CONSOLIDATED CASH FLOW STATEMENT SECOND QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating activities								
Operating income	8,019	3,297	521	499	-	0	8,540	3,796
Depreciation tangible assets	1,623	1,551	2	2	-	-	1,624	1,554
Amortization intangible assets	818	759	9	7	-	-	826	766
Depreciation leasing vehicles	701	668	1,092	930	0	-1	1,793	1,597
Other non-cash items	178	2,423	131	166	12	-21	322	2,568
Total change in working capital whereof	3,564	2,708	-3,351	-2,134	-143	-8	70	566
Change in accounts receivables	-1,271	-284	-87	47	0	-	-1,358	-237
Change in customer financing receivables	113	48	-2,901	-2,092	-132	9	-2,919	-2,036
Change in inventories	-2,290	-959	-57	122	0	0	-2,347	-836
Change in trade payables	5,511	3,502	-107	69	0	0	5,404	3,571
Other changes in working capital	1,501	401	-199	-280	-11	-17	1,291	104
Interest and similar items received	105	86	-	-	-3	-1	103	85
Interest and similar items paid	-672	-554	-	-	-8	20	-680	-534
Other financial items	-47	-43	-	-	-	-	-47	-43
Income taxes paid	-932	-1,790	-276	392	0	0	-1,208	-1,398
Cash flow from operating activities	13,357	9,105	-1,872	-138	-142	-10	11,343	8,957
Investing activities								
Investments in tangible assets	-1,117	-1,418	3	-7	-	-	-1,114	-1,425
Investments in intangible assets	-476	-783	-17	-5	-	-	-493	-787
Investment in leasing vehicles	69	-27	-2,858	-2,311	-	0	-2,789	-2,338
Disposals of fixed assets and leasing vehicles	53	64	1,303	1,461	12	0	1,368	1,525
Operating cash flow	11,886	6,942	-3,441	-1,000	-130	-10	8,314	5,932
Investments and divestments of shares, net							14	84
Acquired and divested operations, net							-1	-27
Interest-bearing receivables incl. marketable							170	-462
Cash flow after net investments							8,498	5,528
Financing activities								
Change in loans, net							-7,163	-710
Dividend to AB Volvo shareholders							-6,603	-6,093
Dividend to minority shareholders							-13	-
Other							15	48
Change in cash and cash equivalents excl. translation differences							-5,266	-1,228
Translation difference on cash and cash equivalents							-571	472
Change in cash and cash equivalents							-5,838	-756

CONSOLIDATED CASH FLOW STATEMENT FIRST SIX MONTHS

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating activities								
Operating income	14,518	8,148	1,052	992	-	0	15,570	9,139
Depreciation tangible assets	3,231	3,085	3	5	-	0	3,234	3,090
Amortization intangible assets	1,720	1,521	17	15	-	0	1,737	1,537
Depreciation leasing vehicles	1,342	1,364	2,105	1,890	0	0	3,448	3,254
Other non-cash items	-38	2,240	276	302	15	-28	253	2,514
Total change in working capital whereof	-1,131	-12,632	524	-968	-261	-171	-868	-13,770
<i>Change in accounts receivables</i>	-3,662	-2,569	-47	-15	0	0	-3,708	-2,584
<i>Change in customer financing receivables</i>	136	145	677	-929	-248	-132	565	-916
<i>Change in inventories</i>	-6,776	-3,115	-52	-25	0	0	-6,828	-3,140
<i>Change in trade payables</i>	7,231	-6,466	146	92	0	0	7,377	-6,374
<i>Other changes in working capital</i>	1,941	-626	-201	-91	-13	-39	1,727	-756
Interest and similar items received	182	184	-	-	-12	36	170	220
Interest and similar items paid	-1,197	-1,003	-	-	-4	-12	-1,200	-1,015
Other financial items	-78	-107	-	-	-	-	-78	-107
Income taxes paid	-1,990	-2,223	-337	291	0	0	-2,327	-1,933
Cash flow from operating activities	16,560	578	3,639	2,527	-262	-176	19,938	2,930
Investing activities								
Investments in tangible assets	-2,359	-2,643	-2	-15	-	0	-2,361	-2,658
Investments in intangible assets	-962	-1,618	-31	-20	-	0	-993	-1,639
Investment in leasing vehicles	-9	-37	-5,131	-4,323	-	-	-5,140	-4,360
Disposals of fixed assets and leasing vehicles	168	240	2,457	2,662	12	-	2,637	2,902
Operating cash flow	13,398	-3,480	932	832	-250	-176	14,080	-2,825
Investments and divestments of shares, net							1	202
Acquired and divested operations, net							0	1,368
Interest-bearing receivables incl. marketable securities							1,497	-2,872
Cash flow after net investments							15,577	-4,127
Financing activities								
Change in loans, net							-6,246	3,665
Dividend to AB Volvo shareholders							-6,603	-6,093
Dividend to minority shareholders							-13	0
Other							111	77
Change in cash and cash equivalents excl. translation differences							2,826	-6,478
Translation difference on cash and cash equivalents							-570	478
Change in cash and cash equivalents							2,256	-6,000

CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial Operations		Volvo Group	
	Jun 30 2017	Dec 31 2016	Jun 30 2017	Dec 31 2016
<i>Non-current interest-bearing assets</i>				
Non-current customer-financing receivables	-	-	55.5	57.8
Non-current interest-bearing receivables	2.2	2.5	1.8	1.3
<i>Current interest-bearing assets</i>				
Customer-financing receivables	-	-	50.5	53.0
Interest-bearing receivables	2.0	1.9	1.1	1.1
Internal funding	12.8	7.5	-	-
Interest-bearing assets held for sale	0.0	-	0.0	-
Marketable securities	0.2	1.2	0.2	1.2
Cash and cash equivalents	23.1	19.7	26.2	23.9
Total interest-bearing financial assets	40.2	32.8	135.3	138.4
<i>Non-current interest-bearing liabilities</i>				
Bond loans	-54.3	-60.7	-54.3	-60.7
Other loans	-16.4	-13.6	-28.3	-23.9
Internal funding	46.3	52.5	-	-
<i>Current interest-bearing liabilities</i>				
Loans	-40.3	-48.0	-48.7	-56.5
Internal funding	29.9	35.8	-	-
Interest-bearing liabilities held for sale	-0.3	-	-0.3	-
Total interest-bearing financial liabilities	-35.2	-33.9	-131.7	-141.0
Net financial position excl. post-employment benefits	5.0	-1.2	3.6	-2.7
Provisions for post-employment benefits, net	-12.5	-14.5	-12.6	-14.6
Net financial position incl. post-employment benefits	-7.5	-15.7	-9.0	-17.3
Key ratios, %				
Net financial position excl. post-employment benefits as percentage of shareholders' equity	5.6	-1.3		
Net financial position incl. post-employment benefits as percentage of shareholders' equity	-8.4	-18.1		

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Second quarter 2017	First six months 2017
Beginning of period	-13.3	-15.7
Cash flow from operating activities	13.4	16.6
Investments in fixed assets	-1.5	-3.3
Disposals	0.1	0.2
Operating cash flow	11.9	13.4
Capital injections to/from Financial Services	-1.4	-0.6
Currency effect	1.4	0.7
Dividend paid to AB Volvo shareholders	-6.6	-6.6
Dividend paid to minority shareholders	0.0	0.0
Remeasurements of defined benefit pension plans	0.7	1.4
Pension payments and costs, net	0.0	0.0
Other changes	-0.2	-0.2
Total change	5.8	8.1
Net financial position at end of period	-7.5	-7.5

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Jun 30 2017	Dec 31 2016
Total equity at the end of previous period	97.8	85.6
Shareholders' equity attributable to equity holders of the parent company at beginning of period	96.1	83.8
Income for the period	10.6	13.1
Other comprehensive income	-1.5	5.1
Total comprehensive income	9.1	18.2
Dividend to AB Volvo's shareholders	-6.6	-6.1
Share-based payments	0.0	0.1
Other changes	-0.1	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	98.5	96.1
Minority interests at beginning of period	1.7	1.8
Income for the period	0.2	0.1
Other comprehensive income	-0.1	0.1
Total comprehensive income	0.1	0.1
Dividend to minority shareholders	0.0	-0.2
Other changes	0.0	0.0
Minority interests at end of period	1.8	1.7
Total equity at end of period	100.3	97.8

QUARTERLY FIGURES

Income Statements, Volvo Group						First six months	First six months
SEK M unless otherwise stated	2/2016	3/2016	4/2016	1/2017	2/2017	2017	2016
Net sales	78,890	68,758	82,559	77,365	88,409	165,774	150,597
Cost of sales	-60,412	-52,573	-63,216	-57,835	-67,017	-124,852	-115,813
Gross income	18,478	16,184	19,343	19,530	21,392	40,922	34,784
Research and development expenses	-3,675	-3,289	-4,218	-3,994	-4,126	-8,120	-7,124
Selling expenses	-6,664	-6,375	-7,303	-6,942	-7,247	-14,189	-13,188
Administrative expenses	-1,366	-1,135	-1,278	-1,286	-1,443	-2,729	-2,708
Other operating income and expenses	-3,189	-810	361	-616	-395	-1,011	-2,686
Income/loss from investments in Joint Ventures and associated companies	179	61	117	340	268	608	-22
Income from other investments	32	20	9	-2	91	89	84
Operating income	3,796	4,656	7,031	7,029	8,540	15,570	9,139
Interest income and similar credits	55	65	54	50	30	80	121
Interest expenses and similar charges	-429	-497	-467	-463	-487	-950	-883
Other financial income and expenses	32	-103	-260	-177	-59	-236	375
Income after financial items	3,453	4,120	6,358	6,440	8,023	14,463	8,752
Income taxes	-1,462	-1,509	-1,526	-1,624	-2,019	-3,643	-2,973
Income for the period *	1,991	2,612	4,832	4,816	6,004	10,820	5,779
* Attributable to:							
Equity holders of the parent company	1,977	2,589	4,815	4,730	5,916	10,647	5,744
Minority interests	14	23	17	85	88	173	35
	1,991	2,612	4,832	4,816	6,004	10,820	5,779
Key operating ratios, Volvo Group, %							
Gross margin	23.4	23.5	23.4	25.2	24.2	24.7	23.1
Research and development expenses as percentage of net sales	4.7	4.8	5.1	5.2	4.7	4.9	4.7
Selling expenses as percentage of net sales	8.4	9.3	8.8	9.0	8.2	8.6	8.8
Administrative expenses as percentage of net sales	1.7	1.7	1.5	1.7	1.6	1.6	1.8
Operating margin	4.8	6.8	8.5	9.1	9.7	9.4	6.1
Key operating ratios, Industrial operations, %							
Gross margin	22.8	22.7	22.6	24.6	23.6	24.1	22.4
Research and development expenses as percentage of net sales	4.8	5.0	5.3	5.4	4.8	5.1	4.9
Selling expenses as percentage of net sales	8.1	8.9	8.5	8.6	7.8	8.2	8.4
Administrative expenses as percentage of net sales	1.8	1.7	1.6	1.7	1.7	1.7	1.8
Operating margin	4.3	6.3	8.1	8.7	9.4	9.1	5.6
EBITDA, Industrial operations							
Operating income Industrial operations	3,297	4,128	6,464	6,499	8,019	14,518	8,148
Product and Software development, amortization	667	699	787	720	747	1,467	1,339
Other intangible assets, amortization	92	94	297 ¹	183 ¹	70	254 ¹	182
Tangible assets, depreciation	2,219	2,265	2,520	2,250	2,323	4,573	4,449
Total depreciation and amortization	2,978	3,058	3,604	3,153	3,141	6,294	5,970
Operating income before depreciation and amortization (EBITDA)	6,275	7,186	10,068	9,652	11,160	20,812	14,118
EBITDA margin, %	8.2	10.9	12.6	12.9	13.0	13.0	9.7
Net capitalization of research and development							
Capitalization	749	609	550	464	433	897	1,555
Amortization	-618	-650	-735	-674	-700	-1,375	-1,240
Net capitalization and amortization	131	-41	-185	-210	-267	-478	315

¹ Including impairment of intangible assets.

QUARTERLY FIGURES

Net sales						First six months	First six months
SEK M	2/2016	3/2016	4/2016	1/2017	2/2017	2017	2016
Trucks	52,313	45,757	54,544	49,467	56,366	105,833	100,350
Construction Equipment	13,630	11,539	13,110	16,163	18,511	34,673	26,082
Buses	6,734	5,371	8,023	5,548	6,971	12,519	11,992
Volvo Penta	2,679	2,465	2,409	2,701	3,081	5,782	5,019
Group Functions & Other	1,773	1,446	2,665	1,615	1,572	3,186	3,642
Eliminations	-762	-564	-958	-841	-833	-1,675	-1,432
Industrial Operations	76,367	66,014	79,793	74,652	85,668	160,320	145,652
Financial Services	2,724	2,823	2,994	2,892	2,946	5,838	5,425
Reclassifications and eliminations	-200	-80	-228	-179	-205	-384	-480
Volvo Group	78,890	68,758	82,559	77,365	88,409	165,774	150,597

Operating income						First six months	First six months
SEK M	2/2016	3/2016	4/2016	1/2017	2/2017	2017	2016
Trucks	2,888	3,566	4,825	4,910	5,417	10,327	6,629
Construction Equipment	810	601	494	1,617	2,460	4,077	1,152
Buses	313	232	308	101	320	421	371
Volvo Penta	389	358	156	419	479	899	755
Group Functions & Other	-1,092	-634	681	-547	-641	-1,188	-726
Eliminations	-11	6	0	-1	-17	-18	-33
Industrial Operations	3,297	4,128	6,464	6,499	8,019	14,518	8,148
Financial Services	499	528	567	531	521	1,052	992
Volvo Group	3,796	4,656	7,031	7,029	8,540	15,570	9,139

Adjusted operating income ¹						First six months	First six months
SEK M	2/2016	3/2016	4/2016	1/2017	2/2017	2017	2016
Trucks	5,222	3,756	4,754	4,910	5,417	10,327	8,963
Construction Equipment	810	601	494	1,617	2,460	4,077	1,152
Buses	313	232	266	101	320	421	371
Volvo Penta	389	358	156	419	479	899	755
Group Functions & Other	-1,092	-634	-577	-547	-641	-1,188	-1,611
Eliminations	-11	6	0	-1	-17	-18	-34
Industrial Operations	5,631	4,318	5,093	6,499	8,019	14,518	9,597
Financial Services	499	528	567	531	521	1,052	992
Volvo Group	6,130	4,846	5,660	7,029	8,540	15,570	10,588

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

Operating margin						First six months	First six months
%	2/2016	3/2016	4/2016	1/2017	2/2017	2017	2016
Trucks	5.5	7.8	8.8	9.9	9.6	9.8	6.6
Construction Equipment	5.9	5.2	3.8	10.0	13.3	11.8	4.4
Buses	4.6	4.3	3.8	1.8	4.6	3.4	3.1
Volvo Penta	14.5	14.5	6.5	15.5	15.5	15.5	15.0
Industrial Operations	4.3	6.3	8.1	8.7	9.4	9.1	5.6
Volvo Group	4.8	6.8	8.5	9.1	9.7	9.4	6.1

Adjusted operating margin						First six months	First six months
%	2/2016	3/2016	4/2016	1/2017	2/2017	2017	2016
Trucks	10.0	8.2	8.7	9.9	9.6	9.8	8.9
Construction Equipment	5.9	5.2	3.8	10.0	13.3	11.8	4.4
Buses	4.6	4.3	3.3	1.8	4.6	3.4	3.1
Volvo Penta	14.5	14.5	6.5	15.5	15.5	15.5	15.0
Industrial Operations	7.4	6.5	6.4	8.7	9.4	9.1	6.6
Volvo Group	7.8	7.0	6.9	9.1	9.7	9.4	7.0

QUARTERLY FIGURES

Share data						First six	First six
	2/2016	3/2016	4/2016	1/2017	2/2017	months 2017	months 2016
Earnings per share, SEK ¹	0.97	1.27	2.37	2.33	2.91	5.24	2.83
Earnings per share, SEK ¹ , 12 months rolling	5.62	5.38	6.47	6.95	8.89	-	-
Diluted earnings per share, SEK	0.97	1.27	2.37	2.33	2.91	5.24	2.83
Number of outstanding shares in millions	2,031	2,031	2,031	2,032	2,032	2,032	2,031
Average number of shares before dilution in millions	2,031	2,031	2,031	2,032	2,032	2,032	2,031
Average number of shares after dilution in millions	2,032	2,033	2,033	2,033	2,033	2,033	2,033
Number of own shares in millions	97	97	97	97	97	97	97
Average number of own shares in millions	98	97	97	97	97	97	97

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 2016 (available at www.volvogroup.com). There are no new accounting principles applicable from 2017 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 Group works continuously to identify, measure and manage risk, and in some cases Volvo Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Volvo Group'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 106-111 in the Volvo Group Annual Report 2016 (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.

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 Group's risk exposure. Total contingent liabilities as of June 30, 2017, amounted to SEK 14.5 billion, a decrease of SEK 1.6 billion compared to December 31, 2016. The decrease is mainly related to expired bid and performance guarantees. The gross exposure of SEK 14.5 billion is partly reduced by counter guarantees and collaterals. The contingent liabilities for credit guarantees for construction equipment in China have decreased compared to December 31, 2016. However, including both contingent liabilities and on-balance sheet exposure, the exposure is still significant.

The legal proceedings and investigations described in note 21 and note 24 in the Volvo Group Annual Report 2016 are progressing but no material changes have occurred in these matters in the second quarter of 2017.

NOTE 3 | CORPORATE ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments

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

Assets and liabilities held for sale

At the end of the second quarter assets amounting to SEK 7,301 M and liabilities amounting to SEK 4,855 M are classified as held for sale. Assets and liabilities held for sale has increased in the second quarter mainly due to the divestment of Volvo Construction Equipment's British dealership.

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 2016 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 4.0

billion and derivatives with negative fair values amounted to SEK 0.4 billion as of June 30, 2017. 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 131.2 billion in reported carrying value with a fair value of SEK 133.9 billion. In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 0.1 billion.

Currency effect on operating income Industrial operations	Compared to second quarter 2016			Compared to first quarter 2017		
	Second quarter	Second quarter	Change	Second quarter	First quarter	Change
	2017	2016		2017	2017	
SEK M						
Net flow in foreign currency			323			7
Realized and unrealized gains and losses on hedging contracts	0	0	0	0	1	-1
Unrealized gains and losses on receivables and liabilities in foreign currency	-292	19	-311	-292	31	-323
Translation effect on operating income in foreign subsidiaries			338			-69
Total currency effect on operating income Industrial operations			350			-387

Applicable currency rates	Quarterly exchange rates		Close rates	
	Second quarter	Second quarter	Jun 30	Jun 30
	2017	2016	2017	2016
BRL	2.74	2.34	2.56	2.61
EUR	9.69	9.28	9.68	9.43
GBP	11.26	11.79	11.02	11.40
USD	8.80	8.21	8.47	8.48
JPY	0.0792	0.0761	0.0756	0.0828

NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 384 M (332) and purchases from associated companies amounted to SEK 687 M (560) during the second quarter of 2017. As of June 30, 2017, receivables from associated companies amounted to SEK 198 M (352) and liabilities to associated companies to SEK 582 M (438). Sales to joint

ventures amounted to SEK 284 M (355) and purchases from joint ventures amounted to SEK 321 M (124) during the second quarter of 2017. As of June 30, 2017, receivables from joint ventures amounted to SEK 114 M (182) and liabilities to joint ventures to SEK 179 M (169).

NOTE 6 | EXPLANATION TO ADJUSTED OPERATING INCOME

Adjusted operating income						First six months	First six months
SEK M	2/2016	3/2016	4/2016	1/2017	2/2017	2017	2016
Trucks	5,222	3,756	4,754	4,910	5,417	10,327	8,963
Construction Equipment	810	601	494	1,617	2,460	4,077	1,152
Buses	313	232	266	101	320	421	371
Volvo Penta	389	358	156	419	479	899	755
Group Functions & Other	-1,092	-634	-577	-547	-641	-1,188	-1,611
Eliminations	-11	6	0	-1	-17	-18	-33
Industrial Operations	5,631	4,318	5,093	6,499	8,019	14,518	9,597
Financial Services	499	528	567	531	521	1,052	992
Volvo Group	6,130	4,846	5,660	7,029	8,540	15,570	10,588

Adjustments						First six months	First six months
SEK M	2/2016	3/2016	4/2016	1/2017	2/2017	2017	2016

Adjustment items (segment)

Capital gain from sale of external IT-operation (Group functions & other)				-	-	-	885
Provision for EU investigation (Trucks)	-2,334	-190		-	-	-	-2,334
Sale of properties in Gothenburg (Trucks)			71	-	-	-	-
Sale of properties in Gothenburg (Buses)			41	-	-	-	-
Sale of properties in Gothenburg (Group functions & Other)			1,258	-	-	-	-

Total adjustments

Trucks	-2,334	-190	71	-	-	-	-2,334
Construction Equipment	-	-	-	-	-	-	-
Buses	-	-	41	-	-	-	-
Volvo Penta	-	-	-	-	-	-	-
Group Functions & Other	-	-	1,258	-	-	-	885
Industrial Operations	-2,334	-190	1,371	-	-	-	-1,449
Financial Services	-	-	-	-	-	-	-
Volvo Group	-2,334	-190	1,371	-	-	-	-1,449

Operating income						First six months	First six months
SEK M	2/2016	3/2016	4/2016	1/2017	2/2017	2017	2016
Trucks	2,888	3,566	4,825	4,910	5,417	10,327	6,629
Construction Equipment	810	601	494	1,617	2,460	4,077	1,152
Buses	313	232	308	101	320	421	371
Volvo Penta	389	358	156	419	479	899	755
Group Functions & Other	-1,092	-634	681	-547	-641	-1,188	-726
Eliminations	-11	6	0	-1	-17	-18	-33
Industrial Operations	3,297	4,128	6,464	6,499	8,019	14,518	8,148
Financial Services	499	528	567	531	521	1,052	992
Volvo Group	3,796	4,656	7,031	7,029	8,540	15,570	9,139

PARENT COMPANY

Income from investments in Group companies for the second quarter includes dividends amounting to SEK 1,400 M (69).

Income from investments in joint ventures and associated companies includes dividends of SEK 66 M (20).

Financial net debt amounted to SEK 47,892 M (38,890) at the end of the second quarter.

Income Statement				
SEK M	Second quarter		First six months	
	2017	2016	2017	2016
Net sales¹	135	148	184	236
Cost of sales ¹	-135	-148	-184	-236
Gross income	0	0	0	0
Operating expenses ¹	-440	-430	-790	-839
Income from investments in Group companies	1,260	-145	1,139	-317
Income from investments in joint ventures and associated companies	66	20	66	71
Income from other investments	0	19	0	19
Operating income (loss)	886	-536	415	-1,066
Interest income and expenses	-219	-241	-415	-482
Other financial income and expenses	-6	21	-13	11
Income after financial items	661	-756	-13	-1,537
Income taxes	177	188	323	370
Income for the period	838	-568	310	-1,167

¹ Of net sales in the second quarter, SEK 131 M (124) pertained to Group companies, while purchases from Group companies amounted to SEK 136 M (119).

Other comprehensive income				
Income for the period	838	-568	310	-1,167
Other comprehensive income, net of income taxes	-	-	-	-
Total comprehensive income for the period	838	-568	310	-1,167

Balance Sheet	June 30	Dec 31
SEK M	2017	2016
Assets		
Non-current assets		
Tangible assets	10	11
Financial assets		
Shares and participations in Group companies	60,816	60,816
Receivables from Group companies	51	48
Investments in joint ventures and associated companies	10,353	10,353
Other shares and participations	7	7
Deferred tax assets	490	168
Total non-current assets	71,727	71,403
Current assets		
Current receivables from Group companies	24,697	23,332
Tax assets	765	2
Other current receivables	239	235
Total current assets	25,701	23,569
Total assets	97,428	94,972
Shareholders' equity and liabilities		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	26,933	33,207
Untaxed reserves	2,502	2,502
Provisions	107	118
Non-current liabilities ¹	13,978	13,978
Current liabilities ²	44,017	35,276
Total shareholders' equity and liabilities	97,428	94,972

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

² Of which SEK 43,428 M (34,504) pertains to Group companies.

Events after the balance sheet date

For important events after the balance sheet date, see page 13 of this report. No other significant events have occurred after the end of the second quarter 2017 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, 2017
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

AUDITOR'S 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 30 June 2017 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information 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 2017
PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Lead partner

Johan Palmgren
Authorized Public Accountant
Partner

NET ORDER INTAKE

Net order intake of trucks	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	28,583	24,438	17	56,961	53,190	7
Heavy- and medium-duty	23,347	21,007	11	47,773	43,470	10
Light-duty	5,236	3,431	53	9,188	9,720	-5
North America	9,720	7,467	30	21,054	16,359	29
South America	4,478	1,954	129	7,135	4,009	78
Asia	8,390	8,138	3	18,039	15,497	16
Africa and Oceania	4,094	3,425	20	7,698	6,413	20
Total trucks	55,265	45,422	22	110,887	95,468	16
Heavy-duty (>16 tons)	46,262	37,773	22	93,190	77,276	21
Medium-duty (7-16 tons)	3,593	3,865	-7	8,225	7,835	5
Light-duty (<7 tons)	5,410	3,784	43	9,472	10,357	-9
Total trucks	55,265	45,422	22	110,887	95,468	16

Net order intake of trucks by brand

Volvo

Europe	15,417	14,041	10	31,592	29,013	9
North America	5,281	4,562	16	10,877	9,249	18
South America	4,020	1,884	113	6,281	3,541	77
Asia	3,859	3,098	25	7,890	5,849	35
Africa and Oceania	1,903	1,501	27	3,704	2,789	33
Total Volvo	30,480	25,086	22	60,344	50,441	20
Heavy-duty (>16 tons)	29,453	24,220	22	58,180	48,682	20
Medium-duty (7-16 tons)	1,027	866	19	2,164	1,759	23
Total Volvo	30,480	25,086	22	60,344	50,441	20

UD

North America	9	15	-40	14	47	-70
South America	145	-	-	153	97	58
Asia	3,858	4,642	-17	9,123	8,882	3
Africa and Oceania	1,030	813	27	1,887	1,676	13
Total UD	5,042	5,470	-8	11,177	10,702	4
Heavy-duty (>16 tons)	3,726	3,583	4	8,236	6,896	19
Medium-duty (7-16 tons)	1,268	1,610	-21	2,827	3,347	-16
Light-duty (<7 tons)	48	277	-83	114	459	-75
Total UD	5,042	5,470	-8	11,177	10,702	4

Renault Trucks

Europe	13,166	10,397	27	25,369	24,177	5
Heavy- and medium-duty	7,930	6,966	14	16,181	14,457	12
Light-duty	5,236	3,431	53	9,188	9,720	-5
North America	287	89	222	317	145	119
South America	34	6	467	108	9	1,100
Asia	663	398	67	1,016	766	33
Africa and Oceania	847	969	-13	1,567	1,543	2
Total Renault Trucks	14,997	11,859	26	28,377	26,640	7
Heavy-duty (>16 tons)	8,337	6,963	20	15,785	14,013	13
Medium-duty (7-16 tons)	1,298	1,389	-7	3,234	2,729	19
Light-duty (<7 tons)	5,362	3,507	53	9,358	9,898	-5
Total Renault Trucks	14,997	11,859	26	28,377	26,640	7

Mack

North America	4,143	2,801	48	9,846	6,918	42
South America	279	64	336	593	362	64
Asia	10	-	-	10	-	-
Africa and Oceania	314	142	121	540	405	33
Total Mack	4,746	3,007	58	10,989	7,685	43
Heavy-duty (>16 tons)	4,746	3,007	58	10,989	7,685	43
Total Mack	4,746	3,007	58	10,989	7,685	43

DELIVERIES

Deliveries of trucks	Second quarter		Change %	First six months		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	27,686	26,734	4	51,288	49,651	3
Heavy- and medium-duty	23,553	22,113	7	43,617	41,219	6
Light-duty	4,133	4,621	-11	7,671	8,432	-9
North America	10,720	12,039	-11	17,785	22,779	-22
South America	2,692	2,549	6	4,581	4,439	3
Asia	7,823	7,963	-2	16,293	15,817	3
Africa and Oceania	3,137	3,385	-7	6,038	6,094	-1
Total trucks	52,058	52,670	-1	95,985	98,780	-3
Heavy-duty (>16 tons)	44,075	43,265	2	80,839	81,547	-1
Medium-duty (7-16 tons)	3,762	4,467	-16	7,310	8,232	-11
Light-duty (<7 tons)	4,221	4,938	-15	7,836	9,001	-13
Total trucks	52,058	52,670	-1	95,985	98,780	-3

Deliveries of trucks by brand

Volvo

Europe	15,745	14,430	9	29,070	27,282	7
North America	5,665	6,786	-17	9,149	12,583	-27
South America	2,411	2,247	7	4,085	3,886	5
Asia	3,344	3,338	0	7,476	6,270	19
Africa and Oceania	1,345	1,454	-7	2,450	2,549	-4
Total Volvo	28,510	28,255	1	52,230	52,570	-1
Heavy-duty (>16 tons)	27,572	27,179	1	50,497	50,792	-1
Medium-duty (7-16 tons)	938	1,076	-13	1,733	1,778	-3
Total Volvo	28,510	28,255	1	52,230	52,570	-1

UD

North America	2	32	-94	13	88	-85
South America	3	143	-98	3	244	-99
Asia	4,021	4,147	-3	7,959	8,541	-7
Africa and Oceania	905	855	6	1,705	1,701	0
Total UD	4,931	5,177	-5	9,680	10,574	-8
Heavy-duty (>16 tons)	3,574	3,314	8	7,128	6,781	5
Medium-duty (7-16 tons)	1,316	1,593	-17	2,461	3,335	-26
Light-duty (<7 tons)	41	270	-85	91	458	-80
Total UD	4,931	5,177	-5	9,680	10,574	-8

Renault Trucks

Europe	11,941	12,304	-3	22,218	22,369	-1
Heavy- and medium-duty	7,808	7,683	2	14,547	13,937	4
Light-duty	4,133	4,621	-11	7,671	8,432	-9
North America	30	29	3	70	73	-4
South America	57	2	2,750	132	6	2,100
Asia	458	477	-4	858	1,004	-15
Africa and Oceania	624	838	-26	1,365	1,420	-4
Total Renault Trucks	13,110	13,650	-4	24,643	24,872	-1
Heavy-duty (>16 tons)	7,422	7,184	3	13,782	13,210	4
Medium-duty (7-16 tons)	1,508	1,798	-16	3,116	3,119	0
Light-duty (<7 tons)	4,180	4,668	-10	7,745	8,543	-9
Total Renault Trucks	13,110	13,650	-4	24,643	24,872	-1

Mack

North America	5,023	5,192	-3	8,553	10,035	-15
South America	221	157	41	361	303	19
Asia	-	1	-	-	2	-
Africa and Oceania	263	238	11	518	424	22
Total Mack	5,507	5,588	-1	9,432	10,764	-12
Heavy-duty (>16 tons)	5,507	5,588	-1	9,432	10,764	-12
Total Mack	5,507	5,588	-1	9,432	10,764	-12

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 7.20 CEST on July 19, 2017.

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 2017	October 20, 2017
Report on the fourth quarter 2017	January 31, 2018
Report on the first quarter 2018	April 24, 2018
Report on the second quarter 2018	July 20, 2018
Report on the third quarter 2018	October 23, 2018

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