Volvo Group

Report on the first quarter 2011

In the first quarter, net sales increased by 22% to SEK 71.6 billion (58.6). Adjusted for currency movements, sales increased by 33%.

Highest ever operating income and operating margin for a first quarter.

The first quarter operating income amounted to SEK 6.5 billion (2.8). Operating margin in the first quarter was 9.1% (4.8). Compared to the first quarter of 2010, changes in exchange rates had a negative impact of approximately SEK 1.3 billion.

Operating income was positively affected by recognition of VAT credits corresponding to SEK 590 M and negatively affected by disturbances in the Japanese business estimated at SEK 250 M.

In the first quarter, basic and diluted earnings per share amounted to SEK 2.01 (0.83).

In the first quarter, operating cash flow in the Industrial Operations was negative in an amount of SEK 4.0 billion (negative SEK 2.7 billion) reflecting normal seasonality.

	First quarter	
	2011	2010
Net sales Volvo Group, SEK M	**71,577**	58,617
Operating income Volvo Group, SEK M	**6,522**	2,799
Operating income Industrial operations, SEK M	**6,343**	2,785
Operating income Customer Finance, SEK M	**179**	14
Operating margin Volvo Group, %	**9.1**	4.8
Income after financial items, SEK M	**5,847**	2,228
Income for the period, SEK M	**4,181**	1,720
Diluted earnings per share, SEK	**2.01**	0.83
Return on shareholders' equity and rolling 12 months,%	**19.0**	(12.4)

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CEO's comments – strong sales growth

During the first quarter of 2011, the Volvo Group had strong sales growth with significantly improved profitability. Sales amounted to SEK 72 billion, an increase of 22% compared with the year-earlier period. Operating income rose to SEK 6.5 billion, with an operating margin of 9.1%.

We note that our mature markets are recovering, with continuing sharp sales increase and favorable profitability in our operations in the emerging markets of Brazil, China and India.

The operating cash flow in the industrial operation tracked the normal, seasonal trend and was a negative SEK 4.0 billion, compared with a negative cash flow of SEK 2.7 billion in the first quarter of 2010.

Improved profitability in trucks

Demand for trucks continued to improve across the board. In total, the order intake rose 40% compared with the first quarter of 2010. Our truck operations reported an operating income of SEK 4,286 M, compared with SEK 1,444 M in the year-earlier period. The operating margin rose to 9.4% (4.0). Higher volumes and gradually improved productivity in the industrial system contributed to the improved profitability.

In Europe, demand for new trucks is developing well, with positive trends for used trucks and in the key aftermarket area. Based on the favorable trend, we estimate that the European market for heavy trucks will rise to 230,000–240,000 vehicles during 2011, which is an increase from the earlier forecast of 220,000.

The North American truck market is driven primarily by the need to replace the increasingly older truck fleet with more modern and fuel-efficient trucks and by a positive trend in the US economy and corresponding higher freight volumes. It is gratifying that we are capturing market shares thanks to highly competitive trucks. We are also upgrading our assessment for the North American market and we now estimate that it will amount to 230,000–240,000 heavy trucks in 2011.

In recent years, we have invested significantly in additionally strengthening our position in the emerging regions of Asia and South America and can state that this investment is now bearing fruit. Our truck businesses in these markets are developing very well, with record sales and highly favorable profitability in such countries as India and Brazil.

Strong growth and healthy profitability in Volvo CE

For Volvo CE, the favorable trend continues in both the Chinese and Brazilian markets, while the recovery in North America and Europe is becoming increasingly clear. Volvo CE's organic growth was a full 53%, compared with the year-earlier period, and we were successful in balancing the strong growth with continued excellent profitability. During the first quarter, the operating margin rose to 10.8%.

Volvo CE is also in an intense product renewal phase, which will contribute to further strengthening competitiveness. In recent months, Volvo CE has launched more than 50 new models.

Good trends for Buses, Volvo Penta and VFS

Buses has a good profitability trend despite the relatively weak development in the key markets in Europe and North America. The improved profitability is instead a result of hard work in reducing costs through the rationalization of the manufacturing system and the product portfolio.

Volvo Penta's improved results are also primarily attributable to reduced costs and improved efficiency. We are now seeing signs of increased activity among our marine customers primarily in Europe, which is positive.

However, Volvo Aero's profitability is unsatisfactory, affected by an unfavorable USD exchange rate and by productivity losses in conjunction with the start of new engine programs.

The positive trend that we are now experiencing in most of the Group's markets is noticeable not only in higher deliveries but also in lower credit losses in Volvo Financial Services, which reports significantly improved profitability. As our customers receive more work for their trucks, buses and construction equipment, their financial situation and payment ability is strengthened.

Hard work to mitigate effects from disaster in Japan

Unfortunately, the quarter came to be characterized by the devastating earthquake and the subsequent tsunami that hit Japan on March 11. Our thoughts are with those who were affected. After the disaster, our employees in Japan have worked exceedingly hard to support our customers with service and spare parts and to restart production at UD Trucks, which was able to commence again already on March 28, albeit to a limited extent.

With respect to material supply, we are working intensely together with our suppliers to find alternative solutions where necessary. We have a number of suppliers in Japan that are having difficulties in restarting their production, which means that we anticipate considerable disturbances to the production at UD Trucks during the second quarter. In terms of material supply for the manufacture of trucks in the rest of the world, we believe that the impact will be relatively limited, but uncertainty remains high. Volvo Construction Equipment's production of primarily excavators in Korea will, however, be affected by a shortage of key hydraulic components for some of its models.

On May 1, Pat Olney will replace Olof Persson as CEO of Volvo CE, as Olof takes up the position as Executive Vice President and deputy CEO of the Volvo Group. Pat has worked for ten years in various executive roles within Volvo CE and has done a very good job there. As of September 1, Olof will assume the position of CEO of the Volvo Group. I wish them both success in their new positions.

Leif Johansson
President and CEO

Important events

Olof Persson appointed new Volvo CEO

The Board of Directors of AB Volvo has decided to appoint Olof Persson, 46, currently President of Volvo Construction Equipment, as the new President and Chief Executive Officer of Volvo. Olof Persson will assume the position as President of AB Volvo and CEO of the Volvo Group on September 1, 2011 when Leif Johansson, as announced previously, retires. As of May 1, Olof Persson will become Executive Vice President and deputy CEO and work parallel with Leif Johansson.

Pat Olney new CEO of Volvo CE

Effective May 1, Patrick Olney, 42, has been appointed new President and CEO of Volvo Construction Equipment. Pat Olney has an extensive experience spanning 17 years in the Construction Equipment industry, with 10 of these in senior management roles within Volvo CE. He will take up his new position on May 1, 2011.

Annual General Meeting of AB Volvo

The Annual General Meeting of AB Volvo held on April 6, 2011 approved the Board of Directors' motion that a dividend of SEK 2.50 per share be paid to the company's shareholders.

Peter Bijur, Jean-Baptiste Duzan, Leif Johansson, Hanne de Mora, Anders Nyrén, Louis Schweitzer, Ravi Venkatesan, Lars Westerberg and Ying Yeh were reelected as members of the AB Volvo Board. Leif Johansson was reelected for the period extending to August 31, 2011, when he will step down from his assignment as President and Chief Executive Officer of Volvo. In addition, Olof Persson was elected to the Board for the period starting on September 1, 2011, when he will take office as President and Chief Executive Officer of Volvo. Louis Schweitzer was reelected Chairman of the Board.

Jean-Baptiste Duzan, representing Renault s.a.s, Carl-Olof By, representing AB Industrivärden, Håkan Sandberg, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen, and Lars Förberg, representing Violet Partners LP, and the Chairman of the Board were elected members of the Election Committee. The Meeting resolved that no fees would be payable to the members of the Election Committee.

The Annual General Meeting adopted a proposal from Renault S.A. and Industrivärden concerning an addendum to AB Volvo's Articles of Association that will permit voluntary conversion of Series A shares to Series B shares. The amendment of the Articles of Association was subject to approval by shareholders representing at least two thirds of the votes cast and the voting rights represented at the Meeting.

Volvo CE invests in its North American operations

Over the next couple of years, Volvo Construction Equipment plans to invest USD 100 M in its Shippensburg, PA, USA manufacturing facility and start production of wheel loaders, excavators and articulated haulers in North America. Also, Volvo CE's North American sales headquarters and Volvo Rents will relocate from Asheville, NC to Shippensburg, PA by September 2012.

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

Financial summary of the first quarter

Volvo Group

Net sales

The Volvo Group's net sales increased by 22% to SEK 71,577 M during the first quarter of 2011, compared to SEK 58,617 M in the same quarter a year earlier.

Operating income

The Volvo Group's operating income amounted to SEK 6,522 M in the first quarter compared to SEK 2,799 M in the preceding year. The Industrial Operations' operating income amounted to SEK 6,343 M (2,785). The Volvo Group's Customer Finance operations reported an operating income of SEK 179 M (14). For detailed information on the development, see separate sections below.

Net financial items

Net interest expense in the first quarter was SEK 569 M compared to an expense of SEK 718 M in the previous year. In the fourth quarter of 2010 net interest expense amounted to SEK 655 M.

During the first quarter, market valuation of derivatives used for hedging interest-rate exposure in the debt portfolio had a negative effect on Other financial income and expenses amounting to SEK 29 M compared to a positive impact of SEK 282 M in the first quarter of 2010.

Income taxes

The tax expense in the first quarter amounted to SEK 1,665 M (508), corresponding to a tax rate of 28% (23).

Income for the period and earnings per share

The income for the period amounted to SEK 4,181 M in the first quarter of 2011 compared to SEK 1,720 M in the first quarter of 2010.

Basic and diluted earnings per share in the first quarter amounted to SEK 2.01 (0.83).

Income Statement Volvo Group

	First quarter	
SEK M	**2011**	2010
Net sales Volvo Group	**71,577**	**58,617**
Operating Income Volvo Group	**6,522**	**2,799**
Operating income Industrial operations	*6,343*	*2,785*
Operating income Customer Finance	*179*	*14*
Interest income and similar credits	**151**	103
Interest expense and similar charges	**(720)**	(821)
Other financial income and expenses	**(106)**	147
Income after financial items	**5,847**	**2,228**
Income taxes	**(1,665)**	(508)
Income for the period	**4,181**	**1,720**

Volvo Group's Industrial Operations – good sales growth

In the first quarter, net sales for the Volvo Group's Industrial Operations increased by 24% to SEK 69,956 M (56,459). Adjusted for changes in exchange rates and acquired and divested units net sales increased by 34%. Compared to the first quarter of 2010, all markets grew at a good pace resulting in a good geographical balance for the Group.

Net sales by market area

SEK M	First quarter 2011	First quarter 2010	Change in %	Share of industrial operations' net sales, %
Western Europe	**23,660**	19,687	20	34
Eastern Europe	**4,149**	2,376	75	6
North America	**12,533**	10,551	19	18
South America	**7,004**	5,816	20	10
Asia	**18,223**	13,953	31	26
Other markets	**4,387**	4,076	8	6
Total Industrial operations	**69,956**	**56,459**	**24**	**100**

Considerable earnings improvement

In the first quarter of 2011, operating income for the Volvo Group's Industrial Operations amounted to SEK 6,343 M, a significant improvement compared to the operating income of SEK 2,785 M in the first quarter of 2010. The operating margin for the Industrial Operations was 9.1%, compared to 4.9% in the first quarter of 2010.

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

Continued cost control preserved the lower expense level in the Group that was implemented during 2009. Despite a significant sales increase of 24% in the first quarter of 2011 compared to the previous year, the increase in research and development expenses and selling and administrative expenses was limited to 6%.

During the quarter, operating income was positively impacted by SEK 590 M as a result of recognition of VAT credits in Brazil relating to previous years, of which SEK 500 M in Trucks and SEK 80 M in Buses.

The disturbances in the Group's operations in Japan had a negative impact estimated at SEK 250 M.

Income Statement Industrial operations

SEK M	First quarter 2011	First quarter 2010
Net sales	**69,956**	**56,459**
Cost of sales	**(52,481)**	(43,579)
Gross income	**17,475**	**12,880**
Gross margin, %	***25.0***	*22.8*
Research and development expenses	**(3,309)**	(3,004)
Selling expenses	**(5,706)**	(5,476)
Administrative expenses	**(1,715)**	(1,622)
Other operating income and expenses	**(395)**	26
Income (loss) from investments in associated companies	**(19)**	(19)
Income (loss) from other investments	**12**	0
Operating income	**6,343**	**2,785**
Operating margin, %	***9,1***	*4,9*
Operating income before depreciation and amortization (EBITDA)	**9,001**	5,567
EBITDA margin, %	***12.9***	*9.9*

Compared to the first quarter of 2010, changes in currency exchange rates had a negative impact on operating income amounting to approximately SEK 1.3 billion. Compared to the fourth quarter of 2010, the negative impact amounted to approximately SEK 0.7 billion.

Seasonal build-up of working capital

In the first quarter of 2011, operating cash flow from the Industrial Operations amounted to a negative SEK 4.0 billion compared to a negative SEK 2.7 billion in the first quarter of 2010. The cash-flow was negatively impacted by the seasonal build-up of accounts receivable and inventory, resulting in an increase in working capital of SEK 9.3 billion, which was partly offset by the increase in operating income.

Volvo Group's Customer Finance – improved profitability

During the quarter, the customer finance business experienced further improvements in profitability mainly attributable to lower credit losses. Portfolio quality and performance remained strong in North America, Latin America and Asia-Pacific and parts of Western Europe, particularly Germany, demonstrated solid recovery during the period. Eastern Europe portfolio performance, while stable, continued to lag the recovery. The tragic events in Japan did not have a significant impact on first quarter results.

New financing volume remained strong during the quarter and the customer finance portfolio grew in all regions when adjusted for exchange-rate movements. In addition, Volvo Financial Services established a footprint in India with the signing of a private label alliance with the Indian finance company SREI. The alliance is expected to commence local financing activities in the second quarter.

New financing volume in the first quarter of 2011 amounted to SEK 9.4 billion (6.8). New financing volume increased by 50% compared to the first quarter of 2010, when adjusted for changes in exchange rates, due to increased Volvo Group unit deliveries and stable market penetration. In total, 10,664 new Volvo Group units (6,196) were financed during the quarter. In the markets where financing is offered, the average penetration rate in the first quarter was 23% (23).

At March 31, 2011 total assets amounted to SEK 87 billion (94). Compared to the first quarter of 2010, the credit portfolio was down 8% due to the strengthening of the Swedish krona. During the quarter, the credit portfolio increased by 2.0% when adjusted for exchange-rate movements. Gross income is down only slightly from prior year as the reduction in portfolio size was offset by lower level of non-earning assets and more efficient funding.

During the quarter, credit provisions amounted to SEK 178 M (374) while write-offs of SEK 168 M (353) were recorded. Together with the growing credit portfolio, this resulted in a slight decrease in credit reserves from 1.69% to 1.67% of the credit portfolio at December 31, 2010 and March 31, 2011, respectively. The annualized write-off ratio through March 31, 2011 was 0.80% (1.51).

Operating income in the first quarter amounted to SEK 179 M compared to SEK 14 M in the previous year. The improvement compared to the previous year is driven mainly by lower credit provisions.

Income Statement Customer Finance

	First quarter	
SEK M	**2011**	2010
Finance and lease income	**2,099**	2,508
Finance and lease expenses	**(1,354)**	(1,737)
Gross income	**745**	**771**
Selling and administrative expenses	**(389)**	(385)
Credit provision expenses	**(178)**	(374)
Other operating income and expenses	**1**	2
Operating income	**179**	**14**
Income taxes	**(62)**	(35)
Income for the period	**117**	**(21)**
Return on Equity, 12 month moving values	***(2,1%)***	*(2,8%)*

Volvo Group financial position

Net financial debt in the Industrial Operations amounted to SEK 27.3 billion at March 31, 2011, an increase of SEK 2.6 billion compared to the last quarter of 2010, and equal to 40.3% of shareholders' equity. Excluding provision for post-employment benefits, the Industrial Operations net debt amounted to SEK 21.8 billion, which is equal to 32.2% of shareholders' equity.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined, amounted to SEK 29.3 billion at March 31, 2011. In addition to this, granted but unutilized credit facilities amounted to SEK 33.8 billion.

During the first quarter, currency movements decreased the Volvo Group's total assets by SEK 11.6 billion due to revaluation of assets in foreign subsidiaries.

The equity ratio in the Volvo Group amounted to 24.0% on March 31, 2011 compared to 23.3% at year-end 2010. At March 31, 2011 shareholder's equity in the Volvo Group amounted to SEK 75.6 billion.

Number of employees

On March 31, 2011 the Volvo Group had 91,595 employees and 17,322 temporary employees and consultants, compared with 90,409 employees and 14,851 temporary employees and consultants at year-end 2010. The increase relates largely to temporary employees and consultants within production, which gives the Group a considerable flexibility.

Business segment overview

Net sales

SEK M	First quarter 2011	First quarter 2010	Change in %	Change in %*	12 months rolling values	Jan–Dec 2010
Trucks	**45,620**	36,488	25	35	**176,437**	167,305
Construction Equipment	**15,759**	11,148	41	53	**58,421**	53,810
Buses	**4,859**	5,067	(4)	2	**20,308**	20,516
Volvo Penta	**2,147**	1,977	9	17	**8,886**	8,716
Volvo Aero	**1,640**	1,910	(14)	12	**7,438**	7,708
Eliminations and other	**(68)**	(131)	–	–	**(617)**	(680)
Industrial operations	**69,956**	**56,459**	**24**	**34**	**270,872**	**257,375**
Customer Finance	**2,099**	2,508	(16)	(10)	**8,622**	9,031
Eliminations	**(478)**	(350)	–	–	**(1,786)**	(1,658)
Volvo Group	**71,577**	**58,617**	**22**	**33**	**277,708**	**264,749**

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

Operating income (loss)

SEK M	First quarter 2011	First quarter 2010	Change in %	12 months rolling values	Jan–Dec 2010
Trucks	**4,286**	1,444	197	**12,954**	10,112
Construction Equipment	**1,708**	1,006	70	**6,882**	6,180
Buses	**281**	145	94	**916**	780
Volvo Penta	**164**	121	36	**621**	578
Volvo Aero	**28**	152	(82)	**162**	286
Group functions and other	**(123)**	(83)	48	**(142)**	(102)
Industrial operations	**6,343**	**2,785**	**128**	**21,393**	**17,834**
Customer Finance	**179**	14	1,179	**332**	167
Volvo Group	**6,522**	**2,799**	**133**	**21,723**	**18,000**

Operating margin

%	First quarter 2011	First quarter 2010	12 months rolling values	Jan–Dec 2010
Trucks	**9.4**	4.0	**7.3**	6.0
Construction Equipment	**10.8**	9.0	**11.8**	11.5
Buses	**5.8**	2.9	**4.5**	3.8
Volvo Penta	**7.6**	6.1	**7.0**	6.6
Volvo Aero	**1.7**	8.0	**2.2**	3.7
Industrial operations	**9.1**	**4.9**	**7.9**	**6.9**
Volvo Group	**9.1**	**4.8**	**7.8**	**6.8**

Overview of Industrial Operations

Trucks
– Improved profitability

- Improved market outlook and strong order intake
- Operating margin at 9.4%
- New technology for improved fuel efficiency

Improving market conditions

In the first two months of 2011, the total number of registrations in Europe 29 (EU, Norway and Switzerland) increased by 56% to 33,723 heavy-duty trucks (21,548). The main drivers of demand are the northern and central parts of Europe, where markets such as Germany and France have showed good progress. In general demand is higher in the long haul segment, whereas activity in the construction segment remains low in the southern parts of Europe. In 2011, the total market for heavy-duty trucks in Europe 29 is expected to increase to a level of about 230,000–240,000 trucks. The previous forecast was 220,000 trucks.

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

Net sales by market area, Trucks

SEK M	First quarter 2011	2010	Change in %
Europe	**20,517**	15,463	33
North America	**8,046**	6,040	33
South America	**5,694**	4,546	25
Asia	**8,444**	7,344	15
Other markets	**2,919**	3,095	(6)
Total	**45,620**	**36,488**	**25**

Net order intake per market

Number of trucks	First quarter 2011	2010	Change in %
Europe	**23,812**	16,361	46
North America	**11,727**	3,410	244
South America	**7,422**	4,548	63
Asia	**14,859**	15,442	(4)
Other markets	**3,472**	4,175	(17)
Total	**61,292**	**43,936**	**40**

Through the first quarter of 2011, the total market for heavy-duty trucks in North America increased by 35% to 40,889 trucks compared to 30,363 in the previous year. While highway truck customers and bigger fleets in particular have largely driven the recovery in the market, smaller fleets, with increasing access to credit, have started to become more active. On the vocational side, there are initial signs of improvement in customer segments such as natural gas and oil production. In 2011, the North American market for heavy-duty trucks is expected to reach a level of 230,000–240,000 trucks. The previous forecast was 220,000 trucks.

In South America, the Brazilian heavy-duty truck market continues to be strong, primarily driven by favorable macro economic development. The total market in Brazil increased by 3% to 25,542 heavy-duty trucks for the first three months of 2011 (24,710).

In India, the market for heavy-duty trucks in the first two months of 2011 rose by 17% to 41,737 trucks (35,631). The Group's largest market in terms of sales in Asia is Japan, where the market for heavy-duty trucks was 6,770 vehicles in the first three months of 2011 (5,967), which was an increase of 13%. Following the earthquake and the subsequent tsunami that hit Japan on March 11, there is considerable uncertainty about the market development for 2011. The previous forecast was for a growth of approximately 10%.

Order intake increased

Net order intake continued to increase and exceeded deliveries in all markets. During the first quarter order intake rose by 40% compared with the first quarter of 2010. Most notably order intake improved in North America, South America and Europe.

In North America, net order intake improved by 244% compared with the first quarter of 2010, in South America orders improved by 63% and in Europe by 46%.

Orders in Asia and Other markets declined somewhat compared to the first quarter of 2010.

Truck deliveries – increase of 49% compared to the first quarter of 2010

In the first quarter of 2011, a total of 55,069 trucks were delivered, which was 49% more than in the first quarter of 2010.

Favorable earnings trend – operating margin of 9.4%

During the first quarter of 2011, the truck operation's net sales amounted to SEK 45,620 M, which was 25% higher than the first quarter of 2010. Adjusted for changes in exchange rates net sales increased by 35%.

Deliveries per market

	First quarter		
Number of trucks	**2011**	2010	Change in %
Europe	**23,060**	12,181	89
North America	**8,821**	5,255	68
South America	**6,112**	4,553	34
Asia	**13,730**	11,811	16
Other markets	**3,346**	3,140	7
Total	**55,069**	**36,940**	**49**

The truck operations posted an operating income of SEK 4,286 M in the first quarter of 2011 compared with an operating income of SEK 1,444 M in the first quarter of 2010. The operating margin improved to 9.4%, compared with 4.0% in the first quarter of 2010. Increased sales volumes, higher capacity utilization and continued strict control of operating expenses had a positive effect on earnings in the quarter. Earnings for the first quarter was positively affected by recognition of VAT credits in Brazil of SEK 500 M relating to previous years and negatively by costs related to the earthquake and following tsunami in Japan amounting to an estimated SEK 250 M.

New technology for improved fuel efficiency

At the annual Mid-America Trucking Show in Louisville, Kentucky, new aerodynamic and powertrain features were introduced which, when combined with the improvements already achieved through the use of SCR technology, deliver fuel efficiency gains of 8-12% over the previous generation of trucks (EPA 2007).

The world's most powerful hybrid truck was launched by Volvo Trucks in the first quarter. The Volvo FE Hybrid, the first parallel hybrid from Volvo Trucks, uses techniques able to reduce fuel consumption and carbon dioxide emissions by up to 20%, and it makes the truck much more silent. This is a very competitive solution for heavy distribution and waste disposal in urban areas.

Renault Trucks launched a system called Optiroll on the Renault Premium Route Optifuel, which further reduces fuel consumption.

Construction Equipment
– all time high first quarter

- Strong market conditions
- Volvo CE's net sales up 53% adjusted for currency
- Operating income up 70%, operating margin at 10.8%
- Biggest manufacturer of wheel loaders and excavators in China

Net sales by market area, Construction Equipment

SEK M	First quarter 2011	2010	Change in %
Europe	**3,983**	3,075	30
North America	**1,576**	1,381	14
South America	**907**	801	13
Asia	**8,428**	5,254	60
Other markets	**865**	637	36
Total	**15,759**	**11,148**	**41**

Good growth in most markets

Measured in units, the total world market for construction equipment increased by 51% during the first two months in 2011 compared to the same period last year. In Europe the market increased by 57%, North America was up 59% and South America increased by 38%. Total Asia was up 54%, whereof China increased by 70%. Other markets decreased by 3%.

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

Best first quarter ever for Volvo CE

In the first quarter of 2011, net sales increased by 41% to SEK 15,759 M (11,148). Sales were positively impacted by strong momentum in most markets. Adjusted for currency movements, net sales increased by 53%.

Operating income was up almost 70% to SEK 1,708 M (1,006) and the operating margin was 10.8% (9.0), which is the highest ever for a first quarter. The improvement in operating income was mainly driven by higher sales, internal cost reduction activities with lower break even level, strong business in China and increased productivity. During the first quarter of 2011, Volvo CE continued to gain market shares in China and was the largest producer of excavators and wheel loaders in the country.

The disaster in Japan had no major negative impact on the first quarter results, but the manufacture of primarily excavators in Korea will be affected by a shortage of key hydraulic components for some of the models from the second quarter.

The value of the order book at March 31 was 40% higher than a year earlier.

New products launched

Over the last couple of months, Volvo CE has launched over 50 new models to its dealers and customers in Europe and North America. The new products are equipped with the latest engine technology fulfilling Tier 4i and Stage III B requirements. Some of the products will be launched in other sales regions later this year.

Among all the new products, the wheel loader 220G in March won the most globally-recognized design prize, the Red Dot Award. Competing with over 4,000 entries the L220G stood out from the crowd because of its fuel efficient and productive design, with 20% increased lifting force, 10% improved breakout force and stronger hydraulics.

In March, Volvo CE announced plans to invest USD 100 M in its Shippensburg manufacturing facility and start production of wheel loaders, excavators and articulated haulers. Also, Volvo CE's North American sales headquarters and Volvo Rents will relocate from Asheville to Shippensburg.

Buses
– improved profitability

- Still challenging city bus market in North America and Europe
- Improved profitability
- Important order for buses to New York City

Net sales by market area, Buses

SEK M	First quarter 2011	2010	Change in %
Europe	**1,420**	1,458	(3)
North America	**1,657**	2,037	(19)
South America	**351**	396	(11)
Asia	**907**	913	(1)
Other markets	**524**	263	99
Total	**4,859**	**5,067**	**(4)**

Continued weak city bus market in North America and Europe

The trend in the bus market differs significantly in the various parts of the world – from continued decline to strong upswing. The European market is at a generally low level, but a slight increase is anticipated for the total market in 2011. During the first quarter, the city bus market in the UK recovered, while activity in the Nordic region was high.

In North America, the coach market is increasing, while demand for city buses continues to decrease since the cities' weak economy has resulted in the postponement of new vehicle purchases. In Mexico, activities for both coach and city buses have increased somewhat, while interest in BRT systems is considerable.

In South America, demand remains stable at a high level and in Brazil there are clear indications of prebuy effects ahead of Euro V, the new emission regulations coming into effect on January 1, 2012. In China, Asia Pacific and the Middle East, tender activities are generally high. Based on the rising environmental requirements and high fuel prices, an increase in global demand for hybrid buses was noted.

Higher order intake

Deliveries during the first quarter of 2011 amounted to 2,533 buses, compared with 2,552 in the same quarter of 2010. The market mix has changed with higher deliveries in North America and South America and lower volumes in Europe and Asia.

During the first quarter, the order intake rose 17% to 2,369, compared with 2,033 buses in the year-earlier period. During the first quarter, a number of significant orders were signed, including one for 180 buses for public transport in New York City, of which 90 were Prevost and 90 Nova buses. In addition, Volvo Buses received an order for 463 bus chassis for BRT systems in Curitiba in Brazil. In the UK, an order was received for 240 vehicles to First Group, comprising double-deckers, single-deckers and 38 hybrid buses, which is the single largest order of hybrids to date.

Improved profitability

In the first quarter, net sales dropped 4% to SEK 4,859 M (5,067). However, in local currencies, net sales rose 2%.

Operating income for the first quarter of 2011 amounted to SEK 281 M (145). The operating margin was 5.8% (2.9). The improvement was attributable to cost reduction efforts mainly in the industrial system as well as a positive impact of SEK 80 M from recognition of VAT credits in Brazil relating to previous years.

Profitable growth with continued focus on costs

The long-term improvement program, which displayed favorable results on profitability in 2010, as well as on cost and capital efficiency, continues. To improve profitability in 2011, the focus will be on profitable growth and continued cost reduction. Capacity increases will be implemented in South America, Mexico, North America and India.

In April, it was announced that Volvo Buses' together with its joint-venture partner SAIC will invest in a new development center for the installation of drivelines for hybrid and electric buses in China.

Volvo Penta
– demand for marine engines recovering

- Strong demand for industrial engines, improved demand for marine engines in Europe
- Volume in the order book was 122% higher year-on-year
- Increased sales and improved profitability

Net sales by market area, Volvo Penta

SEK M	First quarter 2011	2010	Change in %
Europe	**1,273**	1,118	14
North America	**298**	307	(3)
South America	**53**	72	(26)
Asia	**441**	400	10
Other markets	**82**	80	3
Total	**2,147**	**1,977**	**9**

Total market increase for industrial engines

The total market for industrial engines rose during the first quarter as a result of the continued strong trend in most of the world's major industrial markets. During the quarter, manufacturers of industrial equipment continued to operate their plants at high capacity utilization. Demand for marine engines rose in Europe, but remained weak in North America. The number of visitors at the winter's boat trade fairs rose about 20% compared with the preceding year and activities were higher among end customers in primarily Europe.

Increased market shares

Volvo Penta continued to increase its market shares among global manufacturers of diesel-powered generator sets – which is Volvo Penta's largest industrial engine segment by far.

Several new projects for the newly launched IPS drive units connected to 11 and 13-liter engines have been secured, which will strengthen Volvo Penta's market shares in the large yacht segment.

The volume in the order book at March 31, 2011 was 122% higher year-on-year.

Higher operating income

Volvo Penta's net sales during the first quarter of 2011 rose by 9% to SEK 2,147 M (1,977). Adjusted for currency fluctuations, sales increased by 17%. Sales were distributed between the two business segments according to the following: Marine SEK 1,201 M (1,197) and Industrial SEK 946 M (780).

Operating income amounted to SEK 164 M, compared with SEK 121 M in the year-earlier period. Profit was positively impacted by increased marine sales and a favorable product mix within industrial engines.

The operating margin was 7.6% (6.1).

Strategic cooperation

In February, Volvo Penta announced a cooperation agreement with Garmin involving development and marketing of instruments, as well as navigation and communication equipment for marine use. Through the agreement, Volvo Penta will be able to offer a complete program of high-tech and multi-functional instruments for leisure boats, which will strengthen the company's world-leading position in integrated drive systems. In cooperation with Garmin, Volvo Penta will also be able to design even better driver environments, with a strong focus on comfort and user-friendliness.

Volvo Aero
– lower profitability

- Stable market growth despite higher oil prices
- Airbus and Boeing plan for higher production rate
- Profitability impacted by manufacturing disturbances and weak US dollar

Net sales by market area, Volvo Aero

	First quarter		
SEK M	**2011**	2010	Change in %
Europe	**747**	1,037	(28)
North America	**852**	791	8
South America	**7**	6	17
Asia	**16**	55	(71)
Other markets	**18**	21	(14)
Total	**1,640**	**1,910**	**(14)**

Air passenger travel up 6%

International Air Transport Association (IATA) reported international traffic for February 2011 showing increases of 6% for passenger and 2% for cargo traffic compared to the same month in 2010. The overall passenger load factor declined to 73% from 75% in February 2010. IATA has revised down its airline industry outlook for 2011 to a profit of USD 8.6 billion from the USD 9.1 billion it projected in December 2010, due to higher oil prices.

Airbus and Boeing announced 222 orders in the first quarter of this year, up 39% compared to same period last year. The aircraft manufacturers expect to deliver more than 1,000 aircraft this year.

Airbus has received 332 orders and commitments for the A320neo and A321neo since the launch of the aircraft late last year, with 240 aircraft to be powered by Pratt & Whitney's PW1100G.

Lower operating income

For Volvo Aero, sales during the first quarter decreased by 14% to SEK 1,640 M compared to SEK 1,910 M in the prior year. Adjusted for currency fluctuations and the divestment of Volvo Aero Services, sales during the first quarter increased by 12%.

Operating income decreased to SEK 28 M (152) affected by the weak US dollar, manufacturing disturbances and supplier issues. Operating margin amounted to 1.7% (8.0).

Successful flight with Boeing's new 747-8 Intercontinental

In March, Boeing 747-8 Intercontinental successfully began its more than 600 hours flight test program that will finish in the fourth quarter. The 747-8 Intercontinental will have the lowest seat-mile cost of any large commercial jetliner, with 12% lower costs than its predecessor, the 747-400. The aircraft is powered by GEnx2B, where Volvo Aero is involved with five different components. The airplane provides 16% better fuel economy, 16% less carbon emissions per passenger and generates a 30% lower noise level than the 747-400.

Volvo Aero has acquired all of Pratt & Whitney's shares in Volvo Aero Norge and hence became sole owner of the company. The acquisition took effect on March 31, 2011.

Consolidated income statement

First quarter	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK M	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Net sales	**69,956**	**56,459**	**2,099**	**2,508**	**(478)**	**(350)**	**71,577**	**58,617**
Cost of sales	**(52,481)**	(43,579)	**(1,354)**	(1,737)	**478**	350	**(53,357)**	(44,966)
Gross income	**17,475**	**12,880**	**745**	**771**	**0**	**0**	**18,220**	**13,651**
Research and development expenses	**(3,309)**	(3,004)	**0**	0	**0**	0	**(3,309)**	(3,004)
Selling expenses	**(5,706)**	(5,476)	**(381)**	(378)	**0**	0	**(6,087)**	(5,855)
Administrative expenses	**(1,715)**	(1,622)	**(8)**	(7)	**0**	0	**(1,723)**	(1,629)
Other operating income and expenses	**(395)**	26	**(177)**	(372)	**0**	0	**(571)**	(346)
Income (loss) from investments in associated companies	**(19)**	(19)	**0**	0	**0**	0	**(19)**	(19)
Income (loss) from other investments	**12**	0	**0**	0	**0**	0	**12**	0
Operating income	**6,343**	**2,785**	**179**	**14**	**0**	**0**	**6,522**	**2,799**
Interest income and similar credits	**166**	124	**0**	0	**(15)**	(21)	**151**	103
Interest expenses and similar charges	**(736)**	(843)	**0**	0	**15**	21	**(720)**	(821)
Other financial income and expenses	**(106)**	147	**0**	0	**0**	0	**(106)**	147
Income after financial items	**5,667**	**2,213**	**179**	**14**	**0**	**0**	**5,847**	**2,228**
Income taxes	**(1,603)**	(472)	**(62)**	(35)	**0**	0	**(1,665)**	(508)
Income for the period*	**4,064**	**1,741**	**117**	**(21)**	**0**	**0**	**4,181**	**1,720**
* Attributable to:								
Equity holders of the parent company							**4,085**	1,681
Minority interests							**96**	39
							4,181	**1,720**
Basic earnings per share, SEK							**2,01**	0,83
Diluted earnings per share, SEK							**2,01**	0,83

Consolidated other comprehensive income

Income for the period	**4,181**	1,720
Translation differences of foreign operations	**(2,383)**	(1,186)
Translation differences on hedge instruments of net investment in foreign operations	**3**	100
Accumulated translation differences reversed to income	**(18)**	0
Available for sale investments	**(34)**	70
Changes in cash flow hedge reserve	**(57)**	(172)
Other comprehensive income, net of income taxes	**(2,489)**	(1,188)
Total comprehensive income for the period*	**1,692**	**532**
* Attributable to		
Equity holders of the parent company	**1,653**	485
Minority interests	**39**	47
	1,692	**532**

Consolidated balance sheet

	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK M	**Mar 31 2011**	Dec 31 2010	**Mar 31 2011**	Dec 31 2010	**Mar 31 2011**	Dec 31 2010	**Mar 31 2011**	Dec 31 2010
Assets								
Non-current assets								
Intangible assets	**39,464**	40,613	**94**	101	**0**	0	**39,558**	40,714
Tangible assets								
Property, plant and equipment	**52,164**	54,169	**71**	72	**0**	0	**52,235**	54,242
Assets under operating leases	**13,322**	13,217	**10,234**	10,055	**(3,725)**	(3,625)	**19,831**	19,647
Financial assets								
Shares and participations	**1,970**	2,080	**1**	18	**2**	0	**1,973**	2,098
Non-current customer-financing receivables	**503**	598	**35,413**	36,270	**(957)**	(843)	**34,959**	36,025
Deferred tax assets	**10,437**	12,019	**285**	291	**0**	0	**10,722**	12,310
Prepaid pensions	**1,509**	1,636	**12**	12	**0**	0	**1,521**	1,648
Non-current interest-bearing receivables	**936**	941	**9**	204	**(161)**	(379)	**784**	766
Other non-current receivables	**3,127**	3,401	**40**	41	**(205)**	(24)	**2,962**	3,418
Total non-current assets	**123,432**	**128,674**	**46,159**	**47,064**	**(5,046)**	**(4,871)**	**164,545**	**170,868**
Current assets								
Inventories	**41,128**	38,956	**865**	882	**0**	0	**41,993**	39,837
Current receivables								
Customer-financing receivables	**802**	830	**36,043**	36,897	**(1,008)**	(1,064)	**35,837**	36,663
Tax assets	**1,048**	1,045	**86**	90	**0**	0	**1,134**	1,135
Interest-bearing receivables	**1,251**	1,071	**1,017**	1,283	**(1,779)**	(2,012)	**489**	342
Internal funding	**3,284**	7,505	**0**	0	**(3,284)**	(7,505)	**0**	0
Accounts receivable	**27,739**	24,332	**126**	101	**0**	0	**27,865**	24,433
Other receivables	**13,455**	11,561	**1,350**	1,352	**(1,262)**	(1,056)	**13,543**	11,857
Non interest-bearing assets held for sale	**134**	136	**0**	0	**0**	0	**134**	136
Interest-bearing assets held for sale	**0**	0	**0**	0	**0**	0	**0**	0
Marketable securities	**9,825**	9,735	**35**	32	**0**	0	**9,860**	9,767
Cash and cash equivalents	**18,081**	21,756	**1,475**	1,545	**(149)**	(335)	**19,407**	22,966
Total current assets	**116,747**	**116,928**	**40,997**	**42,182**	**(7,482)**	**(11,970)**	**150,262**	**147,139**
Total assets	**240,179**	**245,602**	**87,156**	**89,246**	**(12,528)**	**(16,841)**	**314,807**	**318,007**
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company	**66,828**	65,090	**7,910**	8,020	**0**	0	**74,738**	73,110
Minority interests	**894**	1,011	**0**	0	**0**	0	**894**	1,011
Total shareholders' equity	**67,722**	**66,101**	**7,910**	**8,020**	**0**	**0**	**75,632**	**74,121**
Non-current provisions								
Provisions for post-employment benefits	**7,031**	7,478	**36**	32	**0**	0	**7,067**	7,510
Provisions for deferred taxes	**2,299**	3,026	**1,368**	1,496	**0**	0	**3,667**	4,522
Other provisions	**5,448**	5,785	**150**	150	**2**	1	**5,599**	5,936
Non-current liabilities								
Bond loans	**40,137**	38,767	**0**	0	**0**	0	**40,137**	38,767
Other loans	**33,471**	37,180	**8,156**	8,225	**(85)**	(78)	**41,542**	45,327
Internal funding	**(24,392)**	(26,971)	**25,788**	25,927	**(1,396)**	1,044	**0**	0
Other liabilities	**10,814**	11,172	**534**	389	**(2,612)**	(2,330)	**8,736**	9,231
Current provisions	**9,204**	8,429	**108**	105	**1**	1	**9,314**	8,534
Current liabilities								
Loans	**32,640**	32,101	**7,832**	8,299	**(867)**	(799)	**39,605**	39,601
Internal funding	**(26,678)**	(21,220)	**31,794**	33,643	**(5,116)**	(12,423)	**0**	0
Non interest-bearing liabilities held for sale	**134**	135	**0**	0	**0**	0	**134**	135
Trade payables	**46,584**	47,111	**141**	139	**0**	0	**46,725**	47,250
Tax liabilities	**1,315**	1,571	**254**	161	**0**	0	**1,569**	1,732
Other liabilities	**34,450**	34,937	**3,085**	2,660	**(2,455)**	(2,257)	**35,080**	35,341
Total shareholders' equity and liabilities	**240,179**	**245,602**	**87,156**	**89,246**	**(12,528)**	**(16,841)**	**314,807**	**318,007**
Contingent liabilities							**10,903**	11,003

Consolidated cash flow statement

First quarter	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK bn	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Operating activities								
Operating income	**6.3**	2.8	**0.2**	0.0	**0.0**	0.0	**6.5**	2.8
Depreciation tangible assets	**1.4**	1.5	**0.0**	0.0	**0.0**	0.0	**1.4**	1.5
Amortization intangible assets	**0.8**	0.8	**0.0**	0.0	**0.0**	0.0	**0.8**	0.8
Depreciation leasing vehicles	**0.4**	0.5	**0.6**	0.6	**0.0**	0.0	**1.0**	1.1
Other non-cash items	**0.3**	(0.4)	**0.1**	0.3	**0.1**	0.0	**0.5**	(0.1)
Total change in working capital whereof	**(9.3)**	(4.5)	**(0.6)**	2.4	**(0.4)**	0.0	**(10.3)**	(2.1)
Change in accounts receivable	***(4.6)***	*(3.3)*	***0.0***	*0.0*	***(0.1)***	*0.0*	***(4.7)***	*(3.3)*
Change in inventories	***(3.8)***	*(1.3)*	***(0.1)***	*0.2*	***0.1***	*0.0*	***(3.8)***	*(1.1)*
Change in trade payables	***0.8***	*1.6*	***0.0***	*(0.1)*	***0.0***	*0.0*	***0.8***	*1.5*
Other changes in working capital	***(1.7)***	*(1.5)*	***(0.5)***	*2.3*	***(0.4)***	*0.0*	***(2.6)***	*0.8*
Net of interest and other financial items	**(0.5)**	(0.7)	**0.0**	0.0	**0.0**	0.0	**(0.5)**	(0.7)
Income taxes paid	**(1.5)**	(1.0)	**0.0**	0.1	**0.0**	0.0	**(1.5)**	(0.9)
Cash flow from operating activities	**(2.1)**	**(1.0)**	**0.3**	**3.4**	**(0.3)**	**0.0**	**(2.1)**	**2.4**
Investing activities								
Investments in tangible assets	**(1.2)**	(1.2)	**0.0**	0.0	**0.0**	0.0	**(1.2)**	(1.2)
Investments in intangible assets	**(0.9)**	(0.8)	**0.0**	0.0	**0.0**	0.0	**(0.9)**	(0.8)
Investment in leasing vehicles	**0.0**	0.0	**(1.4)**	(0.7)	**0.0**	0.0	**(1.4)**	(0.7)
Disposals of fixed assets and leasing vehicles	**0.2**	0.3	**0.3**	0.5	**0.0**	0.0	**0.5**	0.8
Operating cash flow	**(4.0)**	**(2.7)**	**(0.8)**	**3.2**	**(0.3)**	**0.0**	**(5.1)**	**0.5**
Investments and divestments of shares, net							**0.0**	(0.1)
Acquired and divested operations, net							**(0.2)**	0.0
Interest-bearing receivables incl marketable securites							**(0.2)**	2.5
Cash-flow after net investments							**(5.5)**	**2.9**
Financing activities								
Change in loans, net							**2.7**	(4.1)
Other							**0.0**	0.0
Change in cash and cash equivalents excl. translation differences							**(2.8)**	**(1.2)**
Translation difference on cash and cash equivalents							**(0.8)**	0.1
Change in cash and cash equivalents							**(3.6)**	**(1.1)**

Consolidated net financial position

	Industrial operations		Volvo Group	
SEK M	**Mar 31 2011**	Dec 31 2010	**Mar 31 2011**	Dec 31 2010
Non-current interest-bearing assets				
Non-current customer-financing receivables	**-**	–	**34,959**	36,025
Non-current interest-bearing receivables	**936**	941	**784**	766
Current interest-bearing assets				
Customer-financing receivables	**-**	–	**35,837**	36,663
Interest-bearing receivables	**1,251**	1,071	**489**	342
Internal funding	**3,284**	7,505	**-**	–
Interest-bearing assets held for sale	**0**	0	**0**	0
Marketable securities	**9,825**	9,735	**9,860**	9,767
Cash and cash equivalents	**18,081**	21,756	**19,407**	22,966
Total financial assets	**33,377**	**41,008**	**101,336**	**106,529**
Non-current interest-bearing liabilities				
Bond loans	**40,137**	38,767	**40,137**	38,767
Other loans	**33,471**	37,180	**41,542**	45,327
Internal funding	**(24,392)**	(26,971)	**-**	–
Current interest-bearing liabilities				
Loans	**32,640**	32,101	**39,605**	39,601
Internal funding	**(26,678)**	(21,220)	**-**	–
Total financial liabilities	**55,178**	**59,857**	**121,284**	**123,695**
Net financial position excl post-employment benefits	**(21,801)**	**(18,849)**	**(19,948)**	**(17,166)**
Provisions for post-employment benefits, net	**5,522**	5,842	**5,546**	5,862
Net financial position incl post-employment benefits	**(27,323)**	**(24,691)**	**(25,494)**	**(23,028)**

Changes in net financial position, Industrial operations

SEK bn	First quarter 2011
Beginning of period	**(24,7)**
Cash flow from operating activities	(2,1)
Investments in fixed assets	(2,1)
Disposals	0,2
Operating cash-flow	**(4,0)**
Investments and divestments of shares, net	0,0
Acquired and divested operations, net	(0,7)
Capital injections to/from Customer Finance operations	(0,1)
Currency effect	2,1
Other changes	0,1
Total change	**(2,6)**
Net financial position at end of period	**(27,3)**

Consolidated changes in shareholders' equity

	First quarter	
SEK bn	**2011**	2010
Total equity at end of previous period	**74,1**	**67,0**
Transition effect IFRS 3, capitalized transaction costs	**-**	(0,1)
Total equity at beginning of period	**74,1**	**66,9**
Shareholders' equity attributable to equity holders of the parent company at beginning of period	**73,1**	**66,4**
Income for the period	**4,1**	1,7
Other comprehensive income	**(2,5)**	(1,3)
Total comprehensive income	**1,6**	**0,4**
Dividend to AB Volvo's shareholders	**0,0**	0,0
Share-based payments	**0,0**	0,0
Transactions with minority interests	**0,0**	0,0
Other changes	**0,0**	0,0
Shareholders' equity attributable to equity holders of the parent company at end of period	**74,7**	**66,8**
Minority interests at beginning of period	**1,0**	0,6
Income for the period	**0,1**	0,0
Other comprehensive income	**0,0**	0,0
Total comprehensive income	**0,1**	**0,0**
Dividend	**0,0**	0,0
Capital contribution	**0,0**	0,0
Minority regarding acquisitions and divestments	**(0,2)**	0,0
Other changes	**0,0**	0,0
Minority interests at end of period	**0,9**	**0,6**
Total equity at end of period	**75,6**	**67,4**

Key ratios

Industrial operations

	First quarter	
	2011	2010
Gross margin, %	**25.0**	22.8
Research and development expenses in % of net sales	**4.7**	5.3
Selling expenses in % of net sales	**8.2**	9.7
Administrative expenses in % of net sales	**2.5**	2.9
Operating margin, %	**9.1**	4.9

	Mar 31 2011	Dec 31 2010
Return on operating capital, %, 12 months rolling values	**23.8**	19.5
Net financial position at end of period, SEK billion	**(27.3)**	(24.7)
Net financial position in % of shareholders' equity at end of period	**(40.3)**	(37.4)
Shareholders' equity as percentage of total assets, end of period	**28.2**	26.9

Customer Finance

	Mar 31 2011	Dec 31 2010
Return on shareholders' equity, %, 12 months rolling values	**2.1**	0.4
Equity ratio at end of period, %	**9.1**	9.0
Asset growth, % from preceding year end until end of period	**(2.3)**	(9.6)

Volvo Group

	First quarter	
	2011	2010
Gross margin, %	**25.5**	23.3
Research and development expenses in % of net sales	**4.6**	5.1
Selling expenses in % of net sales	**8.5**	10.0
Administrative expenses in % of net sales	**2.4**	2.8
Operating margin, %	**9.1**	4.8

	Mar 31 2011	Dec 31 2010
Basic earnings per share, SEK, 12 months rolling values	**6.55**	5.36
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	**36.9**	36.1
Return on shareholders' equity, %, 12 months rolling values	**19.0**	16.0
Shareholders' equity as percentage of total assets, end of period	**24.0**	23.3

Share data

	First quarter	
	2011	2010
Basic earnings per share, SEK	**2.01**	0.83
Diluted earnings per share, SEK	**2.01**	0.83
Number of shares outstanding, million	**2,027**	2,027
Average number of shares during period, million	**2,027**	2,027
Average diluted number of shares during period, million	**2,027**	2,027
Number of company shares, held by AB Volvo, million	**101**	101
Average number of company shares, held by AB Volvo, million	**101**	101

Quarterly figures – Volvo Group

SEK M unless otherwise stated

Industrial operations	1/2010	2/2010	3/2010	4/2010	1/2011
Net sales	**56,459**	**66,717**	**62,225**	**71,974**	**69,956**
Cost of sales	(43,579)	(51,066)	(47,015)	(55,820)	**(52,481)**
Gross income	**12,880**	**15,651**	**15,210**	**16,154**	**17,475**
Research and development expenses	(3,004)	(3,201)	(3,125)	(3,640)	**(3,309)**
Selling expenses	(5,476)	(5,783)	(5,520)	(5,870)	**(5,706)**
Administrative expenses	(1,622)	(1,430)	(1,295)	(1,293)	**(1,715)**
Other operating income and expenses	26	(445)	(377)	137	**(395)**
Income (loss) from investments in associated companies	(19)	(37)	(10)	(20)	**(19)**
Income (loss) from other investments	0	7	(15)	(49)	**12**
Operating income Industrial operations	**2,785**	**4,763**	**4,866**	**5,420**	**6,343**
Customer Finance					
Finance and lease income	2,508	2,426	2,146	1,951	**2,099**
Finance and lease expenses	(1,737)	(1,670)	(1,387)	(1,180)	**(1,354)**
Gross income	**771**	**756**	**759**	**771**	**745**
Selling and administrative expenses	(385)	(388)	(384)	(369)	**(389)**
Credit provision expenses	(374)	(414)	(339)	(311)	**(178)**
Other operating income and expenses	2	53	12	7	**1**
Operating income Customer Finance	**14**	**7**	**48**	**98**	**179**
Volvo Group					
Operating income	**2,799**	**4,770**	**4,913**	**5,518**	**6,522**
Interest income and similar credits	103	112	115	112	**151**
Interest expense and similar charges	(821)	(815)	(739)	(767)	**(720)**
Other financial income and expenses	147	475	(39)	(370)	**(106)**
Income after financial items	**2,228**	**4,541**	**4,251**	**4,494**	**5,847**
Income taxes	(508)	(1,315)	(1,401)	(1,078)	**(1,665)**
Income for the period*	**1,720**	**3,226**	**2,851**	**3,415**	**4,181**
* Attributable to					
Equity holders of AB Volvo	1,681	3,145	2,807	3,233	**4,085**
Minority interests	39	81	44	182	**96**
	1,720	**3,226**	**2,851**	**3,415**	**4,181**

Key operating ratios, Industrial operations					
Gross margin, %	22.8	23.5	24.4	22.4	**25.0**
Research and development expenses in % of net sales	5.3	4.8	5.0	5.1	**4.7**
Selling expenses in % of net sales	9.7	8.7	8.9	8.2	**8.2**
Administrative expenses in % of net sales	2.9	2.1	2.1	1.8	**2.5**
Operating margin , %	4.9	7.1	7.8	7.5	**9.1**

Depreciation and amortization, included above					
Product and Software development, amortization	716	706	709	727	**680**
Other intangible assets, amortization	105	111	119	112	**108**
Tangible assets, depreciation	2,576	2,663	2,703	2,545	**2,463**
Total	**3,397**	**3,480**	**3,531**	**3,384**	**3,251**
Of which					
Industrial operations	2,782	2,858	2,928	2,769	**2,658**
Customer Finance	615	622	603	615	**593**
Total	**3,397**	**3,480**	**3,531**	**3,384**	**3,251**

Research and development expenses					
Capitalization	713	464	621	771	**800**
Amortization	(588)	(569)	(575)	(614)	**(588)**
Net capitalization of research and development expenses	**125**	**(105)**	**46**	**157**	**212**

Quarterly figures

Share data	1/2010	2/2010	3/2010	4/2010	**1/2011**
Earnings per share, SEK*	0.83	1.55	1.38	1.59	**2.01**
Number of shares outstanding, million	2,027	2,027	2,027	2,027	**2,027**
Average number of shares during period, million	2,027	2,027	2,027	2,027	**2,027**
Number of company shares, held by AB Volvo, million	101	101	101	101	**101**

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

Net sales

SEK M	1/2010	2/2010	3/2010	4/2010	**1/2011**
Trucks	36,488	41,589	41,187	48,041	**45,620**
Construction Equipment	11,148	15,295	12,710	14,657	**15,759**
Buses	5,067	5,253	4,594	5,602	**4,859**
Volvo Penta	1,977	2,631	2,077	2,031	**2,147**
Volvo Aero	1,910	2,133	1,815	1,850	**1,640**
Eliminations and other	(131)	(184)	(158)	(207)	**(68)**
Industrial operations	**56,459**	**66,717**	**62,225**	**71,974**	**69,956**
Customer Finance	2,508	2,426	2,146	1,951	**2,099**
Eliminations	(350)	(378)	(402)	(528)	**(478)**
Volvo Group	**58,617**	**68,765**	**63,969**	**73,398**	**71,577**

Operating income

SEK M	1/2010	2/2010	3/2010	4/2010	**1/2011**
Trucks	1,444	2,478	2,700	3,490	**4,286**
Construction Equipment	1,006	2,086	1,330	1,758	**1,708**
Buses	145	259	155	221	**281**
Volvo Penta	121	312	72	73	**164**
Volvo Aero	152	(372)	224	282	**28**
Group functions and other	(83)	0	385	(404)	**(123)**
Industrial operations	**2,785**	**4,763**	**4,866**	**5,420**	**6,343**
Customer Finance	14	7	48	98	**179**
Volvo Group	**2,799**	**4,770**	**4,913**	**5,518**	**6,522**

Operating margin

%	1/2010	2/2010	3/2010	4/2010	**1/2011**
Trucks	4.0	6.0	6.6	7.3	**9.4**
Construction Equipment	9.0	13.6	10.5	12.0	**10.8**
Buses	2.9	4.9	3.4	3.9	**5.8**
Volvo Penta	6.1	11.9	3.5	3.6	**7.6**
Volvo Aero	8.0	(17.4)	12.3	15.2	**1.7**
Industrial operations	**4.9**	**7.1**	**7.8**	**7.5**	**9.1**
Volvo Group	**4.8**	**6.9**	**7.7**	**7.5**	**9.1**

Accounting principles

As from January 1, 2005, AB Volvo applies the International Financial Reporting Standards (IFRS) as adopted by the EU, for the group consolidation.

The accounting principles, which were applied during the preparation of this report, are described in Note 1 to the consolidated financial statements, which is included in the 2010 Annual Report for the Volvo Group. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Annual Accounts Act.

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

New accounting principles in 2011

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

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

Hedging of commercial currency flows

Volvo only hedges firm flows whereof the major part is realized within 6 months. Hedge accounting is not applied and unrealized gains and losses from fluctuations in the fair values of the contracts are reported in the income statement. As from January 1, 2011 unrealized changes in fair value of commercial derivates related to a receivable or payable is reported in the respective business area. All other unrealized changes in fair value of commercial derivates are reported in the income statement in the segment Group functions and others. This has positively affected the Group's operating income by SEK 99 M during the first quarter whereof SEK 52 M in Group functions and other. In the fourth quarter 2010 the segment Group functions and other where negatively affected by SEK 269 M. During the first quarter of 2010 the effect was positive in an amount of SEK 28 M.

Group functions and other

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

Risks and uncertainties

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

The risks to which the Volvo Group 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 elaborated account for these risks, please refer to the Risk Management section on pages 53–55 in the 2010 Annual Report for the Volvo Group. The Annual Report is available on the internet at www.volvogroup.com. Short-term risks, when applicable, are also described in the respective report per business area of this report.

The earthquake and the resulting tsunami in Japan affect the Group mainly through production disturbances due to delay in deliveries from the suppliers. As a consequence the Group might lose sales and will have productivity related additional cost. Efforts are made to mitigate these effects, however there could be a significant negative effect on the operating income for the Group during the coming quarters.

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 overvalue differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities at March 31, 2011, amounted to SEK 10.9 billion, a decrease of SEK 0.1 billion compared to December 31, 2010. Included in the total is a contingent liability of SEK 0.5 billion pertaining to a claim on Volvo Powertrain to pay penalties following a demand by the U.S. Environmental Protection Agency (EPA). The demand is a consequence of dissenting opinions on whether an agreement between EPA and Volvo Powertrain regarding lower emitting engines also should include engines sold by Volvo Penta.

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

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

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

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

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

Corporate acquisitions and divestments

At the end of the first quarter total assets and liabilities held for sale amount to SEK 134 M (136) and SEK 134 M (135) respectively. In connection with the reclassification, cost of SEK 54 M (–) has affected the operating income in the segment Group functions and other. Depending on the progress with the sale process, the fair value of assets held for sale may change in the forthcoming periods or when the transactions are finalized.

During the first quarter Volvo Aero acquired the minorities' share, 22 %, of Volvo Aero Norge and hence became the sole owner of the company. The transaction has only a marginal effect on the Volvo Group's result and financial position. During the first quarter Volvo has expanded the ownership in construction equipment rental operations through acquisitions of assets and liabilities. These have not had a significant impact on the Volvo Group. Volvo has not made any other acquisitions or divestments that have had a significant impact on the Volvo Group.

Acquisitions after the end of the period

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

Related-party transactions

Sales to associated companies amounted to SEK 340 M (238) and purchases from associated companies amounted to SEK 16 M (11) during the first quarter of 2011. On March 31, 2011, receivables from associated companies amounted to SEK 175 M (174) and liabilities to associated companies to SEK 90 M (125). Sales to related-party Renault s.a.s. amounted to SEK 20 M (15) and purchases from Renault s.a.s to SEK 542 M (302) during the first quarter of 2011. Receivables from Renault s.a.s. amounted to SEK 13 M (15) and liabilities to Renault s.a.s. to SEK 388 M (291) on March 31, 2011.

Parent Company

Income Statement, Parent Company

SEK M	First quarter 2011	2010
Net sales [1]	**188**	**163**
Cost of sales [1]	**(188)**	(163)
Gross income	**0**	**0**
Operating expenses [1]	**(197)**	(172)
Income (loss) from investments in Group companies	**(361)**	(351)
Income (loss) from investments in associated companies	**2**	(14)
Income (loss) from other investments	**4**	–
Operating income (loss)	**(552)**	**(537)**
Interest income and expenses	**(371)**	(165)
Other financial income and expenses	**(15)**	(3)
Income after financial items	**(938)**	**(705)**
Income taxes	**254**	128
Income for the period	**(684)**	**(577)**

1 Of net sales in the first three months, SEK 174 M (144) pertained to Group companies, while purchases from Group companies amounted to SEK 121 M (106).

Other comprehensive income

	2011	2010
Income for the period	**(684)**	**(577)**
Available-for-sale investments	**(25)**	58
Other comprehensive income, net of income taxes	**(25)**	**58**
Total comprehensive income for the period	**(709)**	**(519)**

Balance Sheet, Parent Company

SEK M		March 31 2011		Dec 31 2010
Assets				
Non-current assets				
Intangible assets		**99**		103
Tangible assets		**16**		16
Financial assets				
Shares and participations in Group companies	**59,429**		59,429	
Other shares and participations	**2,480**		2,498	
Deferred tax assets	**3,911**	**65,820**	3,657	65,584
Total non-current assets		**65,935**		**65,703**
Current assets				
Short-term receivables from Group companies		**11,790**		12,226
Other short-term receivables		**419**		261
Cash and bank accounts		**0**		0
Total current assets		**12,209**		**12,487**
Total assets		**78,144**		**78,190**
Shareholders´equity and liabilities				
Shareholders´equity				
Restricted equity	**9,891**		9,891	
Unrestricted equity	**31,253**	**41,144**	31,962	41,853
Untaxed reserves		**4**		4
Provisions		**132**		134
Non-current liabilites [1]		**17**		17
Currrent liabilites [2]		**36,847**		36,182
Total shareholders´equity and liabilities		**78,144**		**78,190**

1) Of which SEK 7 M (7) pertains to Group companies.
2) Of which SEK 36,520 M (35,835) pertains to Group companies.

In the first quarter revaluation of the ownership in the listed company Deutz AG has decreased the value by SEK 25 M, recognized in other comprehensive income.

Investments in intangible and tangible assets amounted to SEK – (22) and SEK 0 M (1) respectively.

Financial net debt amounted to SEK 31,022 M at the end of the first quarter (30,376).

Events after the balance sheet date

No significant events have occurred after the end of the first quarter 2011 that are expected to have a substantial effect on the Volvo Group.

Göteborg April 27, 2011
AB Volvo (publ)

Leif Johansson
President and CEO

This report has not been reviewed by AB Volvo's auditors.

Deliveries

Delivered trucks

	First quarter		
	2011	2010	Change in %
Trucks			
Europe	**23,060**	12,181	89
Western Europe	**19,031**	10,641	79
Eastern Europe	**4,029**	1,540	162
North America	**8,821**	5,255	68
South America	**6,112**	4,553	34
Asia	**13,730**	11,811	16
Other markets	**3,346**	3,140	7
Total Trucks	**55,069**	**36,940**	**49**
Light duty (< 7 tons)	**6,399**	5,567	15
Medium duty (7-16 tons)	**8,042**	7,476	8
Heavy duty (>16 tons)	**40,628**	23,897	70
Total Trucks	**55,069**	**36,940**	**49**
Mack Trucks			
Europe	**-**	–	–
Western Europe	**-**	–	–
Eastern Europe	**-**	–	–
North America	**3,819**	2,859	34
South America	**476**	264	80
Asia	**-**	11	(100)
Other markets	**204**	159	28
Total Mack Trucks	**4,499**	**3,293**	**37**
Light duty (< 7 tons)	**-**	–	–
Medium duty (7-16 tons)	**-**	–	–
Heavy duty (>16 tons)	**4,499**	3,293	37
Total Mack Trucks	**4,499**	**3,293**	**37**
Renault Trucks			
Europe	**11,976**	7,217	66
Western Europe	**10,808**	6,673	62
Eastern Europe	**1,168**	544	115
North America	**15**	5	200
South America	**156**	90	73
Asia	**1,122**	475	136
Other markets	**1,104**	1,062	4
Total Renault Trucks	**14,373**	**8,849**	**62**
Light duty (< 7 tons)	**4,428**	2,803	58
Medium duty (7-16 tons)	**1,822**	1,785	2
Heavy duty (>16 tons)	**8,123**	4,261	91
Total Renault Trucks	**14,373**	**8,849**	**62**

AB Volvo (publ) discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 7.30 a.m. on April 27, 2011.

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

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

Deliveries

Delivered trucks

	First quarter		
	2011	2010	Change in %
Volvo Trucks			
Europe	**11,084**	4,964	123
Western Europe	**8,223**	3,968	107
Eastern Europe	**2,861**	996	187
North America	**4,725**	2,110	124
South America	**5,439**	4,142	31
Asia	**3,162**	1,832	73
Other markets	**892**	933	(4)
Total Volvo Trucks	**25,302**	**13,981**	**81**
Light duty (< 7 tons)	**-**	–	–
Medium duty (7-16 tons)	**447**	463	(3)
Heavy duty (>16 tons)	**24,855**	13,518	84
Total Volvo Trucks	**25,302**	**13,981**	**81**
UD Trucks			
Europe	**-**	–	–
Western Europe	**-**	–	–
Eastern Europe	**-**	–	–
North America	**262**	281	(7)
South America	**41**	57	(28)
Asia	**3,877**	5,240	(26)
Other markets	**1,146**	986	16
Total UD Trucks	**5,326**	**6,564**	**(19)**
Light duty (< 7 tons)	**1,220**	2,245	(46)
Medium duty (7-16 tons)	**2,035**	2,057	(1)
Heavy duty (>16 tons)	**2,071**	2,262	(8)
Total UD Trucks	**5,326**	**6,564**	**(19)**
Eicher[1)]			
Europe	**-**	–	–
Western Europe	**-**	–	–
Eastern Europe	**-**	–	–
North America	**-**	–	–
South America	**-**	–	–
Asia	**5,569**	4,254	31
Other markets	**-**	–	–
Total Eicher	**5,569**	**4,254**	**31**
Light duty (< 7 tons)	**751**	519	45
Medium duty (7-16 tons)	**3,738**	3,171	18
Heavy duty (>16 tons)	**1,080**	564	92
Total Eicher	**5,569**	**4,254**	**31**

1) 50% of the joint venture together with Eicher Motor Limited is consolidated in the Volvo Group.

Delivered buses

	First quarter		
	2011	2010	Change in %
Buses			
Europe	**466**	524	(11)
Western Europe	**448**	507	(12)
Eastern Europe	**18**	17	6
North America	**703**	607	16
South America	**283**	261	8
Asia	**778**	987	(21)
Other markets	**303**	173	75
Total Buses	**2,533**	**2,552**	**(1)**

Further publication dates

Report for the first six months 2011	July 22, 2011
Report for the first nine months 2011	October 21, 2011
Report on 2011 operations	February, 2012
Annual Report	March, 2012

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

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