THE VOLVO GROUP SIX MONTHS ENDED JUNE 30, 2005

Net sales in the second quarter 2005 increased by 15% to SEK 61,119 M (53,321)

Income for the period increased by 40% to SEK 3,930 M (2,809) in the second quarter

Income per share for the second quarter increased by 45% to SEK 9.67 (6.65)

The Group's operating margin rose to 8.8% (7.6)

The operating cash flow amounted to SEK 3.0 bn (5.3), after a transfer to pension plans of SEK 1.9 bn

Strongest quarter ever for the Volvo Group

	Second quarter		First six months	
	2005	2004	2005	2004
Net sales, SEK M	61,119	53,321	113,372	99,170
Operating income, SEK M[1]	5,350	3,906	9,886	6,262
Revaluation of shares	–	123	–	820
Operating income, SEK M	5,350	4,029	9,886	7,082
Income after financial items, SEK M	5,253	3,909	9,856	6,916
Income for the period, SEK M	3,930	2,809	7,178	5,236
Income per share, SEK[1]	9.67	6.36	17.60	10.44
Income per share, SEK	9.67	6.65	17.60	12.40
Return on shareholders' equity during most recent 12 month period, %			16.8	4.5

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

As of January 1, 2005 AB Volvo complies with International Financial Reporting Standards (IFRS), previously known as IAS, in accordance with the European Union regulation. Figures for the corresponding periods in the previous year have been restated according to IFRS.

In the comments on earnings on pages 1–19, Volvo Financial Services is reported in accordance with the equity method. Reporting in accordance with IAS 1 is provided beginning on page 20.

CEO comments – strongest quarter ever

The second quarter was our strongest ever, with high deliveries and high capacity utilization across most parts of the Group. This is a gratifying result that shows that work in recent years with efficiency measures and aggressive product renewal have lifted the Group to a higher level of profitability than previously. During the quarter, sales increased by 15% and operating income by 37%, compared with the second quarter of 2004. The greatest improvement was in Trucks, which increased operating income by 46%, compared with the year-earlier period.

For some time, we have also been investing heavily in the next product generation, which will be rolled out over the coming quarters. These products are being developed, manufactured and distributed in a more efficient structure that allows us to leverage the Group's total volumes and technical resources to a significantly greater extent. We aim to be able to offer customers the market's most competitive products with respect to both performance and cost efficiency. Another gratifying development is that our strategy to grow outside Europe is succeeding. During the second quarter, Volvo's growth outside Europe was nearly 30%, compared with the corresponding period in 2004. We thus strengthened the position in markets with high growth potential.

Many employees throughout the Group have put in fantastic efforts to make this possible.

Improved profitability in Renault Trucks, Mack Trucks and Buses

All business areas except Volvo Aero increased sales. Trucks' sales rose strongly in all major markets except Europe, where demand softened at a high level and order bookings declined slightly. In North America, sales increased by 35%. Renault Trucks and Mack Trucks reported strongly improved profits, while Volvo Trucks maintained a high profitability level. Buses continued to show a positive trend. If the nonrecurring cost incurred for the closure of the plant in Heilbronn is excluded, operating income more than doubled in the second quarter, compared with the corresponding quarter of 2004.

Increased market shares with new products

Volvo CE showed strong growth and took market shares with its renewed product program and strengthened distribution network. Sales increased in all markets except Asia. Order bookings are at a record level. We are now establishing joint management for wheel loaders and articulated haulers in order to take better advantage of opportunities for coordination.

Volvo Penta's new products also recorded successes. Volvo Penta's marine power systems took market shares in all major markets. The trend in North America remained favorable for marine diesel and gasoline engines.

Profitable component manufacturing and customer financing

Airline traffic continued to increase, and order bookings for new aircraft are high among manufacturers. However, this has not yet had an impact on Volvo Aero's sales, which declined in the second quarter. Capacity utilization and profitability are favorable in component manufacturing, and the after market, where volumes remained low, improved somewhat.

Financial Services successfully supported the Group's sales and showed a continued favorable profit trend. New financing volumes were at a record level during the quarter, while granting of credit remained strict.

Increased demand for trucks in North America

Demand for trucks is increasing in North America and softening at a high level in Europe. The trend from the first quarter thus continued. This means that we are adapting production rates to different prerequisites. In Europe, we are reducing rates, while they are being ramped up in North America.

Our previous assessment that the European truck market will grow at 0 to 5% during 2005 is retained. In North America, we raise expectations on the total market to a growth of about 20%, compared with 15 to 20% previously.

Intensive product renewal phase

The Group is now undergoing an intensive phase with high deliveries and a large number of product launches. This applies not least to engine manufacturing in which a new structure is being established in the industrial system at the same time as the new generation of engines is being developed. While the high level of activity poses major challenges and put our organization under strain, it also offers new opportunities for satisfying our customers.

Leif Johansson
President and CEO

Strong increase in the Group's profits in the second quarter of 2005

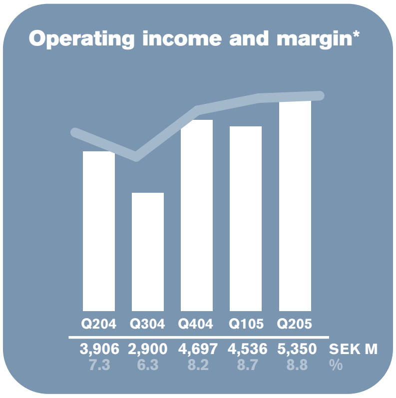
Net sales increased by 15%

The Volvo Group's net sales rose by 15% to SEK 61,119 M in the second quarter of 2005, compared with SEK 53,321 M in the same period during the preceding year. Net sales increased in all of the Group's main markets. Growth was particularly strong in North and South America.

All business areas report increased net sales except Volvo Aero. Trucks' net sales rose 18% to SEK 41,095 M (34,910), while Volvo Bus increased 17% to SEK 4,219 M (3,620). Construction equipment increased by 14% to SEK 9,555 M (8,416) and Volvo Penta by 2% to SEK 2,624 M (2,570). Volvo Aero's net sales decreased by 5% to SEK 1,784 M (1,885).

Operating income up by 37%

Operating income for the second quarter 2005 improved by 37% to SEK 5,350 M, compared with SEK 3,906 M in the second quarter of 2004 (excluding a positive effect of SEK 123 M from a revaluation



* Excluding revaluation of shares in Scania AB and Henlys Group.

Net sales by market area

SEK M	Second quarter 2005	Second quarter 2004	Change in %	First six months 2005	First six months 2004	Change in %
Western Europe	**29,321**	27,920	5	**55,408**	52,904	5
Eastern Europe	**2,991**	2,837	5	**5,191**	4,861	7
North America	**17,806**	13,626	31	**32,513**	24,444	33
South America	**2,915**	1,623	80	**4,904**	3,014	63
Asia	**6,288**	5,491	15	**11,251**	9,865	14
Other markets	**1,798**	1,824	(1)	**4,105**	4,082	1
Total	**61,119**	**53,321**	**15**	**113,372**	**99,170**	**14**

Volvo Group Income Statements

SEK M	Second quarter 2005	Second quarter 2004	First six months 2005	First six months 2004
Net sales	**61,119**	**53,321**	**113,372**	**99,170**
Cost of sales	**(47,982)**	(41,641)	**(88,541)**	(77,932)
Gross income	**13,137**	**11,680**	**24,831**	**21,238**
Research and development expenses	**(1,860)**	(1,965)	**(3,794)**	(3,845)
Selling expenses	**(4,829)**	(4,612)	**(9,210)**	(8,972)
Administrative expenses	**(1,630)**	(1,435)	**(3,215)**	(2,741)
Other operating income and expenses	**1**	(107)	**174**	(34)
Income from Financial Services[1]	**483**	307	**1,070**	588
Income from investments in associated companies	**15**	10	**(12)**	4
Income from other investments	**33**	151	**42**	844
Operating income	**5,350**	**4,029**	**9,886**	**7,082**
Interest income and similar credits	**284**	257	**510**	574
Interest expenses and similar charges	**(326)**	(373)	**(599)**	(772)
Other financial income and expenses	**(55)**	(4)	**59**	32
Income after financial items	**5,253**	**3,909**	**9,856**	**6,916**
Income taxes	**(1,323)**	(1,100)	**(2,678)**	(1,680)
Income for the period*	**3,930**	**2,809**	**7,178**	**5,236**
* Attributable to:				
Equity holders of the parent company	**3,912**	2,789	**7,146**	5,200
Minority	**18**	20	**32**	36
	3,930	2,809	**7,178**	5,236
Income per share, SEK	**9.67**	6.65	**17.60**	12.40
Diluted earnings per share, SEK	**9.66**	6.64	**17.58**	12.39
Number of shares outstanding, million	**404.5**	419.4	**404.5**	419.4
Average number of shares during period, million	**404.4**	419.4	**406.0**	419.4
Average diluted number of shares during period, million	**405.1**	419.8	**406.6**	419.8
Number of company shares, held by AB Volvo, million	**21.2**	22.1	**21.2**	22.1

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

of shares in Scania and Henlys in 2004). The second quarter of 2005 was negatively affected in an amount of SEK 95 M by costs for the planned closure of the Volvo Bus production plant in Heilbronn, Germany.

The overall effect of currency movements had a positive effect of about SEK 100 M on operating income during the second quarter, compared with the corresponding period during the preceding year.

The improvement in operating income was the result of increased volumes and improved margins. The Volvo Group's operating margin was positively affected by relatively lower operating costs and amounted to 8.8% for the second quarter, compared with 7.3% excluding revaluation of shares in the second quarter of 2004.

All business areas except Volvo Aero and Volvo Penta increased earnings during the second quarter of 2005. Operating income for Trucks rose to SEK 3,402 M (2,336), for Buses to SEK 160 M (105), for Construction Equipment to SEK 937 M (751) and for Financial Services to SEK 483 M (307). Volvo Penta's operating income was SEK 302 M (307), while Volvo Aero reported earnings of SEK 168 M (181). Detailed comments on trends are provided in the business area sections.

Improved net interest expense

Net interest expense in the second quarter was SEK 42 M, compared with an expense of SEK 116 M in the year-earlier period and an expense of SEK 47 M in the first quarter of 2005. The improvement in net interest is a result of the Volvo Group's strong financial position.

Key operating ratios, Volvo Group	Second quarter		First six months	
%	**2005**	2004	**2005**	2004
Gross margin	**21.5**	21.9	**21.9**	21.4
Research and development expenses in % of net sales	**3.0**	3.7	**3.3**	3.9
Selling expenses in % of net sales	**7.9**	8.6	**8.1**	9.0
Administrative expenses in % of net sales	**2.7**	2.7	**2.8**	2.8
Operating margin[1]	**8.8**	7.3	**8.7**	6.3
Operating margin	**8.8**	7.6	**8.7**	7.1

1) Excluding revaluation of shares in Scania AB and Henlys Group. Reversal of write-down of shares in Scania AB amounted to SEK 218 M in the second quarter 2004. Write-downs of shares in Henlys Group amounted to SEK 95 M in the second quarter of 2004.

Condensed income statement – Financial Services	Second quarter		First six months	
SEK M	**2005**	2004	**2005**	2004
Net sales[1]	**1,939**	2,395	**3,717**	4,705
Income after financial items	**483**	307	**1,070**	588
Income taxes	**(218)**	(99)	**(350)**	(188)
Income for the period	**265**	**208**	**720**	**400**

1) The decrease in net sales is due to the change in classification of leasing contracts in the segment Financial Services. For further information, see page 21.

Key ratios – Financial Services	**June 30**	Dec 31
12 month figures unless otherwise stated	**2005**	2004
Return on shareholders' equity, %	**14.3**	11.1
Equity ratio at end of period, %	**11.7**	11.6
Asset growth, %	**14.4**	7.0

Changes in Net financial position				
SEK bn	Second quarter		First six months	
Beginning of period		**11.5**		**18.1**
Cash flow from operating activities excl. Financial Services	4.9		5.5	
Investments in fixed assets, net	(2.0)		(3.9)	
Customer Finance receivables, net	0.1		0.1	
Operating cash flow, excluding Financial Services		**3.0**		**1.7**
Investments and divestments of shares, net		0.1		0.1
IFRS transition effect		–		(3.3)
Change in provision for post-employment benefits[1]		1.9		2.1
Repurchase of own shares		–		(1.8)
Dividend paid to AB Volvo shareholders		(5.1)		(5.1)
Currency effect		(1.2)		(1.9)
Other		(0.4)		(0.1)
Total change		**(1.7)**		**(8.3)**
Net financial position at end of period		**9.8**		**9.8**

1) Includes transfer to premium based plan and contribution to pension plans, which reduced provisions for post-employment benefits with 0.2 billion and 1.9 billion respectively.

Other financial income and expenses

The net of other financial income and expense amounted to an expense of SEK 55 M (expense: 4). Other financial income included interest income of some SEK 70 M as a positive effect from tax rulings in the court of appeals, as well as an expense of about SEK 120 M from a market valuation of derivates in accordance with IAS 39.

Income taxes

Tax expenses relating to both current and deferred tax amounted to SEK 1,323 M (1,100) in the second quarter of 2005. Tax costs were reduced by SEK 230 M as a result of tax rulings in the court of appeals. (For further information, see page 17.) The tax rate for the quarter was 25% (28).

Income for the period and income per share

The income for the period rose to SEK 3,930 M (2,809). Income per share (excluding minority interests) amounted to SEK 9.67 (6.65). Conditional upon all outstanding options being exercised to subscribe for new shares, income per share after full dilution amounted to SEK 9.66 (6.64).

Number of employees

On June 30, 2005, the number of employees in the Volvo Group was 82,660, compared with 81,078 at year-end 2004.

The Volvo Group's financial position

Total assets in the Volvo Group amounted to SEK 251.5 billion at June 30, 2005, an increase of SEK 27.6 billion, compared

Volvo Group Balance Sheets

SEK M	Volvo Group excl Financial Services[1]		Financial Services		Volvo Group total	
	June 30 2005	Dec 31 2004	**June 30 2005**	Dec 31 2004	**June 30 2005**	Dec 31 2004
Assets						
Intangible assets	**18,844**	17,570	**63**	42	**18,907**	17,612
Property, plant and equipment	**29,974**	27,260	**3,693**	3,891	**33,667**	31,151
Assets under operating leases	**9,554**	8,477	**1,373**	773	**21,444**	19,534
Shares and participations	**10,859**	10,116	**24**	193	**1,348**	2,003
Long-term customer finance receivables	**702**	147	**37,638**	33,887	**29,596**	25,187
Long-term interest-bearing receivables	**1,568**	1,797	**57**	5	**1,573**	1,741
Other long-term receivables	**8,622**	6,492	**237**	212	**8,017**	6,100
Inventories	**35,651**	28,291	**337**	307	**35,988**	28,598
Short-term customer finance receivables	**635**	83	**35,899**	29,531	**30,261**	26,006
Short-term interest-bearing receivables	**6,176**	10,330	**1**	0	**559**	1,643
Other short-term receivables	**37,594**	30,043	**1,510**	1,628	**37,829**	29,647
Marketable securities	**24,742**	25,839	**110**	116	**24,852**	25,955
Cash and bank	**6,765**	8,789	**831**	914	**7,472**	8,791
Total assets	**191,686**	**175,234**	**81,773**	**71,499**	**251,513**	**223,968**
Shareholders' equity and liabilities						
Shareholders' equity[2]	**72,066**	70,155	**9,535**	8,306	**72,066**	70,155
Provisions for post-employment benefits	**14,403**	14,677	**26**	26	**14,429**	14,703
Other provisions	**17,618**	14,115	**874**	845	**18,642**	14,993
Loans	**15,059**	13,968	**67,042**	57,860	**74,137**	61,807
Other liabilities	**72,540**	62,319	**4,296**	4,462	**72,239**	62,310
Shareholders' equity and liabilities	**191,686**	**175,234**	**81,773**	**71,499**	**251,513**	**223,968**

1) Financial Services reported in accordance with the equity method.
2) Whereof minority interests SEK 198 M (229).

Changes in shareholders' equity

SEK bn	First six months **2005**	2004
Beginning of period	**70.2**	**72.4**
IFRS Transition effect, January 1, 2004	**–**	0.1
IFRS Transition effect, IAS 39	**0.3**	–
Translation differences	**3.1**	0.4
Translation differences on hedge instruments of net investments	**(0.2)**	0.0
Minority interest	**0.0**	0.0
Investments in listed companies	**0.1**	–
Fair value on derivatives, changes in hedge reserves	**(1.7)**	–
Dividend to Volvo's shareholders	**(5.1)**	(9.7)
Repurchase own shares	**(1.8)**	–
Income for the period attributable to equity holders of the parent company	**7.2**	5.2
Other changes	**0.0**	0.0
Shareholders' equity at end of period	**72.1**	**68.4**

Key ratios 12 month figures unless otherwise stated	June 30 2005	Dec 31 2004
Income per share, SEK	**28.78**	23.58
Income per share, SEK[1]	**28.78**	21.62
Shareholders' equity per share, SEK at end of period	**178**	171
Return on shareholders' equity, %	**16.8**	13.9
Return on shareholders' equity, %[1]	**16.8**	12.8
Net financial position at end of period, SEK billion	**9.8**	18.1
Net financial position at end of period as percentage of shareholders' equity	**13.6**	25.8
Shareholders' equity at end of period as percentage of total assets	**28.7**	31.3
Shareholders' equity as percentage of total assets, excluding Financial Services	**37.6**	40.0

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

Cash flow statement	Second quarter		First six months	
SEK bn	**2005**	2004	**2005**	2004
Operating activities				
Operating income[1]	**4.9**	3.7	**8.8**	6.5
Add depreciation and amortization	**1.7**	2.0	**3.4**	3.7
Other non-cash items	**(0.1)**	(0.3)	**(0.2)**	(1.1)
Change in working capital	**(1.9)**	1.6	**(6.5)**	(0.5)
Financial items and income taxes paid	**0.3**	0.2	**0.0**	(0.5)
Cash flow from operating activities	**4.9**	**7.2**	**5.5**	**8.1**
Investing activities				
Investments in fixed assets	**(2.3)**	(1.8)	**(4.2)**	(3.1)
Investments in leasing assets	**0.0**	(0.1)	**(0.1)**	(0.1)
Disposals of fixed assets and leasing assets	**0.3**	0.1	**0.4**	0.2
Customer Finance receivables, net	**0.1**	(0.1)	**0.1**	0.0
Operating cash flow excl. Financial Services	**3.0**	**5.3**	**1.7**	**5.1**
Operating cash flow, Financial Services	**(1.9)**	**(1.4)**	**(1.9)**	**(2.4)**
Operating cash flow, eliminations	**(0.5)**	**0.0**	**(0.5)**	**0.0**
Operating cash flow, Volvo Group total	**0.6**	**3.9**	**(0.7)**	**2.7**
Investments and divestments of shares, net	**0.3**	0.1	**0.3**	15.0
Acquired and divested operations, net	**0.0**	0.0	**0.2**	0.0
Interest-bearing receivables incl. marketable securities, net	**4.2**	5.7	**2.4**	(8.4)
Cash flow after net investments	**5.1**	**9.7**	**2.2**	**9.3**
Financing activities				
Change in loans, net	**(0.2)**	(6.1)	**2.4**	(7.7)
Dividend to AB Volvo shareholders	**(5.1)**	(3.4)	**(5.1)**	(3.4)
Repurchase of own shares	**–**	–	**(1.8)**	–
Other	**0.0**	0.0	**0.0**	0.0
Change in liquid funds excl. translation differences	**(0.2)**	**0.2**	**(2.3)**	**(1.8)**
Translation difference in liquid funds	**0.8**	(0.2)	**1.0**	0.2
Change in liquid funds	**0.6**	**(0.0)**	**(1.3)**	**(1.6)**

1) Excluding Financial Services.

Condensed cash-flow statement,	Second quarter		First six months	
Financial Services SEK bn	**2005**	2004	**2005**	2004
Cash-flow from operating activities[1]	**1.0**	1.7	**1.2**	2.8
Net investments in credit portfolio etc	**(2.9)**	(3.1)	**(3.1)**	(5.2)
Operating cash flow	**(1.9)**	**(1.4)**	**(1.9)**	**(2.4)**

1) The decrease in cash flow from operating activities is partly due to the change in classification in leasing contracts in the segment Financial Services. For further information, see page 21.

with year-end 2004, of which SEK 18.0 billion was a result of currency movements. Assets also increased as a result of growth in Financial Services' credit portfolio, higher inventory levels and receivables as a result of increased production and higher sales.

Shareholders' equity at June 30, 2005 amounted to SEK 72.1 billion, corresponding to an equity ratio of 37.6%, excluding Financial Services. The dividend to AB Volvo's shareholders in the second quarter amounted to SEK 5.1 billion. Changes in shareholders' equity during the period are specified on page 5.

The Group's net financial assets at the same date amounted to SEK 9.8 billion, corresponding to 13.6% of shareholders' equity. Changes in net financial position are specified on page 4.

The consolidated balance sheet is affected by the adoption of IAS 39. See page 22 for further information.

Total contingent liabilities amounted to SEK 7.8 billion, a reduction of SEK 1.4 billion, compared with year-end 2004. Credit guarantees and tax claims were reduced by SEK 1.4 billion and SEK 0.3 billion, respectively, while other contingent liabilities increased by SEK 0.3 billion.

Continued good cash flow for The Volvo Group

Operating cash flow, excluding Financial Services, was positive in an amount of SEK 3.0 billion (5.3). Working capital increased with an amount of SEK 1.9 billion, which includes a transfer to pension plans totaling SEK 1.9 billion.

The structure of the cash flow statement is somewhat changed. As a result of the application of IAS 39 regarding the reporting of financial assets and as an effect of segment reporting, elimination of transactions between Volvo Financial Services and other business areas with regard to certain dealer financing is reported under the heading Operating cash flow, eliminations. Segment reporting is now applied for Operating cash flow. Segment reporting is not applied to the items Investments and divestment of shares, net; Acquired and divested operations, net and Interest-bearing receivables incl. marketable securities, net.

Financial review by business area

Net sales SEK M	Second quarter **2005**	2004	First six months **2005**	2004	Change in %	12 months moving values	Jan–Dec 2004
Trucks	**41,095**	34,910	**77,006**	66,104	16	147,781	136,879
Buses	**4,219**	3,620	**7,415**	6,166	20	13,971	12,722
Construction Equipment	**9,555**	8,416	**16,737**	14,909	12	31,188	29,360
Volvo Penta	**2,624**	2,570	**5,015**	4,748	6	9,324	9,057
Volvo Aero	**1,784**	1,885	**3,431**	3,447	0	6,909	6,925
Other units and eliminations	**1,842**	1,920	**3,768**	3,796	(1)	7,200	7,228
Net sales	**61,119**	**53,321**	**113,372**	**99,170**	**14**	**216,373**	**202,171**

Operating income SEK M	Second quarter **2005**	2004	First six months **2005**	2004	Change in %	12 months moving values	Jan–Dec 2004
Trucks	**3,402**	2,336	**6,479**	3,873	67	11,598	8,992
Buses	**160**	105	**192**	74	159	371	253
Construction Equipment	**937**	751	**1,495**	1,103	36	2,290	1,898
Volvo Penta	**302**	307	**508**	495	3	953	940
Volvo Aero	**168**	181	**378**	290	30	491	403
Financial Services	**483**	307	**1,070**	588	82	1,847	1,365
Other units	**(102)**	(81)	**(236)**	(161)	–	(67)	8
Operating income[1]	**5,350**	**3,906**	**9,886**	**6,262**	**58**	**17,483**	**13,859**
Revaluation of shares	**–**	123	–	820	–	0	820
Operating income	**5,350**	**4,029**	**9,886**	**7,082**	**40**	**17,483**	**14,679**

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

Operating margin %	Second quarter **2005**	2004	First six months **2005**	2004	12 months moving values	Jan–Dec 2004
Trucks	**8.3**	6.7	**8.4**	5.9	7.8	6.6
Buses	**3.8**	2.9	**2.6**	1.2	2.7	2.0
Construction Equipment	**9.8**	8.9	**8.9**	7.4	7.3	6.5
Volvo Penta	**11.5**	11.9	**10.1**	10.4	10.2	10.4
Volvo Aero	**9.4**	9.6	**11.0**	8.4	7.1	5.8
Operating margin[1]	**8.8**	**7.3**	**8.7**	**6.3**	**8.1**	**6.9**
Operating margin	**8.8**	**7.6**	**8.7**	**7.1**	**8.1**	**7.3**

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

Trucks – strong increase in profits

- Continued increase in deliveries – net sales rose by 18%
- Increased volumes and improved margins increased profits
- Several product introductions are planned for second half of the year

Total market for heavy trucks increased

The market for heavy trucks remained at a high level in Europe, as well as North and South America. In Europe the total number of registrations through May rose by 8% to 118,780 (109,856) heavy trucks. Countries in which registrations increased included the UK, Spain and Germany, as well as Sweden and Norway.

Sales of heavy trucks (Class 8) in North America increased through June by 37% to 157,717 trucks. The Brazilian market increased by 9% to 24,407 (22,294) trucks.

The forecast for the total European market in the full year 2005 is continued growth within the interval from 0 to 5% compared to 2004. The trend in the North American market remains strong, compared with the preceding year. Given the industry's very high delivery capacity and other factors, the total North American market is estimated to increase by approximately 20% during 2005.

Net sales by market area, Trucks

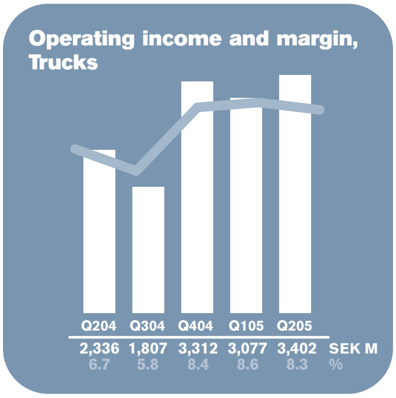
SEK M	Second quarter 2005	Second quarter 2004	Change in %	First six months 2005	First six months 2004	Change in %
Europe	**21,036**	20,236	4	**40,450**	39,193	3
North America	**11,944**	8,872	35	**21,858**	16,098	36
South America	**1,874**	1,200	56	**3,436**	2,310	49
Asia	**4,065**	2,956	38	**7,501**	5,354	40
Other markets	**2,176**	1,646	32	**3,761**	3,149	19
Total	**41,095**	**34,910**	**18**	**77,006**	**66,104**	**16**

Order intake by market, Trucks

Number of trucks	Second quarter 2005	Second quarter 2004	Change in %	First six months 2005	First six months 2004	Change in %
Europe	**25,841**	30,148	(14)	**52,998**	58,711	(10)
North America	**15,207**	18,547	(18)	**37,940**	36,573	4
South America	**2,833**	2,135	33	**5,217**	4,446	17
Asia	**6,771**	5,910	15	**16,508**	13,108	26
Other markets	**2,453**	2,190	12	**5,063**	4,198	21
Total	**53,105**	**58,930**	**(10)**	**117,726**	**117,036**	**1**

Deliveries by market, Trucks

Number of trucks	Second quarter 2005	Second quarter 2004	Change in %	First six months 2005	First six months 2004	Change in %
Europe	**27,844**	27,746	0	**53,876**	52,488	3
North America	**17,235**	12,173	42	**32,444**	21,945	48
South America	**2,913**	2,160	35	**5,466**	4,171	31
Asia	**7,647**	5,849	31	**14,523**	10,660	36
Other markets	**2,516**	1,692	49	**4,451**	3,303	35
Total	**58,155**	**49,620**	**17**	**110,760**	**92,567**	**20**



Weaker order bookings

During the second quarter of 2005, total order bookings for the Volvo Group's truck operations declined by 10% to 53,105 (58,930) trucks. Order bookings declined in Europe and North America while they increased in South America, Asia and Other markets. During the first six months, however, order bookings for the truck operations were 1% higher than in the preceding year.

The decline in European order bookings reflects very high order bookings in 2004 and a softening this year. Nonetheless, demand remains at a high level.

In North America, underlying demand remains strong. As expected, order bookings were weaker during the second quarter, since available production for 2005 was already fully booked for most manufacturers. During the second half of 2005, orders will be taken for delivery during 2006.

Deliveries increased by 17%

Total deliveries for the Volvo Group's truck operations increased by 17% during the second quarter to 58,155 trucks (49,620). Deliveries rose sharply in all markets with the exception of Europe where they were unchanged. During the first six months of 2005, deliveries increased by 20%.

Strong improvement in profits

The truck operation's net sales increased by 18% to SEK 41,095 M (34,910) during the second quarter. Adjusted for currency movements, net sales rose by 18%.

Operating income increased by 46% to SEK 3,402 M (2,336). The increased income was the result of increased volumes and improved margins. The development was especially good in North America, where deliveries increased by 42% and the profitability improved substantially. Operating margin amounted to 8,3% (6,7). Volvo Trucks maintained a good profitability, while profitability for Renault Trucks and Mack Trucks improved.

Focus on production rate adjustments and product introductions

Production rate adjustments will be implemented during the third quarter in response to weaker demand in Europe. At the same time, production rates will be increased slightly in North America for both Mack Trucks and Volvo Trucks.

During the second half of the year, product renewal in truck operations will enter an intensive phase for all three brands.

Buses – positive earnings trend

- **Improved earnings**
- **Lower order bookings in Europe**
- **Decision to close production plant in Heilbronn**

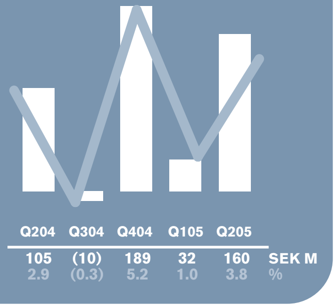
Slowly growing total market

The global bus market grows at a moderate rate, but with regional differences. North America shows continued growth, primarily in the coach segment. For Mexico, the trend is generally slightly positive, compared with 2004. In South America, the market for heavy buses continues to increase, although Volvo is losing market shares in Brazil while increasing in the rest of South America. In Europe, a moderate increase in registrations was noted, but there are signs of weakening. Asia also reported continued growth, and China is growing, but primarily in the mid-range segment. India and South Africa show very positive trends. The markets in the Middle East are recovering, although some uncertainty pertains regarding trends in individual countries.

Net sales by market area, Buses

SEK M	Second quarter 2005	Second quarter 2004	Change in %	First six months 2005	First six months 2004	Change in %
Europe	**1,825**	2,269	(20)	**3,611**	3,658	(1)
North America	**1,159**	632	83	**2,044**	1,227	67
South America	**564**	105	437	**664**	175	279
Asia	**389**	420	(7)	**599**	816	(27)
Other markets	**282**	194	45	**497**	290	71
Total	**4,219**	**3,620**	**17**	**7,415**	**6,166**	**20**

Operating income and margin, Buses



Higher order bookings

The number of orders increased from 1,947 to 2,197, which was 13% greater than during the same period in 2004. Order bookings rose in North and South America, where the share of luxury coaches increased. In the European market, order bookings were lower, compared with the year-earlier period.

Market share in Europe increased to 15.3%, with the UK and Spain in particular showing increased market shares. In Asia, market shares were stable, although a marked downturn was noted in China.

At June 30, 2005, order backlog amounted to 5,073 orders, compared with 3,353 at the same date in 2004. The increase of 51% was in large part attributable to Chile, which following an add-on order accounted for a total of 1,779 vehicles.

Increased deliveries

During the second quarter, 2,995 buses were delivered, which was 37% more than during the same period in the preceding year (2,179). The greatest increase was noted in North and South America.

Profit maintained in second quarter

Net sales in the second quarter amounted to SEK 4,219 M, an increase of 17%, compared with SEK 3,620 M in the preceding year. Adjusted for currency movements and the acquisition of the remaining 50% of Prévost and Nova Bus, net sales rose by 6%.

Operating income amounted to a profit of SEK 160 M (105). Effects of the restructuring program, increased volumes and a focus on pricing contributed to the earnings improvement. Costs of SEK 95 M for the closure of the plant in Heilbronn, Germany were charged against income in the second quarter. The operating margin was 3.8% (2.9).

Focus on improved profitability

To achieve stable and long-term profitability, Volvo Buses will continue its global restructuring program. In Mexico, a new industrial and commercial structure is being implemented, and in China, operations are being adapted to the new prerequisites that prevail in the bus market. In Europe, improvement efforts are being focused on Central Europe, and in June, a decision was announced to close the plant in Heilbronn, Germany.

Volvo Buses' largest order for a total of 1,779 buses, which was signed in January 2005, is now in full production and being delivered according to plan.

Volvo Buses' announcements during the quarter included a breakthrough order for 25 city buses in India, one of the world's largest markets for city buses. Volvo is currently the largest manufacturer in the segment for luxury intercity coaches, and Volvo Buses is now also entering the city bus market.

Intensive efforts are currently in progress in preparation for the launch of Euro 4/5 and the new engine generation.

Net sales by market area, Construction Equipment

SEK M	Second quarter 2005	2004	Change in %	First six months 2005	2004	Change in %
Europe	**4,508**	4,019	12	**7,671**	6,871	12
North America	**2,841**	2,327	22	**5,260**	4,307	22
South America	**370**	220	68	**604**	400	51
Asia	**1,431**	1,593	(10)	**2,368**	2,809	(16)
Other markets	**405**	257	58	**834**	522	60
Total	**9,555**	**8,416**	**14**	**16,737**	**14,909**	**12**

Total market development in the second quarter

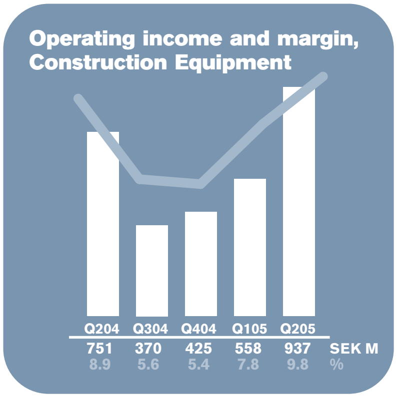
%	Europe	North America	Asia	Other markets	Total
Heavy equipment	(6)	+17	+6	+23	**+8**
Compact equipment	+5	+8	+23	+30	**+11**
Total	**+1**	**+11**	**+13**	**+26**	**+10**

Construction Equipment – increased sales and improved margin

- **Continued favorable demand for heavy equipment in North America**
- **Sales growth of 14%**
- **Operating income increased by 25%**

Total world market up 10%

The total world market for heavy and compact construction equipment within the business area's product segments increased by 10% during the second quarter of 2005, compared with the corresponding period a year earlier. The increase is mainly driven by a continued strong demand in North America, up 11%, and positive development in China, up 7% in the quarter compared to last year. The Chinese market shows signs of recovery and is expected to grow at a moderate pace for the rest of the year.



The European market was up 1%, driven mainly by compact equipment. Heavy equipment in Europe was down 6% due to weaker markets for heavy equipment in primarily Central Europe, but also Western and Southern Europe.

Overall market conditions remains relatively positive, with total markets estimated to grow by around 10% in North America and up to 5% in Europe. The outlook for other markets remains favorable with the exception of South Korea.

Continued strong order bookings

Order bookings for Construction Equipment remained on a high level. At June 30, 2005, the value of the order backlog was 40% higher than at the same date a year earlier.

Sales and operating income rose

Construction Equipment's net sales rose 14% and amounted to SEK 9,555 M (8,416). The increase is mainly attributable to higher volumes, improved distribution and a favorable product mix. Adjusted for currency movements and acquisitions and divestments, net sales rose 17%.

Operating income increased by 25% to SEK 937 M (751). The operating margin was 9.8% (8.9). The income and margin improvement is due to reduced S&A costs, favorable pricing conditions and a favorable product and market mix, which was partly offset by higher prices for raw material.

Continued focus on efficiency

In order to reduce costs and further exploit synergies, Volvo CE decided to place the Wheel Loader and Articulated Hauler businesses under a single management team. Other activities to lower selling and administrative expenses are being evaluated and will be implemented during the year.

During the quarter, the 9-liter Volvo engine for off highway was certified by the US Environmental Protection Agency (EPA). The engine is equipped with V-ACT, Volvo Advanced Combustion Technology.

In June, some 5,000 people visited the Volvo CE Customer Center in Eskilstuna, Sweden. Customers from all over the world were given the opportunity to see and test-drive the latest products.

Volvo Penta – increased sales and continued good profitability

- **Sales at new record level**
- **Favorable reception of IPS among boat manufacturers**
- **Continued favorable operating margin**

Some weakening of total market

Some weakening was noted in overall demand for marine and industrial engines in Europe. Demand strengthened in South America, while the North American market was unchanged.

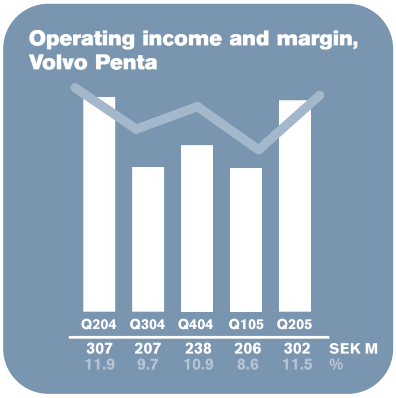
In China, the decline for industrial engines continued. This decline, which is due to different types of restrictions that the Chinese authorities have imposed to cool down the economy, also had negative effects on sales of industrial engines in Europe and North America.

Order bookings for marine engines remain at high level

Volvo Penta's total order bookings declined, compared with the extremely high levels during the corresponding period in 2004. The decline is in large part due to the trend in China. Order bookings for marine engines for both leisure boats and commercial maritime remained at a high level.

Stable market share trend

The stable trend of Volvo Penta's market shares continued in Europe and other parts of the world. Volvo Penta IPS was



Net sales by market area, Volvo Penta	Second quarter		Change	First six months		Change
SEK M	**2005**	2004	in %	**2005**	2004	in %
Europe	**1,378**	1,411	(2)	**2,679**	2,631	2
North America	**787**	695	13	**1,478**	1,303	13
South America	**59**	29	103	**102**	56	82
Asia	**347**	395	(12)	**660**	668	(1)
Other markets	**53**	40	33	**96**	90	7
Total	**2,624**	**2,570**	**2**	**5,015**	**4,748**	**6%**

very well received, and several of the world's largest boat builders have launched new models featuring the new drive system. Additional boat models with Volvo Penta IPS will be introduced during the autumn.

In North America, Volvo Penta has successfully gained market shares in both diesel and gasoline engines over a period of several years. This trend continued during the second quarter of 2005.

Continued favorable profitability

Volvo Penta's total sales increased by 2% to SEK 2,624 M, compared with SEK 2,570 M in the year-earlier period and were distributed among the three business segments as follows: Marine Leisure SEK 1,742 M (1,595), Marine Commercial SEK 259 M (273) and Industrial SEK 623 M (702). Adjusted for currency movements, the increase was 3%.

Operating income amounted to SEK 302 M (307). The operating income was negatively affected by lower volumes within industrial engines. Operating margin was 11.5% (11.9).

Focus on cost controls and cash flow

Volvo Penta's global industrial structure was consolidated as of the second quarter in a single organization with the objective of ensuring efficient production and logistics solutions for Volvo Penta's customers. The strong focus on cost controls and cash flow in recent years continues.

During the third quarter, five new engines for sail and displacements boats will be launched: D1-13, D1-20, D1-30, D2-40 and D4-180. The D3 sport diesel engine will be launched with the new top-of-the-line model D3-190, and in the upper segment of the product program, Volvo Penta will step up to the 800-horsepower class with the new D12-800.

Volvo Aero – net sales decreased

- **Air traffic and order intake for aircraft manufacturers continue to grow**
- **High utilization in components manufacturing**
- **Increased order bookings**

Net sales by market area, Volvo Aero

SEK M	Second quarter 2005	Second quarter 2004	Change in %	First six months 2005	First six months 2004	Change in %
Europe	**962**	922	4	**1,688**	1,674	1
North America	**736**	797	(8)	**1,511**	1,464	3
South America	**39**	31	26	**88**	71	24
Asia	**54**	122	(56)	**119**	208	(43)
Other markets	**(7)**	13	(154)	**25**	30	(17)
Total	**1,784**	**1,885**	**(5)**	**3,431**	**3,447**	**(0)**

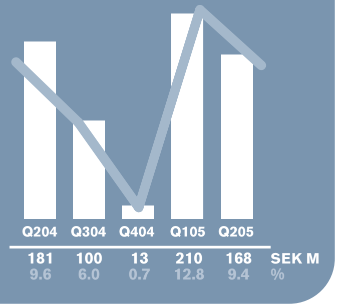
Airline traffic continues to increase

Global airline traffic continues to increase steadily. In April, the increase was 5%, and by the end of the first four months of the year, the increase was 7%, compared with the year-earlier period. Growth is greatest in the Asia Pacific region. The load factor was unchanged in April at 74.6%.

Market conditions were difficult for US airlines during the first months of the year, while the recovery among airlines in Europe and Asia Pacific was significantly better. For the first quarter, the major US airlines reported significant combined losses. Oil price increases remain a problem for the world's airlines, particularly in the US, where extreme price pressure makes it difficult for airline companies to fully compensate for increases through higher ticket prices.

Order bookings for aircraft manufacturers increased very strongly during the first six months of the year. Airbus and Boeing reported orders for a total of 717 large civil aircraft during the period, an increase of 285%, compared with the corresponding period in 2004. The number of deliveries of new aircraft increased by 10% to 344 planes. The rate of production is expected to increase by about 15% during 2006.

Operating income and margin, Volvo Aero



Aero's order bookings remain favorable

At the end of the second quarter, the value of Volvo Aero's order bookings was about 3% higher than at the same time last year. Order bookings during the first six months were 5% higher than during the corresponding period of 2004.

Continued good profitability in components manufacturing

Sales declined by 5% to SEK 1,784 M (1,885). However, adjusted for currency movements, net sales rose 2%.

During the second quarter, operating income amounted to SEK 168 M (181). The operating margin was 9.4% (9.6). Development and manufacturing of spare parts and components for new civil aircraft engines continue to account for a large share of profitability, even though profitability declined somewhat during the quarter. Military business showed positive growth. The maintenance business improved, but profitability continued to be weak.

World's largest passenger aircraft in the air

In April, an Airbus A380 aircraft flew for the first time. The A380, which is the world's largest passenger plane, flew with Rolls Royce engines of type Trent 900, in which Volvo is a program partner. Volvo Aero also delivers components for the other engine alternative, the GP7000. To date, Airbus has received about 150 A380 orders.

During the period, Engine Services signed a number of maintenance contracts, including a contract with Indonesia's Lion Air. The contract with Lion Air is valued at about SEK 120 M annually for Volvo Aero.

Volvo Aero also signed a contract with Snecma for series production of nozzles and turbines for the Ariane 5 rocket. This contract, which extends for five years, is valued at some SEK 300 M. Deliveries will guarantee Volvo Aero's base production within the aerospace business over the coming years and also create an important platform for continued development work.

Volvo Aero and Snecma also signed a partnership agreement for development of new turbine technology for the space industry.

New financing and penetration by business area	New financing, SEK M Second quarter		Penetration, % Second quarter	
	2005	2004	**2005**	2004
Volvo Trucks	**4,399**	4,102	**28**	27
Renault Trucks	**1,330**	1,388	**17**	17
Mack Trucks	**647**	637	**9**	12
Buses	**265**	386	**11**	18
Construction Equipment	**1,945**	1,639	**31**	35
Other	**234**	54	**–**	–
Total	**8,819**	8,207	**22**	23

Financial Services – good earnings and better returns

- **Good profitability in all business segments**
- **Strong retail finance volume**
- **Steady market share and portfolio performance**

New financing volume rose 7%

The total new financing volume in the second quarter of 2005 amounted to SEK 8.8 billion, a 7% increase when compared to SEK 8.2 billion in the second quarter of 2004. The volume increase is mainly driven by Volvo Trucks and Construction Equipment. In total, 10,815 units (10,492) were financed during the quarter, resulting in an average financing per contract of SEK 0.82 M.

In the markets where financing is offered, the average penetration rate in the second quarter was 22% (23).

The credit portfolio grew by 5%

Total assets at June 30, 2005 amounted to SEK 82 billion (71), of which SEK 75 billion (64) is attributable to the credit portfolio. Adjusted for exchange-rate movements, the credit portfolio grew by 5% (5) during the first six months in 2005. Volvo Trucks accounts for 49% of the credit portfolio, Construction Equipment for 20%, Renault Trucks 15%, Mack Trucks 8% and Buses for 7%. The remaining 1% is mainly attributable to Volvo Aero and Volvo Penta.

Good earnings and returns

Operating income in the second quarter amounted to SEK 483 M (307), compared with SEK 587 M in the first quarter of 2005. (Excluding the effect from the sale of non-strategic properties in Volvo Financial Services' real estate company Danafjord in the first quarter of 2005, the operating income for the quarter was SEK 399 M.)

Return on shareholders' equity for the rolling 12 months was 14.3% (10.4). (Excluding the effect from the sale of non-strategic properties in Volvo Financial Services' real estate company Danafjord, the return on shareholders' equity for the 12 months ending June 30, 2005 was 12.2%.) The equity ratio at the end of the second quarter was 11.7% (12.0).

Write-offs in the second quarter amounted to SEK 73 M (81). The annualized write-offs ratio through June 30, 2005, was 0.41% (0.74). On June 30, 2005, the total credit reserves were 2.15% of the credit portfolio, compared with 2.20% at March 31, 2005.

The trend from the first quarter 2005 was sustained in the second quarter of 2005, with stable growth, favorable profitability and favorable portfolio development.

Penetration and finance volume

Competition from banks and lenders continues to be intense in most markets. Volvo Financial Services is exploring ways to increase its penetration and customer finance volume. Best Practice sharing and closer alignment with the product companies are expected to contribute to Volvo Financial Services' future development and success.

Parent Company AB Volvo

AB Volvo's net sales during the first six months of 2005 amounted to SEK 310 M (276). Income before tax amounted to SEK 342 M (125), including income from shares and participations in Group companies of SEK 731 M (expense: 457), as well as income from other shares and participations of SEK 0 M (851).

Investments in fixed assets amounted to SEK 29 M (2). Liquid funds at June 30, 2005 amounted to SEK 6,273 M, compared with SEK 6,608 at year-end 2004. Financial net assets amounted to SEK 5,256 M at the end of the second quarter, compared with SEK 5,541 M at year-end 2004.

As of January 1, 2005, the Parent Company applies the Swedish Financial Accounting Standards Council's recommendation RR 32 Reporting of legal entities retroactively from January 1, 2004. The recommendation means that legal entities with securities that are listed on a Swedish exchange or authorized marketplace on the closing date, as a general rule must apply the IFRS/IAS rules as applied in the consolidated accounts. The Parent Company applies IAS 39 as of January 1, 2005, according to what is permitted in the Annual Accounts Act, and the effects of this change are charged against shareholders' equity.

The accounting principles applied are described in greater detail in Note 1, in applicable sections and in the section Expected effects of IFRS in the Volvo Group's 2004 Annual Report, as well as on page 24 of this interim report. The effects for the Parent Company will be described in greater detail in the 2005 Annual Report.

Significant events during the second quarter of 2005

Tax rulings contribute SEK 300 M to Volvo

Administrative Court of Appeal has delivered rulings in several tax cases affecting different companies in the Volvo Group. Taken as a whole, the Administrative Court of Appeal rulings had a positive effect of about SEK 300 M on AB Volvo's second-quarter earnings. In all, 16 different rulings have been delivered in cases affecting the tax-assessment years 1991–1999. All of the cases related to appeals against County Administrative Court rulings. To a large extent, the Administrative Court of Appeal's verdicts followed the rulings delivered earlier by the County Administrative Courts. However, the Administrative Court of Appeal has granted, by overruling the County Administrative Court, AB Volvo a tax deduction of SEK 1.5 billion on the sale of shares in Volvo Trucks North America to an American subsidiary in 1996. To a large extent, the Volvo Group had already made provision for tax expenses based on the original rulings of the County Administrative Courts. Accordingly, the rulings of the Administrative Court of Appeal had a positive effect of approximately SEK 300 M on AB Volvo's second-quarter earnings in 2005, of which approximately SEK 70 M was interest.

Volvo Buses to close factory in Heilbronn, Germany

Volvo Buses manufactures one of its coach models, the Volvo 9900, at the Heilbronn factory, a unique low volume product. The financial result for the Volvo 9900 has been unsatisfactory for many years. Volvo Buses has worked with different alternatives for Heilbronn's future including trying to find a buyer for all, or part, of the business. The alternative of selling, however, was not possible and therefore the decision was taken to close the factory. This decision is in line with Volvo Buses' long-term strategy for achieving profitability, continuing to upgrade the global coach range and concentrating manufacturing to the main factories. Costs related to the closure of about SEK 95 million were charged against income in the second quarter.

Annual General Meeting approved dividend and re-elected the Board

The Annual General Meeting in AB Volvo on April 12, 2005 approved the Board's proposal to distribute SEK 12.50 per share to the shareholders, for a total of SEK 5,054,998,025. Per-Olof Eriksson, Patrick Faure, Haruko Fukuda, Tom Hedelius, Leif Johansson, Finn Johnsson, Louis Schweitzer and Ken Whipple were re-elected as members of the Board of Director's of AB Volvo. Finn Johnsson was re-elected Board Chairman.

Cancellation of shares and new repurchase mandate

The Annual General Meeting also resolved that the company's share capital should be reduced by SEK 95,021,046 through the cancellation without repayment of 3,084,619 A shares and 12,752,222 B shares that the company repurchased. The cancellation was accomplished during the second quarter of 2005. The Annual General Meeting also decided to authorize the Board of AB Volvo, during the period until the next Annual General Meeting, to decide on the repurchase and transfer of own shares. Purchases may be made of a number of shares so that the company does not hold more than 10% of the total number of shares in the company.

Allotment of shares in incentive program

Senior executives in the Volvo Group have been allotted 63,667 Volvo B shares, within the framework of an incentive program decided upon by the Annual General Meeting 2004. The allotment was based on the degree of fulfillment of certain financial goals for the 2004 fiscal year, which were set by the Board.

The Annual General Meeting 2005 resolved to establish a new share-based incentive program during the second quarter of 2005 for senior executives in the Volvo Group.

Significant events earlier in the year

- Repurchase of own shares, in accordance with mandate from the AGM 2004, completed
- Sales of property yielded capital gain of SEK 188 M
- Volvo Trucks launched a new flagship in North America

For further information regarding previously reported significant events, please refer to Volvo Group's report on the first three months of 2005. Detailed information is also available at www.volvo.com.

Quarterly figures

Volvo Group SEK M unless otherwise specified	2/2004	3/2004	4/2004	1/2005	2/2005
Net sales	**53,321**	**46,024**	**56,977**	**52,253**	**61,119**
Cost of sales	(41,641)	(35,679)	(44,842)	(40,559)	**(47,982)**
Gross income	**11,680**	**10,345**	**12,135**	**11,694**	**13,137**
Research and development expenses	(1,965)	(1,831)	(1,938)	(1,934)	**(1,860)**
Selling expenses	(4,612)	(4,401)	(4,944)	(4,381)	**(4,829)**
Administrative expenses	(1,435)	(1,208)	(1,361)	(1,585)	**(1,630)**
Other operating income and expenses	(107)	(351)	392	173	**1**
Income from Financial Services[1]	307	343	434	587	**483**
Income from investments in associated companies	10	(3)	1	(27)	**15**
Income from other investments	151	6	(22)	9	**33**
Operating income	**4,029**	**2,900**	**4,697**	**4,536**	**5,350**
Interest income and similar credits	257	153	266	226	**284**
Interest expenses and similar charges	(373)	(322)	(332)	(273)	**(326)**
Other financial income and expenses	(4)	(1,215)	(27)	114	**(55)**
Income after financial items	**3,909**	**1,516**	**4,604**	**4,603**	**5,253**
Income taxes	(1,100)	(349)	(1,100)	(1,355)	**(1,323)**
Income for the period*	**2,809**	**1,167**	**3,504**	**3,248**	**3,930**
* Attributable to					
Equity holders of AB Volvo	2,789	1,155	3,512	3,234	**3,912**
Minority interests	20	12	(8)	14	**18**
	2,809	**1,167**	**3,504**	**3,248**	**3,930**
Depreciation and amortization included above					
Industrial and Commercial	1,598	1,609	1,631	1,583	**1,631**
Financial Services	826	759	804	125	**148**
Classification Group versus Segment Financial Services	–	–	–	575	**681**
Total	**2,424**	**2,368**	**2,435**	**2,283**	**2,460**
Income per share, SEK [2]	6.65	2.75	8.45	7.93	**9.67**
Number of shares outstanding, million	419.4	419.4	410.1	404.4	**404.5**
Average number of shares during period, million	419.4	419.4	415.8	407.6	**404.4**
Number of company shares, held by AB Volvo	22.1	22.1	31.4	37.1	**21.2**

1) Financial Services reported according to equity method.

2) Income per share is calculated as Income for the period (excluding minority interests) divided by the weighted average number of shares outstanding during the period.

Key operating ratios %	2/2004	3/2004	4/2004	1/2005	2/2005
Gross margin	21.9	22.5	21.3	22.4	**21.5**
Research and development expenses in % of net sales	3.7	4.0	3.4	3.7	**3.0**
Selling expenses in % of net sales	8.6	9.6	8.7	8.4	**7.9**
Administrative expenses in % of net sales	2.7	2.6	2.4	3.0	**2.7**
Operating margin[1]	7.3	6.3	8.2	8.7	**8.8**
Operating margin	7.6	6.3	8.2	8.7	**8.8**

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

Net sales SEK M	2/2004	3/2004	4/2004	1/2005	**2/2005**
Trucks	34,910	31,271	39,504	35,911	**41,095**
Buses	3,620	2,925	3,631	3,196	**4,219**
Construction Equipment	8,416	6,552	7,899	7,182	**9,555**
Volvo Penta	2,570	2,130	2,179	2,391	**2,624**
Volvo Aero	1,885	1,664	1,814	1,647	**1,784**
Other	1,920	1,482	1,950	1,926	**1,842**
Net sales Volvo Group	**53,321**	**46,024**	**56,977**	**52,253**	**61,119**
Financial Services	2,394	2,467	2,426	1,778	**1,939**
Eliminations and other	(180)	(190)	(176)	405	**486**
Net sales total	**55,535**	**48,301**	**59,227**	**54,436**	**63,544**

Operating income SEK M	2/2004	3/2004	4/2004	1/2005	**2/2005**
Trucks	2,336	1,807	3,312	3,077	**3,402**
Buses	105	(10)	189	32	**160**
Construction Equipment	751	370	425	558	**937**
Volvo Penta	307	207	238	206	**302**
Volvo Aero	181	100	13	210	**168**
Financial Services	307	343	434	587	**483**
Other	(81)	83	86	(134)	**(102)**
Operating income[1]	**3,906**	**2,900**	**4,697**	**4,536**	**5,350**
Revaluation of shares	123	0	–	–	**–**
Operating income	**4,029**	**2,900**	**4,697**	**4,536**	**5,350**

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

Operating margin %	2/2004	3/2004	4/2004	1/2005	**2/2005**
Trucks	6.7	5.8	8.4	8.6	**8.3**
Buses	2.9	(0.3)	5.2	1.0	**3.8**
Construction Equipment	8.9	5.6	5.4	7.8	**9.8**
Volvo Penta	11.9	9.7	10.9	8.6	**11.5**
Volvo Aero	9.6	6.0	0.7	12.8	**9.4**
Operating margin[1]	**7.3**	**6.3**	**8.2**	**8.7**	**8.8**
Operating margin	**7.6**	**6.3**	**8.2**	**8.7**	**8.8**

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

Financial Information in accordance with IAS 1

Consolidated income statements SEK M	Second quarter 2005	Second quarter 2004	First six months 2005	First six months 2004
Net sales	**63,544**	**55,545**	**117,980**	**103,549**
Cost of sales	**(49,502)**	(43,091)	**(91,439)**	(80,789)
Gross income	**14,042**	**12,454**	**26,541**	**22,760**
Research and development expenses	**(1,860)**	(1,965)	**(3,794)**	(3,845)
Selling expenses	**(5,119)**	(4,883)	**(9,776)**	(9,486)
Administrative expenses	**(1,669)**	(1,479)	**(3,290)**	(2,829)
Other operating income and expenses	**(90)**	(268)	**169**	(383)
Income from investments in associated companies	**13**	18	**(6)**	20
Income from other investments	**33**	152	**42**	845
Operating income	**5,350**	**4,029**	**9,886**	**7,082**
Interest income and similar credits	**242**	226	**428**	507
Interest expenses and similar charges	**(284)**	(342)	**(517)**	(704)
Other financial income and expenses	**(55)**	(4)	**59**	31
Income after financial items	**5,253**	**3,909**	**9,856**	**6,916**
Taxes	**(1,323)**	(1,100)	**(2,678)**	(1,680)
Income for the period*	**3,930**	**2,809**	**7,178**	**5,236**
* Attributable to:				
Equity holders of the parent company	**3,912**	2,789	**7,146**	5,200
Minority	**18**	20	**32**	36
	3,930	2,809	**7,178**	5,236

Consolidated Balance Sheets SEK M	June 30 2005	Dec 31 2004
Assets		
Non-current assets		
Intangible assets	**18,907**	17,612
Tangible assets	**55,111**	50,685
Financial assets	**40,534**	35,031
Total non-current assets	**114,552**	103,328
Current assets		
Inventories	**35,988**	28,598
Short-term receivables	**68,649**	57,296
Marketable securities	**24,852**	25,955
Cash and bank accounts	**7,472**	8,791
Total current assets	**136,961**	120,640
Total assets	**251,513**	**223,968**
Shareholders' equity and liabilities		
Shareholders' equity[1]	**72,066**	70,155
Non-current provisions[2]	**24,196**	29,696
Non-current liabilities	**55,473**	45,064
Current provisions	**8,875**	7,182
Current liabilities	**90,903**	79,053
Total shareholders' equity and liabilities	**251,513**	**223,968**

1) Whereof minority interests amounted to SEK 198 M (229).

2) Pension obligations and deferred taxes are regarded as non-current provisions.

Cash flow statements	Second quarter		First six months	
SEK billion	**2005**	2004	**2005**	2004
Operating activities				
Operating income	**5.4**	3.4	**9.9**	6.5
Depreciation and amortization	**2.4**	2.9	**4.7**	5.3
Other non-cash items	**(0.1)**	0.4	**(0.3)**	(0.2)
Change in working capital	**(1.2)**	1.7	**(5.8)**	(0.3)
Financial items and income taxes	**0.3**	0.2	**(0.3)**	(0.6)
Cash flow from operating activities	**6.8**	**8.6**	**8.2**	**10.7**
Investing activities				
Investments in fixed assets	**(2.2)**	(1.9)	**(4.2)**	(3.2)
Investments in leasing assets	**(1.4)**	(1.4)	**(2.3)**	(2.4)
Disposals of fixed assets and leasing assets	**0.6**	0.5	**1.3**	1.1
Customer Finance receivables, net	**(3.2)**	(1.9)	**(3.7)**	(3.5)
Operating cash flow	**0.6**	**3.9**	**(0.7)**	**2.7**
Investments in shares, net	**0.3**	0.1	**0.3**	15.0
Acquired and divested operations	**0.0**	0.0	**0.2**	0.0
Interest-bearing receivables incl. marketable securities, net	**4.2**	5.7	**2.4**	(8.4)
Cash-flow after net investments	**5.1**	**9.7**	**2.2**	**9.3**
Financing activities				
Change in loans, net	**(0.2)**	(6.1)	**2.4**	(7.7)
Dividend paid to AB Volvo shareholders	**(5.1)**	(3.4)	**(5.1)**	(3.4)
Repurchase of own shares	**–**	–	**(1.8)**	–
Other	**0.0**	0.0	**0.0**	0.0
Change in liquid funds excl. translation differences	**(0.2)**	**0.2**	**(2.3)**	**(1.8)**
Translation difference in liquid funds	**0.8**	(0.2)	**1.0**	0.2
Change in liquid funds	**0.6**	**(0.0)**	**(1.3)**	**(1.6)**

Accounting principles

As of January 1, 2005 AB Volvo complies with International Financial Reporting Standards (IFRS), previously known as IAS, in accordance with the European Union regulation. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting principles applied in preparing this report are described in Note 1, in applicable sections, and the section "Expected effects of IFRS," included in the Volvo 2004 Annual Report. In the section "Expected effects of IFRS," the anticipated full-year effects on the income statement and balance sheet are reported in tables that show the full-year change regarding shareholders' equity and the period's earnings. This report includes comparable tables for the second quarter of 2004 prepared in accordance with IFRS compared with the second quarter of 2004 prepared in accordance with Swedish GAAP.

The effects of applying IFRS for 2004 will be determined first when the 2005 Annual Report is presented. Changes may occur as a result of new interpretations from the International Reporting Interpretations Committee (IFRIC), or the issue of new standard in accordance with IFRS. All comparative figures in this report for 2004 are restated to currently prevailing accounting standards in accordance with IFRS.

In this interim report, Volvo applies the amendment to IAS 39, Financial Instruments: Recognition and Measurement that was published in April entitled "Cash flow Hedge Accounting of Forecast Intragroup Transactions." The European Commission has not yet approved this amendment, but is expected to do so before Volvo releases the 2005 Annual Report.

Classification of leasing contracts in segment reporting for Volvo Financial Services

In accordance with IFRS, operational leasing contracts with end customers are defined in Volvo Financial Services reporting as financial leasing contracts, if the residual value in these contracts is guaranteed by one of the other Volvo business areas to Volvo Financial Services. In the Volvo Group's consolidated balance sheet, these leasing contracts are still reported as operational leasing contracts. Reclassification from operational to financial leasing contracts also affects the income statement with regards to sales and depreciation. Volvo Financial Services' sales are reduced due to the reclassification as well as depreciation, which affects the cash flow from operating activities. However, the Volvo Group's consolidated income statements and balance sheets continue to report them as operational and as a result show higher sales as well as depreciation.

Expected impact of IFRS

The impact of IFRS on the balance sheet

In total the impact on the balance sheet of adopting IAS 39 was SEK 3.9 billion at January 1, 2005. The consolidated balance sheet increased by SEK 1.9 billion as a result of the application regarding financial assets. However, the Group's net financial position was affected negatively by SEK 3.3 billion mainly due to the internal balance between Financial Services and the Volvo Group excluding Financial Services. The market valuation of derivatives increased total assets by SEK 2.5 billion, while the market valuation of shares and participation reduced total assets by SEK 0.5 billion.

The impact of IFRS on the Group cash flow statement

Under Swedish GAAP, all investments in marketable debt securities have been included in the definition of liquid funds for the purpose of the cash flow statement. In accordance with Volvo's financial risk policy, all such securities should fulfill requirements regarding low risk and high liquidity. Under IFRS, investments in marketable debt securities are excluded from the definition if these instruments have maturity dates beyond three months from the date of investment. In the first six months of 2005 and 2004 no marketable securities are defined as cash equivalents according to IFRS. In the Group's cash flow statement 2004, the change in liquid funds has been restated according to the table below. The reclassified amount is included in Interest-bearing receivables including marketable securities, net.

Summarized reconciliation of shareholders' equity	June 30, 2004
Equity under Swedish GAAP	**67,841**
IFRS adjustments:	
Capitalization and amortization of development costs and software	524
Minority interest	237
Non-amortization of goodwill	458
Post employee benefits	(571)
Consolidation of temporary investments	(98)
Share based payments	0
Deferred taxes on IFRS adjustments	43
Total adjustments to IFRS	**593**
Equity under IFRS	**68,434**

Summarized reconciliation of income for the period, 2004	Second quarter	First six months
Income for the period under Swedish GAAP	**2,611**	**4,859**
IFRS adjustments:		
Capitalization and amortization of development costs and software	(98)	(199)
Minority interest	20	36
Non-amortization of goodwill	232	459
Post-employee benefits	(4)	8
Consolidation of temporary investments	46	40
Deferred taxes on IFRS adjustments	2	33
Total adjustments to IFRS	**198**	**377**
Income for the period under IFRS	**2,809**	**5,236**

The impact of IFRS on the Group cash flow statement	Jan 1, 2004	June 30, 2004	Change in liquid funds first six months 2004
Liquid funds reported under Swedish GAAP	28,735	35,856	
Less: Amounts with maturity > 3 months	19,526	28,201	
Liquid funds according to IFRS	**9,209**	**7,655**	**(1,554)**

Göteborg, July 25, 2005
AB Volvo (publ)

Leif Johansson, President and CEO

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

Deliveries

Delivered trucks	Second quarter 2005	Second quarter 2004	Change in %	First six months 2005	First six months 2004	Change in %
Volvo Group						
Europe	**27,844**	27,746	0	**53,876**	52,488	3
Western Europe	**24,494**	24,513	0	**48,061**	46,953	2
Eastern Europe	**3,350**	3,233	4	**5,815**	5,535	5
North America	**17,235**	12,173	42	**32,444**	21,945	48
South America	**2,913**	2,160	35	**5,466**	4,171	31
Asia	**7,647**	5,849	31	**14,523**	10,660	36
Middle East	**6,667**	4,785	39	**12,508**	8,664	44
Other Asia	**980**	1,064	(8)	**2,015**	1,996	1
Other markets	**2,516**	1,692	49	**4,451**	3,303	35
Total Volvo Group	**58,155**	**49,620**	**17**	**110,760**	**92,567**	**20**
Mack Trucks						
North America	**8,475**	5,950	42	**16,385**	10,811	52
South America	**375**	154	144	**874**	328	166
Asia	**10**	14	(29)	**101**	29	248
Middle East	**10**	12	(17)	**99**	27	267
Other Asia	**0**	2	(100)	**2**	2	0
Other markets	**364**	320	14	**565**	555	2
Total Mack Trucks	**9,224**	**6,438**	**43**	**17,925**	**11,723**	**53**
Renault Trucks						
Europe	**16,392**	16,068	2	**31,464**	30,569	3
Western Europe	**14,880**	14,636	2	**28,778**	28,056	3
Eastern Europe	**1,512**	1,432	6	**2,686**	2,513	7
North America	**99**	62	60	**180**	117	54
South America	**259**	137	89	**401**	231	74
Asia	**1,938**	1,878	3	**3,907**	3,411	15
Middle East	**1,940**	1,742	11	**3,739**	3,235	16
Other Asia	**(2)**	136	-	**168**	176	(5)
Other markets	**1,263**	550	130	**2,309**	1,158	99
Total Renault Trucks	**19,951**	**18,695**	**7**	**38,261**	**35,486**	**8**
Volvo Trucks						
Europe	**11,452**	11,678	(2)	**22,412**	21,919	2
Western Europe	**9,614**	9,877	(3)	**19,283**	18,897	2
Eastern Europe	**1,838**	1,801	2	**3,129**	3,022	4
North America	**8,661**	6,161	41	**15,879**	11,017	44
South America	**2,279**	1,869	22	**4,191**	3,612	16
Asia	**5,699**	3,957	44	**10,515**	7,220	46
Middle East	**4,717**	3,031	56	**8,670**	5,402	60
Other Asia	**982**	926	6	**1,845**	1,818	1
Other markets	**889**	822	8	**1,577**	1,590	(1)
Total Volvo Trucks	**28,980**	**24,487**	**18**	**54,574**	**45,358**	**20**

Delivered Buses	Second quarter 2005	Second quarter 2004	Change in %	First six months 2005	First six months 2004	Change in %
Europe	**936**	1,034	(9)	**2,008**	1,764	14
Western Europe	**867**	898	(3)	**1,825**	1,582	15
Eastern Europe	**69**	136	(49)	**183**	182	1
North America	**428**	321	33	**743**	627	19
South America	**775**	134	478	**881**	245	260
Asia	**678**	533	27	**1,018**	1,146	(11)
Other markets	**178**	157	13	**323**	212	52
Total Buses	**2,995**	**2,179**	**37**	**4,973**	**3,994**	**25**

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

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

Publication dates

Report on the first nine months 2005	October 25, 2005
Report on 2005 operations	February, 2006
Annual Report 2005	March, 2006

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