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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

| | |
|------------------------|--|
| Proceeding | 91207836 |
| Party | Plaintiff Volvo Trademark Holding AB |
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| Submission | Testimony For Plaintiff |
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| Signature | /Leigh Ann Lindquist/ |
| Date | 05/11/2016 |
| Attachments | Deposition of M. Dempe Exhibit 62 part 38.pdf(5623854 bytes) Deposition of M. Dempe Exhibit 62 part 39.pdf(4680410 bytes) Deposition of M. Dempe Exhibit 63 part 1.pdf(3331404 bytes) Deposition of M. Dempe Exhibit 63 part 2.pdf(2911702 bytes) Deposition of M. Dempe Exhibit 63 part 3.pdf(4922353 bytes) Deposition of M. Dempe Exhibit 63 part 4.pdf(4885879 bytes) Deposition of M. Dempe Exhibit 63 part 5.pdf(5485279 bytes) Deposition of M. Dempe Exhibit 63 part 6.pdf(5449883 bytes) Deposition of M. Dempe Exhibit 63 part 7.pdf(5299280 bytes) Deposition of M. Dempe Exhibit 63 part 8.pdf(4204988 bytes) Deposition of M. Dempe Exhibit 63 part 9.pdf(4841427 bytes) |

CORPORATE GOVERNANCE REPORT

During 2010, the Board focused specifically on the Group's business development taking into account the earlier uncertainty primarily on the North American and European markets and the recovery that occurred in 2010 regarding demand for the Group's products. In addition, the Board focused on development of the Group's operations ongoing in China, Japan and India.

Corporate bodies in corporate governance

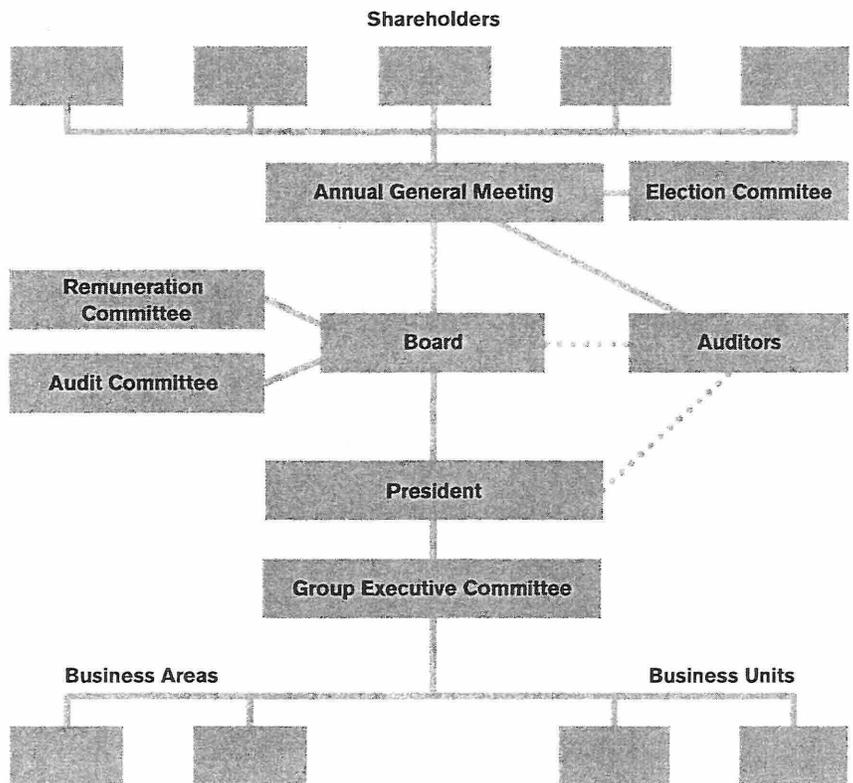
The governance and control of the Volvo Group is carried out through a number of corporate bodies. At the Annual General Meeting, the shareholders exercise their voting rights with regard, for example, to the composition of the Board of Directors of AB Volvo and election of external auditors and as otherwise stipulated in the Companies Act. Information concerning the targets shareholders in AB Volvo as of December 31, 2010 is provided in the Board of Director's report of Volvo on page 57.

The notice for Annual General Meetings (and for Extraordinary General Meetings if any) is, as from the Annual General Meeting 2011, made through advertisement in the Post- and Inrikes Tidningar (Swedish Official Gazette and on the company's website). Announcement that the notice has been published is advertised in *Dagens Nyheter* and *Göteborgs-Posten*.

An Election Committee, appointed by the Annual General Meeting of AB Volvo, proposes candidates to serve as Board members, Board Chairman and external auditors. The Board is responsible for the Group's long-term development and strategy, for controlling and evaluating the company's operations and for the other duties set forth in the Companies Act. In addition, the Board appoints the President of AB Volvo, who is also the Chief Executive Officer (CEO). The duties of the Board are partly exercised through its Audit Committee and its Remuneration Committee. The CEO is in charge of the daily management of the Group in accordance with guidelines and instructions provided by the Board.

The CEO is in charge of the daily management of the Group through primarily two differ-

The Volvo Group Corporate Governance Model



ent bodies, the Group Executive Committee and the business areas' and business units' Boards of Directors. The Group Executive Committee comprises those who report directly to the CEO. The Group Executive Committee meetings, which are led by the CEO, deal with Group-wide issues and issues affecting more than one business area/unit, and sharing of information concerning the Group's performance. The CEO or another member of the Group Executive Committee is the Chairman of the Boards of all business areas and business units, which are comprised mainly of other

members of the Group Executive Committee. The Boards of the business areas and business units effect control and follow-ups of business areas' and business units' financial development, business plans and goals as well as make decisions regarding, for example, investments.

Swedish Code of Corporate Governance

Volvo applies the Swedish Code of Corporate Governance (the Code), which is available at www.bolagsstyrning.se.

Between January 1, 2010 and December 31, 2010 Volvo did not deviate from any of the regulations set forth in the Code.

This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Code.

Election Committee

The Election Committee is the shareholders' body responsible for submitting to the Annual General Meeting the names of candidates to serve as Chairman at the Meeting and Chairman and other members of the Board as well as proposal for fees and other compensations to be paid to the Board members. In the years in which election of auditors for Volvo shall be held, the Election Committee presents proposal for election of auditors and proposal for fees to be paid to the auditors based on the preparations carried out by Volvo's Audit Committee. In addition, the Election Committee, in accordance with prevailing instructions for Volvo's Election Committee, presents proposals for members of the Election Committee for the following year.

In accordance with the aforementioned instructions, the Election Committee shall meet as often as required for the Committee to be able to fulfill its duties.

The Election Committee's proposal shall be presented to Volvo in sufficient time to be included in the notice to attend the Annual General Meeting and to be published on Volvo's website at the same time. In conjunction with the notice to attend the Annual General Meeting is published, the Election Committee shall, among other things, comment on whether those persons who are proposed to be elected as Board members are to be considered as independent in relation to the company and company management as well as to major shareholders in the company and further to comment on their material assignments and holding of shares in Volvo. Moreover, the Committee shall report on how it conducted its work.

In accordance with existing instructions, the Annual General Meeting shall select five

members to serve on the Election Committee, of which four shall represent the largest shareholders in the company, in terms of the number of votes, who have expressed their willingness to participate. In addition, one of the members shall be the Chairman of the AB Volvo Board. Additionally, the Election Committee can offer other larger shareholders to appoint one representative as a member of the Election Committee. If such an offer is made, it should be directed in turn to the largest shareholder in terms of voting rights not already being represented on the Election Committee. The number of members on the Election Committee, however, may not exceed seven.

The Election Committee, which was appointed at Volvo's Annual General Meeting in 2010 in accordance with the instructions, comprised Volvo's Chairman Louis Schweitzer, Thierry Moulouguet, 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. The Election Committee elected Thierry Moulouguet as Chairman. Later during 2010, as offered by the Election Committee, AMF Pension appointed Ingrid Bonde as member of the Committee.

The Election Committee has decided to propose to the Annual General Meeting 2011 the re-election of Louis Schweitzer, Peter Bijur, Jean-Baptiste Duzan, Leif Johansson, Hanne De Mora, Anders Nyrén, Ravi Venkatesan, Lars Westerberg and Ying Yeh as members of the Board of Directors. The Election Committee has also decided to propose to the Annual General Meeting 2011 the re-election of Louis Schweitzer as Chairman of the Board.

The Board

During the period January 1, 2010 and January 15, 2010AB Volvo's Board of Directors consisted of nine members elected by the Annual General Meeting. In addition, the Board had

The Board's composition and attendance at meetings January 1, 2010 to December 31, 2010

| | Board | Audit Remuneration Committee | Committee |
|--|----------|---------------------------------|-----------|
| Finn Johnsson ¹ | | | |
| Peter Bijur | 8 | 6 | |
| Jean-Baptiste Duzan | 8 | 6 | |
| Leif Johansson | 8 | | |
| Hanne de Mora ² | 4 | | |
| Anders Nyrén | 8 | | 5 |
| Louis Schweitzer ³ | 8 | | 5 |
| Ravi Venkatesan | 6 | | |
| Lars Westerberg | 8 | 6 | |
| Ying Yeh ⁴ | 8 | | 5 |
| Martin Linder, employee representative | 8 | | |
| Mikael Sällström, employee representative | 8 | | |
| Berth Thulin, employee representative | 8 | | |
| Total number of meetings | 8 | 6 | 5 |

¹ Left the Board on January 15, 2010.

² Was elected member of the Board on the Annual General Meeting 2010.

³ Was appointed Chairman of the Board and Chairman of the Remuneration Committee as of January 15, 2010 until the close of the Annual General Meeting 2010. Was Elected Chairman of the Board on the Annual General Meeting 2010. Was appointed Chairman of the Remuneration Committee in connection with the Annual General Meeting 2010.

⁴ Member of the Remuneration Committee as of January 15, 2010.

three members and two deputy members appointed by employee organizations.

On January 15, 2010, Finn Johnsson resigned as Chairman of the Board and Board member. Thereby, the number of Board members elected by the Annual General Meeting decreased to eight. In connection with Finn Johnsson resigning as Chairman of the Board and Board member, the Board of Directors appointed Louis Schweitzer as new Chairman of the Board until the next Annual General Meeting.

Effective from and including the 2010 Annual General Meeting, AB Volvo's Board of Directors comprised nine members elected by the Annual General Meeting. In addition, the Board had three members and two deputy members appointed by employee organizations. Louis Schweitzer was elected Board Chairman at the 2010 Annual General Meeting.

AB Volvo's CEO, Leif Johansson, has been a member of the Board during the entire period.

During 2010, six regular meetings, one statutory meeting and one extraordinary meeting were held.

The Board has adopted work procedures for its activities that contain rules pertaining to the distribution of work between the Board members, the number of Board meetings, matters to be handled at regular meetings of the Board and duties incumbent on the Chairman. In accordance with these procedures, the Board's Chairman shall organize and guide the Board's work, be responsible for contacts with the owners regarding ownership matters and provide the owners' viewpoints to the Board, ensure that the Board receives adequate information and decision documents for its work and to control that the Board's decisions are complied with. In addition, the work procedures contain directives concerning the tasks of the Audit Committee and the Remuneration Committee respectively. The Board has also issued written instructions specifying how financial information should be reported to the Board as well as defining the distribution of duties between the Board and the President.

The Annual General Meeting decides on the fees to be paid to the Board members elected by the shareholders. The Annual General Meeting held on April 14, 2010 approved a fee to the Board, for the time until the end of the next Annual General Meeting, according to the following: Chairman of the Board should receive a fee of SEK 1,500,000 and each of the remaining members should receive a fee of SEK 500,000, with the exception of the President. In addition, the Chairman of the Audit Committee should receive SEK 250,000, the other two members of the Audit Committee SEK 125,000 each and the members of the Remuneration Committee SEK 75,000 each.

During the year, the Board reviewed the business plans and strategies for the various businesses in the Volvo Group. The Board also reviewed the financial positions of AB Volvo and the Volvo Group on a regular basis and acted in order to ascertain that there are efficient systems in order to follow-up and control the business and financial position of the Volvo Group. In connection therewith, the Audit Committee was responsible for preparing

for the Board's work to assure the quality of the Group's financial reporting through reviewing the interim reports, the annual report and the consolidated accounting. In connection therewith, the Board met with the company's auditors during 2010. The Board continuously evaluated the performance of the CEO.

The Board has during 2010, after preparation by the remuneration committee, evaluated Volvo's system for variable salary to senior executives and has concluded that the structure applied by Volvo as regards targets and performance periods is well functioning.

During 2010, the Board focused specifically on issues related to the Group's business development taking into account the earlier uncertainty primarily in the North American and European markets and the recovery that occurred in 2010 regarding the demand for the Group's products. Furthermore, the Board focused on development of the Group's operation in China, Japan and India.

The Board's work is mainly performed through Board meetings and through meetings in the respective committees of the Board. In addition thereto, the Chairman of the Board is in regular contact with the CEO in order to discuss on-going business and to ensure that the decisions taken by the Board are executed. An account of each Board member's age, main education, professional experience, assignments in the Company, other important board memberships, their and related parties' ownership of shares in Volvo as of February 24, 2011, and the years of membership on the Volvo Board, is presented in the section Board of Directors and auditors on page 141.

During 2010, the Board performed its yearly evaluation of the Board's work. The Chairman has informed the Election Committee on the result of the evaluation.

Independence requirements

The Board of Directors of AB Volvo must meet independence requirements pursuant to the Code. Further, the Audit Committee must meet independence requirements pursuant to the Swedish Companies Act. Below follows a short description of the independence require-

ments. The independence requirements mainly state that only one person from the company's management may be a member of the Board, that a majority of the Board members elected by the General Meeting shall be independent of the company and the company management and that at least two of the Board members elected by the General Meeting who are independent of the company and the company's management shall also be independent of the company's major shareholders. In addition, the Code demands that a majority of the members in the Audit Committee shall be independent of the company and the company management and that at least one of the members who is independent of the company and the company management shall also be independent of the company's major shareholders. According to the Swedish Companies Act, the members of the Audit Committee may not be employees of the company and that at least one member of the audit Committee shall be independent of the company, company management and the company's largest shareholders and shall have accounting and auditing expertise. With regard to the Remuneration Committee, the Code sets the requirement that members of the Remuneration Committee, with the exception of the Board Chairman if a member of the Remuneration Committee, shall be independent of the company and company management.

Prior to the Annual General Meeting 2010, considering the above requirements regarding the Board's independence, the Election Committee reported the following understanding with regard to the Board members who were elected at the Annual General Meeting in 2010:

Peter Bijur, Hanne De Mora, Anders Nyrén, Ravi Venkatesan, Lars Westerberg and Ying Yeh and Anders Nyrén were all considered independent of the company and company management as well as of the company's major shareholders.

Leif Johansson, as Volvo's CEO, was considered independent of the company's major shareholders but not of the company and company management.

Louis Schweitzer was stated as representing Renault s.a.s. on the Board and Jean-Baptiste

Duzan is an advisor to the president of Renault S.A. and was also stated as representing Renault s.a.s. on the company's Board. They were both considered independent of the company and the company management but were not, since Renault s.a.s. controlled more than 10 percent of the shares and votes in the company, prior to the Annual General Meeting 2010, considered as independent of one of the company's major shareholders.

Prior to the Annual General Meeting 2011, the Election Committee appointed at the Annual General Meeting 2010, has however concluded that Louis Schweitzer is no longer to be considered as dependent of Renault s.a.s., since he is no longer employed by nor has any assignments for Renault and could no longer be considered as a representative of Renault on the company's Board.

The Election Committee must also meet independence requirements pursuant to the Code. According to the Code, the majority of the members of the Election Committee are to be independent of the company and the company management. At least one member of the Election Committee is to be independent of the company's largest shareholder in terms of votes or any group of shareholders that act in concert in the governance of the company. Neither the CEO nor other members of the executive management are to be members of the Election Committee. If Board members are included in the Election Committee, these may not constitute a majority of the Election Committee's members. The Chairman of the Board of the company or other Board member may not be the Chairman of the Election Committee. If Board members are included in the Election Committee, not more than one of them may be dependent in relation to the company's largest shareholders. All members of the Election Committee have been considered to be independent of the company and the company management. All members of the Election Committee except Thierry Moulouguet and Louis Schweitzer have, prior to being appointed, been considered to be independent of Volvo's largest shareholder in terms of votes. This conclusion is based on the facts that Renault s.a.s. is Volvo's largest shareholder in terms of votes, that Thi-

erry Moulouguet represents Renault s.a.s. in the Election Committee and that Louis Schweitzer at the time of the Annual General Meeting 2010, when he was appointed as member of the Election Committee, represented Renault s.a.s. in the Board. As stated above Louis Schweitzer has however, prior to the Annual General Meeting 2011, been considered as independent from Renault s.a.s., Volvo's largest shareholder in terms of votes.

Audit Committee

In December 2002, the Board established an Audit Committee primarily for the purpose of overseeing the accounting and financial reporting processes and the audit of the financial statements. The Audit Committee is responsible for preparing the Board's work to assure the quality of the Group's financial reporting by reviewing the interim reports, the annual report and consolidated accounting. In addition, the Audit Committee's task is to establish guidelines specifying what other services, beyond auditing, the company may procure from the company's auditors and to provide guidelines for transactions with companies and persons closely associated with Volvo. The Audit Committee also has the task of reviewing and overseeing the impartiality and independence of the company's auditor. The Audit Committee is also responsible for evaluating the internal and external auditors' work, providing the Election Committee with the results of the evaluation of the external auditors and to assist in preparing proposals for auditors. Finally, the Audit Committee shall evaluate the quality, relevance and efficiency of the Group's system for internal control over financial reporting, internal audit and risk management.

At the statutory Board meeting following the 2010 Annual General Meeting, Lars Westerberg, Peter Bijur and Jean-Baptiste Duzan were appointed members of the Audit Committee. Lars Westerberg was appointed Chairman of the Audit Committee.

The Audit Committee met with the external auditors and Head of Internal Audit at the meetings of the Audit Committee. The Audit Committee has also met separately with the external auditors and the Head of Internal Audit without the presence of the company management.

The Audit Committee and the external auditors have among other things discussed the external audit plan and risk management. The Audit Committee held six meetings during 2010.

Remuneration Committee

In April 2003, the Board established a Remuneration Committee for the purpose of preparing and deciding on issues relating to remuneration to senior executives in the Group. The duties of the Committee include presenting recommendations for resolution by the Board regarding terms of employment and remuneration for the President of AB Volvo, principles for remuneration, including pensions and severance payments, for other members of the Group Executive Committee, and principles for variable salary systems, share-based incentive programs, pensions and severance payment for other senior executives in the Group. In addition, the Remuneration Committee decides the individual terms of employment for the other members of the Group Executive Committee in accordance with the principles established by the Board.

The Remuneration Committee shall follow and evaluate ongoing programs and programs concluded during the year covering variable remuneration for the Group Executive Committee, application of the guidelines for remuneration to senior executives on which the Annual General Meeting shall decide and the current remuneration structures and levels in the Group. The Board shall, not later than two weeks prior to the Annual General Meeting, submit a report on the results of the Remuneration Committee's evaluation on the company's website.

If the Remuneration Committee commissions external suppliers for its work, it must ensure that there are no conflicts of interest in relation to other assignments this supplier may have for the Group or the Group Executive Committee.

In conjunction with resigning as Chairman and member of the Board of the company on January 15, 2010, Finn Johnsson also left the Remuneration Committee. Thereafter, Ying Yeh was appointed as a new member of the Remuneration Committee and Louis Schweitzer was appointed as the new Chairman of the Remuneration Committee. At the statutory meeting of the Board following the 2010

Annual General Meeting, Louis Schweitzer, Anders Nyrén and Ying Yeh were appointed members of the Remuneration Committee. Louis Schweitzer was named Chairman of the Remuneration Committee. The Remuneration Committee held five meetings during 2010.

Group Executive Committee

An account of their respective age, principal education, Board memberships, their and related parties' ownership of shares in Volvo as of February 24, 2011, and year of joining Volvo for the CEO and each member of the Group Executive Committee is presented in the Group Management section on page 139.

On December 8, 2010, Leif Johansson notified AB Volvo's Board of Directors that he intends to resign as president of AB Volvo, also CEO of the Volvo Group, in conjunction with his 60th birthday in the summer of 2011.

External auditing

Volvo's auditors are elected by the Annual General Meeting. The current auditor is Price-waterhouseCoopers AB (PwC), which was elected at the 2010 Annual General Meeting for a period of four years. Two PwC partners, Göran Tidström and Johan Rippe, are responsible for the audit of Volvo. Göran Tidström is the Lead Partner.

The external auditors discuss the external audit plan and risk management with the Audit Committee. The auditors review the interim report for the period January 1 to June 30 and the annual report and the consolidated accounting. The auditors also express an opinion whether this Corporate Governance Report was prepared or not and in such respect whether certain information therein coincides with the annual and consolidated accounting. The auditors report their findings with regard to the annual report, consolidated accounting and the Corporate Governance Report through the audit reports and a separate opinion regarding the Corporate Governance Report, which they present to the Annual General Meeting. In addition, the auditors report detailed findings from their reviews to the Audit Committee twice a year and, once a year, to the full Board of Directors.

When PwC is retained to provide services other than the audit, it is done in accordance with rules decided by the Audit Committee pertaining to pre-approval of the nature of the services and the fees.

Disclosure Committee

A Disclosure Committee was established in 2004. The Committee contributes to ensuring that Volvo fulfills its obligations according to applicable legislation as well as to listing rules to timely disclose to the financial market all share price sensitive information.

The Committee comprises the heads of the departments Corporate Finance, Internal Audit, Investor Relations, Corporate Legal, Business Control and Financial Reporting. Chairman of the Disclosure Committee is the company's Senior Vice President responsible for Corporate Communications.

Outstanding share and share-price related incentive programs

An account of outstanding share and share-price related incentive programs is provided in Note 34 Employees in the Group's notes.

Report on the key aspects of the company's and Group's system for internal controls and risk management in conjunction with financial reporting

The Board is responsible for the internal controls according to the Swedish Companies Act and the Code. The purpose of this report is to provide shareholders and other interested parties an understanding of how internal control is organized at Volvo with regard to financial reporting. The report has been prepared in accordance with the Annual Accounts Act. Consequently the report is limited to internal control over financial reporting.

Introduction

Volvo primarily applies internal control principles introduced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO principles consist of five inter-related components. The components are: control environment, risk assessment, control activities, information and communication and follow-up.

Volvo has a specific function for internal control. The objective of the Internal Control function is to provide support for management groups within business areas and business units, that allows them to continuously provide good and improved internal controls relating to financial reporting. Work that is conducted through this function is based primarily on a methodology, which aim is to ensure compliance with directives and policies, as well as to create good conditions for specific control activities in key processes related to financial reporting. The Audit Committee is informed of the result of the work performed by the Internal Control function within Volvo with regard to risks, control activities and follow-up on the financial reporting.

Volvo also has an Internal Audit function with the primary task of independently verifying that companies in the Group follow the principles and rules that are stated in the Group's directives, policies and instructions for financial reporting. The head of the Internal Audit function reports directly to the CEO, the Group's CFO and the Audit Committee.

Control environment

Fundamental to Volvo's control environment is the business culture that is established within the Group and in which managers and employees operate. Volvo works actively on communications and training regarding the company's basic values as described in The Volvo Way, an internal document concerning Volvo's business culture, and the Group's Code of Conduct, to ensure that good morals, ethics and integrity permeate the organization.

The foundation of the internal control process relating to the financial reporting is built up around the Group's directives, policies and instructions, as well as the responsibility and authority structure that has been adapted to the Group's organization to create and maintain a satisfactory control environment. The principles for internal controls and directives and policies for the financial reporting are contained in Volvo Financial Policies & Procedures (FPP), an internal document comprising all important instructions, rules and principles.

Risk assessment

Risks relating to the financial reporting are evaluated and monitored by the Board through the Audit Committee inter alia through identifying what types of risks that typically could be considered as material and where they would typically occur. The annual evaluation of internal control activities conducted by the Internal Control and Internal Audit functions, are based on a risk-based model. The evaluation of the risk that errors will appear in the financial reporting is based on a number of criteria. Complex accounting principles can, for example, mean that the financial reporting risks being inaccurate for those posts that are covered by such principles. Valuation of a particular asset or liability according to various evaluation criteria can also constitute a risk. The same is true for complex and/or changing business circumstances.

Control activities

In addition to the Board of AB Volvo and its Audit Committee, the Boards and management groups of Group companies constitute the overall supervisory body.

Several control activities are applied in the ongoing business processes to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected. Control activities range from review of outcome results in management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting. CFOs in Group companies are ultimately responsible for ensuring that control activities in the financial processes are appropriate and in accordance with the Group's policies and instructions. They are also responsible for ensuring that authority structures are designed so that one person can't perform an activity and then perform the control of the same activity. Control activities within IT security and maintenance are a key part of Volvo's internal control over financial reporting.

Information and communication

Policies and instructions relating to the financial reporting are updated and communicated on a regular basis from management to all affected

employees. In addition, there are a number of committees and networks within Volvo that serve as forums for information and discussions regarding issues relating to the financial reporting and application of internal rules. Included in these committees and networks are representatives from the business areas and the Group's staff units who are responsible for financial reporting. Work in these committees and networks is aimed, among other things, at ensuring a uniform application of the Group's policies, principles and instructions for the financial reporting and at identifying and communicating shortcomings and areas of improvement in the processes for financial reporting.

Follow-up

Ongoing responsibility for follow-up rests with the business areas' management groups and accounting and controller functions. In addition, the Internal Audit and the Internal Control functions conduct follow-up and supervision in accordance with what is described in the introduction of this report. More specifically, the Internal Control function runs and coordinates evaluation activities through the "Volvo Group Internal Control programme", which gives a systematic way of evaluating the quality and effectiveness of the internal control over financial reporting on a yearly basis. A yearly evaluation plan is settled and presented to the Audit Committee. This evaluation programme comprises three main areas:

1. **Group-wide controls:** Self assessment procedure carried out by management teams at business area and business unit level as well as local company level. Main areas evaluated are the adherence to the Group's financial directives and policies found in FPP along with The Volvo Way and the Group's Code of Conduct.
2. **Process controls at transaction levels:** Processes related to the financial reporting are evaluated by testing of specific routines and controls based upon the Group's framework for internal control over financial reporting, VICS – "Volvo Internal Control Standards". The framework focus on the financial reporting

areas deemed to have a relatively higher risk for potential errors because e.g. complex accounting principles, complex or changed business operations etc.

3. **General IT controls:** Processes for maintenance, development and access management of financial applications are evaluated by testing of routines and controls.

The results of the evaluation activities are reported to the Group management and the Audit Committee.

Göteborg, February 24, 2011

AB Volvo (publ)

Board of Directors

Auditor's report on the Corporate Governance Report

It is the Board of Directors who is responsible for the Corporate Governance Report on pages 142–147 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Report has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Göteborg, February 24, 2011

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public
Accountant
Lead Partner

Johan Rippe
Authorized Public
Accountant

Definitions

Basic earnings per share

Income for the period attributable to shareholders of the Parent Company divided by the weighted average number of shares outstanding during the period.

Capital expenditures

Capital expenditures include investments in property, plant and equipment, intangible assets and assets under operating leases. Investments in fixed assets included in the Group's cash-flow statement include only capital expenditures that have reduced the Group's liquid funds during the year.

Cash-flow

Combined changes in the Group's liquid funds during the fiscal year. Changes in liquid funds are specified with reference to changes in operations, operating activities, changes depending on investments in equipment, fixed assets etc. and financing activities such as changes in loans and investments.

Diluted earnings per share

Diluted earnings per share is calculated as income for the period attributable to the Parent Company's shareholders divided by the average number of shares outstanding plus the average number of shares that would be issued as an effect of ongoing share-based incentive programs and employee stock option programs.

EBITDA

EBITDA is the operating income before depreciation and amortization of tangible and intangible assets. This key figure is calculated by adding back depreciation and amortization on the operating income of the Industrial operations.

Equity ratio

Shareholders' equity divided by total assets.

Interest coverage

Operating income plus interest income and similar credits divided by interest expense and similar charges.

Joint ventures

Companies over which the Company has joint control together with one or more external parties.

Net financial position

Cash and cash equivalents, marketable securities and interest-bearing short- and long-term receivables reduced by short- and long-term interest-bearing liabilities and provisions for post-employment benefits.

Operating margin

Operating income divided by net sales.

Return on shareholders' equity

Income for the period divided by average shareholders' equity.

Self-financing ratio

Cash-flow from operating activities (see Cash-flow statement) divided by net investments in fixed assets and leasing assets as defined in the cash-flow statement.

Annual General Meeting, April 6, 2011

The Annual General Meeting of AB Volvo will be held in Göteborg in Lisebergshallen (entrance from Örgrytevägen) Wednesday, April 6, 2011, at 3:00 p.m.

Notice

Those who wish to participate must be recorded in the share register maintained by Euroclear Sweden AB on March 31, 2011 and give notice of intention to attend, not later than March 31, 2011, preferably before 12:00:

- by telephone, +46 8 402 90 76, beginning March 7, 2011
- by mail addressed to AB Volvo (publ), "AGM", P.O. Box 7481, SE-103 98 Stockholm, Sweden
- on AB Volvo's website www.volvogroup.com

When giving notice, shareholders should state their:

- name
- personal number (registration number)
- address and telephone number
- name and personal number (registration number) of the proxy, if any
- name(s) of any accompanying assistant(s)

Shareholders whose shares are held in the trust department of a bank or by a brokerage firm should, several banking days prior to March 31, 2011, request temporary owner-registration, so-called voting-right registration, at the bank or broker holding the shares.

Volvo's Election Committee

The following persons are members of Volvo's Election Committee:

| | |
|--------------------|--|
| Thierry Moulouquet | Chairman of the Election Committee, Renault s.a.s. |
| Ingrid Bonde | AMF Pension |
| Carl-Olof By | AB Industrivärden |
| Lars Förberg | Violet Partners LP |
| Håkan Sandberg | Handelsbanken SHB Pension Fund, SHB Pensionskassa, SHB Employee Fund and Oktogonen |
| Louis Schweitzer | Chairman of the AB Volvo Board |

Among other duties, the Election Committee is responsible for submitting to the Annual General Meeting proposals for candidates to serve as members of the Board of Directors and Chairman of the Board. The Committee also proposes the amount of the fees to be paid to the holders of these positions.

Preliminary publication dates

| | |
|--|------------------|
| Report for the first three months 2011 | April 27, 2011 |
| Report for the first six months 2011 | July 22, 2011 |
| Report for the first nine months 2011 | October 25, 2011 |
| Report on 2011 operations | February, 2012 |
| Annual Report 2011 | March, 2012 |

The reports are available on www.volvogroup.com on date of publication and are also sent electronically to shareholders who have advised Volvo that they wish to receive financial information.

Historical and current time series reflecting the Volvo Group's market information and share data are published regularly on www.volvogroup.com.

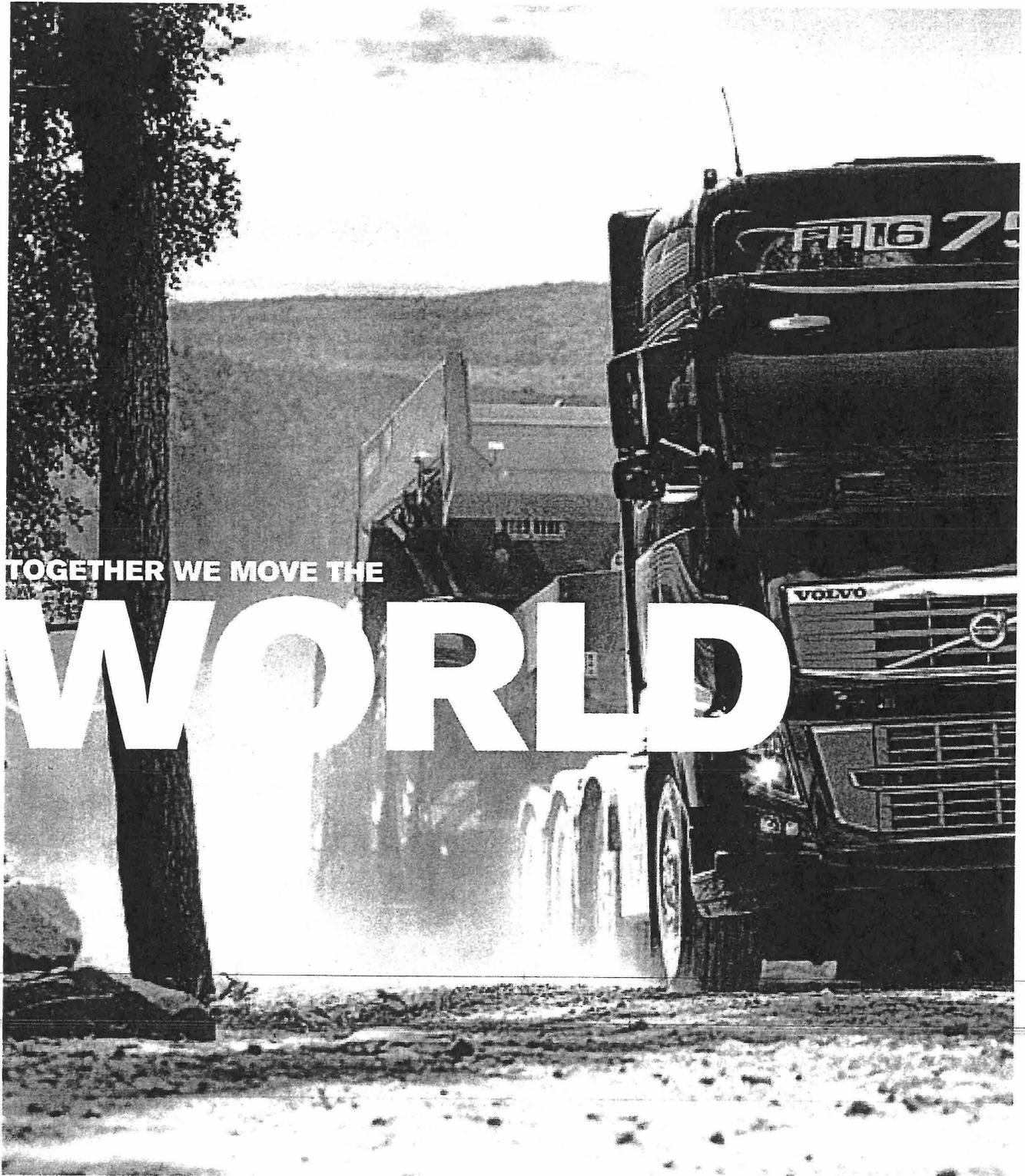
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EXHIBIT 63



TOGETHER WE MOVE THE

WORLD

VOLVO

A global group

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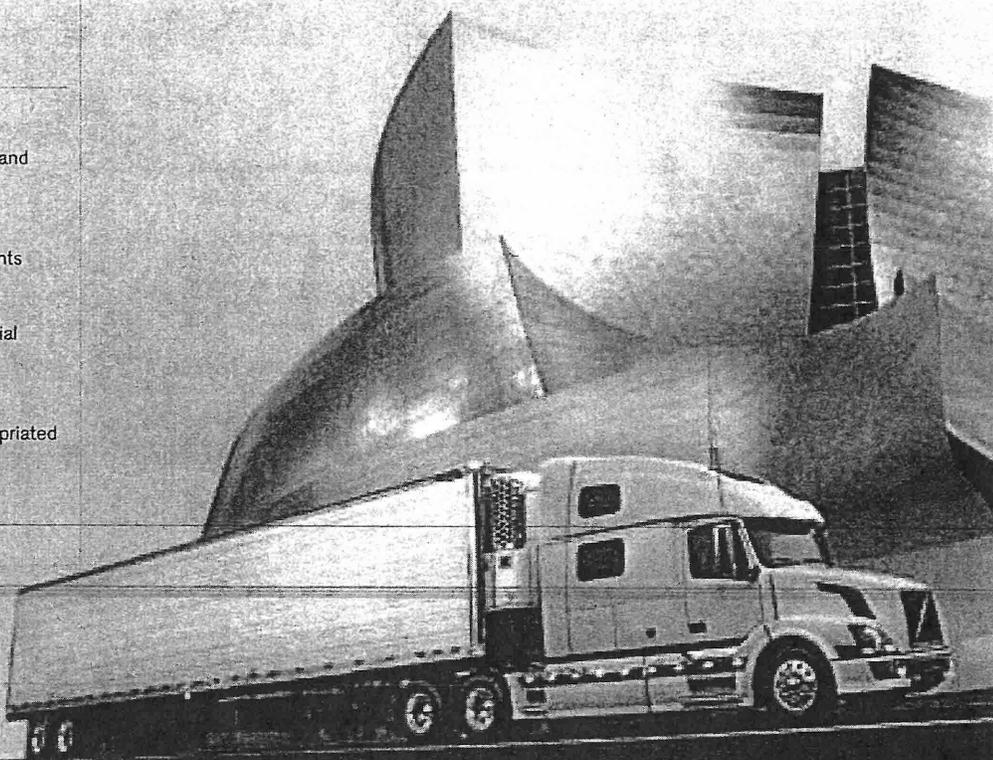
TOGETHER WE MOVE THE WORLD

Without the products and services of the Volvo Group the societies where many of us live would not function. Like lifeblood, our trucks, buses, engines, construction equipment and aircraft components are involved in many of the functions that most of us rely on every day.

For instance, one in seven meals eaten in Europe reaches the consumers thanks to trucks from the Volvo Group rolling on the roads of the continent. Buses are the most common type of public transportation in the world, helping many people to reach work, school, vacations, friends and family. And if all the Volvo buses in the world were to start at the same time, they would transport more than 10 million people.

Every year, the population on earth produces billions of tons of garbage. In the US alone, the garbage removed by refuse trucks from the Volvo Group every week could form a line of full garbage cans that would reach the moon.

These are just a few examples. In this Annual Report, you can learn more about the Volvo Group – Together we move the world.



This report contains 'forward-looking statements'. Such statements reflect management's current expectations 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 correct. Such statements are subject to risk and uncertainties and such future events and financial performance 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 OMX Nordic Exchange Stockholm if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

The Volvo Group's formal financial reports are presented on pages 46–139 in the printed version and has been audited by the company's auditors.

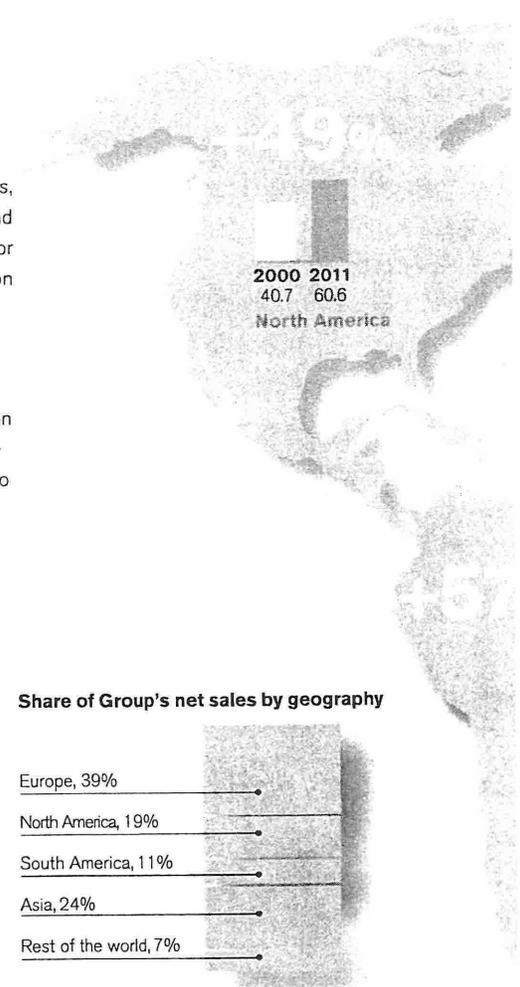
VOLVO GROUP

The Volvo Group is one of the world's leading manufacturers of trucks, buses, construction equipment, drive systems for marine and industrial applications and aerospace components. The Volvo Group also provides complete solutions for financing and service. The Group has about 100,000 employees, production facilities in 20 countries and sales in more than 190 markets.

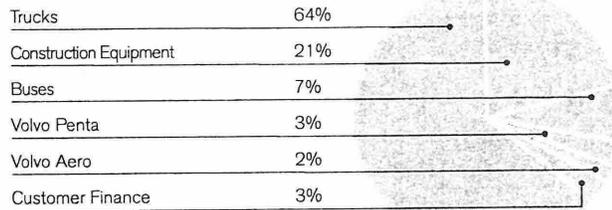
Global strength

Since the streamlining towards commercial vehicles was initiated more than ten years ago, the Volvo Group has grown into one of the world's largest manufacturers of heavy-duty trucks, buses and construction equipment and is today also a leading manufacturer of heavy-duty diesel engines, marine and industrial engines as well as engine components for the aerospace industry.

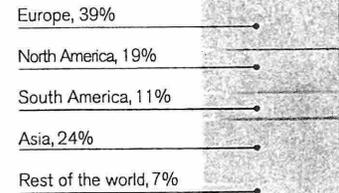
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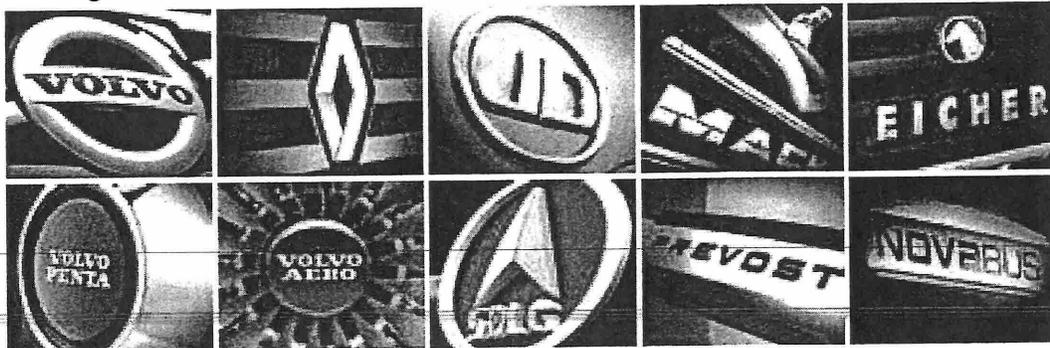
Share of Group's net sales



Share of Group's net sales by geography



Strong brands



By selling products under different brands, the Group can address many different customer and market segments in mature as well as growth markets.

More information. >> 38

+68%

2000 2011
72.1 120.8
Europe

2000 2011
8.8 73.6
Asia

The development
of net sales since
2000, SEK billion

2000 2011
5.2 35.1
South America

+497%

2000 2011
3.4 20.3
Rest of the world

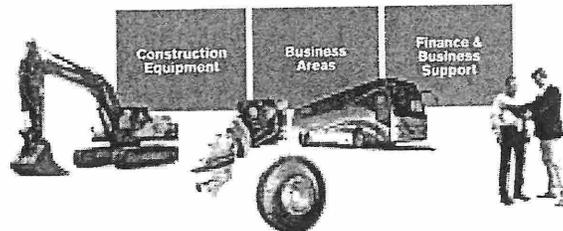
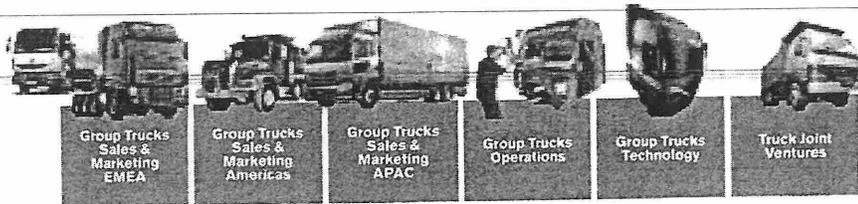
New organization

As of 2012, the Volvo Group has implemented a new organization which better utilizes the global potential of the Groups's brands and products. For example, the sales and marketing of all of the truck companies will be organized in three regional organizational units, directly under the CEO.

More information. >>> 8

Strong positions

- ✓ One of the world's largest manufacturers of trucks.
- ✓ No. 3 in construction equipment.
- ✓ One of the world's largest manufacturers of heavy-duty diesel engines.
- ✓ Strong positions also in the other business areas.
- ✓ Good market presence globally.

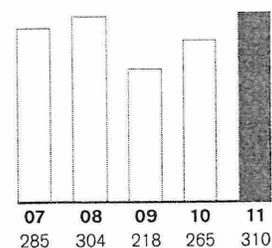


THE VOLVO GROUP 2011

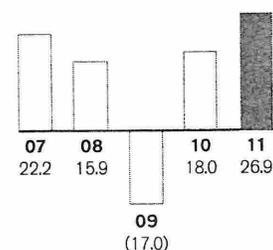
STRONG EARNINGS

- » Highest net sales, operating income and operating margin thus far
- » Net sales rose by 17% to **SEK 310.4 billion (264.7)**
- » Operating income rose to **SEK 26.9 billion (18.0)**
- » Operating margin improved to **8.7% (6.8)**
- » Strong operating cash-flow in the Industrial Operations of **SEK 14.1 billion (19.0)**
- » Net debt in the Industrial Operations reduced to **25.2%** of shareholders' equity
- » Proposed dividend of **SEK 3.00** per share
- » **Olof Persson** assumed the position of Group CEO

Net sales, SEK bn



Operating income, SEK bn



| Key ratios | 2011 | 2010 |
|---|-------------------------|---------|
| Net sales Volvo Group, SEK M | 310,367 | 264,749 |
| Operating income Volvo Group, SEK M | 26,899 | 18,000 |
| Operating income Industrial Operations, SEK M | 25,957 | 17,834 |
| Operating income Customer Finance, SEK M | 942 | 167 |
| Operating margin Volvo Group, % | 8.7 | 6.8 |
| Income after financial items, SEK M | 24,929 | 15,514 |
| Income for the period, SEK M | 18,115 | 11,212 |
| Diluted earnings per share, SEK | 8.75 | 5.36 |
| Dividend per share, SEK | 3.00¹ | 2.50 |
| Return on shareholders' equity, % | 23.1 | 16.0 |

¹ According to the Board's proposal.

CEO COMMENT

BEST YEAR EVER

A record year. That is one way of summing up 2011. We put the best year ever under our belt and I can proudly state that all the hard work of the Volvo Group's employees to deliver the best products, services and after-sales service generated results.

For the full-year 2011, the Volvo Group generated the highest net sales, the best operating income and the highest operating margin to date. Net sales rose to SEK 310 billion (265), operating income improved to SEK 26.9 billion (18.0) and the operating margin was 8.7% (6.8). At the same time, return on operating capital in the Industrial Operations rose to 28.8% and return on shareholders' equity in the Group to 23.1%.

Success in many ways

Success can be measured in numerous ways; sales, orders received or market shares. In particular, I believe market shares provide a rapid and key indication of our customers' true opinions of our prod-



ucts and how we compare to the competition. Market shares comprise a clear acknowledgement that we are doing the right things.

Let me provide a couple of examples from the past year. It is worth noting that Renault Trucks maintained its market share in Europe despite weak demand in its historic strong markets in Southern Europe. The Volvo brand reaped great success and in the heavy-duty segment in Europe increased its market share to a record 16.0%. The European market weakened somewhat towards the end of the year but after that stabilized on the new, slightly lower level.

Market shares in North America also increased. In the U.S., Volvo and Mack had a combined 19.8% of the market for heavy-duty trucks. After a number of slow years, the situation is starting to appear very positive in North America where we have made breakthroughs with our own engines and transmissions, an unbeatable combination with a fuel-consumption that is praised by our customers.

In Brazil, our market share rose to 17.1% for heavy-duty trucks and, for the first time, Volvo is the leader at the top of the heavy-duty truck segment. In the short-term, the Brazilian market will be impacted by the transition to new emission standards that took place at the turn of the year, but we have a positive view on the long-term development in Brazil and the other markets in South America.

“We have now taken the first steps on a journey which will be full of challenges, but I am convinced that there is potential to increase sales and improve profitability over time.”

Volvo Construction Equipment (Volvo CE) has also strengthened its positions in several growth markets worldwide. In China our brands Volvo and SDLG gained the position as market leader within wheel loaders and excavators. SDLG recently launched new models of excavators, so we have hopes that the success in this giant market will continue.

I would also like to mention our hybrid buses that are attracting an increasing amount of interest around the world.

Increased profitability

Good market conditions in the main and increasing market shares driven by competitive products translated into us delivering some 238,000 trucks during 2011 – an increase of 32% compared to the preceding year. Net sales in the truck operations surpassed SEK 200 billion and profitability improved to an operating margin of 9.1%.

Volvo CE increased its deliveries by almost 30% to the new record level of 84,000 machines. The year was intense with the launch of many new products and a continued expansion in growth markets. Despite a strong headwind from the weak dollar, Volvo CE delivered an operating income of SEK 6.7 billion and an operating margin of 10.2%.

From a historic perspective, Volvo Buses had a good year, both in terms of volumes and profitability. This was achieved by successful efforts to grow in emerging markets, which offset the continued weak markets in Europe and the U.S. Operating income increased to SEK 1 billion and operating margin improved to 4.6%, which is below the Group average but good when compared to competitors.

Volvo Penta was impacted by a continued weak market for marine engines and towards the end of the year also for industrial engines, but despite this, achieved an operating income of almost SEK 800 M with an operating margin of 8.8%.

For our Customer Finance Operations, the trend pointed in the right direction, with portfolio growth and lower credit losses.

Volvo Aero also had to struggle with a significant headwind from currency. Despite this, Volvo Aero's operating margin amounted to 5.2%.

During my predecessor Leif Johansson's 14 years as CEO, the Volvo Group established itself as one of the

world's largest manufacturers of commercial vehicles with strong positions in mature markets and with an increasingly important presence in growth markets. As a step in further streamlining the Volvo Group towards commercial vehicles, during the year we initiated a process aimed at divesting Volvo Aero.

Financially strong Group

Driven by improved profitability and the good cash flow, the net financial debt in the industrial operation was down to 25% of shareholders' equity at year-end, which means that the Group is financially strong in an environment that in the beginning of 2012 is characterized by turmoil in the financial markets and uncertain macro-economic trends.

The Board of Directors proposes a dividend of SEK 3.00 per share for 2011, up SEK 0.50 per share compared with the preceding year.

Reorganization to increase sales and profitability

We have a new vision – to become the world leader in sustainable transport solutions. We shall fulfill this by creating value for our customers and by pioneering the development in our industries. We have new financial targets, a new organization and a number of new management teams in place. On January 1, 2012, we introduced the new organization which was put in place to better capitalize on the global potential in our products and brands and to improve the Group's efficiency.

With the recent very positive trends in the Group's development, we are in a favorable position. However, this does not mean that everything will run on rails. A great deal of work remains. We have now taken the first steps on a journey which will be full of challenges, but I am convinced that there is potential to increase sales and improve profitability over time. This is a journey that I am very much looking forward to.



Olof Persson
President and CEO

VISION

VALUES →

**WANTED
POSITION**



Our vision

The Volvo Group's vision is to become the world leader in sustainable transport solutions by:

- creating value for customers in selected segments
- pioneering products and services for the transport and infrastructure industries
- driving quality, safety and environmental care
- working with energy, passion and respect for the individual.

Our values

The Volvo Group views its corporate culture as a unique asset, since it is difficult for competitors to copy. By applying and strengthening the expertise and culture we have built up over the years, we can achieve our vision.

Quality, safety and environmental care are the values that form the Volvo Group's common base and are important components of our corporate culture. The values have a long tradition and permeate our organization, our products and our way of working. Our goal is to maintain a leading position in these areas.

Quality

Quality is an expression of our goal to offer reliable products and services. In all aspects of our operations, from product development and production to delivery and customer support, the focus shall be on customers' needs and expectations. Our goal is to meet or exceed their expectations. With a customer focus based on everyone's commitment and participation, our aim is to be number one in customer satisfaction. This is based on a culture in which all employees are responsive and aware of what must be accomplished to be the best business partner.

Safety

Safety pertains to how our products are used in society. We have had a leading position in issues regarding safety for a long time; our goal is to maintain this position. A focus on safety is an integral part of our product development work. Our employees are highly aware of safety issues, and the knowledge gained from our internal crash investigations is applied in product development. Our goal is to reduce the risk of accidents and mitigate the consequences of any accidents that may occur as well as to improve the personal safety and the work environment of the drivers of our vehicles and equipment. Our long-term vision is zero accidents.

Environmental care

We believe that it is self-evident that our products and our operations shall have the lowest possible adverse impact on the environment. We are working to further improve energy efficiency and to reduce emissions in all aspects of our business, with particular focus on the use of our products. Our goal is for the Volvo Group to be ranked as a leader in environmental care within our industry. To achieve this goal, we strive for a holistic view, continuous improvement, technical development and efficient resource utilization.



Volvo Group wanted position 2020

- We are among the most profitable in our industry
- We are our customers' closest business partners
- We have captured profitable growth opportunities
- We are proven innovators of energy-efficient transport solutions
- We are a global team of high performing people

FINANCIAL TARGETS

UNTIL 2011

The Volvo Group's previous financial goals were established by the Board in September 2006. The Board focused on three goals comprising growth, operating margin and capital structure for the Group's Industrial Operations.

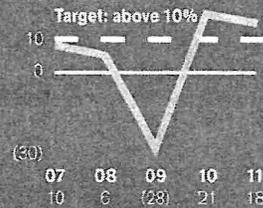
Financial goals for Industrial Operations

1

Growth

The growth target was that net sales should increase by a minimum of 10% annually. During 2007-2011, the average growth rate was 2,1% annually.

Net sales growth, %

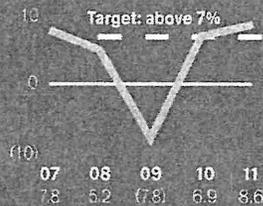


2

Operating margin

The Volvo Group's profitability target was that operating margin for the Industrial operations was to exceed an average of 7% annually over a business cycle. The average annual operating margin for the Volvo Group's Industrial Operations was 4,1% from 2007 to 2011.

Operating margin, %

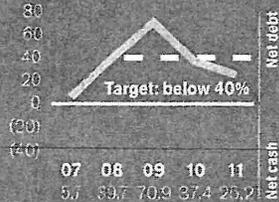


3

Capital structure

The capital structure target is set to a net debt including provisions for post-employment benefits for the Industrial operations of a maximum of 40% of shareholders' equity under normal conditions. As of December 31, 2011, the Volvo Group's Industrial operations had a net financial debt position corresponding to 25,2% of shareholders' equity.

Net financial debt as percentage of shareholders' equity, %

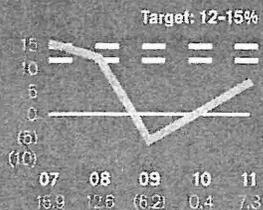


Financial goals for Customer Finance Operations

4

The target for Customer Finance is a return on shareholders' equity of 12-15% and an equity ratio above 8%. The average annual return on shareholders' equity for 2007-2011 amounted to 6%. At year end 2011 the equity ratio was 9,1%.

Return on shareholders' equity, %



NEW TARGETS FROM 2012

In September 2011 the Board of Directors of AB Volvo decided to implement new financial targets for the Volvo Group starting in 2012. The new targets have been set in order to enable the growth and profitability of the various operations to be measured and benchmarked annually against competitors.

The targets are followed up annually

- The annual organic sales growth for the truck, bus and construction equipment operations, as well as Volvo Penta, shall be equal to or exceed a weighted-average for comparable competitors.
- Each year, the operating margin for the truck, bus and construction equipment operations, as well as Volvo Penta, shall be ranked among the top two companies when benchmarked against relevant competitors.
- For Customer Finance Operations, the existing targets of 12–15% return of equity (ROE) and an equity ratio exceeding 8% stand firm.
- Volvo Aero has an ROE target of 15–25%. When calculating the ROE, Volvo Aero will be assigned the same equity ratio as that for the Group's Industrial Operations.
- The capital structure target is set to a net debt, including provisions for post-employment benefits, for the Industrial Operations of a maximum of 40% of shareholders' equity under normal conditions.

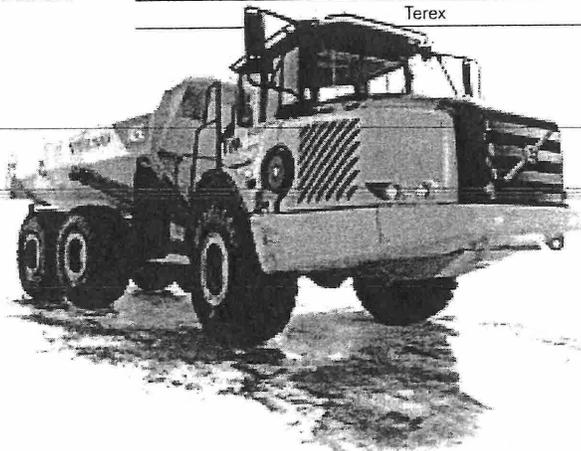
Transparent comparison with competitors

Volvo's financial targets have included a focus on growth since the end of the 1990s and the Board of Directors expects growth to remain important in the future, but is now adding a continuous benchmarking of the growth and profitability of the various operations against a number of selected competitors.

To facilitate comparisons, the truck operations will be measured jointly with the bus operations and the construction equipment operations will be measured jointly with Volvo Penta. In 2012, the comparisons will be made in accordance with the table below:

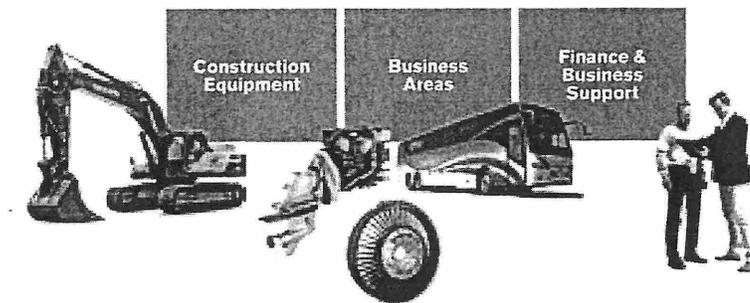
| Trucks and buses | Volvo CE and Volvo Penta |
|------------------|--------------------------|
| Daimler | Brunswick |
| Iveco | CAT |
| MAN | CNH |
| Navistar | Cummins |
| Paccar | Deere |
| Scania | Hitachi |
| Sinotruk | Komatsu |
| | Terex |

"Following the Group's successful geographic and volume expansion, we have the prerequisites in place to compete successfully in our various product segments and it is with this in mind that the Board has now decided to introduce new financial targets."



VOLVO GROUP NEW ORGANIZATION

The Volvo Group has a new organization which better utilizes the global potential of the brands and products within the truck operations. For example, the sales and marketing of all of the truck companies is organized in three regional organizational units, directly under the CEO.



In the same manner, all product development and production of trucks and engines are placed in two new central organizational units under the CEO. The new organization was presented on October 4, 2011 and was set in place on January 1, 2012.

Background to the change

The Volvo Group has grown significantly since the end of the 1990s when the realignment toward commercial vehicles began, and today the Group is one of the world's largest actors in heavy trucks, construction equipment, buses and heavy diesel engines. The past ten years have been characterized by major acquisitions and efforts to integrate the acquired companies and create economies of scale. However, companies are never done and the reorganization now taking place is a natural next step for becoming even better at assimilating the full potential of our brands and the benefits of being a large global player; we will acquire a clearer focus on our customers and their needs. Going forward we need an organization that supports us in fulfilling our financial targets and our new vision: to become the world leader in sustainable transport solutions.

Aim of the new organization

The new Volvo Group organization aims to create an even more competitive company by:

- increased customer focus
- strengthening the brands
- clearer responsibilities and mandates
- a more agile organization
- speed in execution of strategies and decisions
- improved efficiency.

New organization FAQ

1. What will the new organization bring that is so much better?

Governance will become clearer and more efficient with a clearer focus on brands and customers. Branded companies in the truck business previously operated as both independent units and part of a wider Group structure. The branded companies' operations, product planning, product development and manufacturing are now coordinated centrally, directly under the CEO, with a clear division of responsibilities and minimum overlaps.

2. What happens to Volvo Trucks, Renault Trucks, Mack and UD Trucks?

Sales and marketing of all of the truck companies is organized in three regional organizational units. Group Trucks Sales and Marketing Americas (comprising all of North and South America) with global responsibility for the Mack brand, under the leadership of Dennis Slagle. Group Trucks Sales and Marketing EMEA (comprising Europe, the Middle East and Africa) with global responsibility for the Volvo and Renault brands, under the leadership of Peter Karlsten. Group Trucks Sales & Marketing APAC (comprising Asia and Pacific) with global responsibility for the UD Trucks brand, UD, under the leadership of Joachim Rosenberg. All product development and production of trucks and engines is organized in two new central units: Group Trucks Technology and Group Trucks Operations. There are no changes to the financial external reporting – truck companies report their earnings combined as previously.

3. What happens with Volvo CE?

The organization remains intact. The Head of Volvo CE, Pat Olney, continues to report directly to the CEO, Olof Persson. With respect to financial external reporting, there is no change – the business areas report their results as in the past.

4. What happens with Volvo Buses, Volvo Penta and Volvo Aero?

The companies are organized under Business Areas, headed by Håkan Karlsson. Per Carlsson has assumed the position as new Head of Volvo Buses. Göran Gummesson remains Head of Volvo Penta until April 1, 2012 when he is succeeded by Björn Ingemansson, but he no longer reports directly to the CEO. Staffan Zachrisson remains Head of Volvo Aero but does not any longer report directly to the CEO. With respect to financial external reporting, there is no change – the business areas report their results as in the past.

5. What happens with Volvo Financial Services?

The company is organized under Finance and Business Support headed by the new CFO Anders Osberg. Martin Weissburg continues to head Volvo Financial Services but does not any longer report directly to the CEO. With respect to financial external reporting, there is no change – the business areas report their results as in the past.

6. What happens with the different business units?

Production is organized under Group Trucks Operations headed by Mikael Bratt, while product development is under Group Trucks Technology headed by Torbjörn Holmström. Volvo Parts has been divided into various units based on their specific operations. The logistics portion of Parts, as well as Remanufacturing, falls under Group Trucks Operations. Purchasing is organized under Group Trucks Technology, where all other purchasing activities are collected.

Volvo Logistics falls under Group Operations, where all logistics are handled.

Volvo Business Services, Volvo IT and Volvo Group Real Estate are organized under Finance and Business Support.

Volvo Technology and Non-automotive Purchasing (NAP) are organized under Group Trucks Technology.

GLOBAL STRENGTH IN A CHANGING WORLD

Since the streamlining towards commercial vehicles was initiated more than ten years ago, the Volvo Group has grown into one of the world's largest manufacturers of heavy-duty trucks, buses and construction equipment and is today also a leading manufacturer of heavy-duty diesel engines, marine and industrial engines as well as engine components for the aerospace industry.

During this time, a number of acquisitions have been made, which have brought economies of scale and increased geographical reach.

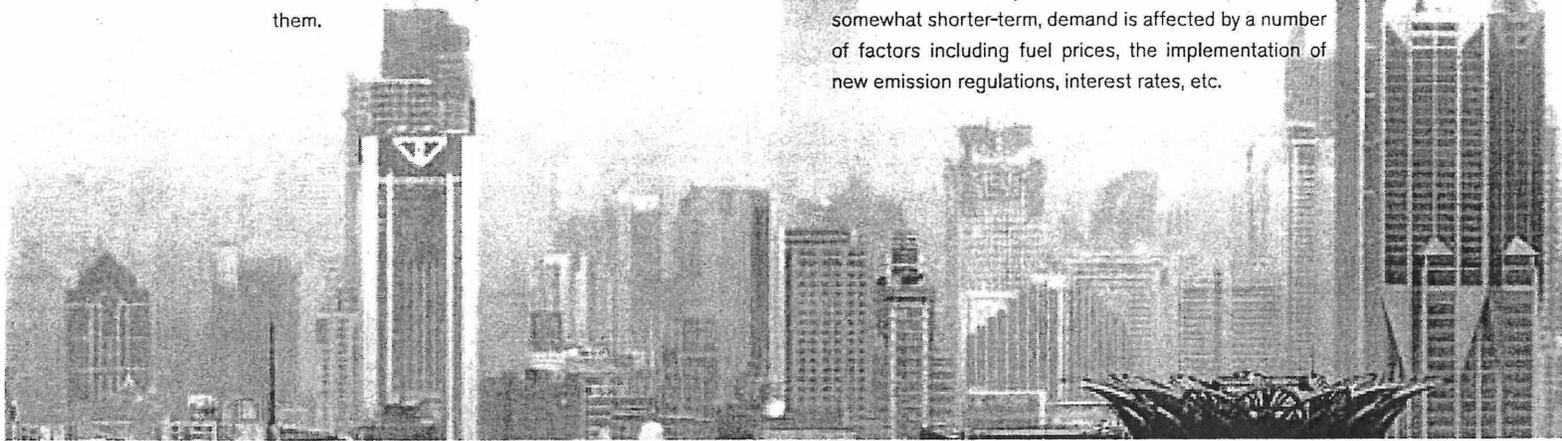
Volvo Group has during this time also successfully established itself outside its historical markets of Europe and North America and gained a strong foothold in the growing markets of Eastern Europe, South America and Asia. During 2011, the markets outside of Western Europe and North America accounted for 49% of the Industrial Operations' total sales, compared to 17% in 2000.

On the following pages there is more information about the development on important markets and on some of the Volvo Group's investments and successes on them.

Long-term growth

The recovery that started in the Group's mature markets in 2010 continued in Western Europe and North America during 2011, with some tendencies towards a weakening in Europe towards the end of the year. Overall, demand in the Group's growth markets continued its strong development, but also here demand weakened somewhat towards the end of the year.

In the long-term, demand for freight capacity, and thus many of the Group's products, is closely linked to the GDP trend. The extent of investment in infrastructure, which drives demand for building and construction equipment, is also closely linked to the GDP trend. In the somewhat shorter-term, demand is affected by a number of factors including fuel prices, the implementation of new emission regulations, interest rates, etc.



The Volvo Group's acquisitions and divestments

1998

Acquisition of the excavator operations of Samsung Heavy Industries.

1999

Sale of Volvo Cars to Ford.

2001

Acquisition of the truck manufacturers Mack and Renault VI.

2003

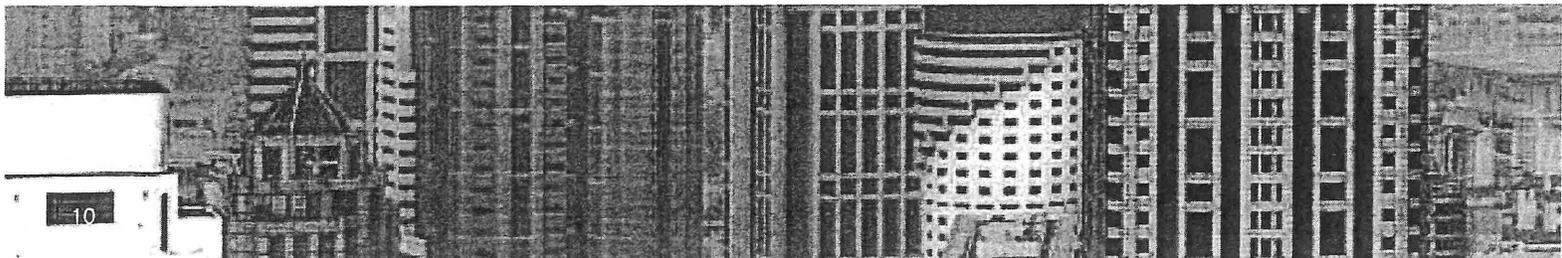
Acquisition of Bilia's European truck and construction equipment dealers.

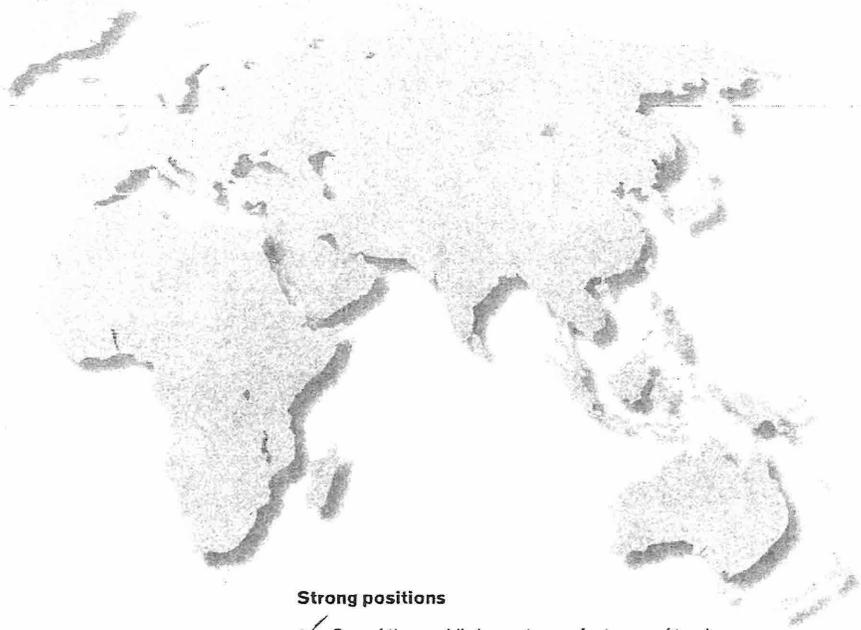
2004

Sale of axle-manufacturing operations to ArvinMeritor.

2004

Acquisition of remaining 50% of the Canadian bus manufacturer Prevost.



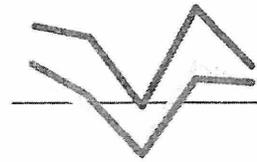


Strong positions

- ✓ One of the world's largest manufacturers of trucks.
- ✓ No. 3 in construction equipment.
- ✓ One of the world's largest manufacturers of heavy-duty diesel engines.
- ✓ Strong positions also in the other business areas.
- ✓ Good market presence globally.

Economic growth in the U.S., Europe and Brazil

Annual GDP-growth, %



Source: Consensus Economics

| 07 | 08 | 09 | 10 | 11 |
|-----|-------|-------|-----|-----|
| 6.1 | 5.2 | (0.3) | 7.5 | 2.9 |
| 3.1 | 0.6 | (4.1) | 1.9 | 1.6 |
| 1.9 | (0.3) | (3.5) | 3.0 | 1.7 |

Economic growth in Asia, %

Annual GDP-growth, %



Source: Consensus Economics

| 07 | 08 | 09 | 10 | 11 |
|------|-------|-------|------|-------|
| 14.2 | 9.6 | 9.2 | 10.4 | 9.2 |
| 9.0 | 6.8 | 8.0 | 8.5 | 7.0 |
| 7.2 | 3.8 | 1.9 | 7.1 | 4.4 |
| 2.3 | (1.1) | (5.5) | 4.5 | (0.9) |

* China, Hong Kong, South Korea, Taiwan, Indonesia, Malaysia, Singapore, Thailand, Philippines, Vietnam, Australia, New Zealand, India, Japan, Sri Lanka

According to Consensus Economics, global GDP grew by 2.9% during 2011 compared with 4.3% in 2010. GDP in the EU grew by 1.6% (1.9%), in the US by 1.7% (3.0%). Japan's GDP fell by 0.9% after having risen by 4.5% in 2010. Growth in countries such as Brazil, India and China was dampened compared to the high levels of 2010. For 2012, global GDP is expected to grow by 2.6%. The fast-growing economies primarily in Asia and Latin America continue to be the primary growth engines.

GROWTH

2005

Sale of the service company Celero Support.

2006

Acquisition of Japanese Nissan Diesel (Now UD Trucks). Completed in 2007.

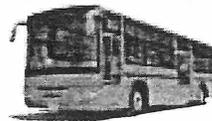


2007
Acquisition of Chinese wheel loader manufacturer Lingong.

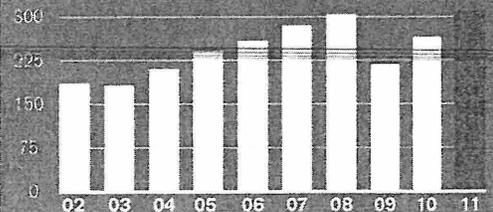
2007
Acquisition of Ingersoll Rand's road development division.

2008

Joint venture with Eicher Motors of India within trucks and buses.



Volvo Group net sales, SEK bn



DEVELOPMENT BY CONTINENT

EUROPE – THE LARGEST MARKET

During 2011, the European market accounted for SEK 121 billion, corresponding to 39% of Group net sales. Europe is the historical home market for both Volvo and Renault Trucks. In Europe, the Group has a considerable industrial structure with a relatively large share of its manufacturing and sizeable exports.

Growing markets

In 2011 the heavy-duty truck market in Europe 29 (EU's 27 member states, Norway and Switzerland) increased by 35% to 242,400 trucks compared to 179,200 in the preceding year. In 2012, the total market for heavy-duty trucks in Europe 29 is expected to experience a moderate decline to a level of about 220,000 trucks. The start of the year is expected to be slow with a gradual pick-up in demand as customers start to renew their fleets ahead of the new emission regulation in 2014.

The construction equipment market increased substantially in 2011 compared to the weak 2010. When measured in number of units, the total market increased by 31%. Despite the strong increase, the market is far from the record levels of 2007. The European market for construction equipment is expected to grow by 10–20% during 2012.

The European bus market was weak during the year with fierce competition. Demand for marine engines was characterized by a wait-and-see approach among boat buyers and the development was augmented by the global turmoil in financial markets. The financial concern also impacted the market for industrial engines, where demand declined from high levels.

Increased market shares in Europe

The Group's truck business gained market share in many markets during the year. In Europe 29 the Group's combined market share increased to 26.3% (24.4), primarily driven by the Volvo brand.

New city bus given global premiere

At the end of October, Volvo Buses' new city bus, the Volvo 7900, was given its world premiere, when it was presented at the large international bus fair, Busworld, in Kortrijk in Belgium. Busworld is a large and important fair for the bus industry and attracts visitors from all over the world. The Volvo 7900 is a lowfloor bus that has been designed to be lighter, more fuel efficient and to take more passengers.

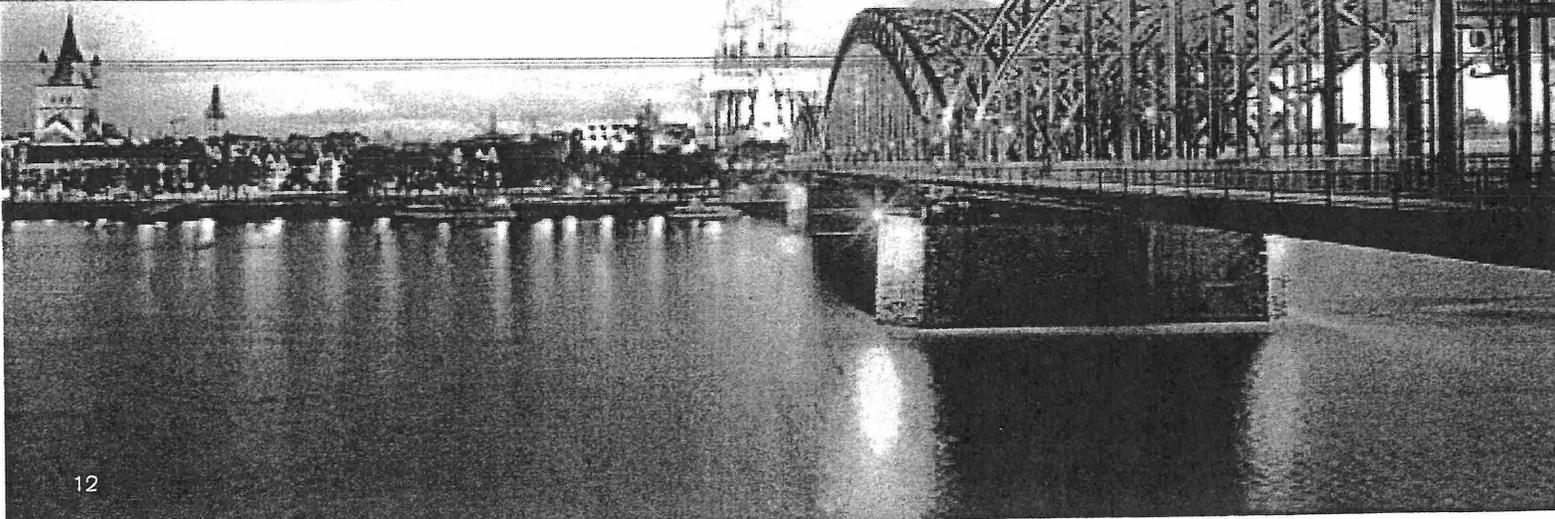
At the fair Volvo Buses also presented its hybrid version of the Volvo 7900. The already very low fuel consumption in Volvo's hybrid bus will be even lower. Fuel consumption will be up to 37% lower than a diesel bus, compared with up to 35% in current hybrid buses.

However, the hybrid version is only one of the options with respect to the new Volvo 7900. The bus is offered with engines for diesel/biodiesel and natural gas/biogas. It is available as 12-meter bus or 18-meter articulated bus.

Environmentally-adapted products

In May, Volvo Trucks launched the new Volvo FM Methane-Diesel truck, a gas-powered truck for long-haul operations enhancing its focus on alternative fuels.

This truck can be powered by up to 75% gas and if run on biogas, emissions of carbon dioxide from fossil fuel could be cut by up to 70% compared with a conventional diesel engine.



Bus that lowers fuel consumption by as much as

13.7%

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 Truck has delivered the first serial Renault Premium Distribution hybrid truck (Hybrys Tech). Renault Trucks also continued to extend its offering of fully-electric vehicles, and in October a fully-electric 16-ton Renault Midlum was delivered to the French retail chain Carrefour. The truck is to be used for deliveries to supermarkets in downtown Lyon, France. Renault Trucks also launched a system called Optiroll for the Renault Premium Route Optifuel truck. Optiroll reduces fuel consumption even further.

Volvo has taken the lead in introducing environmentally friendly Tier 4 Interim/Stage IIIB-compliant products in North America and Europe, with the successful launch of complete new generations of machines affected by the legislation. The company's new V-ACT engine systems have the hallmarks of lower emissions, better performance, improved operational economy and higher quality. As well as advanced engine monitoring and control, the new Volvo system uses an advanced exhaust after-treatment system that reduces particulate matter by 90% compared to the previous machine series.

Market development, heavy-duty trucks, Europe

Thousands



| 07 | 08 | 09 | 10 | 11 |
|-----|-----|-----|-----|-----|
| 328 | 319 | 165 | 179 | 242 |

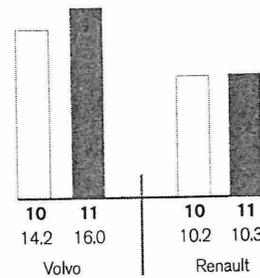
Market development, construction equipment, Europe

Thousands



| 07 | 08 | 09 | 10 | 11 |
|-----|-----|----|----|-----|
| 217 | 173 | 76 | 94 | 124 |

Market shares in Europe, heavy-duty trucks %



VOLVO FRI
METHANEDIESEL



Volvo Group in Europe

- **Net sales:** SEK 120,828 M (102,947)
- **Share of Group sales:** 39%
- **Number of employees:** 55,121
- **Share of Group employees:** 56%
- **Largest markets:** France, Sweden, Great Britain, Germany and Russia.

FOCUS RUSSIA

After a considerable drop in connection with the financial crisis, the Russian market has recovered.



Russia back on the growth track

During 2011, the total market for trucks over 12 tons was approximately 106,200 vehicles in Russia, considerably more than the 61,500 that were sold during 2010 and a vast increase compared to the bottom in 2009 when the total market amounted to 37,100 trucks.

Volvo is the biggest imported brand in Russia with a total population of more than 55,000 heavy-duty trucks in the country. A population that has been built-up during a long period of time. The population of Renault trucks is approximately 20,000 heavy-duty trucks. During 2011, Volvo delivered 5,300 trucks (2,800) and Renault trucks delivered 1,300 trucks (800) in Russia.

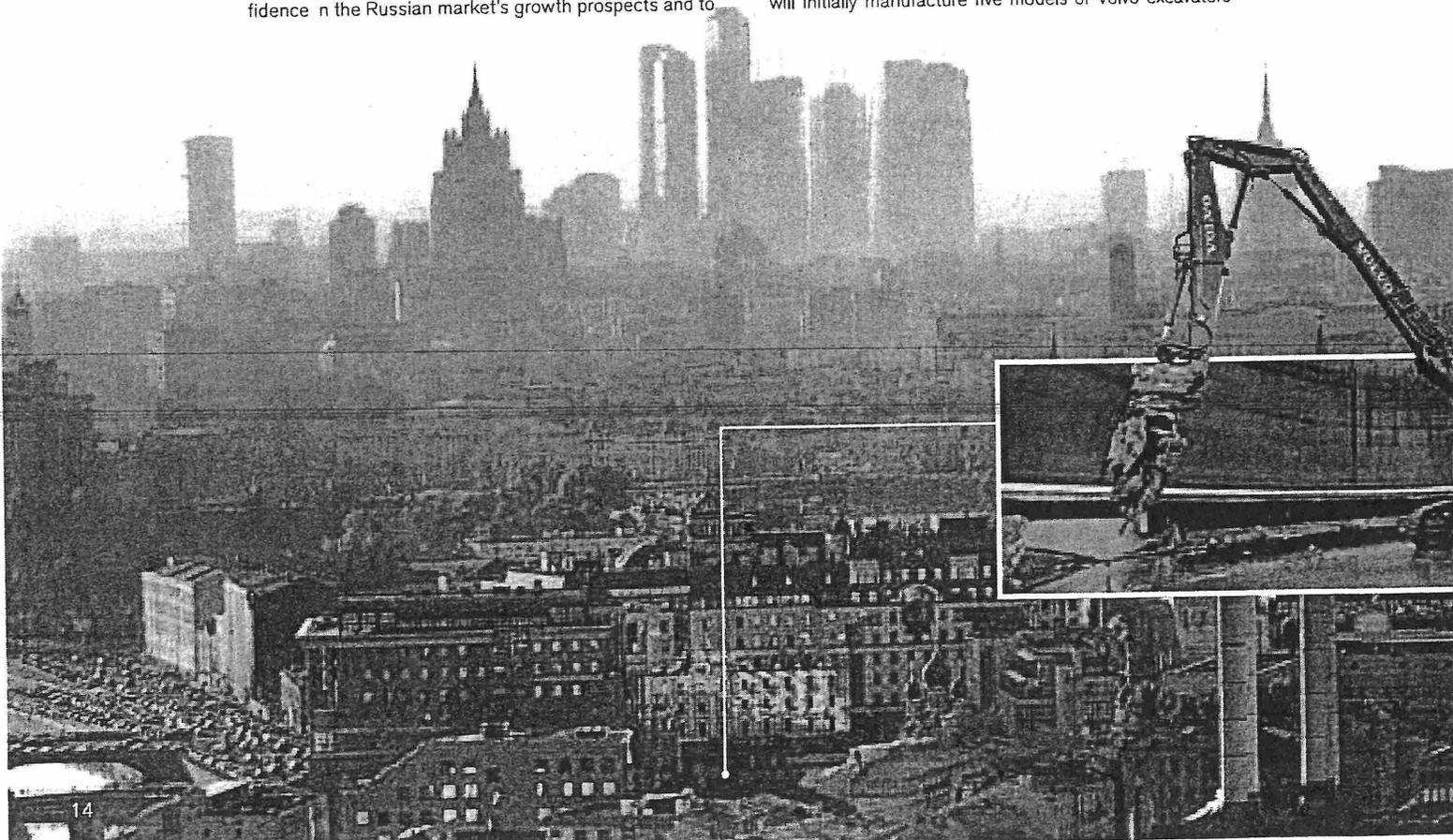
In January 2009, the Group opened a factory for the assembly of trucks in Kaluga, approximately 200 kilometers south of the capital Moscow. A long-term confidence in the Russian market's growth prospects and to

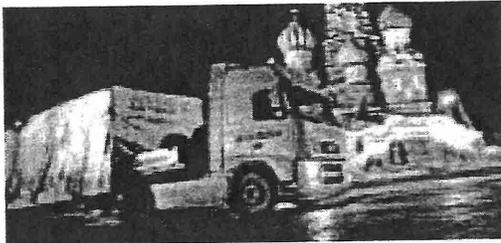
come inside the duties and fees that apply to imported trucks were important reasons for the establishment. There are a number of other foreign truck and auto makers established in Kaluga. At maximum capacity, the plant in Kaluga can assemble 10,000 Volvo and 5,000 Renault trucks annually. In 2011, 3,800 Volvo and 1,400 Renault trucks were manufactured in the plant.

Volvo Construction Equipment invests in Russia

Volvo Construction Equipment will invest SEK 350 M to build a 20,660 m² excavator plant in Kaluga, Russia, highlighting the company's continued commitment to the Russian market.

The new factory is part of the on-going expansion in developing markets. The plant will be built on the 15 hectares of land that Volvo acquired in 2007. The Kaluga plant will initially manufacture five models of Volvo excavators





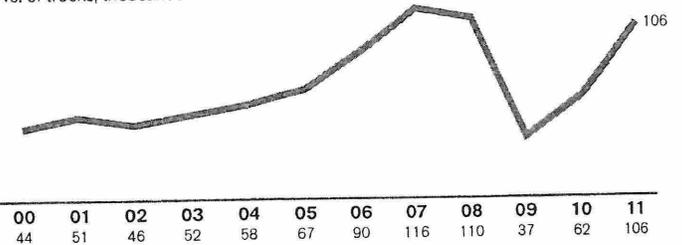
including the Volvo EC210, EC240, EC290, EC360 and EC460, with production planned to begin in the first quarter of 2013.

"The new investment in Russia is part of our strategy to build machines where they are sold and thanks to a strong partnership with our Russian dealer, Ferronordic, our customer base is growing significantly in the country," says Head of Volvo Construction Equipment, Pat Olney.

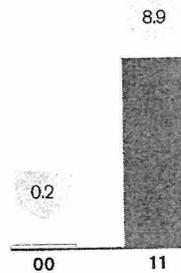
At the same time, the distributor Ferronordic Machines is implementing substantial investments in the distribution network in the vast country. Ferronordic Machines plans to invest in the region of EUR 100 M in the expansion of its regional distribution network and will open as many as 60 new branches in the country by the end of 2015. This will provide for a presence in all of Russia – from the Baltic Sea to the Pacific Ocean.

The market for trucks over 12 tons in Russia

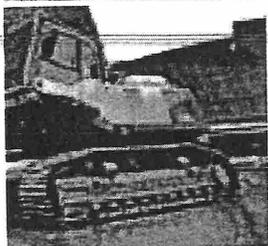
No. of trucks, thousands



Volvo Group net sales in Russia, SEK bn



141.8
million
inhabitants



Volvo Group in Russia

- **Number of employees:** 1,644
- **Production:** Truck factory in Kaluga. Excavator factory under construction in the same city
- **Net sales:** SEK 8,895 M, 3% of Group sales
- Volvo – the largest fleet of Western trucks consisting of more than 55,000 vehicles

Russia

- **Area:** 17,075,000 km² (the largest country in the world)
- **Population:** 141.8 million
- **Capital:** Moscow with 10.2 million inhabitants (2008)
- **Other big cities:** St Petersburg (4.6), Novosibirsk (1.4), Jekaterinburg (1.3), Niznij Novogorod (1.3)
- **GDP per capita:** USD 10,522 (2010)



DEVELOPMENT BY CONTINENT SUCCESS IN NORTH AMERICA

North America is the Group's third largest market and its overall development was very positive in 2011.

Growing truck market

In 2011, the total market for heavy-duty trucks in North America increased by 52% to 216,100 trucks compared to 142,100 in the previous year. Demand was strong throughout the year, driven primarily by the need to replace the industry's aging highway tractor population. In 2012, the total market for heavy-duty trucks in North America is expected to grow to a level of about 250,000 trucks.

Following a number of years with weak market conditions, the market for construction equipment rose by 37% in 2011 compared to 2010. For 2012, the market is expected to grow by 15–25% compared to 2011.

The North American market for city buses declined due to the budget cuts still in effect in many cities. The coach market was also weak.

Increased market shares thanks to good products

During 2011, Volvo Group captured market shares in North America. In the U.S. the Group's combined market share in the heavy-duty segment rose from 18.0% in 2010 to 19.8% in 2011. The increased market share is the result of

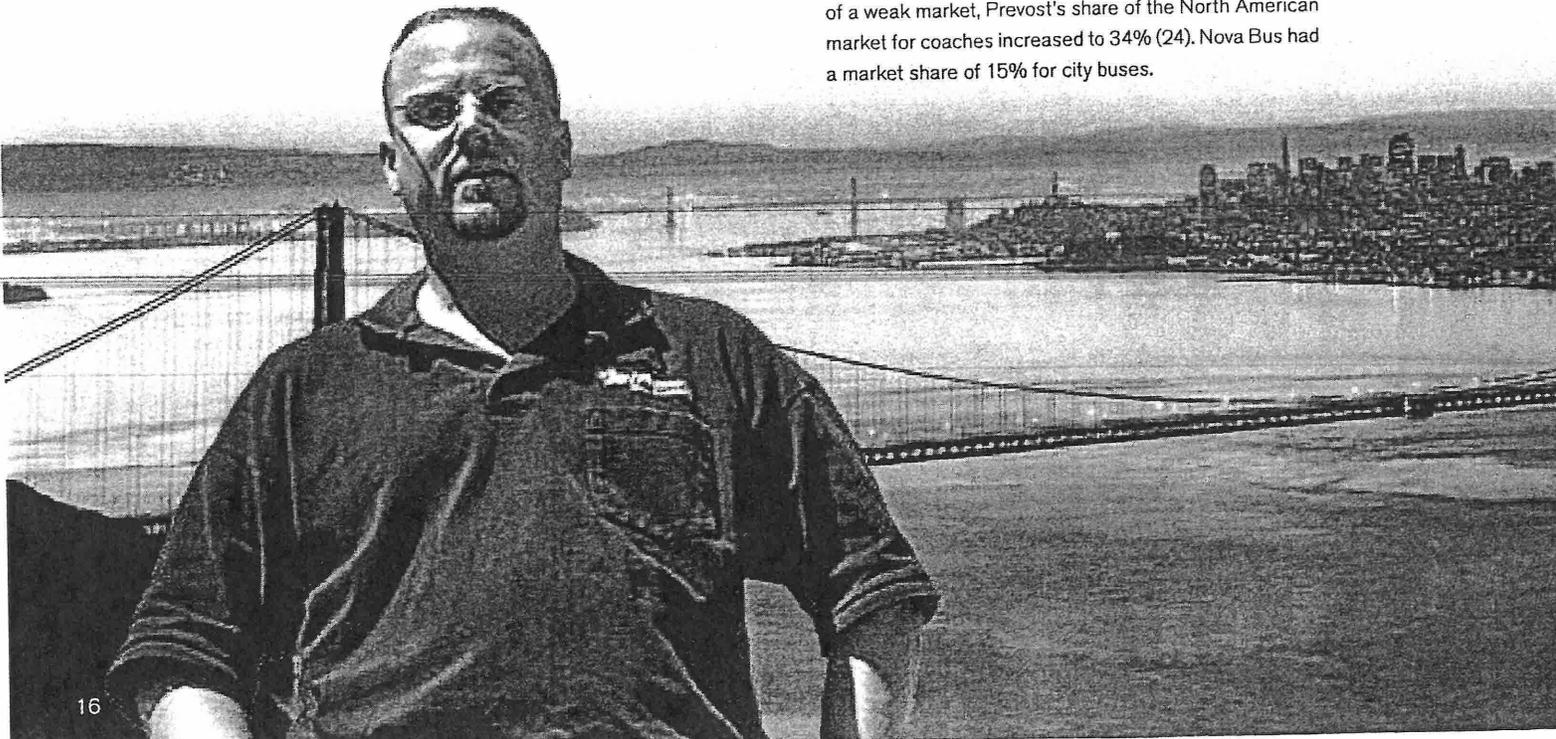
a competitive customer offering of trucks equipped with engines that provide considerable fuel savings.

The new generations of engines that comply with the EPA 2010 emission standards combined with the Group's automated mechanical transmissions, the I-shift of Volvo Trucks and the Mack mDRIVE, provide for fuel savings of up to 5% compared to the previous generations of engines. The driveline package also has better driveability, less wear and improved safety.

At the annual Mid-America Trucking Show in Louisville, Kentucky, both Mack and Volvo Trucks furthermore introduced trucks with new aerodynamic and powertrain features which, when combined with the improvements already achieved through the use of SCR technology, deliver fuel efficiency gains of 8–12% over previous generations of trucks.

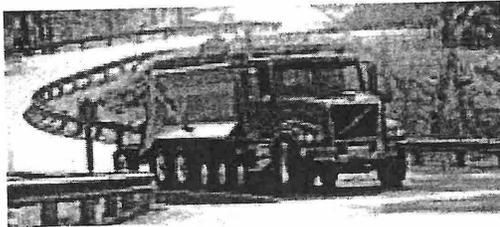
The new and improved drivelines has meant that an increasing number of customers opt for Volvo Group engines. During 2011, 79% of Volvo trucks built in North America were equipped with Volvo engines. Mack Trucks are solely equipped with the Group's Mack engines.

The Group's bus business also had successes. In spite of a weak market, Prevost's share of the North American market for coaches increased to 34% (24). Nova Bus had a market share of 15% for city buses.



Volvo Group's market share in the heavy-duty segment increased from 18.0% in 2010 to

19.8% in 2011



I-shift to be produced in the U.S.

As a result of the strong demand for the Group's automated mechanical transmissions, the company in June announced that production of the Volvo I-Shift and Mack mDRIVE gearboxes will start at its U.S. engine plant in the third quarter of 2012.

Volvo Trucks introduced its I-Shift transmission on the North American market in 2007. During 2011, 45% of trucks with Volvo engines in North America were equipped with I-Shift and customers continue to report significant fuel economy improvements with the auto-shift transmission. Since I-Shift is only available together with Volvo engines, this also helps promote sales of the company's own engines. I-Shift incorporates a host of fuel-saving and productivity-enhancing features into a reliable, durable, and lightweight design.

The transmission is currently assembled in Köping, Sweden, and then sent to the US production plant in Hagerstown, Maryland for adaptation to North American market requirements. The company is now investing USD 7 M in Hagerstown to build a new assembly line, install new equipment and tooling, and train its employees. The new assembly line is primarily intended to supply the North American market.

Market development, heavy-duty trucks, North America
Thousands



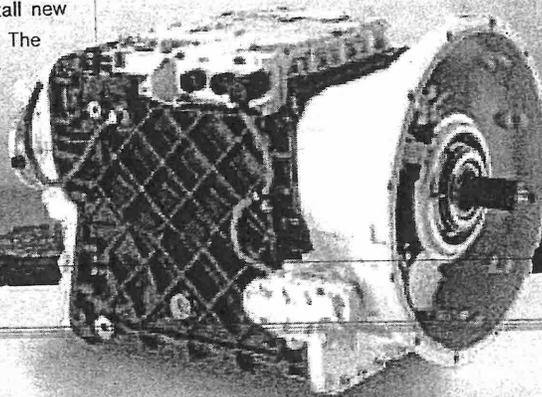
| 07 | 08 | 09 | 10 | 11 |
|-----|-----|-----|-----|-----|
| 208 | 185 | 118 | 142 | 216 |

Market development, construction equipment, North America
Thousands



| 07 | 08 | 09 | 10 | 11 |
|-----|-----|----|----|-----|
| 173 | 137 | 68 | 82 | 112 |

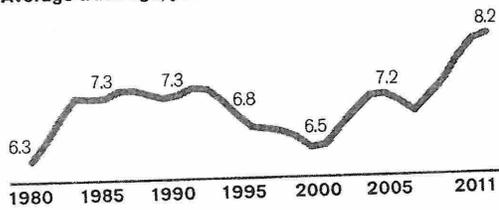
I-SHIFT



Volvo Group in North America

- Net sales: SEK 60,560 M (47,922)
- Share of Group sales: 19%
- Number of employees: 15,427
- Share of Group employees: 16%
- Largest markets: USA, Canada and Mexico.

Average truck age, years



Old trucks create replacement demand

One of the effects of the relatively weak North American market for heavy-duty trucks during 2007 to 2010 is that the truck fleet has become increasingly old. Generally, older trucks bring with them an increased need for service and repairs and thus increased costs for truckers. In spite of the investment a new truck entails, in many cases it is more profitable to buy a new truck to lower the total cost of ownership. Against the background of a truck fleet that is at its oldest in many years, there is a need to replace old trucks with new ones at many haulers.

Volvo CE invests in North America

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

It makes sense, when possible, to manufacture products close to where the customers are. Producing Volvo wheel loaders, articulated haulers and excavators in Shippensburg will result in shorter lead times for customers. Volvo CE will work closely with local suppliers to increase the North American content of the products, which will reduce the exposure to exchange rate fluctuations.

A new Customer and Demonstration Center will be built in Shippensburg. In addition, Volvo CE will put up a new office building on the campus to house its Regional Sales Headquarters and its Training Center.





Since the acquisition of the Shippensburg facility in 2007, Volvo Construction Equipment has continuously invested in the existing plant. In June 2010, a 18,580 m², USD 30 M expansion of the facility was finalized, to improve manufacturing flow and increase production space to incorporate the production of Volvo motor graders.

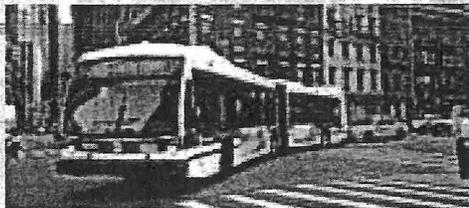
Manufacturing Volvo wheel loaders, articulated haulers and excavators in Shippensburg, PA will have no significant impact on the current production in other Volvo locations. It will, however, further improve the competitiveness and profitability of the total business.

Multi-million dollar contract for Volvo Buses in New York City

In June 2011, Volvo Buses secured an order for 328 articulated buses for New York City through its subsidiary Nova Bus. The order is valued at SEK 1.5 billion.

The order applies to 328 Nova LFS articulated buses. The client, MTA New York City Transit, has a fleet of more than 6,000 buses, the largest bus fleet among all local transport companies in North America and one of the largest in the world. In the past year, MTA tested 90 of Nova's articulated buses, including on Line M15 in Manhattan. They are the first buses in New York City with three doors and low floors throughout the bus, which contribute to more rapid and comfortable boarding and alighting.

The buses functioned very well during the test and contributed to the new major order. The 328 new buses will be delivered from August 2011 to April 2013. One prerequisite for selling city buses in the US is that a large portion of the manufacturing must also occur in the country. The buses for New York City are manufactured in the Nova Bus plant in Plattsburgh, in the northern part of New York State.



NOVA BUS IN NEW YORK CITY

DEVELOPMENT BY CONTINENT

SOUTH AMERICA CONTINUES TO RISE

The South American market has had high growth rates in recent years with Brazil as the engine. The fundamentals are in place for this development to continue.



Strong market

The South American market for heavy-duty trucks rose by 7% to 148,000 trucks in 2011 compared to 138,800 the year before.

Brazil is the largest market by far in South America. With 111,500 heavy-duty trucks in 2011 (109,800) Brazil accounted for approximately 75% of the total market in the region. The Brazilian market was primarily driven by the positive economic development in the country. Against the background that Brazil moved directly from the Euro III emission standard to Euro V on January 1, 2012 order intake is expected to be relatively weak in the beginning of the year. The total market for heavy-duty

trucks in Brazil is expected to record a slight decline and reach a level of about 105,000 trucks for the full year 2012.

The construction equipment market rose by 18% in 2011 compared to the strong 2010. The South American market for construction equipment is expected to grow by 0–10% during 2012.

The South American bus market was strong during the year and is estimated to have grown by more than 30%. The total bus market in Brazil increased by 25% to 4,900 buses, driven by prebuys ahead of the changeover to Euro V and by many procurements of BRT-systems (Bus Rapid Transit) in the cities. Volvo Buses increased its market share to 23%.



The South American bus market increased by more than

30%



Increased market shares in heavy-duty trucks

Volvo Trucks reaped success in the Brazilian market in 2011. Competitive products and a strong dealer network provided for big strides forward in the market. The market share within heavy-duty trucks increased to 17.1% (14.8).

Market development, heavy-duty trucks, South America

Thousands



| 07 | 08 | 09 | 10 | 11 |
|----|-----|----|-----|-----|
| 91 | 117 | 86 | 139 | 148 |

Market development, construction equipment, South America

Thousands



| 07 | 08 | 09 | 10 | 11 |
|----|----|----|----|----|
| 25 | 33 | 21 | 35 | 42 |

5,200
employees



Volvo Group in South America

- Net sales: SEK 35,142 M (29,013)
- Share of Group sales: 11%
- Number of employees: 5,234
- Share of Group employees: 5%
- Largest markets: Brazil, Chile and Peru.

FOCUS BRAZIL

The Brazilian economy has had a very good growth since the beginning of the 21st century thanks to increased private consumption and measures to reduce poverty.



Even though the global financial crisis a few years ago led to a recession also in Brazil, the economy there rebounded faster than in many other parts of the world. During 2008 GDP grew by 5.2%, followed by a fall of 0.3% in 2009 but it turned around strongly and rose by 7.5% during 2010 and by 2.9% in 2011, according to Consensus Economics.

New products

During the year, Volvo Trucks was the first manufacturer to launch trucks that comply with the new emission regulation according to Euro V that took effect on January 1, 2012.

The year also saw the launch of the all-new medium-duty truck Volvo VM, which is produced specifically for the South American market. The truck is adapted to applications such as regional and city distribution.

In order to meet the increasing demand for buses in the front engine segment, which in South America amounts to as many as 16,000 buses annually, Volvo Buses launched a new front engine bus that was well-received when it was introduced.

Success at Fenatran

Volvo do Brasil brought together 250 journalists from Brazil and other Latin American countries for a press conference with head of Volvo do Brasil, Roger Alm, at



the opening of the 18th International Transportation Fair – Fenatran 2011. Fenatran is the largest trade fair of the transport segment in Latin America and took place in São Paulo from

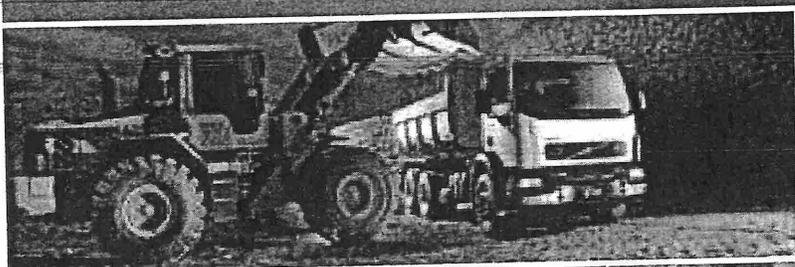
October 24 to 28, 2011. The outcome of the fair was very positive for Volvo do Brasil with large interest from customers and more than 10,000 visitors to the Volvo stand. Also, during the fair a large number of orders were signed, of which more than half were for the new Euro V trucks.

Increased production

During the year, Volvo do Brasil started the production of the automated mechanical gearbox I-Shift. Volvo also started local production of 11-liter engines. Previously, components for the I-Shift were imported from Europe and assembled locally. The gearboxes will equip the Volvo FH and Volvo FM.

"The I-Shift gearbox has been getting outstanding acceptance in Brazil and in all the other countries of South America. It already equips about 80% of the Volvo FH and Volvo FM trucks and over 90% of the highway buses which leave our assembly line in Curitiba", says head of Volvo do Brasil, Roger Alm.

The success of the electronic gearbox is mainly due to the noticeable consumption reduction that it allows –



up to 5% compared to vehicles with manual equipment. Besides, it provides more durability to the clutch, less tire wear, and increases the comfort and safety levels for the driver.

With the 11-liter engine nationalization, the Curitiba Volvo factory increases its portfolio of locally manufactured products. The engines line is flexible and now both 13-liter and 11-liter engines are manufactured in the country.

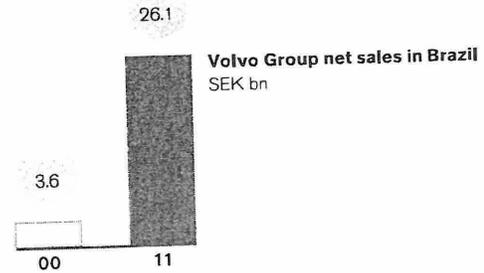
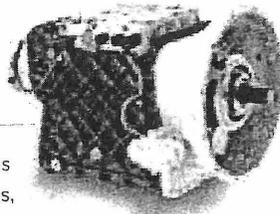
Best employer in Brazil

For the second time, Volvo do Brasil was chosen as the best employer in Brazil. The survey is conducted by the *Você S/A* and *Exame* magazines and comprises 504 companies in different sectors. It ranks the best 150 employers in Brazil. Volvo do Brasil has 3,900 employees and headquarters in Curitiba and it has always been ranked in the top ten. In the 2011 survey, Volvo do Brasil obtained excellent results in all categories.

Volvo CE moves ahead

Volvo Construction Equipment (Volvo CE) moves ahead in Brazil. In accordance with the strategy to support the development in growth economies, the factory in Pederneiras has started to manufacture three excavator models.

Volvo CE has also introduced its Chinese brand SDLG with great success in Brazil. The machines are imported from China and reach new customer segments where Volvo CE has had a hard time competing in the past. Surveys show that as many as 90% of SDLG customers have pre-

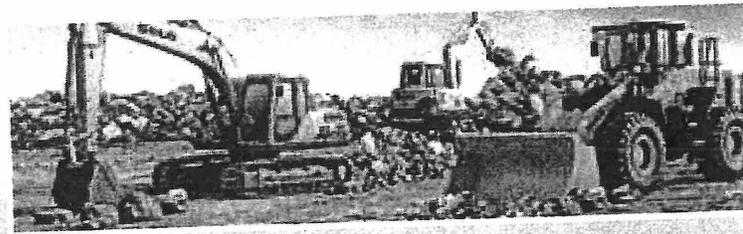


viously not been in contact with the Volvo Group regarding construction equipment.

Largest contract for hybrid buses

In July 2011, Volvo Buses received its largest hybrid bus order thus far. The city of Curitiba in Brazil ordered 60 buses that generate up to 35% less fuel consumption.

"Several of the largest cities in Brazil and the rest of South America tested a Volvo 7700 Hybrid in 2010 and at the beginning of this year," says Luis Carlos Pimenta,



head of Volvo Buses in Latin America. "The tests were very successful and contributed to this first order, which we believe will be followed by additional orders from other cities."

Consequently, Volvo Buses has decided to commence manufacturing hybrid buses in Curitiba. It will involve the same hybrid technology used in Volvo's hybrid buses and trucks in Europe and which is currently the world's most efficient for heavy vehicles.

Volvo Group in Brazil

- **Number of employees:** 4,546
- **Production:** Curitiba (trucks and buses) and Pederneiras (construction equipment)
- **Net sales:** SEK 26,056 M, 8% of Group sales
- Best employer 2011

Brazil

- **Area:** 8,547,404 km²
- **Population:** 195 million (2010 estimate)
- **Capital:** Brasilia with 2.5 million inhabitants (2010 estimate)
- **Other big cities (2010 estimates):** São Paulo (10.4), Rio de Janeiro (6.3), Salvador de Bahia (3.0) and Fortaleza (2.6)
- **GDP per capita:** USD 10,471 (2010)

DEVELOPMENT BY CONTINENT

ASIA GROWING IN IMPORTANCE

Through both acquisitions and organic growth, the Volvo Group has created a good position from which to develop further in the dynamic and fast-growing markets in Asia. With increased wealth and the associated needs for transport and with substantial investments in infrastructure, the region is of large and growing importance to the Group.

Growing markets

Sales in Asia accounted for 24% of Group net sales during 2011. In 2000 the corresponding figure was 7%. The sharp increase has primarily been achieved by the acquisitions of UD Trucks of Japan (which was named Nissan Diesel at the time of the acquisition), the majority in Lingong of China and through the joint venture VECV in India, but also through substantial organic growth in many markets.

Through the brands UD Trucks, Volvo, Renault Trucks and Eicher, the Volvo Group has strong positions in Japan, India, Korea and all of Southeast Asia.

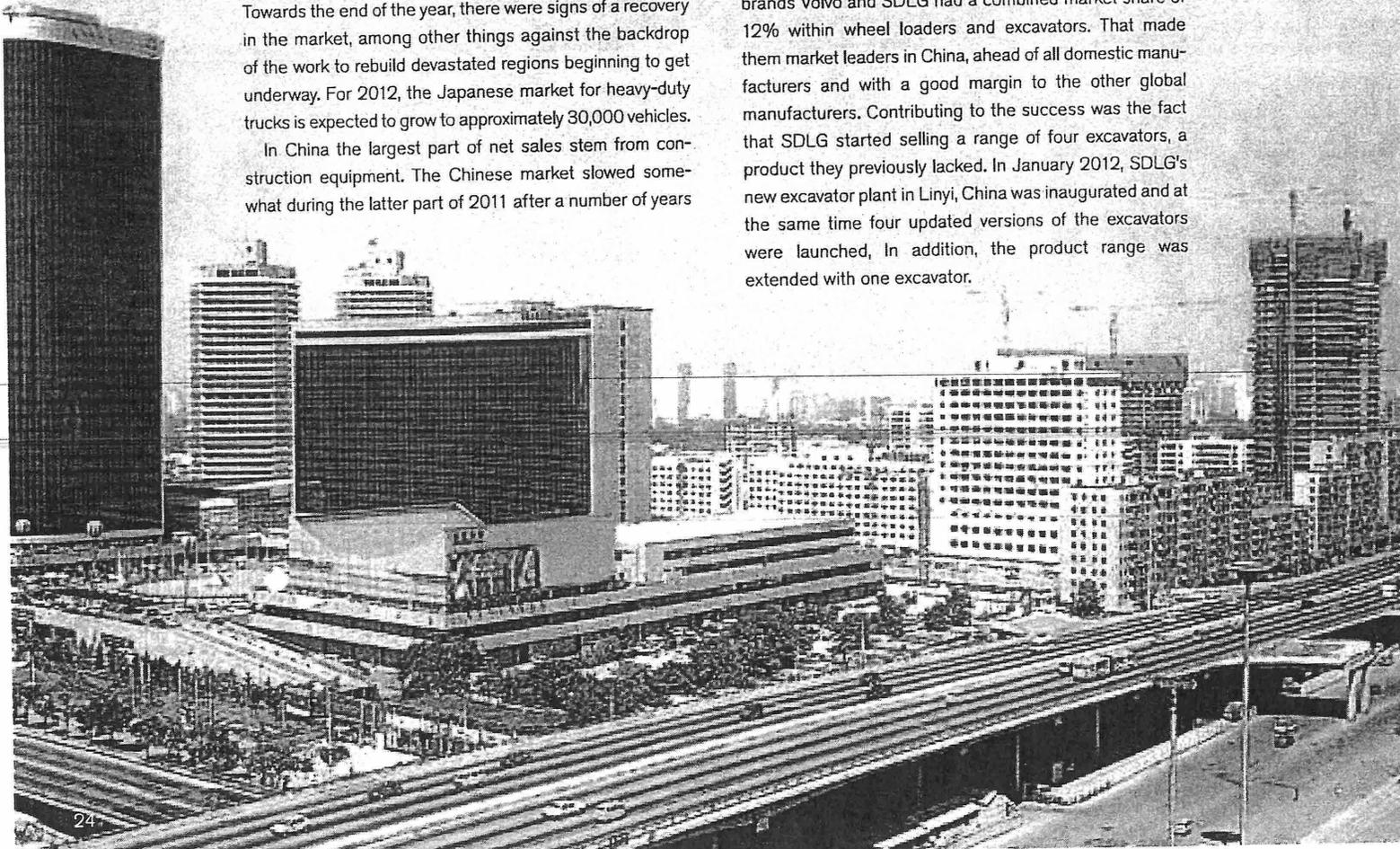
In Japan the heavy-duty truck market grew by 1% to 24,800 vehicles during 2011. The first half of the year was weak, primarily as an effect of the earthquake and ensuing tsunami that hit the country on March 11. Towards the end of the year, there were signs of a recovery in the market, among other things against the backdrop of the work to rebuild devastated regions beginning to get underway. For 2012, the Japanese market for heavy-duty trucks is expected to grow to approximately 30,000 vehicles.

In China the largest part of net sales stem from construction equipment. The Chinese market slowed somewhat during the latter part of 2011 after a number of years

of strong growth. In total, the market grew by 7% during the year. The Volvo Group strengthened its position as leader in the segment for wheel loaders and excavators. In Asia outside of China, the market for construction equipment grew by 28%. In 2012 the Chinese market is expected to be on the same level as in 2011. Asia excluding China is expected to grow by 10-20%.

Volvo CE number 1 in China

With a volume totaling 405,000 machines, the Chinese market for construction equipment is the world's largest. When measured in number of units, it is in fact almost as large as the rest of the world put together. And the Volvo Group is number 1 in wheel loaders and excavators in China. During 2011 Volvo Construction Equipment's both brands Volvo and SDLG had a combined market share of 12% within wheel loaders and excavators. That made them market leaders in China, ahead of all domestic manufacturers and with a good margin to the other global manufacturers. Contributing to the success was the fact that SDLG started selling a range of four excavators, a product they previously lacked. In January 2012, SDLG's new excavator plant in Linyi, China was inaugurated and at the same time four updated versions of the excavators were launched. In addition, the product range was extended with one excavator.



Volvo CE and SDLG had a combined market share of

Growth plans for DND

Through UD Trucks, the Volvo Group has a joint venture for trucks together with Dongfeng of China. A fact unknown to many. The joint venture, DND, manufactures heavy-duty UD trucks in a factory in Hangzhou in Southern China. DND was included in the acquisition of UD Trucks in 2007 and gave the Group access to domestic production in China.

A number of European manufacturers are trying to get into China, and some have shares in domestic companies producing Chinese brands, but the Volvo Group is the only Western manufacturer making trucks under its own brand, UD, in the country.

China is the world's largest truck market with registrations of 899,000 heavy-duty trucks in 2011. DND had a volume of 900 trucks in 2011, and the Volvo Group is together with its joint venture partner examining different possibilities to expand the cooperation in order to grow the sales volumes within the DND framework. In addition to the UD trucks being manufactured by DND, the Group also sells some 1,000 Volvo trucks annually. These trucks are built in Europe and shipped to China. With those volumes, Volvo has a strong position in the European segment of the market.



New Condor

During the year, UD Trucks launched its new medium-duty truck Condor, which had undergone a full model change. The new trucks have a new cab design that conveys the impression of a unified family identity with the Quon heavy-duty truck series. They also feature various advanced technologies accumulated on the company's heavy-duty trucks to deliver outstanding fuel economy, improved environmental and aerodynamic performance and safety.

Technology Center in Jinan

A part of the increased focus on growth markets is the development of products aimed particularly at those markets. Volvo CE's new technology center in Jinan, China is part of these efforts and covers both the Volvo and the SDLG brand. Jinan is the capital of Shandong province where Lingong has its manufacturing. The center entails an investment of SEK 300 M, and when fully complete in 2013 it will have 200 employees and cover an area of 50,000 square meters.

Market development, heavy-duty trucks, Japan

Thousands



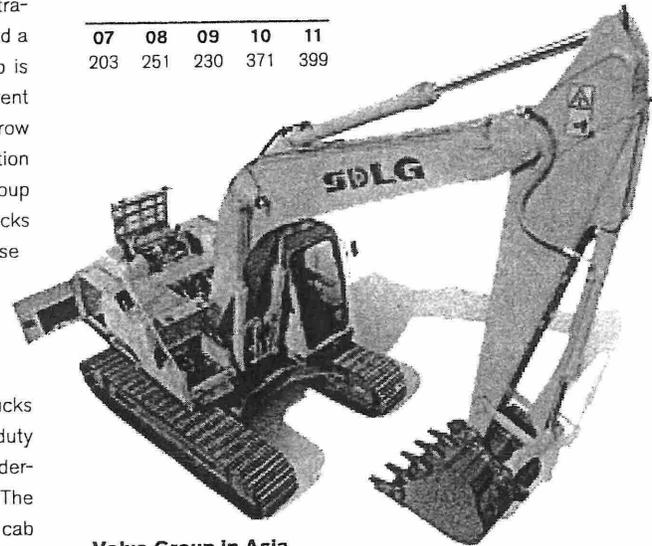
| 07 | 08 | 09 | 10 | 11 |
|----|----|----|----|----|
| 43 | 35 | 19 | 25 | 25 |

Market development, construction equipment, China

Thousands



| 07 | 08 | 09 | 10 | 11 |
|-----|-----|-----|-----|-----|
| 203 | 251 | 230 | 371 | 399 |



Volvo Group in Asia

- **Net sales:** SEK 73,586 M (65,487)
- **Share of Group sales:** 24%
- **Number of employees:** 19,924
- **Share of Group employees:** 20%
- **Largest markets:** China, Japan, India and South Korea.

New company for electric and hybrid drivelines in China

In April 2011, Volvo Bus and SAIC Motors of China agreed to form a new joint venture company in China for driveline systems for electric and hybrid buses. The new company is 60% owned by SAIC and 40% owned by Volvo.

Volvo invests CNY 40 million and SAIC CNY 60 million in the new company, Shanghai Green Bus Drive System Co, based in Shanghai. The new company will industrialize SAIC Motors and Volvo Buses research and development projects within electric and hybrid drivelines for buses. Since the beginning of the 21st century, Volvo and SAIC together operate Sunwin Bus, which is one of the largest city bus manufacturers in China.

FOCUS INDIA

The Indian market is in an exciting growth phase with growing prosperity and increasing investments in infrastructure.

Exciting development in VECV

The Volvo Group's joint venture company VE Commercial Vehicles (VECV) comprises the entire Eicher Motors truck and bus operations and the Volvo Group's Indian sales operations in the truck segment as well as the service operations for trucks and buses. The joint venture was formed in 2008.

The Indian market for heavy-duty trucks grew by 12% to 237,000 trucks in 2011 compared to 212,000 vehicles in 2010. The market for light and medium-duty trucks grew by 19% to 103,000 vehicles (87,000).

With 11% of the total Indian market for commercial vehicles, i.e. heavy-duty, medium-duty and light-duty trucks as well as buses, Eicher is India's third largest manufacturer of commercial vehicles. The position is especially strong in the light and medium-duty segment in which Eicher during 2011 had a market share of 30.5% (30.5). In heavy-duty trucks the market share is developing in the right direction, although from low levels, since Eicher during 2011 launched its new heavy-duty truck program based on the cooperation in VECV. During 2011, Eicher had 3.1% of the market in the heavy-duty segment compared to 2.0% the year before. The ambition is to grow within heavy-duty trucks in the coming years.

India to become center for new medium-duty engine

VECV's facility in Pithampur is home to a rapid expansion. Part of the new construction taking place is the SEK 480 M

investment in the production of the Volvo Group's new global medium-duty engine.

The investment gives the Volvo Group a complete facility in India for processing and assembling the new medium-duty engine, which will be introduced in the Group's trucks and buses worldwide in the next few years.

Through this investment, it will be possible for the Volvo Group to locate most of its production of medium-duty engines to VECV's plant in Pithampur. VECV has an established supplier base in India and efficient purchasing channels and already today, VECV produces about 40,000 engines per year in the existing plant. The Group will now have an engine platform that combines the latest in Japanese technology with India's highly competitive production cost. The investment in Pithampur will result in an annual production capacity of an additional 85,000 new medium duty base engines.

At the same time, the Volvo Group will invest an additional SEK 460 M in the Group's production plants for engines in Ageo, Japan and Venissieux, France. Through this investment, the Group will, among other things, have an annual final assembly capacity for 30,000 medium-duty base engines for the European market.

Development of the new medium-duty engine has been led by Volvo Powertrain in Ageo and the engine has been designed to meet current and future exhaust requirements in Europe, the US and Japan.

In addition to production of the base engine itself, the

