



VOLVO CAR CORPORATION

IN BRIEF

- Profitable in 2011
- Strong sales performance
- New technological future unveiled
- New corporate strategy launched

KEY FIGURES

	2011 H1	2011 H2	2011 FY
Revenue, BSEK	63	63	126
Retail sales, 000	231	218	449
EBIT, MSEK	1,529	107	1,636



2011 FINANCIAL REPORT

CONTENT

CEO's comments	1
Business overview	2
Market development	4
Focus China	5
Financial summary	6
Income statement	7
Balance sheet	8
Cash flow, Key Ratios	9



CEO'S COMMENTS

PROFITABLE IN 2011



For 2011, we recorded an EBIT of 1,636* MSEK for Volvo Car Corporation – a result in line with our expectations. Retail sales in 2011 increased by 20.3 per cent to 449,255 units over full year 2010, an improvement of 75,730 units.

This is the first Financial Report issued by Volvo Car Corporation. As a stand alone company we are now able to provide increased transparency around our business and the financial results. We will provide two financial reports annually - one containing full year results and one interim report with results for the first six months of the year.

Overall, I'm pleased looking back on our achievements during 2011. Our sales situation is positive and we have started the journey of turning the company into a successful luxury car brand. At the same time, we remain exposed to external factors and need to maintain focus in implementing our plans to secure sustainable profitability for the future.

STRONG PRODUCT AND MARKET MIX

The EBIT-result of 1,636 MSEK for 2011 is affected by a strong product and market mix contributing to a revenue of 125.5 BSEK. Profitability is affected by increased research & development costs and industrial capacity to support expansion plans and the new product strategy. Additionally, unfavourable exchange rates and higher raw material prices affected bottom line results negatively.

We will continue to be exposed to external factors and the uncertainties primarily in the European market and we will now need to balance our efforts carefully to maintain the transformation pace in the company.

STRONG SALES PERFORMANCE

Despite some turbulence in the markets, we've had a very good year from a sales perspective. Significant growth was recorded in all sales

"Our sales situation is positive and we have started the journey of turning the company into a successful luxury car brand."

regions, with China demonstrating an increase of 54.4 per cent over 2010. Most importantly, market shares improved in all major markets compared to prior year, demonstrating the strength of our new brand positioning and the success of our XC60, S60 and V60.

DESIGNED AROUND YOU

2011 saw the launch of our new corporate strategy. Scandinavian design and a new concept of luxury will be key in realizing the transformation of the company. In 2011, we launched Concept You at the Frankfurt Motorshow giving a first indication of what the new Volvo is all about. Moving into 2012, at the Geneva motor show in March we launched the all-new Volvo V40. The car is the first new model that is fully developed according to our human-centric, Designed around you concept. Charged with an outstanding set of high-tech features it definitely will give our toughest competitors a headache and it will be an important car in achieving our volume ambitions in Europe with targets of around 90 000 sales annually. In terms of environmental performance, we will be class leading with carbon dioxide emissions at only 94 g/km.

SUCCESSFUL YEAR IN CHINA

The expansion plans in China progressed significantly during 2011. The organization has grown from a sales company into a full operation, and construction has started for the first Volvo plant in China in Chengdu. Sales are growing as expected and the dealer network is expanding according to plan. Overall, we are on track to achieve our long term objective of 200 000 sales in the Chinese market.

Stefan Jacoby
President and CEO, Volvo Car Corporation

* As of 2012, Volvo Car Corporation will extend its external financial reporting for the Group and fully align to IFRS – please refer to definitions under accounting principles on the back cover. Note that any prior communications of results are not fully comparable as a consequence of these changes.

BUSINESS OVERVIEW

HIGHLIGHTS OF 2011

SPA - LEADING IN FUEL EFFICIENCY AND EXCELLENT DRIVING DYNAMICS

With its new ownership, Volvo Car Corporation has revealed that major investments will be made in new products and the industrial system in the coming years. This intensive phase of investments within Research and Development will lay the foundation for the company's long term competitiveness. The basis for future Volvo cars has been defined with the announcement of a Scalable Product Architecture. Together with a new engine and electrification strategy, this will provide technologies that will make Volvo Car Corporation's products leaders in fuel efficiency.

Scalable Product Architecture (SPA) in principle means that most Volvo models can be built on the same production line irrespective of vehicle size and complexity. When the first model built on SPA is launched in 2014 - the new XC90 - about 90 per cent of its components will be new and unique. In addition to the industrial benefits of common vehicle architecture there are also significant product related advantages in terms of weight, electrification, driving dynamics and design proportions.

DESIGNED AROUND YOU - IT'S ALL ABOUT THE CUSTOMER

A new global corporate and brand strategy - "Designed Around You" - is an important part of Volvo Car Corporation's global revitalisation plan. The strategy points out the direction of Volvo's future brand development, and the key word is human. It summarizes the brand's approach to understanding people, providing a more uncomplicated luxury experience while at the same time linking the brand to the heritage of building safe and dependable cars. Objectives for 2020 include sales volumes above 800,000 cars, top tier luxury brand perception, and industry leading Return on Invested Capital.

VOLVO CAR CORPORATION AND SIEMENS LAUNCH ELECTRIC MOBILITY PARTNERSHIP

Volvo Car Corporation is poised to take the lead in developing green technologies to secure sustainable mobility for the future. A strategic

cooperation has been announced between Volvo Car Corporation and Siemens to jointly advance the technical development of electric cars. The focus is on the joint development of electrical drive technology, power electronics and charging technology as well as the integration of those systems into Volvo C30 Electric vehicles.

NEW STAND-ALONE ORGANISATION

As a stand-alone company and with a new corporate strategy it has been essential to realign parts of the organisation in order to properly support Volvo Car Corporation's ambitious growth strategy. Several new globally experienced members have been recruited to the Executive Management Team to secure the execution of the new business plan and profitable growth. Marketing, Sales and Customer Service has undergone important restructuring. At Research & Development major recruiting of engineers was initiated - Volvo Car Corporation's aggressive product plan for the future has created a need to recruit up to 1,200 people, mainly engineers in Gothenburg. A large part of the additional workforce was in place by the end of 2011.

V40 LAUNCH - 90 000 SALES ANNUALLY

Moving into 2012, the all-new V40 is ready to overtake the competition in the Premium Hatchback class with sharpened features and characteristics from larger Volvos wrapped in a sleek, compact package. The all-new Volvo V40 features a class-leading safety and driver support package, including Volvo Car Corporation's groundbreaking Pedestrian Detection with Full Auto Brake and several other new features. The City Safety low-speed collision avoidance system has been further developed and it now operates at speeds up to 50 km/h.

Volvo Car Corporation expects to sell 90,000 units per year of the all-new Volvo V40. A massive 85 per cent of the total volume will go to European customers. Production of the all-new Volvo V40 starts in May 2012. The car will be built in Volvo Car Corporation's plant in Ghent, Belgium.

2011 - A YEAR OF TRANSFORMATION

- SPA - Scalable Product Architecture announced as new technology base
- Designed Around You - a new human centric corporate and brand strategy
- Electrification strategy taken one step further with Siemens partnership
- New organisation and Executive Management Team

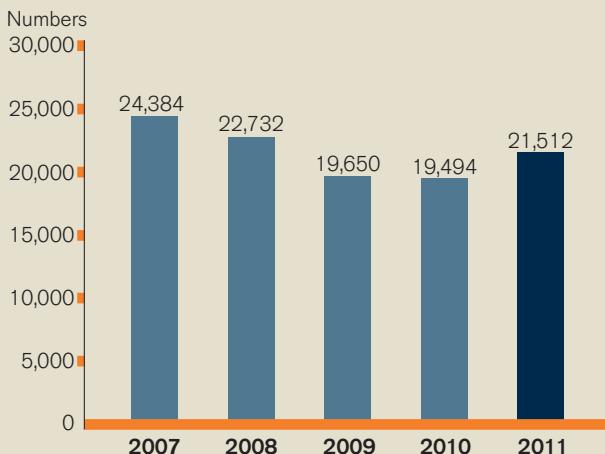


Q1 2012 - Launch of all new Volvo V40 in Geneva



The Concept You was revealed at the Frankfurt Motorshow in September and sets the new design direction and Scandinavian Luxury of Volvo Car Corporation.

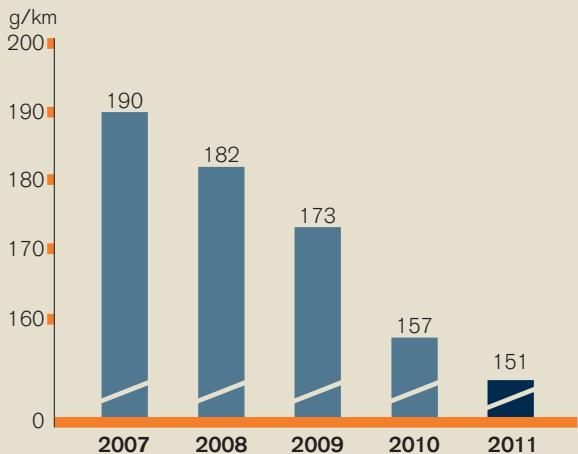
EMPLOYEES*



The growth pace of Volvo Car Corporation has resulted in extensive recruitment programmes. During 2011, over 2,000 new employees have joined the company.

* Number of employees per 31 December 2011, reflect permanent contracts including long-term absences, but excludes temporary staff and agency personnel.

AVERAGE CARBON DIOXIDE EMISSIONS FOR THE EU CAR FLEET



The new technological strategy will support the environmental objectives of Volvo Car Corporation. Already to date, CO₂ emissions have declined rapidly and will continue to fall during the years ahead.

MARKET DEVELOPMENT

MARKET DEVELOPMENT – CONTINUED GROWTH FOR VOLVO CAR CORPORATION

Retail sales in 2011 increased by 20.3 per cent to 449,255 units over full year 2010, an improvement of 75,730 units making Volvo Car Corporation the fastest growing major luxury car manufacturer at the end of 2011. Significant growth was recorded in all sales regions, with China demonstrating the largest increase with 54.4 per cent over 2010. USA grew by 24.7 per cent, Sweden by 10.5 per cent, Europe improved by 10 per cent and the rest of world region grew by 38.3 per cent compared to 2010. Market shares improved in all regions compared to prior year.

The USA remains the top market for Volvo Car Corporation, followed by Sweden and China.

Improved sales are mainly driven by strong demand for the 60-series; the Volvo S60 and V60 together with the XC60 crossover. Sales of the low-carbon dioxide DRIVe models continue to drive sales in Europe and the XC-range continues to perform well, now representing around 36 per cent of total sales.

RETAIL SALES

	2011 H1	2011 H2	2011 FY	2010 FY	Change, %
China	21,028	26,112	47,140	30,522	54.4
USA	36,316	30,957	67,273	53,952	24.7
EU 20	135,608	116,609	252,217	229,312	10.0
of which Sweden	29,580	28,883	58,463	52,894	10.5
RoW	37,794	44,831	82,625	59,739	38.3
TOTAL	230,746	218,509	449,255	373,525	20.3

MARKET SHARE

	2011 H1	2011 H2	2011 FY	2010 FY	Change, % ppts
China*	0.30	0.30	0.30	0.24	0.06
USA	0.57	0.51	0.54	0.47	0.07
EU 20	1.91	1.92	1.91	1.71	0.20
of which Sweden	18.68	19.96	19.30	18.55	0.75

INDUSTRY DEVELOPMENT (TOTAL PASSENGER VEHICLES)

000'	2011 H1	2011 H2	2011 FY	2010 FY	Change, %
China*	6,041	7,109	13,150	12,958	1.5
USA	6,385	6,238	12,623	11,454	10.2
EU 20	7,213	6,070	13,283	13,499	(1.6)
of which Sweden	157	148	305	290	5.3

* Preliminary figures for 2011 H2 and FY

SALES OUTLOOK 2012

In 2012, global economic uncertainty is likely to continue to affect consumer confidence. The European car market is expected to decrease somewhat, and the US market is projected to improve moderately. The luxury segment of the car market in China is projected to increase.

TOP SIX MARKETS

	2011 FY
USA	67,273
Sweden	58,463
China	47,140
Germany	33,167
UK	32,770
Belgium	20,320

FOCUS CHINA

CHINA TO BECOME THE SECOND HOME MARKET

The growth plan for the Chinese market is vital to the year 2020 global sales target of 800,000 sales and the expansion in China is progressing with the establishment of new facilities including local manufacturing. China growth plan is on track.

Since late 2010, Volvo Cars China has grown from a national sales company into a full-fledged organisation including sales and marketing, manufacturing, purchasing, product development and all other supporting functions, headquartered in Shanghai. The sales network in China is expanding systematically and the Chengdu plant construction has been kicked off with investigations ongoing for a potential second plant as well as an engine plant. The company's aim is to reach a sales volume of about 200,000 cars in the Chinese market.

In 2011, sales amounted 47,140 cars, a growth of 54.4 per cent over 2010, compared to an premium average of 37 per cent. Market share increased to 0.30 per cent.

New product launched in the Chinese market include the S60 T5, the XC90 Nordic and the XC60. The most sold model in China in 2011 was the XC60.

Additionally, Volvo Car Corporation increased dealer outlets to 130 dealers in 2011, from 105 in 2010. Over the next four years, Volvo Car Corporation plan to increase it's dealerships to 220 outlets by 2015.



FINANCIAL SUMMARY

POSITIVE SALES DEVELOPMENTS AND IMPROVED MARKET SHARES

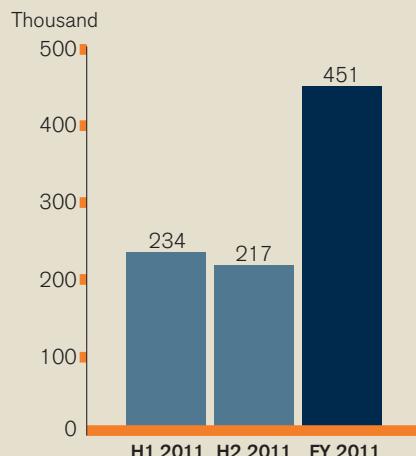
FINANCIAL RESULT 2011

The EBIT-result of 1,636 MSEK for 2011 is affected by a strong product and market mix contributing to a revenue of 125.5 BSEK. Profitability is affected by increased research & development costs and industrial capacity to support expansion plans and the new product strategy. Additionally, unfavourable exchange rates and higher raw material prices affected bottom line results negatively.

FINANCIAL OUTLOOK

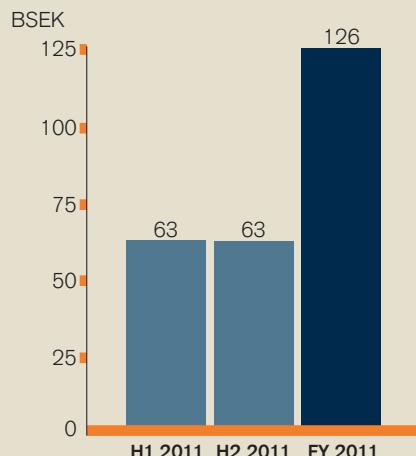
There are concerns about customer confidence given the turbulence of financial markets, in particular in Europe. The European car market is expected to decrease somewhat, and the US market is projected to improve moderately. The luxury segment of the car market in China is projected to increase. At the same time, Volvo Car Corporation demonstrates positive sales developments on the back of a strong brand. In the short to mid term, costs associated with the expansion plans of Volvo Car Corporation will affect profitability. Additionally, continued volatility in raw materials and exchange rates may impact results.

WHOLESALES



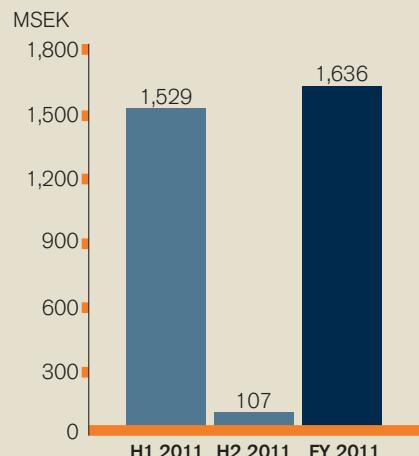
Sales performance was strong in 2011, with retail sales growing by 20.3 per cent. Wholesale, the sales to dealers, grew to 450,741 units.

REVENUE



Revenue was 126 BSEK, as market and product mix continued to be positive with improved volumes.

EBIT



EBIT for 2011 was 1,636 MSEK with strong market developments, affected by higher costs and negative external factors.



INCOME STATEMENT

Amounts in million SEK	2011 H1	2011 H2	2011 FY
Revenue	62,863	62,662	125,525
Cost of goods sold	(51,068)	(52,391)	(103,459)
Gross Profit	11,795	10,271	22,066
Research & Development expenses	(2,031)	(2,153)	(4,184)
Selling, General & Administrative expenses	(6,567)	(6,387)	(12,954)
Other income & expenses	(1,662)	(1,672)	(3,334)
Non-recurring items	(6)	48	42
EBIT	1,529	107	1,636
Interest income & expenses	(216)	(333)	(549)
Other financial income & expenses	336	(213)	123
EBT	1,649	(439)	1,210
Tax & Non-controlling interests	(436)	153	(283)
Net Income	1,213	(286)	927



BALANCE SHEET

	2011 30 June	2011 31 Dec
Amounts in million SEK		
Intangible assets	12,978	13,624
Property, plant and equipment	31,900	30,479
Other non current assets	1,543	2,266
Non-current assets	46,421	46,369
Inventories	11,922	13,219
Receivables	6,657	6,039
Other current assets	291	211
Cash and cash equivalents	14,056	15,103
Current assets	32,926	34,572
Total Assets	79,347	80,941
Equity	22,035	22,647
Provisions, non-current	12,451	12,565
Non current liabilities	7,966	8,595
Total non-current liabilities	20,417	21,160
Provisions, current	11,771	11,502
Trade payables	14,387	15,464
Other current liabilities	10,737	10,168
Total current liabilities	36,895	37,134
Total equity and liabilities	79,347	80,941



CASH FLOW

Amounts in million SEK	2011 H1	2011 H2	2011 FY
EBIT	1,529	107	1,636
Adjustments for items not affecting cash flow	2,019	1,671	3,690
	3,548	1,778	5,326
Interest and other financial expenses	(152)	(156)	(308)
Tax paid	(276)	(296)	(572)
Change in Receivables	(1,137)	618	(519)
Change in Inventories	(1,781)	(1,297)	(3,078)
Change in Trade Payables	1,112	1,077	2,189
Change in Other	2,304	527	2,831
Total Operating Cash Flow	3,618	2,251	5,869
Total Investing Cash Flow	(1,324)	(1,713)	(3,037)
Proceeds from borrowings	4,001	-	4,001
Repayment of borrowings	(2,301)	-	(2,301)
Other	107	509	616
Total Financing Cash Flow	1,807	509	2,316
Total Cash Flow	4,101	1,047	5,148

KEY RATIOS

	2011 H1	2011 H2	2011 FY
Revenues, msek	62,863	62,662	125,525
Gross profit, msek	11,795	10,271	22,066
Gross profit, %	18.76	16.39	17.58
EBIT, msek	1,529	107	1,636
EBIT, %	2.43	0.17	1.30
Net Income, msek	1,213	(286)	927
Cashflows from operating & investing activities, MSEK	2,294	538	2 832
Return on equity (ROE), %	5.55	(1.30)	4.19
Return on capital employed (ROCE), %	3.71	0.25	3.87
Return on invested capital (ROIC), %	4.27	0.30	4.78
Equity ratio, %	27.77	27.98	27.98

THIS IS VOLVO CARS

Volvo Car Corporation was founded in Sweden in 1927. In 2011, our 2,283 dealers sold 449,255 cars in more than 100 countries around the world. We design and manufacture our cars at our headquarters in Gothenburg, Sweden, and we also have a plant in Ghent, Belgium. In 2010, Zhejiang Geely Holding Group acquired Volvo Car Corporation from Ford Motor Company. We currently employ around 21,500 people.

OBJECTIVES AND STRATEGY

Over the next five years, Volvo Cars plans to invest around 75 billion SEK in an aggressive expansion plan globally. The volume target is to achieve sales of 800,000 cars by 2020.

The core strategy is to continue to strengthen the presence in mature markets, while also fully capitalising on the potential offered by emerging growth markets. Our vision is to be the world's most progressive and desired luxury car brand. We'll achieve this by creating cars that understand people, simplify their lives, and enhance their wellbeing.

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

FINANCIAL REPORTING STRUCTURE

The financial statements reflect Volvo Car Group defined as Volvo Car Corporation, its parent company and all subsidiaries. This includes all national sales companies including China, Volvo China Investment Co Ltd, and Volvo Cars Technology Shanghai. Minority interests, such as the manufacturing operations in China, are reflected according to the ownership stake in the business.

ACCOUNTING PRINCIPLE

Volvo Car Corporation has transitioned to IFRS accounting principles, with full implementation as of 2012. As a consequence, 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.

INFORMATION AND CONTACT

You are welcome to contact us by e-mail:

lfortgen@volvocars.com or Telephone: +46-(0)31-59 19 02.

Contact person: Linn Fortgens,
Head of Investor Relations.

Volvo Car Corporation
50400 - HA2S
SE-405 31 Gothenburg, Sweden
www.volvocars.com

