

THE VOLVO GROUP SIX MONTHS ENDED JUNE 30, 2004

Net sales for the second quarter 2004 increased to SEK 53,024 M (44,593), reflecting strong organic growth.

Net income increased to SEK 2,611 M (1,722) in the quarter.

Income per share for the second quarter was SEK 6.20 (4.10).

Improved earnings in all business areas

The Ainax shares were distributed to the shareholders of AB Volvo.

Cash flow after net investments excluding Financial Services doubled to SEK 5.4 billion (2.7).

	Second quarter		First six months	
	2004	2003	2004	2003
Net sales, SEK M	53,024	44,593	98,513	85,524
Operating income, SEK M ¹	3,725	1,741	5,944	2,650
Revaluation of shares	123	–	820	–
Dividend received from Scania	–	501	–	501
Operating income, SEK M	3,848	2,242	6,764	3,151
Income after financial items, SEK M	3,732	2,043	6,608	2,800
Net income, SEK M	2,611	1,722	4,859	2,228
Income per share, SEK ¹	5.90	2.90	9.60	4.10
Income per share, SEK	6.20	4.10	11.60	5.30
Return on shareholders' equity during most recent 12 months period, %			4.0	4.2

1) Excluding revaluation of shares in Scania and Henlys Group in 2004 and dividend received from Scania in 2003. Operating income in the second quarter includes revaluation of shares in Scania of SEK 218 M and write-down of shares in Henlys Group amounting to SEK 95 M.

VOLVO

Comments by the Chief Executive Officer

During the second quarter, growth in the global economy strengthened. Demand increased in virtually all markets, and the Volvo Group's sales rose by 21 percent, compared with the corresponding period during the preceding year.

Volvo's new product programs continued to be successful during the upturn and are in strong demand among customers. We increased market shares in several segments. Sales growth was most significant in Volvo Penta, Volvo CE and Trucks.

The positive development was also evident in Volvo Financial Services in the form of favorable growth in the credit portfolio and increasing profitability quarter by quarter.

Volume increases, together with improved profitability for the new product programs, contributed to more than doubling operating income, compared with the second quarter of 2003. Volvo Trucks posted a strong increase in profits in Europe, Asia and South America, Volvo Penta reported its best quarter ever and Volvo CE's earnings rose by more than 50%. The Group's earnings for the second quarter corresponded to SEK 6.20 per share, an improvement of SEK 2.10, compared with the corresponding period last year.

Improved profitability also included those operations linked to the travel and tourist industry, where we have experienced the greatest difficulties. Volvo Aero delivered a very strong second quarter as a result of previous cost adjustments and a better product mix.

Buses' sales improved during the quarter and resulted in an operating profit. Measures to adjust costs and increase



efficiency in production also contributed to the improvement. However, order booking remains uncertain, and the extensive review of operations continues within Volvo Buses.

An important issue in the nearest future is the difficulties in the bus company Henlys Group, in which we are a stakeholder. This is described further on in this report.

As a result of the strong increase in sales and favorable order bookings, capacity utilization in the Group's production plants is high. Some units, as well as some suppliers, are approaching the capacity ceiling. However, we expect to be able to continue eliminating bottlenecks during the upturn without major investments.

We reiterate our previous forecasts for the heavy truck market in North America, the current forecast reflect an increase of about 30% to between 230,000 and 240,000 trucks in 2004. For Europe, we make an upward adjustment of the forecast. In "Europe 25¹", we estimate the market for heavy trucks to grow to a level of

about 250,000 trucks in 2004 (230,000 in 2003) with the market in Western Europe increasing by up to 10%. The positive development continues for Volvo CE and their adjusted forecast for the total heavy construction equipment market currently reflect a growth between 20% and 25% in North America. The market in Europe is expected to grow by 5% in 2004.

Volvo's capital efficiency program has been effective and made it possible to release capital from operations, despite increasing volumes. Together with improved operating profits, this contributed to very satisfactory cash flow during the first half of the year.

At the same time, product renewal continues. During the second quarter, a new Renault Mascott was launched in the light truck segment. During the second quarter, Mack launched a new chassis for its highway trucks.

During the second quarter, the last step was taken in the divestment of the holding of Scania A series shares. This took place through the introduction of Ainax on the Stock Exchange. The Ainax share has traded with good volumes and a low discount.

We will complete yet another transfer of capital to our shareholders through the repurchase of own shares that the Annual General Meeting authorized in April. The transfer, which will be completed well in advance of the 2005 Annual General Meeting, will amount to a maximum of SEK 4.3 billion.

Leif Johansson
President and CEO

¹ Former Western Europe + new members: Poland, Czech Republic, Slovakia, Hungary, Estonia, Latvia, Lithuania and Slovenia.

Significant events during the second quarter of 2004



Product Introductions

RENAULT TRUCKS INTRODUCED THE NEW RENAULT MASCOTT

The renewal of the Renault Trucks ranges carried on with the introduction of the new Renault Mascott. It has been successfully launched in May before the European Trade Press and shortly afterwards within the sales network. Since then both deliveries and orders have picked up.

MACK INTRODUCES NEW ADVANTAGE HIGHWAY CHASSIS

At the Truck Show in Las Vegas, Mack presented the new chassis, called Advantage, which the company is introducing to better serve the needs of highway customers. The new chassis will be used in all Mack Vision™ and CH models.

New Orders

BUSES SIGNS ORDER

Volvo Bus Corporation has received one of its largest single orders ever in the UK.

It's an order from the bus operator First for 486 Volvo buses. First is one of Volvo Buses' key customers and is the largest bus operator in the UK with a fleet of approx. 9,300 buses. The order comprises 272 single deckers, 184 double deckers and 30 articulated vehicles. The chassis will be built in Volvo's plant in Borås, Sweden, and the bodies by Wrightbus, based in Ballymena in Northern Ireland. Delivery will take place over the next two years, starting in October this year.

VOLVO AERO SIGNS NEW CONTRACTS

Volvo Aero and Harrods Aviation have signed an agreement whereby Volvo Aero will give full support for heavy maintenance and overhaul of the Honeywell TFE 731 engine.

Volvo Aero and General Electric have signed an agreement whereby Volvo Aero will increase its stake in the LM2500 industrial gas turbine. The LM2500 was

originally a derivative of the CF6-6 aircraft engine, but has benefited from continuous aircraft engine and industrial gas turbine technology infusion for the past 30 years. In June, the first contract for the large LMS100 gas turbine was signed, with Basin Electric of North Dakota.

Acquired and divested operations

DIVESTMENT OF SCANIA SHARES

Volvo's holding of Scania B shares was sold to Deutsche Bank on March 4, 2004 for an amount of SEK 14.9 billion. As a consequence of the divestment, the Scania holding was written down as of the fourth quarter of 2003. The transaction was carried out as part of Volvo's commitment to the European Commission to divest the Scania shares not later than April 23, 2004. After the sale of the Scania B shares to Deutsche Bank, Volvo owned 27.3 million A shares in Scania AB, corresponding to 24.8% of the votes and 13.7% of the capital. At the Annual General Meeting of AB Volvo on April 16, 2004, the Board's proposal to transfer all A shares in Scania to Ainax and thereafter to distribute the shares in Ainax to Volvo's shareholders was approved. The value of the distribution of Ainax was set at SEK 6,309,538,645. The shares in Ainax were distributed to Volvo's shareholders on June 8, 2004. As of June 8, 2004 Volvo no longer holds any shares in Scania AB. On June 9, 2004 Volvo sold the remaining 0.9% holding in Ainax.

DIVESTMENT OF SHARES IN BILIA

On May 14, 2004, AB Volvo sold all of its shares in Bilia, a total of 588,938 shares, corresponding to 2.3% of the votes and 2.3% of the share capital. The sale was at a price of SEK 90 per share and resulted in a capital gain for Volvo of SEK 24 M. Through the sale, Volvo fulfilled its undertaking from last year to sell the shares that were surplus after Volvo had acquired Bilia's truck and construction equipment operations.

VOLVO CE ESTABLISHES NORTH AMERICAN ENGINE REMANUFACTURING

Volvo Construction Equipment has acquired the engine remanufacturing company ECHO Industries, Inc, Charlotte, North Carolina; the primary supplier of remanufactured engines to Volvo CE in North America. The acquisition was effective 28 June 2004. Operations at Volvo CE's newly acquired engine remanufacturing facility will continue without interruption.

VOLVO CE INITIATED LB SMITH DIVESTITURE

As a part of its stated intention to divest the operations of its former US dealer, LB Smith, Volvo CE sold during the second quarter two territories of the holding representing around 35% of LB Smith sales.

Corporate information

REPURCHASE OF OWN SHARES

On April 16, 2004, the Annual General Meeting of AB Volvo authorized the Board of Directors to decide on the acquisition of own shares for, among other reasons, to create a more effective capital structure for AB Volvo. The Board of AB Volvo has decided to acquire through purchase on Stockholmsbörsen a maximum of 22,076,045 Series A and/or Series B shares, however, not to exceed a total purchase amount of SEK 4,300 M. The purchases may be carried out during the period until the Annual General Meeting in 2005. The repurchase shall be made with in the so-called spread.

The total number of shares in AB Volvo amounts to 441,520,885, of which 138,604,945 Series A and 302,915,940 Series B shares. AB Volvo currently holds 22,076,043 of its own shares, of which 6,930,246 Series A and 15,145,797 Series B shares.

THE VOLVO SHARE TO BE DELISTED FROM FRANKFURT, DÜSSELDORF AND HAMBURG STOCK EXCHANGE

As announced earlier, Volvo has applied to be delisted from Frankfurt, Düsseldorf and Hamburg stock exchanges. This application has now been approved and the Volvo share was delisted from Frankfurt and Düsseldorf stock exchanges on June 25, 2004 and the share will be delisted from Hamburg stock exchange on September 30, 2004.

Volvo has been listed on the German exchanges in Frankfurt, Düsseldorf and Hamburg since 1974. This listing was a feature of the Board's efforts to increase international ownership in Volvo. However, the deregulation of the international capital markets and the increased foreign ownership of shares on Stockholmsbörsen have meant that this special listing has outlived its usefulness.

NEW STOCK-BASED INCENTIVE PROGRAM

On April 16, 2004 the Annual General Meeting approved a new stock-based incentive program for senior executives within the Volvo Group that will replace the present stock option program. Under the program, a total of maximum 110,000 Volvo shares can be allotted to approximately 165 senior executives. The number of shares to be allotted depends upon the fulfillment of certain financial goals during the financial year 2004 and if the requirements are met, allotment will take place in 2005. Assuming said goals are fulfilled in full and that the Volvo share price is SEK 243 at the time of allotment, Volvo's cost for the program including social fees will be around SEK 35 M. The stock-based incentive program may be hedged through transfer of Volvo's own shares.

HENLYS GROUP

During 1998 and 1999, Volvo acquired 9.9% of the capital and voting rights in Henlys Group. In October 1999, Volvo issued a convertible debenture loan to Henlys Group of USD 240 M with maturity in October 2009. Henlys Group is a British company involved in manufacturing and

distribution of buses and bus bodies in Great Britain and North America. Volvo and Henlys Group jointly own the shares of the North American bus operations Prévost and Nova Bus. In February and March 2004, Henlys announced that its earnings for 2004 was expected to be significantly lower than previously anticipated, and as a result the market price of Henlys' shares fell significantly. As a consequence of receiving this information, it was determined that Volvo's shareholding in Henlys Group was permanently impaired at December 31, 2003, and a write-down of SEK 429 M was charged to income in the fourth quarter of 2003.

On June 10, 2004, Henlys Group

announced that discussions were held with its lending banks and other principal creditors with the aim of achieving a restructuring of the Group. The Company further announced that, due to the concentration of debt at the parent company level, it is likely that any such restructuring will attribute little or no value to the ordinary shares of Henlys Group, and a delisting of Henlys Group's shares from trading on the London Stock Exchange was to be initiated.

As one of the principal creditors, Volvo is participating in discussions regarding restructuring of the Henlys Group. Based upon the current situation, Volvo's holding of 9.9% of the ordinary shares in Henlys

Group has been fully written down during the second quarter 2004, and a write-down of SEK 95 M was thereby charged to the income statement. Volvo's balance sheet includes receivables from Henlys Group regarding the convertible debenture loan amounting to USD 240 M and accrued interest amounting to USD 12 M. Due to the ongoing discussions regarding a restructuring of the Henlys Group it is currently not possible to determine the fair value of Volvo's receivables from Henlys Group and no revaluation has been made in this financial report. There is a risk that impairment losses will be recognized on these items later during 2004.

Significant events earlier in 2004

RENAULT TRUCKS CONCLUDED AGREEMENT IN PRINCIPLE TO MANUFACTURE TRUCKS IN CHINA

Renault Trucks has signed an agreement in principle with the Chinese truck manufacturer Dong Feng Motors aimed at establishing a joint-venture company for manufacturing of trucks and truck components in China. The agreement is still subject to final negotiation and the relevant Chinese authorities must also approve the agreement.

AGREEMENT IN PRINCIPLE COVERING ENGINE MANUFACTURE IN CHINA

Volvo signed an Engine Cooperation Frame Agreement with the truck manufacturers China National Heavy Truck Corporation (CNHTC), and First Automotive Works (FAW) covering the establishment of a

jointly owned engine plant in China. The plant will manufacture complete engines for Volvo's business areas in China and for CNHTC's and FAW's trucks. The three companies will form a joint company for production of engines for the Chinese market of which Volvo will own 52% and CNHTC and FAW 24% each. The plan is for a definitive agreement to be concluded during 2004.

INDUSTRIAL RELOCATION WITHIN RENAULT TRUCKS

The Volvo Group is carrying out an industrial relocation in Europe as a result of which manufacture of crankshafts for medium-heavy truck engines is being increased at Villaverde, Spain, while the production of Renault trucks is being concentrated to the plant in Bourg-en-Bresse, France.

VOLVO TRUCKS INAUGURATED FACTORY IN CHINA

In March 2004, Volvo Trucks inaugurated its new factory in Jinan together with its Chinese partner, China National Heavy Truck Corporation. The new factory will build Volvo trucks for the growing Chinese market. The factory has initially a capacity of about 1,200 trucks a year.

MOODY'S CONFIRMED AB VOLVO'S CREDIT RATING

A number of international credit-rating institutes have recently confirmed AB Volvo's credit rating. Most recently it was Moody's. Moody's confirms AB Volvo's short-term credit rating of P-2 and long-term A3 and concurrently raises the outlook to stable. Moody's expects that Volvo will continue to increase efficiency in its operations, strengthen competitiveness and improve financial strength.

The Volvo Group – the second quarter of 2004

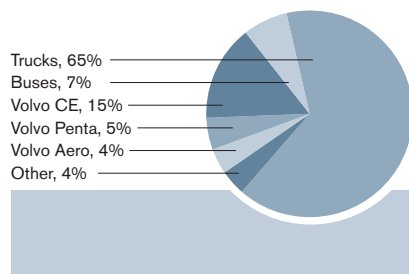
Sales increased by 21%

Net sales of the Volvo Group amounted to SEK 53,024 M, compared with SEK 44,593 M in 2003. This represents a growth of 21%, adjusted for currency effects.

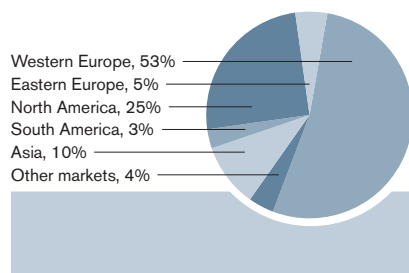
Net sales of Trucks amounted to SEK 34,910 M, up 20% adjusted for currency effects compared with the year-earlier period. Deliveries in Western Europe increased by 17% while deliveries in North America rose by 24% to 12,173 vehicles. The number of invoiced trucks to countries in the Middle East increased by 94%.

Net sales of Volvo CE and Volvo Penta for the second quarter of 2004 increased by 33% and 30%, respectively, adjusted

Sales by Business Area, %



Sales by Market, %



Net sales by market area

SEK M	Second quarter		First six months		Change in %
	2004	2003	2004	2003	
Western Europe	27,920	24,490	52,904	48,155	+10
Eastern Europe	2,837	2,039	4,861	3,740	+30
North America	13,329	11,648	23,787	20,997	+13
South America	1,623	1,059	3,014	1,912	+58
Asia	5,491	3,762	9,865	6,750	+46
Other markets	1,824	1,595	4,082	3,970	+3
Total	53,024	44,593	98,513	85,524	+15

Operating income

SEK M	Second quarter		First six months	
	2004	2003	2004	2003
Trucks	2,287	1,023	3,763	1,550
Buses	91	(89)	44	(172)
Construction Equipment	648	425	957	565
Volvo Penta	307	212	495	371
Volvo Aero	173	11	274	5
Financial Services	307	221	588	433
Other	(88)	(62)	(177)	(102)
Operating income¹	3,725	1,741	5,944	2,650
Dividend from Scania	–	501	–	501
Revaluation of shares	123	–	820	–
Operating income	3,848	2,242	6,764	3,151

1) Excluding revaluation of shares in Scania AB and Henlys Group and 2003 and dividend from Scania.

Consolidated income statements

SEK M	Second quarter		First six months	
	2004	2003	2004	2003
Net sales	53,024	44,593	98,513	85,524
Cost of sales	(41,490)	(35,998)	(77,532)	(69,312)
Gross income	11,534	8,595	20,981	16,212
Research and development expenses	(1,867)	(1,664)	(3,646)	(3,433)
Selling expenses	(4,518)	(3,789)	(8,766)	(7,386)
Administrative expenses	(1,432)	(1,282)	(2,750)	(2,586)
Other operating income and expenses	(338)	(325)	(492)	(583)
Income from Financial Services ¹	307	221	588	433
Income from investments in associated companies	11	3	5	5
Income from other investments	151	483	844	489
Operating income	3,848	2,242	6,764	3,151
Interest income and similar credits	257	382	574	666
Interest expenses and similar charges	(368)	(552)	(761)	(1,003)
Other financial income and expenses	(5)	(29)	31	(14)
Income after financial items	3,732	2,043	6,608	2,800
Income taxes	(1,101)	(321)	(1,713)	(565)
Minority interests in net (income) loss	(20)	0	(36)	(7)
Net income	2,611	1,722	4,859	2,228
Income per share, SEK	6.20	4.10	11.60	5.30

1) Financial Services reported in accordance with the equity method.

for currency effects, thus reflecting strong organic growth. Net sales for Buses amounted to SEK 3,620 M, an increase of 19% adjusted for currency effects. Volvo Aero's sales were up by 8% adjusted for currency effects.

The Group's net sales grew on all major markets, most notably in Asia, Eastern Europe and South America. Sales in North America also grew, despite the negative development for the USD exchange rates.

The distribution of net sales by market area is further specified in the table on page 6.

Operating income more than doubled

The operating income, excluding revaluation of shares and dividend received from Scania, more than doubled for the second quarter of 2004 compared with the year-earlier period, and amounted to SEK 3,725 M (1,741). Changed exchange rates had a net adverse effect on operating income in an amount of about SEK 400 M, compared with the year-earlier period.

Trucks' operating income was SEK 2,287 M (1,023). The improvement was largely related to higher sales volumes, increased margins and cost rationalization. In Europe, Volvo Trucks' strong performance was further enhanced and Renault Trucks reported higher earnings. Volvo Trucks also showed considerable improvements in markets outside Europe and North America.

Earnings for Volvo CE rose by more than 50% and amounted to SEK 648 M (425). The improvement was largely related to higher volumes and improved margins on new products, though strongly offset by negative currency effects. Buses reported

Key operating ratios, Volvo Group %	Second quarter		First six months	
	2004	2003	2004	2003
Gross margin	21.8	19.3	21.3	19.0
Research and development expenses in % of net sales	3.5	3.7	3.7	4.0
Selling expenses in % of net sales	8.5	8.5	8.9	8.6
Administrative expenses in % of net sales	2.7	2.9	2.8	3.0
Operating margin ¹	7.0	3.9	6.0	3.1
Operating margin	7.3	5.0	6.9	3.7

1) Excluding revaluation of shares in Scania AB and Henlys Group in 2004 and 2003 and dividend from Scania in 2003.

Condensed income statement - Financial Services				
SEK M	Second quarter		First six months	
	2004	2003	2004	2003
Net sales	2,395	2,234	4,705	4,551
Income after financial items	307	221	588	433
Income taxes	(99)	(46)	(188)	(117)
Net income	208	175	400	316

Key ratios - Financial Services			
12 months figures unless otherwise stated		June 30	Dec 31
		2004	2003
Return on shareholders' equity, %		10.4	9.8
Equity ratio at end of period, %		12.0	12.0
Asset growth, %		6.9	(3.6)

Key ratios			
12 months figures unless otherwise stated		June 30	Dec 31
		2004	2003
Income per share, SEK		7.00	0.70
Return on shareholders' equity, %		4.0	0.4
Income per share, SEK ¹		14.60	9.10
Return on shareholders' equity, % ¹		8.3	5.0
Net financial position at end of period, SEK billion		15.3	(2.4)
Net financial position at end of period as percentage of shareholders' equity and minority interests		22.4	(3.3)
Shareholders' equity and minority interests at end of period as percentage of total assets		29.8	31.4
Shareholders' equity and minority interests as percentage of total assets, excluding Financial Services		38.3	40.5

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc in 2004 and 2003 and dividend from Scania in 2003.

an operating income of SEK 91 M for the second quarter, compared with an operating loss of SEK 89 M in 2003. Volvo Penta reported record-high operating income amounting to SEK 307 M for the second quarter (212), corresponding to an operat-

ing margin of 11.9%. The earnings for Volvo Aero improved to SEK 173 M compared with SEK 11 M in the year-earlier period. Financial Services operating income rose to SEK 307 M (221) in the second quarter.

On April 16, 2004, the Annual General Meeting approved the Boards proposal to transfer all A shares in Scania to Ainax and thereafter to distribute the shares in Ainax to Volvo's shareholders. As a consequence, Volvo's holding of Scania A shares was valued, based at the closing rate on April 15, of SEK 235.50 and a positive revaluation effect of SEK 218 M was recorded under "Income from other investments" and included in Group operating income for the second quarter of 2004. Operating income in the second quarter was also charged with a write-down of the shares in Henlys Group amounting to SEK 95 M.

Operating income by business area is further specified in the table on page 6.

Net interest expense

Net interest expense for the second quarter 2004 amounted to SEK 111 M, compared with SEK 76 M during the first quarter of 2004. The higher net interest expense was mainly explained by increased interest rates, which generated negative valuation effects on financial assets and increased funding costs.

Income taxes

During the second quarter of 2004, an income tax expense of SEK 1,101 M was reported (321), relating to both current and deferred income taxes.

Net income and income per share

Net income amounted to SEK 2,611 M (1,722) in the second quarter, corresponding to an income per share of SEK 6.20 (4.10). Income per share for the most recent 12-months was SEK 7.00.

Consolidated balance sheets

SEK M	Volvo Group excl Financial Services ¹⁾		Financial Services		Volvo Group total	
	June 30 2004	Dec 31 2003	June 30 2004	Dec 31 2003	June 30 2004	Dec 31 2003
Assets						
Intangible assets	16,688	16,662	90	94	16,778	16,756
Property, plant and equipment	27,202	27,248	3,937	3,392	31,139	30,640
Assets under operating leases	9,215	8,976	13,658	13,234	21,784	21,201
Shares and participations	9,999	9,598	208	188	1,611	1,782
Long-term customer finance receivables	34	53	24,977	23,918	24,446	23,448
Long-term interest-bearing receivables	2,853	2,911	5	5	2,775	2,769
Other long-term receivables	7,729	7,879	65	59	7,616	7,718
Inventories	28,996	25,848	411	611	29,407	26,459
Short-term customer finance receivables	53	65	25,845	22,894	25,593	22,554
Short-term interest bearing receivables	10,411	6,502	0	0	3,013	3,863
Other short-term receivables	28,401	25,200	1,488	1,649	28,512	24,903
Shares in Scania AB	–	20,424	–	–	–	20,424
Marketable securities	28,064	19,385	137	144	28,201	19,529
Cash and bank	7,928	8,717	653	654	7,655	9,206
Total assets	177,573	179,468	71,474	66,842	228,530	231,252
Shareholders' equity and liabilities						
Shareholders' equity	67,841	72,420	8,596	8,004	67,841	72,420
Minority interests	237	216	0	0	237	216
Provisions for post-employment benefits	15,658	15,264	29	24	15,687	15,288
Other provisions	14,286	12,792	1,574	2,256	15,860	15,048
Loans	18,337	24,677	57,720	52,852	67,265	74,092
Other liabilities	61,214	54,099	3,555	3,706	61,640	54,188
Shareholders' equity and liabilities	177,573	179,468	71,474	66,842	228,530	231,252

1) Financial Services reported in accordance with the equity method.

Changes of Net financial position,

SEK bn	Second quarter	First six months
Beginning of period	13.3	(2.4)
Cash flow from operating activities	7.2	8.1
Investments in fixed assets, net	(1.8)	(3.0)
Customer Finance receivables, net	(0.1)	0.0
Divestments and investments in shares, net	0.1	15.0
Acquired and divested operations	0.0	0.0
Cash-flow after net investments, excluding Financial Services	5.4	20.1
Dividend paid to AB Volvo shareholders	(3.4)	(3.4)
Currency effect	(0.1)	(0.5)
Other	0.1	1.5
Total change	2.0	17.7
Net financial position at end of period	15.3	15.3

Number of employees

As of June 30, 2004, the Volvo Group had 78,250 employees, compared with 75,743 at the end of 2003. The change relates primarily to increased production levels in Volvo Trucks, Volvo Powertrain and Volvo CE.

AB Volvo (Parent Company)

AB Volvo's net sales during the first half of 2004 amounted to SEK 276 M (214). Income after financial items amounted to SEK 152 M (loss: 269), which included loss from investments in Group companies amounting to SEK 457 M (510), as well as income from investments in other companies amounting to SEK 851 M (507). Income from investments in other companies includes a revaluation of the holding in Scania of SEK 915 M and a write-down of shares in Henlys Group amounting to SEK 95 M.

Investments in fixed assets amounted to SEK 2 M (0). Liquid funds on the closing date amounted to SEK 13,430 M, compared with SEK 924 M at year-end. At the end of the second quarter, net financial assets amounted to SEK 8,731 M, compared with a net financial debt of SEK 3,606 M at year-end.

Balance sheet

On June 30, 2004, the Volvo Group's total assets amounted to SEK 228.5 billion, corresponding to a decrease of SEK 2.7 billion since the end of 2003. During the period, the Group's holding of Scania B shares was sold. The Group's assets were reduced by 6.3 billion by the distribution of Scania A shares through Ainax AB and by 3.4 billion related to the cash dividend.

Changes of shareholders' equity SEK bn	Jan-June	
	2004	2003
Beginning of period	72.4	78.3
Translation differences	0.2	0.0
Transition impact of new accounting standards for pensions and other post-employment benefits	–	(1.8)
Dividend to AB Volvo's shareholders	(9.7)	(3.4)
Net income	4.9	2.2
Other changes	0.0	0.1
Balance at end of period	67.8	75.4

Number of Volvo shares	June 30	Dec 31
	2004	2003
Number of shares outstanding	419.4	419.4
Average number of shares outstanding during the period	419.4	419.4
Company shares held by AB Volvo	22.1	22.1



These effects were partially offset by growth in the credit portfolio of Financial Services, changes in currency rates and higher inventories and receivables as a consequence of the significant sales

increase. Long-term interest bearing receivables include a convertible debenture loan to Henlys Group amounting to USD 240 million. Accrued interest receivables from Henlys Group amounting to USD 12 million

are further included among other short-term receivables. Volvo is currently participating in discussions regarding a restructuring of the Henlys Group. At this time, it is therefore not possible to determine the fair value of Volvo's receivables from Henlys Group and no revaluation has been made in this financial report. There is a risk that impairment losses will be recognized on these items later during 2004

Shareholders' equity and minority interests amounted to SEK 68.1 billion, corresponding to an equity ratio of 38.3%, excluding Financial Services. Dividend to AB Volvo's shareholders during the second quarter amounted to SEK 9.7 billion, of which SEK 3.4 billion related to cash dividend and SEK 6.3 billion related to dividend of shares in Ainax AB. Other changes of shareholders' equity during the period are specified on page 9.

The Group's net financial assets on June 30, 2004, amounted to SEK 15.3 billion, which corresponded to 22.4 % of Shareholders' equity and minority interests. Changes in net financial position during the period are specified on page 8.

The Volvo Group's cash flow

Cash flow after net investments, excluding Financial Services, during the second quarter of 2004 increased to SEK 5.4 billion. Operating cash flow in the quarter amounted to SEK 5.3 billion (2.8). The main reason for the positive development was improved earnings of the Group and reduced capital tied-up as a consequence of the ongoing capital rationalization project within the Volvo Group, which is progressing well and during the period the

Cash flow statement SEK bn	Second quarter		First six months	
	2004	2003	2004	2003
Operating activities				
Operating income ¹	3.6	2.0	6.2	2.7
Add depreciation and amortization	1.8	1.8	3.7	3.5
Other non-cash items	0.0	0.2	(0.8)	0.2
Change in working capital	1.6	(0.3)	(0.5)	(3.0)
Financial items and income taxes paid	0.2	0.3	(0.5)	(0.3)
Cash flow from operating activities	7.2	4.0	8.1	3.1
Investing activities				
Investments in fixed assets	(1.8)	(1.4)	(3.1)	(3.0)
Investment in leasing vehicles	(0.1)	0.0	(0.1)	0.0
Disposals of fixed assets and leasing vehicles	0.1	0.2	0.2	0.3
Customer Finance receivables, net	(0.1)	0.0	0.0	0.0
Investments and divestments of shares, net	0.1	0.0	15.0	0.0
Acquired and divested operations, net	0.0	(0.1)	0.0	0.1
Cash-flow after net investments excl Financial Services	5.4	2.7	20.1	0.5
Cash-flow after net investments, Financial Services	(1.4)	(1.0)	(2.4)	(1.9)
Cash-flow after net investments, Volvo Group total	4.0	1.7	17.7	(1.4)
Financing activities				
Change in loans, net	(6.1)	(0.8)	(7.7)	5.0
Loans to external parties, net	(0.1)	(0.2)	0.3	0.1
Dividend to Volvo's shareholders	(3.4)	(3.4)	(3.4)	(3.4)
Change in liquid funds excl translation differences	(5.6)	(2.7)	6.9	0.3
Translation difference on liquid funds	(0.2)	0.0	0.2	(0.1)
Change in liquid funds	(5.8)	(2.7)	7.1	0.2

1) Excluding Financial Services.

Condensed cash-flow statement, Financial Services SEK bn	Second quarter		First six months	
	2004	2003	2004	2003
Cash-flow from operating activities	1.7	1.3	2.8	2.1
Net investments in credit portfolio etc	(3.1)	(2.3)	(5.2)	(4.0)
Cash-flow after net investments	(1.4)	(1.0)	(2.4)	(1.9)

Cash Conversion Cycle² was reduced from 49 days in the second quarter of 2003 to 34 days in the second quarter of 2004.

Cash flow after net investments within Financial Services was negative in an amount of SEK 1.4 billion in the quarter (negative: 1.0). The negative cash flow is

explained by growth in the credit portfolio.

Net borrowing decreased during the second quarter by SEK 6.1 billion. During the same period, total liquid funds decreased by SEK 5.8 billion and amounted to SEK 35.9 billion as of June 30, 2004.

2 The number of days from the outlay of cash for raw materials to the receipt of cash after the finished goods has been sold.

Financial review by business area

Net sales SEK M	Second quarter		First six months		Change in %	12 months moving value	Jan-Dec 2003
	2004	2003	2004	2003			
Trucks	34,910	29,413	66,104	56,806	16	126,267	116,969
Buses	3,620	3,087	6,166	6,053	2	12,091	11,978
Construction Equipment	8,119	6,252	14,252	11,034	29	26,372	23,154
Volvo Penta	2,570	2,031	4,748	3,939	21	8,405	7,596
Volvo Aero	1,885	1,863	3,447	4,107	(16)	7,370	8,030
Other	1,920	1,947	3,796	3,585	6	7,252	7,041
Net sales	53,024	44,593	98,513	85,524	+15	187,757	174,768

Operating income SEK M	Second quarter		First six months		12 months moving values	Jan-Dec 2003
	2004	2003	2004	2003		
Trucks	2,287	1,023	3,763	1,550	6,164	3,951
Buses	91	(89)	44	(172)	(145)	(361)
Construction Equipment	648	425	957	565	1,300	908
Volvo Penta	307	212	495	371	819	695
Volvo Aero	173	11	274	5	225	(44)
Financial Services	307	221	588	433	1,081	926
Other	(88)	(62)	(177)	(102)	(117)	(42)
Operating income¹	3,725	1,741	5,944	2,650	9,327	6,033
Dividend from Scania	–	501	–	501	–	501
Revaluation of shares	123	–	820	–	(3,210)	(4,030)
Operating income	3,848	2,242	6,764	3,151	6,117	2,504

1) Excluding revaluation of shares in Scania and Henlys Group and dividend received from Scania.

Operating margin %	Second quarter		First six months		12 months moving values	Jan-Dec 2003
	2004	2003	2004	2003		
Trucks	6.6	3.5	5.7	2.7	4.9	3.4
Buses	2.5	(2.9)	0.7	(2.8)	(1.2)	(3.0)
Construction Equipment	8.0	6.8	6.7	5.1	4.9	3.9
Volvo Penta	11.9	10.4	10.4	9.4	9.7	9.1
Volvo Aero	9.2	0.6	7.9	0.1	3.1	(0.5)
Operating margin¹	7.0	3.9	6.0	3.1	5.0	3.5
Operating margin	7.3	5.0	6.9	3.7	3.3	1.4

1) Excluding revaluation of shares in Scania and Henlys Group and dividend received from Scania.

Trucks

Total truck market

The total market for heavy trucks in Western Europe increased by 10% up to May 2004, compared with the preceding year. The markets in Germany, France, Italy and Spain strengthened by 20%, 4%, 18% and 12% respectively, while the market in the UK was unchanged. Eastern Europe continues to show a positive trend.

The North American truck market continued to improve in the second quarter. Total industry orders for heavy trucks (Class 8) through June, were up by 108%. Order support for the on highway segment continued to lead the overall market higher, but order intake gains were seen as well in the market segments of construction and economic haul.

The market for heavy trucks in Brazil rose by 44% during the first six months of 2004.

Increased truck deliveries

Total deliveries from the Group's truck operations amounted to 49,620 vehicles in the second quarter of 2004, an increase of 25% compared with the year-earlier period. In Europe, 27,746 trucks were delivered, compared with 23,267 trucks in 2003. Deliveries in North America were up 24% compared with the year-earlier period and totaled 12,173 trucks. In Asia, the favorable development continued, particularly in the Middle East where deliveries rose by 94%.



Mack Trucks

Deliveries from Mack totaled 6,438 trucks in the second quarter, up 14% from the second quarter of 2003. The gain in deliveries reflects the general strengthening in the North American truck market since the third quarter of 2003.

Renault Trucks

Renault Trucks' deliveries amounted to 18,695 vehicles, an improvement of 22% compared with the year-earlier period. Deliveries to Eastern Europe increased by 39% due to favorable development in Poland. In Western Europe deliveries of Renault trucks rose by 16%, mainly due to high deliveries in Spain, UK and Portugal.

In markets outside Europe, deliveries increased sharply with high deliveries to Turkey, Iran and Morocco.

Deliveries during the second quarter of the new Renault Master improved by 32%, compared with its predecessor. Deliveries of the medium duty truck, Renault Midlum, were up by 31% from last year, due to a steady interest for this range in Europe as well as in the Middle East and Morocco. The other Renault Trucks ranges, Premium, Kerax and Magnum, went through the second quarter of 2004 with increasing volumes from 9% to 23%. The Renault Mascott, launched in May 2004, is experiencing growth of 19% compared with the earlier model.

Volvo Trucks

Volvo Trucks increased its deliveries by 31% to an all-time-high level of 24,487 trucks during the second quarter. The deliveries in North America were up 35% compared with the year-earlier period. Deliveries in the Middle East were up 65%. The deliveries in Western Europe improved by 19% and deliveries in Eastern Europe showed solid growth of 41%.

Significantly higher order bookings

Mack Trucks

Mack's order intake in the second quarter of 2004 more than doubled the figure from the year-earlier period. The pace of orders through the second quarter ran about 12 percent ahead of the first-quar-

ter's intake. The company expects the pace of the orders to slow somewhat in the second half – but still remain significantly higher in comparison to a year ago.

Renault Trucks

The order situation improved during the quarter and was up 57%. Orders were favorable within all three segments, light, medium and heavy-duty trucks. Magnum, the Renault flagship received 78% more orders in the second quarter.

Volvo Trucks

Volvo Trucks' total order intake was very strong with an increase of 40% during the second quarter of 2004, compared with 2003. Volvo's order intake in Western Europe was up by 16% in the quarter, and by 33% in Eastern Europe. In North America, order intake rose by 110% compared with the year-earlier period. Volvo's order intake in Asia was up 53%.

Market shares

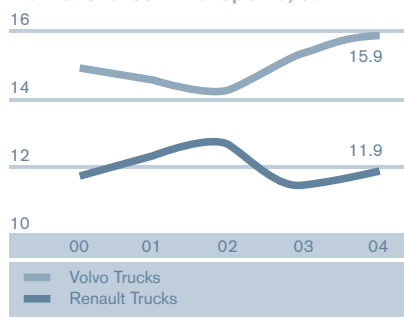
The combined market share for heavy trucks in Europe 25³ for the Volvo Group was 27.8% in the first six months of 2004, compared with 27.0% in the year-earlier period. Volvo Trucks' share of the market improved to 15.9% (15.6) in the heavy class and Renault Trucks' share of the market was 11.9%, up 0.5 points compared with the year-earlier period.

In North America, the combined market share of heavy trucks (class 8) was 19.8% (19.8). Volvo Trucks' market shares through June amounted to 9.7% (9.4). This increase was due to a high demand for the Volvo VN. Mack's share in econ-

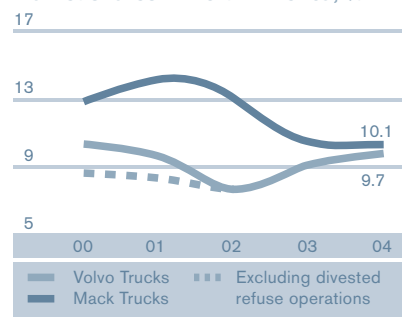


SEK M	Second quarter		First six months		Change in %
	2004	2003	2004	2003	
Europe	20,236	17,357	39,193	34,553	+13
North America	8,872	7,982	16,098	14,060	+14
South America	1,200	740	2,310	1,365	+69
Asia	2,956	2,234	5,354	3,798	+41
Other markets	1,646	1,100	3,149	3,030	+4
Total	34,910	29,413	66,104	56,806	+16

Market shares in Europe 25, %



Market shares in North America, %



1 Former Western Europe + new members: Poland, Czech Republic, Slovakia, Hungary, Estonia, Latvia, Lithuania and Slovenia.



omic haul – one of its core market segments – recovered to its historical leadership position during the first four months of 2004. In its other core segments of construction and refuse, Mack added to its leadership position. However, Mack ended the quarter with an overall North American market share of 10.1%, down from 10.4% in 2003. The loss in overall share reflects the fact that the truck market's recovery beginning in 2003 was initially concentrated in the over-the-road truckload carrier segment – which is not one of Mack's core market segments.

Financial performance in the second quarter

Net sales amounted to SEK 34,910 M, compared with SEK 29,413 M in the year-earlier period. Adjusted for currency effects, sales increased by 20% compared with 2003. Operating income was SEK 2,287 M (1,023). In Europe, Volvo Trucks' strong performance was further enhanced and Renault Trucks reported higher earnings. Volvo Trucks also showed considerable improvements in markets outside Europe and North America. The improvement was largely related to higher sales volumes, increased margins and cost rationalization. The strong customer values in the new Volvo range and increased efficiency also contributed to the higher earnings.

Buses

Total bus market

The market trend showed continued regional differences but a modest upturn was noted. Compared with the preceding year, the tourist bus market in the US and Canada appears more optimistic, and increased travel can be noted. China and India continue to develop positively, while demand remains low in Singapore and Hong Kong. The tourist bus segment in Mexico decreased sharply during the first half of the year, which resulted in low capacity utilization in Volvo's Mexican plant. Volvo Buses' European market showed an increase in both the tourist and city segments.

Slight improvement in order bookings

Order bookings for the second quarter rose by 15%, compared with the preceding year, with 1,997 orders (1,734). Compared with the preceding year, the second quarter resulted in increased order bookings in all markets except Mexico and the city segment in China. A significant order for 486 city buses was signed by Volvo Buses in the UK.

The order backlog at the end of the period was 3,352, which was a somewhat higher level than during the preceding year (3,301).

Deliveries

During the second quarter, Volvo Buses delivered 2,179 buses, which was more than in the second quarter of 2003 (1,835). More buses were delivered to all



markets except Mexico. The first 50 city buses in an order totaling 150 buses were delivered to Budapest in May.

Market shares

Volvo maintained its share of the European market, which continued to be characterized by strong positions in the UK and the Nordic region. Market shares in Asia Pacific declined somewhat compared with the corresponding period during the preceding year. In China, volumes for City buses increased very rapidly, and the competition in the market is tough. This means that Volvo Buses will not attain the same market share as last year.

SEK M	Second quarter		First six months		Change in %
	2004	2003	2004	2003	
Europe	2,269	1,864	3,658	3,554	+3
North America	632	716	1,227	1,473	(17)
South America	105	92	175	135	+30
Asia	420	265	816	606	+35
Other markets	194	150	290	285	+2
Total	3,620	3,087	6,166	6,053	+2

Financial performance in the second quarter

Net sales improved by 17% during the second quarter, amounting to SEK 3,620 M (3,087). The improvement represents a 19% change when adjusted for currency effects. Operating income was SEK 91 M, compared with an operating loss of SEK 89 M during the preceding year.

Volvo Buses is continuing the previous program of strong measures to achieve profitability and to reduce costs in operations. The focus on key customers, markets and products is proceeding according to plan and continues to deliver improved financial performance. Work to strengthen the after-market sales with respect to maintenance and repair con-

tracts is in progress, in part through increased cooperation with Volvo Trucks' service network.

In Mexico, Volvo Buses is carefully monitoring the trend in order bookings and the introduction of its new products. Improvements in cash flow and capital employed are still in focus. Developments in China are in line with the Volvo Group's ambitions.

Construction Equipment

Improved total market for construction equipment

The total world market for heavy and compact construction equipment, within Volvo CE's product range, increased by 17% during the second quarter, compared with the corresponding period in the preceding year. In North America the market was up 22%, Western Europe increased by 8%, while other markets were up 18%, strongly driven by East Asia, up 53%, India, up 52% and South America, up 48%. China declined by 9% compared to the second quarter last year.

The increase in the total market was driven by both heavy and compact equipment that rose respectively 17% and 16%.

The North American market for heavy equipment was up 37%, Europe increased by 6% while other markets were up 11% during the quarter.

The North American market for compact equipment grew 17%, Europe was up 8% and other markets increased by 30%.



SEK M	Second quarter		First six months		Change in %
	2004	2003	2004	2003	
Europe	4,019	3,304	6,871	5,905	+16
North America	2,030	1,619	3,650	2,715	+34
South America	220	146	400	256	+56
Asia	1,593	952	2,809	1,692	+66
Other markets	257	231	522	466	+12
Total	8,119	6,252	14,252	11,034	+29

Strong order bookings

The order situation remains strong. The value of the order backlog at June 30 was at the same high level as at the same date in 2003. Compared with year-end 2003, the value of the order book was 25% higher. Volvo CE continues to gain market shares, mainly due to a series of new products equipped with new fuel-efficient and environmentally friendly Volvo diesel engines.

Financial performance in the second quarter

Net sales increased by 33%, adjusted for currency effects, and amounted to SEK 8,119 M (6,252). Operating income rose more than 50% to SEK 648 M (425) and the operating margin was 8.0% (6.8%). The improvements in sales and operating income were mainly due to higher volumes and price realization, partly offset by negative currency effects.



As a part of its stated intention to divest the operations of its former US dealer, LB Smith, Volvo CE sold during the second quarter two territories of the holding representing around 35% of LB Smith sales.

At the end of the quarter Volvo CE announced the acquisition of the engine remanufacturing Echo Industries, the primary supplier of remanufactured engines to Volvo CE in North America. This purchase will secure a strong platform to develop the strategically important engine re-manufacturing business.

Volvo Penta

Total market for marine and industrial engines

The global market for marine and industrial engines strengthened during the first half of 2004. Demand for diesel-powered generator sets in China continued to increase, which contributed to lifting the total market for industrial engines.

In North America, continued increase in demand was noted for both gasoline and diesel engines. In Europe, the total market was stable at high levels.

All-time-high order bookings

Total order bookings for Volvo Penta during the second quarter were the highest ever, in large part due to the strong trend for industrial engines in China. The new

diesel engines for leisure boats that were launched toward the end of last year were very well received in the market. Production capacity was gradually increased, and capacity at all of Volvo Penta's production plants is now being fully utilized.

Volvo Penta is an independent engine manufacturer. This means that Volvo Penta never competes with its customers through own boat manufacturing or in the industrial sector in the manufacture of complete generator sets. This strategy is a cornerstone in the company's ambition to forge partnerships with the leading boat builders and manufacturers of generator units. During the year, Volvo Penta gradually deepened partnerships and strengthened its market shares with these key cus-



tomers, not least in North America and China.

Financial performance in the second quarter

For several years, Volvo Penta has achieved record results with respect to both sales and profits. Despite negative currency effects, this trend continued and was strengthened during the second quarter of 2004.

Sales, which increased by 30% during the second quarter and totaled SEK 2,570 M, were distributed as follows among the three business segments: Marine Leisure SEK 1,595 M (1,303), Marine Commercial SEK 273 M (238) and Industrial SEK 702 M (490). Operating income for the quarter amount-

Net sales by market area, Volvo Penta

SEK M	Second quarter		First six months		Change in %
	2004	2003	2004	2003	
Europe	1,411	1,191	2,631	2,299	+14
North America	695	521	1,303	1,042	+25
South America	29	38	56	70	(20)
Asia	395	227	668	430	+55
Other markets	40	54	90	98	(8)
Total	2,570	2,031	4,748	3,939	+21

ed to SEK 307 M, which was an all-time high and an increase of 45%, compared with the corresponding period during the preceding year (212). The operating margin increased to 11.9% (10.4).

During the spring, Volvo Penta renewed large portions of its industrial engine program with the launch of the D9 and D16 diesel engines, which are both manufactured in Volvo's engine plant in Skövde.

During the autumn of 2004, Volvo Penta will continue renewing its product program within Marine Leisure by launching a number of new diesel engines. The new engines will entail a strengthening of an already strong product program for leisure boats that Volvo Penta began launching last year.

Volvo Aero

Total air traffic

The aerospace industry is now recovering from its worst downturn ever. Passenger traffic shows strong growth and for the first five months of the year traffic increased by 19.4% compared with the same period last year. In fact, during the last six months, passenger traffic has reached its highest level ever. When 2004 data is compared with year 2000, the last normal year for the industry, global passenger traffic is now 8.8% higher. For the future, annual growth is expected to return to the normal level of 4–5% growth per year.

A high fuel price continues to be of major concern for the airline industry and is expected to delay the financial recovery for many airlines. The world's airlines financial performance improved significantly in 2003 compared with 2002

The number of parked aircraft has started to decrease, by about 100 aircraft during April–May, but still more than 2,000 aircraft are parked.

Decreasing order bookings

During the period January–May 2004, Airbus and Boeing delivered 253 new aircraft, which is 11% more than the year-earlier period. During the same period Airbus and Boeing received 141 orders for new aircraft, which is down 28% compared to the year-earlier period. As a result of this and due to lower USD rate, Volvo Aero's orderboard has declined by 15% compared to a year-earlier.

During 2003, Airbus and Boeing delivered 586 new aircraft. For 2004, Volvo Aero estimates the total delivery to be on



SEK M	Second quarter		First six months		Change in %
	2004	2003	2004	2003	
Europe	922	903	1,674	2,067	(19)
North America	797	774	1,464	1,647	(11)
South America	31	44	71	85	(16)
Asia	122	80	208	216	(4)
Other markets	13	62	30	92	(67)
Total	1,885	1,863	3,447	4,107	(16)

the same level as in 2003, which is much higher than was predicted a year ago. For 2005, Volvo Aero forecasts a delivery of more than 600 aircraft.

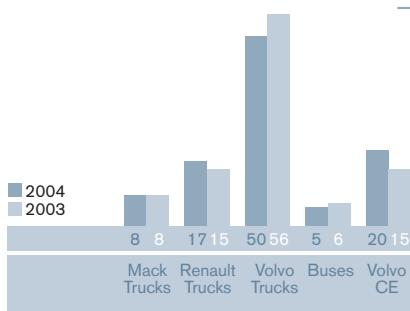
Financial performance in the second quarter

Sales increased by 1% to SEK 1,885 M (1,863) despite a lower exchange rate for the USD. Adjusted for currency changes,

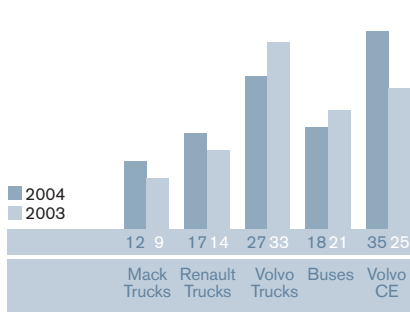
sales rose by 8%. During the same period, operating income rose to SEK 173 M (11). The improved result was mainly attributable to cost reduction and more efficient utilization of production facilities in Trollhättan and Kongsberg. A better mix of products, and higher demand for new spare parts also contributes positively to the income. The operating margin was 9.2% (0.6).



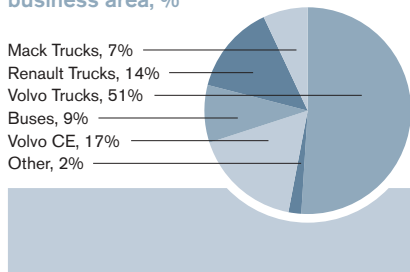
New financing, %



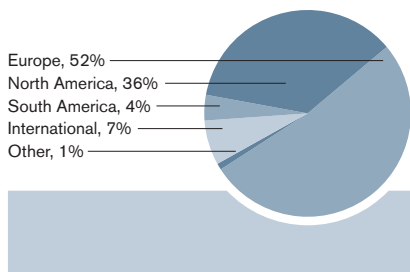
Penetration, %



Credit portfolio by business area, %



Credit portfolio by market, %



The most profitable areas continue to be production of components and spare parts for commercial aircraft engines. Profitability remains unsatisfactory in the aircraft after market business, but still the result during the second quarter has improved, which also contributed to the overall result.

Financial Services

New financing

The total volume of new retail financing during the second quarter of 2004 amounted to SEK 8.2 billion, compared to SEK 6.1 billion during the second quarter of 2003. Total number of new units financed during the period April through June 2004 was 10,492 compared with 7,729 during the same period last year.

Expressed as an average, Volvo Financial Services financed 23% of the Group's products sold in the markets where financing is offered.

Assets and credit portfolio

Total assets as of June 30 amounted to SEK 71 billion (67), of which SEK 64 billion (60) was in the credit portfolio. Adjusted for the effects of foreign exchange movements, the credit portfolio grew 5% during the first six months of 2004, compared with a growth of 2% during the year-earlier period. Asset growth has been steady whilst maintaining a stable level of market share in the markets where customer financing is offered. This is consistent with the approach of balancing risk, price, volume and market share.

Financial performance in the second quarter

Operating income for the second quarter amounted to SEK 307 M (221) compared with first quarter earnings in 2004 of 281. The improved result was driven by the larger credit portfolio, improvements in margin, lower operating expenses, and lower provisions for credit losses. Return on equity calculated as a 12 month moving average was 10.4% (6.6) with an end of period equity ratio of 12.0% (11.6).

Write-offs during the second quarter of 2004 amounted to SEK 81 M (217), and the annualized write-off ratio year to date was 0.74% (1.97). At the end of June, total credit reserves amounted to 2.16% of the credit portfolio compared with 2.11% at the end of March 2004.

During the first six months of 2004, VFS profitability continued to improve across the board, whilst at the same time the customer finance portfolio showed steady growth. Delinquency and write-offs also show improvement when compared to prior periods.

Göteborg, July 21, 2004.

AB Volvo (publ)

Leif Johansson
President and CEO

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

Quarterly figures

Volvo Group					
SEK M unless otherwise specified	2/2003	3/2003	4/2003	1/2004	2/2004
Net sales	44,593	40,511	48,733	45,489	53,024
Cost of sales	(35,998)	(32,528)	(39,416)	(36,042)	(41,490)
Gross income	8,595	7,983	9,317	9,447	11,534
Research and development expenses	(1,664)	(1,683)	(1,713)	(1,779)	(1,867)
Selling expenses	(3,789)	(3,960)	(4,545)	(4,248)	(4,518)
Administrative expenses	(1,282)	(1,285)	(1,388)	(1,318)	(1,432)
Other operating income and expenses	(325)	185	(142)	(154)	(338)
Income from Financial Services ¹	221	242	251	281	307
Income from investments in associated companies	3	163	(2)	(6)	11
Income from other investments	483	(28)	(4,042)	693	151
Operating income (loss)	2,242	1,617	(2,264)	2,916	3,848
Interest income and similar credits	382	255	272	317	257
Interest expenses and similar charges	(552)	(517)	(464)	(393)	(368)
Other financial income and expenses	(29)	(57)	15	36	(5)
Income after financial items	2,043	1,298	(2,441)	2,876	3,732
Income taxes	(321)	(327)	(442)	(612)	(1,101)
Minority interests	0	(15)	(3)	(16)	(20)
Net income (loss)	1,722	956	(2,886)	2,248	2,611
Depreciation and amortization included above					
Volvo Group excl Financial Services	1,777	1,909	1,819	1,882	1,830
Financial Services	728	755	725	738	826
Total	2,505	2,664	2,544	2,620	2,656
of which amortization of goodwill	208	219	236	227	232
Income per share, SEK	4.10	2.30	(6.90)	5.40	6.20
Average number of shares, million	419.4	419.4	419.4	419.4	419.4

1) Financial Services reported in accordance with the equity method.

Income per share is calculated as net income divided by the weighted average number of shares outstanding during the period.

Key operating ratios					
%	2/2003	3/2003	4/2003	1/2004	2/2004
Gross margin	19.3	19.7	19.1	20.8	21.8
Research and development expenses in % of net sales	3.7	4.2	3.5	3.9	3.5
Selling expenses in % of net sales	8.5	9.8	9.3	9.3	8.5
Administrative expenses in % of net sales	2.9	3.2	2.8	2.9	2.7
Operating margin ¹	5.0	4.0	3.6	4.9	7.0
Operating margin	5.0	4.0	(4.6)	6.4	7.3

1) Excluding revaluation of shares in Scania AB and Henlys Group and dividend received from Scania.

Accounting principles

The accounting principles, which have been applied in the preparation of this report, are described in note 1 to the consolidated financial statements that are included in the Volvo Group's 2003 annual report.



Net sales					
SEK M	2/2003	3/2003	4/2003	1/2004	2/2004
Trucks	29,413	26,925	33,238	31,194	34,910
Buses	3,087	2,824	3,101	2,546	3,620
Construction Equipment	6,252	5,621	6,499	6,133	8,119
Volvo Penta	2,031	1,806	1,851	2,178	2,570
Volvo Aero	1,863	1,829	2,094	1,562	1,885
Other	1,947	1,506	1,950	1,876	1,920
Net sales	44,593	40,511	48,733	45,489	53,024

Operating income					
SEK M	2/2003	3/2003	4/2003	1/2004	2/2004
Trucks	1,023	944	1,457	1,476	2,287
Buses	(89)	(93)	(96)	(47)	91
Construction Equipment	425	210	133	309	648
Volvo Penta	212	153	171	188	307
Volvo Aero	11	(2)	(47)	101	173
Financial Services	221	242	251	281	307
Other	(62)	163	(103)	(89)	(88)
Operating income¹⁾	1,741	1,617	1,766	2,219	3,725
Dividend from Scania	501	-	-	-	-
Revaluation of shares	-	-	(4,030)	697	123
Operating income (loss)	2,242	1,617	(2,264)	2,916	3,848

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc and dividend from Scania. Write-down of shares in Scania AB in the fourth quarter 2003 amounted to SEK 3,601 M and partial reversals of this write-down amounted to SEK 697 M in the first quarter 2004 and SEK 218 M in the second quarter 2004. Write-downs of shares in Henlys Group Plc amounted to SEK 429 M in the fourth quarter 2003 and SEK 95 M during second quarter 2004.

Operating margins					
%	2/2003	3/2003	4/2003	1/2004	2/2004
Trucks	3.5	3.5	4.4	4.7	6.6
Buses	(2.9)	(3.3)	(3.1)	(1.8)	2.5
Construction Equipment	6.8	3.7	2.0	5.0	8.0
Volvo Penta	10.4	8.5	9.2	8.6	11.9
Volvo Aero	0.6	(0.1)	(2.2)	6.5	9.2
Operating margin¹⁾	3.9	4.0	3.6	4.9	7.0
Operating margin	5.0	4.0	(4.6)	6.4	7.3

1) Excluding revaluation of shares in Scania AB and Henlys Group and dividend received from Scania.

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

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

Units invoiced Trucks	Second quarter		Change in %	First six months	
	2004	2003		2004	2003
	Europe	27,746		23,267	19
Western Europe	24,513	20,959	17	46,953	42,604
Eastern Europe	3,233	2,308	40	5,535	4,372
North America	12,173	9,831	24	21,945	16,310
South America	2,160	1,191	81	4,171	2,470
Asia	5,849	3,357	74	10,660	6,165
Middle East	4,785	2,469	94	8,664	4,329
Other Asia	1,064	888	20	1,996	1,836
Other markets	1,692	1,960	(14)	3,303	3,760
Total, Trucks	49,620	39,606	25	92,567	75,681

Mack Trucks					
North America	5,950	5,189	15	10,811	8,602
South America	154	86	79	328	184
Asia	14	37	(62)	29	47
Middle East	12	37	(68)	27	47
Other Asia	2		na	2	
Other markets	320	355	(10)	555	577
Total	6,438	5,667	14	11,723	9,410

Renault Trucks					
Europe	16,068	13,697	17	30,569	27,727
Western Europe	14,636	12,665	16	28,056	25,665
Eastern Europe	1,432	1,032	39	2,513	2,062
North America	62	78	(21)	117	147
South America	137	45	204	231	60
Asia	1,878	685	174	3,411	1,060
Middle East	1,742	591	195	3,235	874
Other Asia	136	94	45	176	186
Other markets	550	808	(32)	1,158	1,633
Total	18,695	15,313	22	35,486	30,627

Volvo Trucks					
Europe	11,678	9,570	22	21,919	19,249
Western Europe	9,877	8,294	19	18,897	16,939
Eastern Europe	1,801	1,276	41	3,022	2,310
North America	6,161	4,564	35	11,017	7,561
South America	1,869	1,060	76	3,612	2,226
Asia	3,957	2,635	50	7,220	5,058
Middle East	3,031	1,841	65	5,402	3,408
Other Asia	926	794	17	1,818	1,650
Other markets	822	797	3	1,590	1,550
Total	24,487	18,626	31	45,358	35,644

Units invoiced, buses/bus chassis	Second quarter		Change in %	First six months	
	2004	2003		2004	2003
	Europe	1,034		852	21
Western Europe	898	789	14	1,582	1,523
Eastern Europe	136	63	116	182	91
North America	321	351	(9)	627	708
South America	134	94	43	245	129
Asia	533	415	28	1,146	947
Other markets	157	123	28	212	253
Total, buses/bus chassis	2,179	1,835	19	3,994	3,651

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