VOLVO CAR GROUP

IN BRIEF

- Positive EBIT first half of 2012
- Sales performance affected by weaker market
- Transformation programme on track
- Launch of all-new V40
- Signed Memorandum of Understanding with Zhejiang Geely Holding to evaluate future co-operations
- Established Financial Services in the US

KEY FIGURES

	2012 H1	2011 H1	2011 FY
Retail sales, 000	221	231	449
China	21	21	47
USA	35	36	67
EU 20	123	136	252
Rest of World	42	38	83
Revenue, BSEK	65	63	126
EBIT, MSEK	239	1,529	1,636
Operating cash flow, MSEK	280	3,618	5,869

FINANCIAL REPORT JANUARY – JUNE 2012

THIS IS THE VOLVO CAR GROUP

Volvo Car Group's history goes back to 1927 when the Swedish company Volvo Car Corporation was founded and the first Volvo car was launched. Volvo Car Group is headquartered in Gothenburg and has its major manufacturing plants in Torslanda, Sweden and in Gent, Belgium. In 2011 our 2,238 dealers sold 449,255 cars in more than 100 countries around the world. In 2010, Zhejiang Geely Holding Group acquired Volvo Car Group from Ford Motor Company. We currently employ around 22,400 people, including around 800 staff relating to the build-up of China as the future second home market.

THE TRANSFORMATION OF THE VOLVO CAR GROUP

Volvo Car Group is going through an encompassing transformation.

A completely new vehicle architecture – Scalable Product Architecture (SPA) – will provide the foundation for products that will deliver the Volvo brand's key components: safety, modern Scandinavian design, environmental care and driving dynamics.

The new products, coupled with the industrial and commercial plan in China, will enable Volvo Car Group to reach the ambitions in global sales volumes of 800,000 cars.

VISION

To be the world's most progressive and desired luxury car brand.

OBJECTIVES

Provide cars people want
Sell over 800,000 vehicles globally
Have a top tier luxury car brand perception
Deliver top industry return on invested capital
Be the employer of choice

ABOUT THIS REPORT

The financials in this report refer to the consolidated business result of Volvo Car Group. This includes Volvo Car Corporation (Volvo Personvagnar AB), its parent company Geely Sweden AB, and all its subsidiaries such as Volvo Car NV Belgium, all sales companies around the world including North America, Volvo China Investment Co Ltd, and Volvo Cars Real Estate and Assets AB.

Joint ventures and minority interest, are reflected in accordance with IFRS accounting principles. Audited annual reports are filed in accordance with local statutory requirements for all legal entities within the group.

In Sweden, audited annual reports for Geely Sweden Holdings AB, Geely Sweden Automotive AB, Geely Sweden AB and Volvo Car Corporation, are filed with the authorities on an annual basis.

CEO COMMENT

A POSITIVE EBIT IN A TIME OF TRANSITION

In a competitive market situation and amidst the most encompassing transformation in the history of the company, Volvo Car Group reports a positive Earnings Before Interest and Taxes (EBIT) for the first six months of 239 MSEK (1,529).

Retail sales amounted to 221,309 cars in the first six months of 2012, a decline of 4 per cent. This is a consequence of weaker demand in combination with a transition in our product programme, where we have phased out our previous S40 and V50 range and introduced the all-new V40. We see weaker sales in 2012 on most of our markets compared to 2011, and our sales development will be our biggest challenge going forward.

In this market situation and amidst the most encompassing transformation in the history of the company, the Volvo Car Group reports a positive EBIT for the first six months of 239 MSEK (1,529). We have taken a pro-active approach to protect margins, staying prudent and not participating fully in incentive wars in some markets.

The all-new V40, launched this spring, will start to support sales in the second part of 2012. We are thrilled by the reception of the car, and given our orderbooks are full, we are reviewing the possibility of increased capacity.

Another important product launch during the first half year was the V60 Plug-in-Hybrid, the first proof point of our ambition to develop Volvo Car Group into a leading actor in car electrification. The V60 Plug-in Hybrid will come into production in November, and we have met a strong interest in the fleet market. We have received orders of a 1,000 cars, corresponding to our production capacity for 2012.

The all-new V40 and the V60 Plug-in Hybrid are early deliverables on the new strategy, launched in 2010 following the Zhejiang Geely Holding's acquisition of the Volvo Car Group. We aim high, with a goal of selling 800,000 cars globally in 2020. In order to reach this, we need to take major development steps in the areas of products, production and competence. Backed by committed owners, we are on track to deliver on the changes needed.

Two initiatives are key in our transformation strategy and thus driving several other initiatives. Number one is our new scalable product architecture, SPA, which will drive commonality across all our product lines in important areas like engine and power train, and will help us delivering on our brand's key components: safety, modern Scandinavian design, environmental care and driving dynamics. Moreover, SPA will deliver a cost structure ensuring competitiveness in the marketplace. We are following our plan with this important initiative which represents the largest part of our total long-term transformation investments. The Torslanda plant in Sweden is now being upgraded in order to meet the requirements of the SPA architecture, for which production will commence in early 2015.

The second important initiative is our industrial and commercial plan for China, Volvo Car Group's future second home market, aiming at structures and capabilities for annual sales of 200,000 cars. Our manufacturing footprint is developing according to plan, awaiting governmental approval. We are establishing our local R&D center, strengthening our dealer network and competence in our brand and investing in on-site consumer insight. The strong sales development in 2011 has declined during the first six months and puts pressure on areas in our go-to-market capabilities, areas that are now being addressed in order for us to be prepared once local production has been approved.

The economical uncertainties in most of our markets will remain for the rest of the year, and competition is stiff. 2012 and 2013, are transition years where our ambition will be to protect volumes and margins, while developing our future product programme and establishing China as our future second home market. We are currently taking measures on the cost side, but our strategy remains and so do our objectives.

We are building robustness into our group and we have begun our transformation journey. Our strengths lie in dedicated employees, a clear vision and a long-term strategy that will transform our company into a truly luxury car brand that will meet the expectations of demanding Volvo customers around the world.

Stefan Jacoby
President and CEO

MARKET DEVELOPMENT

ECONOMIC DOWNTURN AFFECTING THE CAR INDUSTRY

CAR INDUSTRY DEVELOPMENT

In Europe, the first half of 2012 has seen unfavourable macro economic conditions, resulting in a negative development for the car industry. In the first half of 2012, the European car industry was down 6.5 per cent to 6.73 million units (7.20 million). The Swedish car market amounted to 143,000 units, down 9.2 per cent from the 2011 volume of 157,000. In all markets, competition has become increasingly fierce as car makers aim to regain volumes after the previous economic downturns. The US market totaled 7.26 million units in the first half of 2012, up 13.7 per cent from 6.39 million in the same period of 2011. The car market in China increased by 6.8 per cent to 6.5 million units (6.04 million).

INDUSTRY DEVELOPMENT (TOTAL PASSENGER VEHICLES REGISTERED)

000'	2012 H1	2011 H1	Change, %	2011 FY
China*	6,454	6,041	6.8	13,150
USA	7,262	6,385	13.7	12,623
EU 20	6,731	7,197	(6.5)	13,256
of which Sweden	143	157	(9.2)	305

* Preliminary figures for 2012 H1

VOLVO CAR GROUP RETAIL SALES

Volvo Car Group's global retail sales for the first half of 2012 amounted to 221,309 cars, down 4.1 per cent compared to the same period in 2011 (230,746). In 2011, Volvo was the fastest growing luxury brand while sales in the first half of 2012 have been negatively influenced by uncertainty in major economies and a tougher competitive climate.

For Volvo Car Group, the European market was heavily affected by the euro zone crisis, China reported a minor increase, the United States decreased moderately, while markets such as Russia and Japan showed a positive development. Changes in the product portfolio had an effect on sales as the Volvo S40 and V50 models were phased out during the spring. These models have been replaced by the all-new Volvo V40 hatchback for which production will reach full capacity during the autumn of this year.

Europe (EU20)

Retail sales in the European region amounted to 123,279 cars during the first half of 2012, representing a decline of 9.1 per cent compared to the same period in 2011 (135,608). Volvo Car Group's performance in Europe was strongly affected by a weak home market with Sweden representing more than one fifth of Volvo Car Group's total European sales. Additionally, the uncertainty in the euro zone affected sales in Southern Europe in particular, with sales of Volvo cars in France, Italy and Spain declining more than 20 per cent compared to the first half of 2011. Market share fell from 1.90 to 1.87 per cent. The Volvo XC60 crossover was the best selling model during the period, followed by the V60 sportswagon and the V50 estate. The all-new Volvo V40 as well as class-leading CO_2 improvements in the product range are expected to support sales growth.

United States

Total sales of Volvo Car Group in the US for the first half of 2012 were down by 4.7 per cent to 34,617 cars (36,316), with a decreased market share from 0.57 to 0.47 per cent of the total passenger vehicle market. The market situation was characterized by significant customer incentives to maintain sales volumes at a time when many consumers were hesitating to invest in new cars. Volvo Car Group has been restrictive in offering incentives resulting in an expected decline in market share. The phase-out of the Volvo S40 sedan model also affected sales, partly offset by growing demand for the Volvo S60 sedan which was the best selling model during this period, followed by the Volvo XC60 and XC90 models. An all-wheel-drive version of the Volvo S60 has recently been introduced to strengthen the product offer in the US market.

China

The sales volume in China totaled 21,378 cars, up 1.7 per cent compared to the same period in 2011 (21,028). The growth rate has slowed down compared to the previous year following an increasingly competitive situation with higher levels of incentives and new product launches in the luxury segment. The moderate growth rate is also explained by the extraordinary growth in the first half of 2011 (35.7 per cent), when the recently launched Volvo S60 and XC60 models boosted sales in China. The top three models to date are the Volvo XC60 crossover, the S60 sedan and the S80L sedan.

Rest of World

Sales in the rest of the world amounted to 42,035 cars (37,794), representing a growth rate of 11.2 per cent. Russia reported growth of 49.6 per cent, selling 10,173 cars (6,801), where almost 70 per cent of sales consisted of cars from the XC-range, the XC60 crossover being the best selling model. Japan continued to grow, up 33.5 per cent to 6,539 cars (4,899), explained by high customer demand for the Volvo V60 sportswagon, the best-seller in Japan. Volvo Car Group will seize further opportunities in these and other overseas markets to build on the current positive developments.

RETAIL SALES (NUMBER OF CARS SOLD)

	2012 H1	2011 H1	Change, %	2011 FY
China	21,378	21,028	1.7	47,140
USA	34,617	36,316	(4.7)	67,273
EU 20	123,279	135,608	(9.1)	252,217
of which Sweden	26,296	29,580	(11.1)	58,463
of which Germany	17,345	17,712	(2.1)	33,167
of which UK	17,262	17,928	(3.7)	32,770
RoW	42,035	37,794	11.2	82,625
of which Russia	10,173	6,801	49.6	19,209
TOTAL	**221,309**	**230,746**	**(4,1)**	**449,255**

MARKET SHARE

	2012 H1	2011 H1	Change, % ppts	2011 FY
China*	0.33	0.35	(0.02)	0.30
USA	0.47	0.57	(0.10)	0.54
EU 20	1.87	1.90	(0.04)	1.91
of which Sweden	18.67	18.68	(0.01)	19.30
Russia	0.77	0.59	0.18	0.78

* Preliminary figures for 2012 H1

Market share is based on registered vehicles by market and not retail sales.

ROADMAP TO 800,000 CARS

Volvo Car Group is going through an encompassing transformation. With new owners since August 2010 in Zhejiang Geely Holding, the group now forms its future, based upon in-house developed new technology, and long-term growth in its future second home market, China.

Since 2010, significant progress has been accomplished to support the long-term objectives.

KEY ACHIEVEMENTS H1 2012

Several strategic co-operations have materialized during 2012, which will be of high significance to ensure the future success of the company. A Memorandum of Understanding has been signed with China Development Bank. Under the intent of the MoU, the parties will evaluate a possible co-operation related to China Development Bank's financing of certain Volvo Car Group research and development programs in the area of efficient energy technology, as well as production facilities in China. Additionally, a MoU has been signed with Zhejiang Geely to explore further co-operation between the companies. To support the ambition of leadership within electrification, the Volvo Car Group has advanced its established partnerships with Siemens and the Swedish energy company Vattenfall.

Volvo Car Group aims to establish captive finance solutions globally, and in February 2012, the Volvo Car Group announced the establishment of Volvo Car Financial Services (VCFS), which will begin providing Volvo retailers and customers in the US a variety of financial services products later this year.

The all-new V40 was launched, and positively received, at Geneva Motorshow in the first quarter of 2012 and sales of the V60 Plug in Hybrid commenced.

A NEW VEHICLE ARCHITECTURE - SPA

In the company's ongoing major product revitalization, the new Scalable Product Architecture (SPA) and the new engine family Volvo Environmental Architecture (VEA) will play a crucial role.

The development of SPA is one of Sweden's largest industrial projects ever and all Volvo models from the 60 series and upwards will be based upon it. SPA will significantly improve Volvo Car Group's competitiveness in key areas such as design, CO_2 emissions and driving dynamics as well as further strengthen Volvo Car Group's leadership in safety.

Furthermore, SPA will enhance cost efficiency and commonality. Today Volvo Car Group has three vehicle architectures, four sub-platforms and six power train architectures. With SPA, Volvo Car Group will have one single vehicle architecture and one single power train architecture for the larger cars (60 range and upwards).

The present production plants in Gothenburg, Gent and Skövde will be rebuilt for SPA production.

Production of the first SPA vehicle, the successor to the XC90 model, will start in the Torslanda plant in Sweden early 2015.

A NEW ENGINE ARCHITECTURE – VEA

Volvo Car Group is taking the next step towards zero emissions through a new engine range: VEA (Volvo Environmental Architecture). The new engine range consists solely of four-cylinder engines which can benefit from enhanced performance through electrification or other spearhead technology. VEA will offer four-cylinder engines with higher performance than today's six-cylinder units and lower fuel consumption than the current four-cylinder generation.

NEW PRODUCTS

The all-new Volvo V40 and the V60 Plug-in Hybrid will be instrumental to improve sales and during 2013 the majority of the model range will benefit from a major update.

The all-new Volvo V40 enters one of the most competitive segments in the automotive world, the compact hatchback. The annual sales volume are expected to reach around 90 000 cars over the lifecycle, of which around 90 per cent in Europe.

The all-new Volvo V40 received an outstanding reception in the media and was awarded the highest score ever in the recently published Euro NCAP safety tests.

In November 2012 the production of the Volvo V60 Plug-in Hybrid will commence in Sweden. Volvo Car Group will be the first manufacturer on the market with this new breed of hybrid, a result of close co-operation with Swedish energy supplier Vattenfall.

See www.media.volvocars.com for further product details.

In a VEA engine the number of unique parts is reduced by 60 percent. This promotes manufacturing efficiency, quality assurance and efficiency of new development projects. The new power trains are up to 90 kg (198 lb) lighter than the present ones and fuel economy is improved by up to 35 per cent. The VEA engines will be manufactured in the plant in Skövde, Sweden and the first engine will be on the market in 2013.

CHINA GROWTH PLAN

Volvo Car Group's long-term goal is to increase sales to 200,000 cars per year in China. In order to achieve this, an industrial plan has been developed. It contains two assembly plants, one in Chengdu in Sichuan province and one in Daqing in Heilongjiang province. An additional engine plant is planned to be located in Zhangjiakou in the province of Heibei.

The production will be based upon Volvo Car Group's Manufacturing System ensuring the same processes and quality demands as in the company's European facilities. Sourcing in the Chinese market will be increased and in a locally produced Volvo car around 60 to 80 percent will be sourced from China. The initiative will improve the competitiveness in the luxury segment.

To achieve the goal of 200,000 cars, Volvo Car Group also invests substantially in go-to-market initiatives like brand building and the development of the dealer network.

USA

In USA, Volvo Car Group is seeking long-term solutions to counterbalance the volatility in exchange rates and thereby secure improved profitability and sales in the single largest market in the group.

INVESTING IN COMPETENCE

The new people strategy is vital to enable the Volvo Car Group to achieve its ambitious objectives. The goal of becoming one of the most desired employers will be achieved through a culture emphasizing the core strength of the Volvo brand – putting people in the centre. Recent employee surveys have shown good progress, in particular in the areas of inspiring leadership and the development opportunities available in the group.

FINANCIAL SUMMARY

POSITIVE EBIT IN THE FIRST HALF OF 2012

INCOME STATEMENT

In the first half of 2012, revenues increased by 3.9 per cent to 65.3 BSEK (62.9), despite the decline in sales volume, mainly due to favourable exchange rates.

Gross Profit decreased by 5.5 per cent to 11,149 MSEK (11,795), with lower sales volume, negative market mix, and increased cost mainly relating to the start of the V40 production, the new engine family, and introduction of production flexibility. The impact was partially offset by favourable exchange rates and positive product mix.

R&D expenses increased by 9.7per cent to 2,227 MSEK (2,031) to support the new product strategy of the Volvo Car Group. Selling, General and Administrative expenses rose by 13.6 per cent to 7,460 MSEK (6,567), mainly due to an increased number of employees and intensified market initiatives.

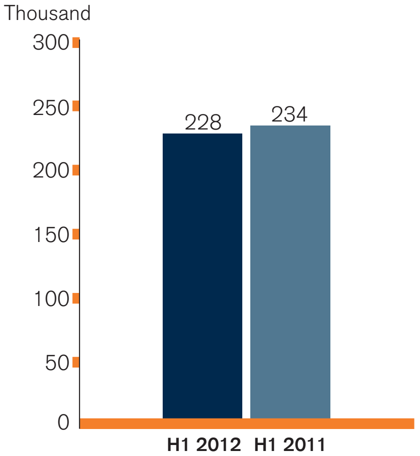
Overall, in the first half of 2012, the Volvo Car Group reported EBIT of 239 MSEK (1,529), corresponding to a margin of 0.4 per cent (2.4). After deducting financial items and taxes, Net Income amounted to a loss of 254 MSEK (Profit of 1,213).

CASH FLOW

In the first half of 2012, operating cash flow was positive in the amount of 280 MSEK compared to 3,618 MSEK in the same period of 2011, affected mainly by unfavourable working capital development.

Total investments increased to 3,322 MSEK (1,324), mainly relating to the Volvo Car Group's launch of the all-new V40 and the new engine family VEA.

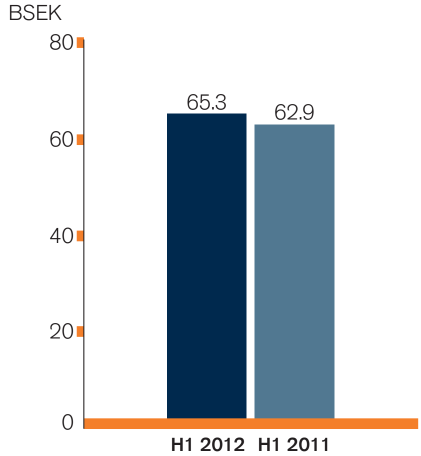
WHOLESALES*



Sales performance was affected by a difficult external environment, and retail sales fell 4.1 per cent. Wholesales, sales to dealers, fell to 227,907 units.

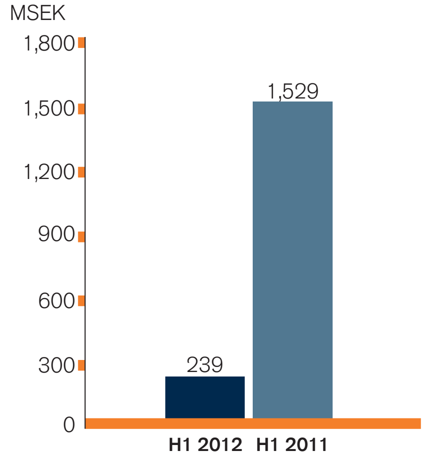
* Wholesales, sales to dealers, drives the financials and is therefore used in the financial section.

REVENUE



Revenue increased to 65.3 BSEK, despite lower sales volume, mainly due to favourable exchange rates.

EBIT



EBIT decreased to 239 MSEK with increased costs due to expansion plans, launch costs of the all-new V40 and higher number of employees.

INCOME STATEMENT

Amounts in million SEK	2012 H1	2011 H1	2011 FY
Revenue	65,325	62,863	125,525
Cost of goods sold	(54,176)	(51,068)	(103,459)
Gross Profit	**11,149**	**11,795**	**22,066**
Research & Development expenses	(2,227)	(2,031)	(4,184)
Selling, General & Administrative expenses	(7,460)	(6,567)	(12,954)
Other income & expenses	(1,223)	(1,668)	(3,292)
EBIT	**239**	**1,529**	**1,636**
Interest income & expenses	(223)	(216)	(549)
Other financial income & expenses	(239)	336	123
EBT	**(223)**	**1,649**	**1,210**
Tax & Non-controlling interests	(31)	(436)	(283)
Net Income	**(254)**	**1,213**	**927**

BALANCE SHEET

Amounts in million SEK	2012 30 June	2011 30 June	2011 31 Dec
Intangible assets	13,895	12,978	13,624
Property, plant and equipment	31,808	31,900	30,479
Other non current assets	2,611	1,543	2,266
Non-current assets	**48,314**	**46,421**	**46,369**
Inventories	15,268	11,922	13,219
Receivables	8,048	6,657	6,039
Other current assets	607	291	211
Cash and cash equivalents	12,832	14,056	15,103
Current assets	**36,755**	**32,926**	**34,572**
Total Assets	**85,069**	**79,347**	**80,941**
Equity	**22,070**	**22,035**	**22,647**
Provisions, non-current	12,504	12,451	12,565
Non current liabilities	9,144	7,966	8,595
Total non-current liabilities	**21,648**	**20,417**	**21,160**
Provisions, current	12,925	11,771	11,502
Trade payables	16,094	14,387	15,464
Other current liabilities	12,332	10,737	10,168
Total current liabilities	**41,351**	**36,895**	**37,134**
Total equity and liabilities	**85,069**	**79,347**	**80,941**

CASH FLOW

Amounts in million SEK	2012 H1	2011 H1	2011 FY
EBIT	239	1,529	1,636
Adjustments for items not affecting cash flow	3,316	2,019	3,690
	3,555	**3,548**	**5,326**
Interest and other financial expenses	(177)	(152)	(308)
Tax paid	(620)	(276)	(572)
Change in Receivables	(2,010)	(1,137)	(519)
Change in Inventories	(2,050)	(1,781)	(3,078)
Change in Trade Payables	630	1,112	2,189
Change in Other	952	2,304	2,831
Total Operating Cash Flow	**280**	**3,618**	**5,869**
Total Investing Cash Flow	**(3,322)**	**(1,324)**	**(3,037)**
Proceeds from borrowings	1,001	4,001	4,001
Repayment of borrowings	(230)	(2,301)	(2,301)
Other	–	107	616
Total Financing Cash Flow	**771**	**1,807**	**2,316**
Total Cash Flow	**(2,271)**	**4,101**	**5,148**

KEY RATIOS

	2012 H1	2011 H1	2011 FY
Revenues, MSEK	65,325	62,863	125,525
Gross profit, MSEK	11,149	11,795	22,066
Gross profit, %	17.1	18.8	17.6
EBIT, MSEK	239	1,529	1,636
EBIT, %	0.4	2.4	1.3
Net Income, MSEK	(254)	1,213	927
Cashflows from operating & investing activities, MSEK	(3,042)	2,294	2,832
Return on equity (ROE), %	(1.1)	5.6	4.2
Return on capital employed (ROCE), %	0.6	3.7	3.9
Return on invested capital (ROIC), %	0.7	4.3	4.8
Equity ratio, %	25.9	27.8	28.0

INFORMATION AND CONTACT

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ACCOUNTING PRINCIPLE
The Volvo Car Group has transitioned to IFRS accounting principles, implemented in 2012 and with 2011 comparative figures restated accordingly. Note that results are not fully comparable with the operating EBIT announced historically. In prior communication, the operating results excluded special items, adjustments according to IFRS such as capitalization requirements and purchase price adjustments.

During 2012 the following accounting changes have been made. As of April 1, hedge accounting related to cash flow hedging was implemented. As of January 1, net financial expenses relating to pensions have been reclassified from operating income to financial items.

DEFINITIONS

Comparative figures:
The equivalent period is shown in brackets

Retail Sales:
Sales to end customers

Wholesales:
Sales to dealers

EU20:
Sweden
Norway
Denmark
Finland
Netherlands
Belgium/Luxemburg
France
Spain
Italy
Greece
Portugal
UK
Ireland
Germany
Switzerland
Austria
Poland
Hungary
Czech Republic