Volvo Group

Six months ended June 30, 2009

In the second quarter net sales decreased to SEK 54.0 billion (80.3). Adjusted for currency, sales were on the same level as during the first quarter

The second quarter operating loss amounted to SEK 6,883 M (Income 7,186)

Operating income was negatively affected by SEK 3.2 billion in increased provisions for credit losses and residual value commitments, lay-off related costs and write-downs on inventories as well as costs associated with an agreement with UAW regarding healthcare benefits for retirees

Basic and diluted earnings per share amounted to a negative SEK 2.75 in the second quarter (Positive 2.53)

In the second quarter, operating cash flow in the Industrial Operations was negative in an amount of SEK 2.9 billion (Positive 4.9). Cash flow was positively impacted by a SEK 5.8 billion reduction of inventories

Liquidity position strengthened to SEK 63.5 billion, of which liquid assets of SEK 32.5 billion and unutilized credit facilities of SEK 31 billion

	Second quarter		First six months	
	2009	2008[1]	**2009**	2008[1]
Net sales Volvo Group, SEK M	**53,959**	80,307	**110,080**	156,868
Operating income Volvo Group, SEK M	**(6,883)**	7,186	**(11,411)**	13,673
Operating income Industrial operations, SEK M	**(6,587)**	6,799	**(10,719)**	12,905
Operating income Customer Finance, SEK M	**(296)**	387	**(692)**	768
Operating margin Volvo Group, %	**(12.8)**	8.9	**(10.4)**	8.7
Income after financial items, SEK M	**(7,721)**	7,481	**(13,564)**	13,622
Income for the period, SEK M	**(5,564)**	5,149	**(9,787)**	9,364
Diluted earnings per share, SEK	**(2.75)**	2.53	**(4.83)**	4.60
Return on shareholders' equity, %			**(11.3)**	20.5

1 Restated due to changed accounting principles. For further information, see page 27.

Contents

Comments by the CEO – continued focus on cost reduction

For the Volvo Group, the second quarter of 2009 remained difficult in terms of earnings in the wake of the exceptionally rapid decline in demand that followed the crisis in the financial system. We were, however, successful in reducing our inventories, which contributed to a positive development in working capital.

Difficult quarter for earnings, but improved cash-flow trend

During the second quarter, weak demand continued in essentially all of the Volvo Group's markets. Adjusted for exchange-rate fluctuations, sales fell by approximately 45% to SEK 54 billion. However, as anticipated, sales of spare parts, service and aftermarket services are faring better in the recession – compared to last year sales declined by 14% adjusted for currency, but compared to the first quarter of 2009 they increased by more than 5%.

The operating loss amounted to SEK 6.9 billion. Earnings were charged with SEK 3.2 billion in increased provisions for credit losses and residual value commitments, personnel cutbacks and inventory impairment, as well as costs related to the agreement with the US automotive workers' trade union, the UAW, which entirely eliminates Mack's commitment to healthcare for retired workers.

The reductions in production, which were already started in autumn 2008 to adapt capacity to the lower demand and reduced inventories of new trucks and construction equipment, continued during the second quarter. The work with inventory reduction has been successful, and in the second quarter, inventory of new trucks was reduced by a further 16% and inventory of new construction equipment by 11%. In total, the capital tied up in inventory declined by nearly SEK 6 billion. Cash flow improved significantly compared to the first quarter – despite the operating loss and reduced accounts payable, the outflow of cash in Industrial operations was restricted to SEK 2.9 billion as a result of the excellent effort in reducing tied-up inventory. This contributed to net debt only increasing marginally when adjusted for the dividend and the UAW contract.

We are also working hard to maintain a high pace in the implementation of the measures aimed at reducing our costs. We are implementing savings at all levels and in all operations to adjust the Group to a new, lower cost level. This involves, for example, personnel reductions and lower sales and administrative costs. We are also assigning priority among research and development projects and pushing for efficiency enhancement in the work in this area. We see that these measures are gradually beginning to have an effect and selling and administrative expenses decreased by 15% and 22% respectively compared to the second quarter of 2008. In total, the measures taken during 2009 will lower the Group's future cost level by SEK 21 billion on an annual basis.

In terms of liquidity, the Volvo Group's position was strengthened during the second quarter. In total, we have liquidity reserves of SEK 63.5 billion, of which SEK 32.5 billion in cash and cash equivalents and SEK 31 billion in unutilized credit facilities.

Operating loss in the second quarter

The truck market remains weak in our main markets in Europe, North America and Japan. The Truck operations' operating result was negative in an amount of SEK 4.8 billion during a quarter in which deliveries of new trucks declined by 57% compared with the second quarter of 2008 and by 9% compared with the first quarter of 2009. However, net order bookings increased by 32% compared with the low level during the first quarter. We see that the decline in demand has started to level off and that the markets have stabilized, even though it is still difficult to predict the rest of the year. In terms of market outlook, we maintain our assessment that the total European market for heavy trucks will be at least halved in 2009 compared with 2008 and that the North American market will decline by 30–40%.

The global market for construction equipment remains weak except for China, where the government's stimulus package is having a positive impact on demand. Volvo CE reported a loss of SEK 1.3 billion as a result of low volumes and low capacity utilization, but they continued to reduce their inventory.

In the bus market, the weak trend for coaches continues, while the city bus market is faring somewhat better. Volvo Buses' order bookings increased during the quarter, with a shift in activity from Europe and North America to markets in Asia.

For Volvo Penta, demand for boat engines weakened further in the second quarter, while the industrial engine market has performed better. Volvo Aero reported a positive operating result, but demand for spare parts to aircraft engines is decreasing due to the decline in flying.

Within the customer-financing operations of Volvo Financial Services, provisions increased for credit losses, primarily in Western Europe, which resulted in a loss for the quarter. This development is to be against the backdrop of our customers having lower freight volumes as a result of the weak economic trend throughout the world. We are working actively with the customers and have an established process for managing customers who have difficulty in paying back their loans.

Increased focus on cost and productivity

We have a difficult quarter also ahead of us regarding earnings, as we reduce production additionally through extended vacation closure aimed at further reducing inventory of new products. Until we have our inventories and costs in balance with market demand, we will continue to have low absorption of our costs, which negatively affects profitability.

Despite the current weak demand in our markets, I am convinced that the long-term driving forces that generated growth in our industries continue to apply – transport and infrastructure are the backbone of modern society. Recent years have been characterized by investment in innovation and product development that have created a customer offering at the absolute leading edge. We also have strong brands and well-established positions worldwide. We have all the prerequisites needed to strengthen our position when the markets turn around.

After the strong growth of recent years, both through acquisitions and organically, the Volvo Group now has sufficient critical mass to be globally competitive. In the next few years, the focus will be directed toward strengthening profitability by increasing productivity and internal efficiency.

Leif Johansson
President and CEO

Important events

Hybrid vehicles from Volvo Group exceed expectations

The Volvo Group's proprietarily developed platform for hybrid operation of heavy vehicles has been installed in several different types of vehicles and has been used to propel the Group's buses in traffic operations in Göteborg, Sweden and London, England. The experiences gained to date from the Group's parallel hybrid technology indicate excellent fuel savings. To date, the Volvo Group has developed about 20 different hybrid vehicles based on the Group's hybrid solution, including wheel loaders, buses and refuse collection trucks.

New agreement between Mack Trucks and UAW

On May 31, 2009 members of the U.S. trade union, the United Auto Workers, approved a new 40-month Master Agreement with the Volvo Group's subsidiary Mack Trucks. The agreement includes the establishment of an independent trust that will completely eliminate Mack's commitments for providing healthcare to retired employees, their surviving partners and for dependent family members, as well as for UAW members who retire in the future. This had a negative impact of SEK 870 M on the Volvo Group's operating income during the second quarter of 2009 and a negative impact of the same amount on net debt. The trust must be approved by the U.S. District Court for the Eastern District of Pennsylvania, a process that can take up to 12 months.

Volvo unveils proprietary medium-heavy engine

At Volvo's Capital Market Day in Eskilstuna, Sweden, on June 16, the Volvo Group CEO, Leif Johansson, announced that the Group had developed its own medium-duty engine for trucks and buses scheduled for launch in 2010.

Volvo Group begins selling trucks that meet EPA2010 emissions standards

On June 23, 2009 it was announced that Volvo Trucks in North America had begun selling vehicles that meet the new US emissions standards, EPA2010, which come into effect in 2010. The trucks meet the standards using SCR, Selective Catalytic Reduction, which also increases fuel efficiency and reduces carbon emissions. Initial production is scheduled for autumn 2009.

Previously reported important events

- The Volvo Group secures SEK 30 billion in funding
- New generation of diesel engines from Volvo Trucks
- Annual General Meeting

Detailed information about the events is available at www.volvogroup.com

Financial summary of the second quarter

Volvo Group

Net sales

The Volvo Group's net sales decreased by 33% to SEK 53,959 M during the second quarter of 2009, compared to SEK 80,307 M in the same quarter a year earlier. Adjusted for changes in exchange rates and acquired and divested operations, net sales decreased by approximately 45%.

Operating income

The Volvo Group's operating loss amounted to SEK 6,883 M in the second quarter compared to an operating income of SEK 7,186 M in the preceding year. The Industrial Operations' operating loss amounted to SEK 6,587 M (Income SEK 6,799 M). The Volvo Group's Customer Finance operations reported an operating loss of SEK 296 M (Income SEK 387 M). For detailed information on the development, see separate sections below.

Net financial items

Net interest expense in the second quarter was SEK 802 M, compared to an expense of SEK 102 M for the same period in the preceding year and an expense of SEK 688 M in the first quarter of 2009. When compared to the first quarter of 2009, interest expenses increased mainly due to the increased debt level.

Income Statement Volvo Group

	Second quarter		First six months	
SEK M	**2009**	2008	**2009**	2008
Net sales Volvo Group	**53,959**	80,307	**110,080**	156,868
Operating Income Volvo Group	**(6,883)**	7,186	**(11,411)**	13,673
Operating income Industrial operations	***(6,587)***	*6,799*	***(10,719)***	*12,905*
Operating income Customer Finance	***(296)***	*387*	***(692)***	*768*
Interest income and similar credits	**77**	272	**197**	553
Interest expense and similar credits	**(879)**	(374)	**(1,687)**	(717)
Other financial income and expenses	**(36)**	397	**(663)**	113
Income after financial items	**(7,721)**	**7,481**	**(13,564)**	**13,622**
Income taxes	**2,158**	(2,332)	**3,778**	(4,258)
Income for the period	**(5,564)**	**5,149**	**(9,787)**	**9,364**

During the quarter, market valuation of derivatives used for hedging interest-rate exposure in the debt portfolio had a positive effect on Other financial income and expenses amounting to SEK 81 M compared to a positive impact of SEK 462 M in the second quarter of 2008. The impact is mainly due to increased long-term USD interest rates.

Income taxes

The tax income in the second quarter amounted to SEK 2,158 M (Expense: SEK 2,332 M), mainly as a consequence of the loss after financial items.

Income for the period and earnings per share

The loss for the period amounted to SEK 5,564 M in the second quarter of 2009 compared to an income for the period of SEK 5,149 M in the second quarter of 2008.

Basic earnings per share in the second quarter amounted to a negative SEK 2.75 (Positive 2.53). Assuming that the current incentive program is fully exercised, earnings per share after full dilution was a negative SEK 2.75 (Positive 2.53).

Volvo Group's Industrial Operations – reporting an operating loss

In the second quarter, net sales for the Volvo Group's Industrial Operations decreased by 34% to SEK 51,512 M compared to the second quarter of 2008 (78,399). Adjusted for changes in exchange rates and acquired and divested operations net sales decreased by 45%. Compared to the first quarter of 2009 sales decreased by 4%, but adjusted for changes in exchange rates sales were on the same level.

In Western Europe and North America the low sales level experienced in the first quarter of 2009 continued as expected also into the second quarter. In the second quarter of 2009, sales in Western Europe and North America declined by 7% and 8% respectively when compared to the first quarter 2009. The same trend was seen in Asia.

In the second quarter of 2009, Trucks' net sales decreased by 36% to SEK 33,527 M (52,598), Construction Equipment's by 45% to SEK 9,151 M (16,732) and Volvo Penta's by 32% to SEK 2,258 M (3,325). On the other hand Buses net sales increased by 9% to SEK 4,676 M (4,293) and Volvo Aero's net sales increased by 20% to SEK 2,034 M (1,700).

Net sales by market area

SEK M	Second quarter 2009	Second quarter 2008	Change in %	First six months 2009	First six months 2008	Change in %	Share of industrial operations' net sales, %
Western Europe	**21,804**	34,519	(37)	**45,133**	68,013	(34)	43
Eastern Europe	**2,557**	9,081	(72)	**4,749**	15,877	(70)	5
North America	**9,221**	12,908	(29)	**19,261**	24,211	(20)	18
South America	**3,851**	5,107	(25)	**6,956**	8,623	(19)	7
Asia	**10,021**	11,633	(14)	**20,943**	26,790	(22)	20
Other markets	**4,058**	5,151	(21)	**7,918**	9,297	(15)	8
Total Industrial operations	**51,512**	**78,399**	**(34)**	**104,960**	**152,811**	**(31)**	**100**

Income Statement Industrial operations

SEK M	Second quarter 2009	Second quarter 2008	First six months 2009	First six months 2008
Net sales	**51,512**	**78,399**	**104,960**	**152,811**
Cost of sales	**(46,519)**	(60,132)	**(91,947)**	(116,831)
Gross income	**4,993**	**18,267**	**13,013**	**35,980**
Gross margin, %	***9.7***	*23.3*	***12.4***	*23.5*
Research and development expenses	**(3,403)**	(3,335)	**(6,866)**	(6,669)
Selling expenses	**(6,074)**	(6,268)	**(12,497)**	(12,463)
Administrative expenses	**(1,554)**	(1,842)	**(3,281)**	(3,681)
Other operating income and expenses	**(551)**	(75)	**(1,078)**	(331)
Income from investments in associated companies	**(4)**	9	**(19)**	14
Income from other investments	**5**	43	**8**	56
Operating income	**(6,587)**	**6,799**	**(10,719)**	**12,905**
Operating margin, %	***(12.8)***	*8.7*	***(10.2)***	*8.4*
Operating income before depreciation and amortization (EBITDA)	**(3,361)**	9,518	**(4,254)**	18,247
EBITDA margin, %	***(6.5)***	*12.1*	***(4.1)***	*11.9*

A difficult quarter

In the second quarter of 2009, the operating loss for the Volvo Group's Industrial Operations amounted to SEK 6,587 M, compared to an operating income of SEK 6,799 M in the second quarter of 2008. The operating margin for the Industrial Operations was a negative 12.8% (Positive 8.7%).

The lower sales of trucks and construction equipment in particular had a significant negative impact on operating income. As a consequence of the continued weak demand in all markets, the Group continues to adjust capacity and cost levels to lower market demand. Layoff-related costs had a negative impact of approximately SEK 600 M during the second quarter.

Production rates have been reduced at a more rapid pace than the adaptation of the cost structure within manufacturing. This has resulted in an exceptionally low capacity utilization and an under absorption of costs equal to approximately SEK 3 billion in the quarter. Focus continues to be on reducing inventories with the ambition to maintain prices on new products and production rates will be even lower in most plants during the third quarter of 2009 with extended vacation shutdowns. The cost structure can only gradually be adapted to the lower production rates, which will lead to continued under absorption of costs during the coming quarters.

During the second quarter of 2009, operating income was negatively affected by high costs for raw materials and components, estimated at approximately SEK 300 M compared to the second quarter of 2008.

During the quarter, provisions for residual-value commitments amounted to approximately SEK 550 M as a consequence of lower prices for used trucks in particular in the US. Write-downs of inventories and fixed assets amounted to approximately SEK 400 M.

The new agreement with UAW, which includes the establishment of an independent trust that will completely eliminate Mack's commitments for providing healthcare to retired employees, their surviving partners and dependent family members, as well as for UAW members who retire in the future, had a negative impact on operating income in an amount of SEK 870 M.

In the second quarter of 2009, research and development expenses amounted to SEK 3,403 M (3,335). The continued high expenses are primarily a consequence of spending related to new emission regulations in Europe, USA and Japan in 2009, 2010 and 2011. Adjusted for changes in exchange rates research and development expenses decreased by 3%. The net of capitalization and amortization of R&D had a positive impact of SEK 261 M compared to the second quarter of 2008. During the quarter SEK 731 M of development costs were capitalized while costs of SEK 703 M were amortized.

The Volvo Group's costs were reduced in the second quarter, however not in the same pace as the reduction in sales. Selling expenses decreased by 3% and administrative expenses by 16% compared to the second quarter of 2008. Excluding currency effects, selling expenses decreased by 15% and administrative expenses by 22%.

The combined effect of changed exchange rates had a negative effect on operating income of approximately SEK 1.7 billion in the second quarter of 2009, compared with the same quarter in 2008, primarily as a consequence of the translation effects of operating losses in foreign subsidiaries and to some extent also due to hedging activities.

Successful inventory reduction

In the second quarter of 2009, operating cash flow from the Industrial Operations was negative in an amount of SEK 2.9 billion compared to a positive cash flow of SEK 4.9 billion in the second quarter of 2008. The negative cash flow is mainly a consequence of the operating loss, which was partly offset by a reduction in working capital.

The efforts to reduce inventories were successful and the number of new trucks and construction equipment in inventory was reduced by a further 16% and 11% respectively during the quarter, which contributed to a positive effect on cash flow of SEK 5.8 billion in the quarter due to a reduction in the capital tied-up in inventory.

Cash flow effects from changes in the Industrial Operations' working capital during the second quarter of 2009, SEK bn (currency adjusted)

Decrease in accounts receivables	1.6
Decrease in inventories	5.8
Decrease in trade payables	(4.0)
Other	(0.8)
Total	**2.6**

Volvo Group's Customer Finance – the downturn continues

The second quarter of 2009 saw a worsening of economic conditions for the Group's customers in many parts of the world which continued to affect the operating income in North America and Eastern Europe, while the severity of the impact in Western Europe increased significantly.

In Western Europe customers are challenged by the substantial reduction in economic activity leading to an increasing level of delinquency and repossessions. Continuing to be affected are segments directly associated with the production of motor vehicles, which, despite stimulus programs, remain under pressure. In markets such as Spain the widespread economic slowdown has impacted portfolio performance. In Eastern Europe, there has been little or no improvement since the first quarter as many countries continue to experience a steep decline in economic activity. This means that customers in many segments struggle to meet their obligations and require long term assistance in the form of restructured financing to continue operations.

The aggressive fiscal and monetary policy in place in the United States is yet to reach Volvo Financial Services (VFS) customers. The credit portfolio in South America continues to be stable, but with some signs of weakening.

New financing volume in the second quarter of 2009 amounted to SEK 7.9 billion (11.8). Adjusted for changes in exchange rates, new business volume decreased by 41%, compared to the second quarter of 2008. In total, 6,922 new Volvo Group units (13,327) were financed during the quarter. In the markets where financing is offered, the average penetration rate was 28% (24).

The operating loss in the second quarter, as a result of higher credit provisions, amounted to SEK 296 M, compared to an operating income of SEK 387 M in the previous year. VFS has increased the credit provisions primarily in Western Europe during the second quarter of 2009. Total credit provision expenses amounted to SEK 663 M (59) which was higher than the write-off level of SEK 563 M (103). This resulted in an increase in the credit reserve from 1.72% at March 31, 2009 to 1.88% of the credit portfolio at June 30, 2009. The annualized write-off ratio through June 30, 2009 was 1.77% (0.37).

At June 30, 2009 total assets amounted to SEK 109.7 billion (99.2). The credit portfolio decreased by 3.6% net over the last twelve months, adjusted for exchange-rate movements.

Income Statement Customer Finance

	Second quarter		First six months	
SEK M	**2009**	2008	**2009**	2008
Finance and lease income	**2,960**	2,599	**6,116**	5,254
Finance and lease expenses	**(2,172)**	(1,788)	**(4,521)**	(3,628)
Gross income	**788**	**811**	**1,595**	**1,625**
Selling and administrative expenses	**(410)**	(368)	**(832)**	(743)
Credit provision expenses	**(663)**	(59)	**(1,443)**	(120)
Other operating income and expenses	**(11)**	3	**(11)**	5
Operating income	**(296)**	**387**	**(692)**	**768**
Income taxes	**67**	(134)	**123**	(247)
Income for the period	**(229)**	**253**	**(569)**	**521**
Return on Equity, 12 months rolling values			***(0.5%)***	*15.4%*

Reorganized to manage the downturn

VFS now operates in four Regions: The Americas, Europe, Eastern Europe and Asia/Pacific. This structure enables effective management of the downturn in the first three Regions, while providing a platform for the development of strong customer financing activities in Asia/Pacific. During the second quarter VFS Japan launched customer financing operations to support Volvo Group sales in that market.

Volvo Group financial position

The net financial debt in the Industrial Operations amounted to SEK 51.1 billion at June 30, 2009, an increase by SEK 5.8 billion compared to the first quarter of 2009, and equal to 80.7% of shareholders' equity. Excluding provisions for post-employment benefits the Volvo Group's Industrial Operations net debt amounted to SEK 41.0 billion, which is equal to 64.8% of shareholders' equity.

The negative operating cash flow and the dividend paid to AB Volvo's shareholders during the second quarter increased the Volvo Group's Industrial Operations net financial debt by SEK 7.0 billion, while provisions for the agreement between Mack Trucks and United Auto Workers (UAW) increased the net financial debt by 0.9 billion. Fluctuations in exchange rates decreased the net financial debt by SEK 2.1 billion.

The Volvo Group's liquid funds, cash and cash equivalents and marketable securities combined, amounted to SEK 32.5 at June 30, 2009. In addition to this, granted but unutilized credit facilities amounted to SEK 31 billion.

During the second quarter the Volvo Group's total inventories decreased by SEK 7.3 billion. The Volvo Group's accounts receivable decreased during the same period by SEK 2.0 billion and the Volvo Group's trade payables decreased by SEK 4.8 billion.

The Volvo Group's customer financing receivables decreased by SEK 5.5 billion compared to March 31, 2009. During the second quarter, currency had a negative effect on the Volvo Group's total assets amounting to SEK 5.4 billion.

At the end of the second quarter, the equity ratio in the Industrial Operations was 24.8% compared to 28.4% at year-end 2008. The equity ratio in the Volvo Group amounted to 20.4% compared to 22.7% at year-end 2008. At June 30, 2009 shareholder's equity in the Volvo Group amounted to SEK 72.7 billion.

Related-party transactions

Sales to associated companies amounted to SEK 247 M and purchasing from associated companies amounted to SEK 77 M during the first half of 2009. On June 30, 2009, receivables from associated companies amounted to SEK 232 M and liabilities to associated companies to SEK 11 M. Sales to related-party Renault SA amounted to SEK 48 M and purchasing from Renault SA to SEK 1,077 M during the first half of 2009. Receivables on Renault SA amounted to SEK 31 M and liabilities to Renault SA to SEK 468 M at June 30, 2009.

Number of employees

On June 30, 2009 the Volvo Group had 94,292 employees, compared with 101,381 at year-end 2008. In addition, the Volvo Group had 5,547 temporary employees and consultants on June 30, 2009 primarily in research and development, IT and in Asia, compared with 8,234 at year-end 2008.

During 2008 and 2009, 20,385 permanent employees, temporary employees and consultants have received notices that they will have to leave the Group. During 2008, a total of 5,835 people left the Group and during the first half of 2009 a total of 9,775 people left.

During the second quarter agreements have been made with unions in Sweden for work time and salary reduction in some plants and offices for the next three quarters. In total, some 5,800 employees are covered by these agreements.

In addition, in countries where this is possible, such as France, Belgium and Germany, the Volvo Group uses various forms of short-time work financed by governments, employees and the company, which significantly reduces the Group's personnel costs.

Business segment overview

Net sales

SEK M	Second quarter 2009	Second quarter 2008	Change, %	Change, %*	First six months 2009	First six months 2008	12 months rolling values	Jan–Dec 2008
Trucks	**33,527**	52,598	(36)	(46)	**70,911**	103,356	171,197	203,642
Construction Equipment	**9,151**	16,732	(45)	(56)	**17,323**	31,847	41,753	56,277
Buses	**4,676**	4,293	9	(3)	**8,682**	7,940	18,092	17,350
Volvo Penta	**2,258**	3,325	(32)	(41)	**4,295**	6,476	9,337	11,518
Volvo Aero	**2,034**	1,700	20	(8)	**4,064**	3,570	8,119	7,625
Eliminations and other	**(134)**	(249)	–	–	**(316)**	(378)	(514)	(576)
Industrial operations	**51,512**	**78,399**	**(34)**	**(45)**	**104,960**	**152,811**	**247,985**	**295,836**
Customer Finance	**2,960**	2,599	14	–	**6,116**	5,254	11,935	11,073
Eliminations	**(513)**	(691)	–	–	**(996)**	(1,197)	(2,067)	(2,268)
Volvo Group	**53,959**	**80,307**	**(33)**	**-**	**110,080**	**156,868**	**257,853**	**304,641**

* Adjusted for exchange rates and acquired and divested units.

Operating income (loss)

SEK M	Second quarter 2009	Second quarter 2008	First six months 2009	First six months 2008	12 months rolling values	Jan–Dec 2008
Trucks	**(4,778)**	4,825	**(7,160)**	9,257	(4,250)	12,167
Construction Equipment	**(1,259)**	1,629	**(2,654)**	2,930	(3,776)	1,808
Buses	**(118)**	46	**(213)**	(76)	(213)	(76)
Volvo Penta	**(165)**	458	**(262)**	776	(110)	928
Volvo Aero	**28**	4	**111**	140	330	359
Group headquarter functions and other	**(293)**	(163)	**(540)**	(122)	(1,150)	(732)
Industrial operations	**(6,587)**	**6,799**	**(10,719)**	**12,905**	**(9,169)**	**14,454**
Customer Finance	**(296)**	387	**(692)**	768	(63)	1,397
Volvo Group	**(6,883)**	**7,186**	**(11,411)**	**13,673**	**(9,233)**	**15,851**

Operating margin

%	Second quarter 2009	Second quarter 2008	First six months 2009	First six months 2008	12 months rolling values	Jan–Dec 2008
Trucks	**(14.3)**	9.2	**(10.1)**	9.0	(2.5)	6.0
Construction Equipment	**(13.8)**	9.7	**(15.3)**	9.2	(9.0)	3.2
Buses	**(2.5)**	1.1	**(2.5)**	(1.0)	(1.2)	(0.4)
Volvo Penta	**(7.3)**	13.8	**(6.1)**	12.0	(1.2)	8.1
Volvo Aero	**1.4**	0.2	**2.7**	3.9	4.1	4.7
Industrial operations	**(12.8)**	**8.7**	**(10.2)**	**8.4**	**(3.7)**	**4.9**
Volvo Group	**(12.8)**	**8.9**	**(10.4)**	**8.7**	**(3.6)**	**5.2**

Overview of Industrial Operations

Trucks
– considerable loss in the second quarter

- Sales decreased by 46% adjusted for currency
- Very low capacity utilization in the industrial system
- 16% reduction of the new trucks in inventory during the quarter

Continued weak truck markets globally

The European truck market is characterized by a continued weak demand. As of May, the total number of registrations in Europe 29 (EU, Norway and Switzerland) decreased by 45% to 82,700 heavy trucks (150,790).

Through June, the total market for heavy trucks (Class 8) in North America decreased by 43% to 53,884 trucks compared to 93,951 trucks during the first six months of 2008.

In South America, demand has weakened and during the first six months of the year, the Brazilian market declined by 24% to 28,930 heavy trucks (37,880). During the first five months of 2009 the Chinese market for trucks over 14 tons declined by 32% to 222,770 trucks (325,450). In India the market continued to be weak and as of May registrations declined by 59% to 37,380 trucks (92,140). As of May, the Japanese market for heavy trucks amounted to 6,590 vehicles (14,720), which was a decrease of 55%.

Net sales by market area

SEK M	Second quarter 2009	Second quarter 2008	Change in %	First six months 2009	First six months 2008	Change in %
Europe	**16,486**	30,169	(45)	**35,290**	60,464	(42)
North America	**5,261**	6,987	(25)	**10,957**	13,078	(16)
South America	**3,017**	3,865	(22)	**5,387**	6,609	(18)
Asia	**5,513**	8,244	(33)	**12,964**	17,197	(25)
Other markets	**3,250**	3,334	(3)	**6,313**	6,007	5
Total	**33,527**	**52,598**	**(36)**	**70,911**	**103,356**	**(31)**

Net order intake per market[1]

Number of trucks	Second quarter 2009	Second quarter 2008	Change in %	First six months 2009	First six months 2008	Change in %
Europe	**8,980**	21,948	(59)	**16,474**	48,218	(66)
North America	**3,257**	5,693	(43)	**6,126**	11,373	(46)
South America	**2,998**	4,382	(32)	**4,729**	7,864	(40)
Asia	**7,884**	18,110	(56)	**13,595**	37,370	(64)
Other markets	**3,505**	3,658	(4)	**5,882**	7,430	(21)
Total	**26,624**	**53,791**	**(51)**	**46,806**	**112,255**	**(58)**

1) 50% the joint venture with Eicher Motor Limited, was consolidated in the Volvo Group on August 1, 2008.

Demand still on very low levels, but improving trend in net order intake

Net order intake rose by 32% during the second quarter of 2009 compared with the first quarter. However, orders continue to be on very low levels. Compared to the second quarter of 2008 net order intake was down 51%.

With many European economies contracting and low levels of industrial production, freight volumes and truck utilization in customer fleets continue to be low. In the last few years many customers have invested in new trucks and therefore the replacement need is currently limited. Net order intake in Europe was 8,980 trucks, an increase of 20% compared to the first quarter 2009, but 59% lower than the year-earlier period. For the full year 2009 the European market for heavy-duty trucks is expected to be at least halved compared to the 2008 level of 319,000 trucks, which is unchanged from the previous outlook.

Order intake in North America increased by 14% in comparison to the first quarter of 2009. Prevailing economic conditions continue to weigh heavily on the market and compared to the second quarter 2008 net orders decreased by 43%. Against the backdrop of the continued weak freight environment and excess inventory of used trucks in the industry, the North American market for heavy-duty trucks is expected to come down some 30–40% from the 2008 level of 185,000 units, which is unchanged from the previous outlook.

Customers in Japan have been affected by the slowdown of both the Japanese economy and the Japanese export industry. The Japanese market for medium-duty and heavy-duty trucks is expected to decline by 40% from the level of 74,500 vehicles in 2008, which is unchanged from the previous outlook. However, order intake in Asia increased by 38% to 7,884 trucks compared to the low levels in the first quarter of 2009, with improvements in both Japan and India.

Deliveries per market[1]

Number of trucks	Second quarter 2009	2008	Förändring i %	First six months 2009	2008	Förändring i %
Europe	**12,664**	36,772	(66)	**27,269**	72,847	(63)
North America	**3,667**	8,802	(58)	**7,753**	15,939	(51)
South America	**3,054**	4,899	(38)	**5,297**	8,453	(37)
Asia	**6,801**	14,041	(52)	**14,492**	28,619	(49)
Other markets	**3,464**	5,240	(34)	**7,085**	9,787	(28)
Total	**29,651**	**69,754**	**(57)**	**61,897**	**135,645**	**(54)**

1) 50% of VECV, the joint venture with Eicher Motor Limited, was consolidated in the Volvo Group on August 1, 2008.

Considerable decline in truck deliveries

The delivery pace of the truck operations continued to be low during the second quarter of 2009. In total, 29,651 trucks were delivered during the quarter, which was 8% fewer than in the first quarter of 2009 and 57% fewer compared to 69,754 trucks in the second quarter 2008. All markets experienced sharp drops compared to last year. Deliveries decreased by 66% in Europe and by 58% in North America. The truck operation's largest Asian market, Japan, continued to be weak with deliveries declining 52%.

Loss in the second quarter

During the second quarter of 2009, the truck operation's net sales amounted to SEK 33,527 M, which was a decline of 36% compared to SEK 52,598 M during the second quarter of 2008. Adjusted for changes in exchange rates and acquired companies, net sales decreased by 46%.

The truck operations recorded an operating loss of SEK 4,778 M in the second quarter of 2009 compared to an operating income of SEK 4,825 M in the second quarter of 2008. The operating margin amounted to a negative 14.3% (Positive 9.2%).

The operating loss is primarily an effect of considerably lower sales of new trucks combined with significant under absorption of costs in relation to the reduction of production rates as well as continued high research and development costs ahead of new emission standards. Sales of spare parts and other aftermarket products and services have not been impacted to the same extent as sales of new trucks. Adjusted for currency, sales of these products and services were down by 13% compared to the second quarter of 2008 due to the lower utilization of the installed truck population globally. Sales stabilized during the quarter and increased by 5% compared to the first quarter. When economic activity increases sales of spare parts and aftermarkets products and services are expected to recover.

Operating income was also impacted by a provision of SEK 870 M related to an agreement with the US trade union, the United Auto Workers, regarding healthcare benefits for retirees. In the second quarter, increased provisions for residual value commitments had a negative effect on operating income of approximately SEK 550 M. Operating income was also impacted by approximately SEK 500 M in layoff-related costs.

In order to adjust capacity to lower demand, defend prices on new products and further reduce inventories of new trucks, the truck operations continued to implement substantial production cutbacks during the quarter. Shutdown days and weeks were taken in all plants. These cutbacks had a significant, negative effect on operating income, as the cost structure in the production system could not be lowered at the same pace as the drop in production volumes. As a result, there was significant under absorption of fixed costs in the quarter.

The efforts to reduce inventories were successful and the number of new trucks in inventory was reduced by a further 16% during the quarter. Used truck inventories remained at the same level as at the end of the first quarter.

The transfer of the Mack highway truck production from the New River Valley plant in Virginia to the plant in Macungie, Pennsylvania is expected to begin this fall.

Construction Equipment – continued very tough market conditions

- Sales decreased by 56% adjusted for currency
- Operating loss amounting to SEK 1,259 M
- Units in inventory reduced by 11% during the quarter

Decline in all markets except China

Measured in units, the total world market for heavy, compact and road machinery equipment decreased by 48% in the second quarter of 2009 compared to the same period last year. In Europe the total market was down 62% and North America decreased by 53%. China was up 6% while all of Asia declined by 14%. Other markets declined by 65%.

The total market conditions for 2009 are expected to remain very weak. The European market is expected to decline by 40–50% for the full year of 2009 compared to 2008, which is unchanged from the forecast in the previous quarter. North America is expected to decline by 30–40%, compared to the previous forecast of a decline of 20-25%. The rest of the world is expected to decline with 30–40%, a forecast which is unchanged from the previous quarter.

Except for China, stimulus packages that have been announced by several governments have not yet had any significant impact on the industry but may together with very low interest rates globally have so towards the end of this the year and in 2010 and onwards.

During the first six months of 2009 Volvo CE has been able to keep up or gained market shares in most markets and product segments thanks to a strong distribution network, a reliable brand and very competitive products.

Net sales by market area, Construction Equipment

SEK M	Second quarter 2009	Second quarter 2008	Change in %	First six months 2009	First six months 2008	Change in %
Europe	**3,437**	7,795	(56)	**6,526**	14,876	(56)
North America	**1,523**	3,025	(50)	**3,313**	5,964	(44)
South America	**595**	743	(20)	**983**	1,313	(25)
Asia	**3,465**	4,148	(16)	**5,921**	7,692	(23)
Other markets	**131**	1,021	(87)	**580**	2,002	(71)
Total	**9,151**	**16,732**	**(45)**	**17,323**	**31,847**	**(46)**

Total market development in the first quarter

Total market development in the second quarter, unit sales in %	Europe	North America	Asia	Other markets	Total
Heavy equipment	(62)	(58)	(15)	(71)	**(46)**
Compact equipment	(60)	(50)	(12)	(61)	**(47)**
Road machinery	(71)	(53)	(2)	(58)	**(57)**
Total	**(62)**	**(53)**	**(14)**	**(65)**	**(48)**

Sales and earnings hit by the downturn

Net sales declined by 45% to SEK 9,151 M (16,732) in the second quarter. Adjusted for changes in the exchange rates and acquired and divested units, net sales decreased by 56%.

The operating loss amounted to SEK 1,259 M compared to an operating income of SEK 1,629 M in the second quarter of 2008. The operating margin was a negative 13.8% (positive 9.7%). The decline was strongly driven by the decreased deliveries as a consequence of the severe downturn in the global market for construction equipment.

To adjust to the low demand and reduce inventory levels, Volvo CE continued to implement production cutbacks. Since the capacity utilization was only 25–30% in the quarter there was a significant under absorption of costs in the manufacturing system. Operating income was also impacted by layoff-related costs amounting to SEK 50 M.

The efforts to reduce inventories continued to be successful and the number of units in inventory was reduced by another 11% in the quarter. Since October 2008 inventories have been reduced by 40%.

The value of the order book at June 30 was 70% lower than the same date the previous year.

Consolidated road machinery production

In Goderich, Canada, the last motor grader was produced at the end of June. The grader production is now consolidated into the road machinery factory in Shippensburg, Pennsylvania.

Buses
– operating loss but increased order intake

• Continued negative market development
• Increased order intake, +38%
• Significant change in market mix

Net sales by market area, Buses

SEK M	Second quarter 2009	Second quarter 2008	Change in %	First six months 2009	First six months 2008	Change in %
Europe	**2,365**	2,039	16	**4,104**	3,748	9
North America	**1,261**	1,290	(2)	**2,572**	2,386	8
South America	**190**	295	(36)	**472**	503	(6)
Asia	**536**	438	22	**941**	913	3
Other markets	**324**	231	40	**593**	390	52
Total	**4,676**	**4,293**	**9**	**8,682**	**7,940**	**9**

Continued negative development in the bus market

The downturn in the global economy has resulted in a sharp decline in demand for coaches. Although demand for city buses remains, investments are affected by difficulties in finding financing solutions, resulting in a declining city bus market. Governments in such countries as the US, India and China have implemented incentive packages to encourage the purchase of modern, environmentally friendly buses.

The coach market in Europe declined by approximately 25% compared with the end of 2008. The trend in the city bus market is now also indicating a slowdown, resulting in a 20% drop in the total bus market in Europe as of the end of May. The total coach market in the US and Canada fell 37% and motor homes declined by approximately 70%. The demand for city buses remains stable at a continued high level. The Mexican coach market has declined by about 65% this year. In South America, the coach and city bus markets both dropped approximately 50%. Interest in hybrid buses is favorable in all regions.

Increased order intake, primarily in Asia

The order intake in the second quarter was 3,204 buses and chassis, up 38% compared with 2,319 in the preceding year. The combined order intake in Asia, the Middle East and Africa rose 130%, while Europe (–8%) and North and South America (–15%) reported lower order intake.

A total of 2,464 buses were delivered during the second quarter, which is in line with the second quarter of 2008 (2,525). At the end of the quarter, the order book contained 5,537 orders, up 13% from 4,908 on the same date in 2008, however with a negative shift in product and market mix from a profitability standpoint.

Operating loss

Net sales in the second quarter increased by 9% to SEK 4,676 M (4,293). Adjusted for exchange-rate fluctuations, net sales decreased by 3%.

The operating loss amounted to SEK 118 M, compared to an operating income of SEK 46 M for the second quarter of 2008. The operating margin was a negative 2.5% (positive 1.1%). Exchange-rate fluctuations and a negative market mix had an adverse impact on earnings.

Cost-cutting measures

Volvo Buses has taken decisions to further adjust the capacity and cost structure to the new market situation. Extensive restructuring work was initiated in Prevost, Canada in order to adapt operations to the significant drop in demand for coaches in North America. In parallel with this, capacity is increased in Nova in North America as well as in India and China to meet increased demand.

The introduction of new products – Euro5, Hybrid and US10 – is proceeding according to plan and yielding positive results. A number of significant orders were signed during the second quarter, including an order signed by Volvo Buses subsidiary Sunwin Bus for 1,500 buses with the bus operator Bashi Group in Shanghai, China. Nova received an order for 90 articulated buses for New York City. The buses will be manufactured in the new plant in Plattsburgh in the US, which opened in June.

Volvo Penta
– demand for marine engines continued to weaken

- Decline in sales due to continued world market downturn
- Marine leisure business more affected than aftermarket and commercial businesses
- Operating income impacted by under absorption in production and layoff costs

Net sales by market area, Volvo Penta

SEK M	Second quarter 2009	Second quarter 2008	Change in %	First six months 2009	First six months 2008	Change in %
Europe	**1,319**	2,010	(34)	**2,441**	3,895	(37)
North America	**290**	553	(48)	**555**	1,172	(53)
South America	**54**	97	(44)	**106**	177	(40)
Asia	**516**	521	(1)	**1,034**	985	5
Other markets	**79**	144	(45)	**159**	247	(36)
Total	**2,258**	**3,325**	**(32)**	**4,295**	**6,476**	**(34)**

Significant drop in demand for marine engines

Global demand for marine engines continued to weaken during the second quarter. In North America, demand for marine engines is at a historically low level and the industry has been hit hard by bankruptcies and financing problems. One of the industry's major US boat builders went into Chapter 11 during the second quarter. The situation is similar in Europe, where many boat builders have been forced to close their plants entirely for extended periods of time.

Although the total market for industrial engines declined sharply in Europe, the situation is still somewhat more stable than for marine engines. The trend for industrial engines in Asia and certain other parts of the world, such as the Middle East, remained relatively stable.

Nearly half of Volvo Penta's sales volumes currently comprise industrial engines, with engines for diesel-powered generator aggregates accounting for the largest portion of these engines. Volvo Penta continued to strengthen its market shares in the industrial segment – particularly as a result of a positive trend in Asia.

New, larger versions of the Volvo Penta IPS system are already being planned for a number of leisure boats over 50 feet and will further strengthen Volvo Penta's market shares in the inboard segment.

Operating loss

Volvo Penta's total sales during the second quarter amounted to SEK 2,258 M, compared with SEK 3,325 M in the year-earlier period. Adjusted for changes in currency exchange rates sales declined by 41%. Sales were distributed between the two business segments as follows: Marine SEK 1,407 M (2,240) and Industrial SEK 852 M (1,085).

The operating loss totaled SEK 165 M (Income: 458) and was attributable to a decline in sales volumes, credit losses, under absorption of costs in the production and costs pertaining to layoffs. The operating margin was a negative 7.3% (13.8).

New products launched

During the third quarter, Volvo Penta will launch a large number of new products, primarily for leisure boats. These new products will include a broadening of the popular joystick function, which, as of the autumn, will be available for use in boats with Aquamatic drive – both diesel and gasoline engines. Volvo Penta will also launch inboard versions of the Group's D13 engine with an output of 800 and 900 hp, as well as new industrial engine versions of the same engine, thereby contributing to further diesel synergies within the Volvo Group.

In addition, Volvo Penta will also introduce a brand new 220-hp D3 leisure engine, based on Volvo Cars' new, technically advanced diesel engines, which boast unique environmental features and performance.

Volvo Aero
– adjusting to lower demand

- Airline industry under severe pressure
- Boeing's new 787 aircraft further delayed
- Important contracts with Snecma

Passenger traffic continues to decrease

According to IATA (International Air Transport Association), there was a 7.7% drop in international passenger traffic in the first five months of the year, compared to the same period 2008. Cargo traffic was 21.3 % lower than a year ago, but showed first signs of recovery in May. IATA has revised its airline financial forecast for 2009 to a global net loss of USD 9 billion, almost double its March estimate, due to the deteriorating operating environment.

In the first six months of 2009, Airbus and Boeing announced 175 gross orders and 106 cancellations, which means 69 new orders, compared with 962 new orders the same period last year. The backlog for large commercial aircraft decreased from 7,429 at the start of the year to 6,998 at the end of June. So far this year, the aircraft manufacturers have delivered 500 aircraft, compared to 486 in the same period last year.

In late June, Boeing postponed the maiden flight of the 787 once again, which will impact deliveries to the new aircraft. Volvo Aero will produce engine components to one of the aircraft's engine options. A new date for the first flight has not yet been announced.

Net sales by market area, Volvo Aero

	Second quarter			First six months		
SEK M	**2009**	2008	Change in %	**2009**	2008	Change in %
Europe	**1,036**	781	**33**	**1,989**	1,720	16
North America	**903**	793	**14**	**1,880**	1,618	16
South America	**9**	15	**(40)**	**20**	31	(35)
Asia	**54**	66	**(18)**	**107**	137	(22)
Other markets	**32**	45	**(29)**	**68**	64	6
Total	**2,034**	**1,700**	**20**	**4,064**	**3,570**	**14**

Lower spare parts sales

During the second quarter, Volvo Aero's sales increased by 20% to SEK 2,034 M (1,700). Adjusted for currency, sales declined by 8%. The decrease was attributable to the downturn, with lower demand for spare parts within the aerospace business.

Operating income was SEK 28 M (4) and the operating margin was 1.4% (0.2). The low operating income was mainly due to the downturn with lower sales and low profitability within the aftermarket business as well as falling demand for new spare parts within the component business.

Important decision on space propulsion

In June, the Swedish government decided to continue to participate in the European launch-rocket program. The decision was important meaning that Volvo Aero's space operations in Trollhättan could continue to participate in all ongoing Ariane and technology programs. As a result of this, a few weeks later the French company Snecma and Volvo Aero agreed on the basic principles of a five-year partnership between the two companies in the field of space propulsion.

Volvo Aero and Snecma have also signed an agreement stating that Volvo Aero Norway will supply components for the new, enhanced engine for the Boeing 737 aircraft.

Income statements second quarter

SEK M	Industrial Operations 2009	Industrial Operations 2008	Customer Finance 2009	Customer Finance 2008	Eliminations 2009	Eliminations 2008	Volvo Group 2009	Volvo Group 2008
Net sales	**51,512**	78,399	**2,960**	2,599	**(513)**	(692)	**53,959**	80,307
Cost of sales	**(46,519)**	(60,132)	**(2,172)**	(1,788)	**513**	692	**(48,178)**	(61,228)
Gross income	**4,993**	**18,267**	**788**	**811**	**0**	**0**	**5,781**	**19,079**
Research and development expenses	**(3,403)**	(3,335)	**0**	0	**0**	0	**(3,403)**	(3,335)
Selling expenses	**(6,074)**	(6,268)	**(403)**	(363)	**0**	0	**(6,477)**	(6,630)
Administrative expenses	**(1,554)**	(1,842)	**(7)**	(6)	**0**	0	**(1,561)**	(1,848)
Other operating income and expenses	**(551)**	(75)	**(679)**	(56)	**0**	0	**(1,229)**	(132)
Income from investments in associated companies	**(4)**	9	**0**	0	**0**	0	**(4)**	9
Income from other investments	**5**	43	**5**	0	**0**	0	**9**	43
Operating income	**(6,587)**	**6,799**	**(296)**	**387**	**0**	**0**	**(6,883)**	**7,186**
Interest income and similar credits	**107**	308	**0**	0	**(30)**	(36)	**77**	272
Interest expenses and similar charges	**(910)**	(410)	**0**	0	**30**	36	**(879)**	(374)
Other financial income and expenses	**(36)**	397	**0**	0	**0**	0	**(36)**	397
Income after financial items	**(7,426)**	**7,094**	**(296)**	**387**	**0**	**0**	**(7,721)**	**7,481**
Income taxes	**2,091**	(2,200)	**67**	(134)	**0**	0	**2,158**	(2,332)
Income for the period*	**(5,335)**	**4,894**	**(229)**	**253**	**0**	**0**	**(5,564)**	**5,149**
* Attributable to:								
Equity holders of the parent company							**(5,574)**	5,130
Minority interests							**10**	19
							(5,564)	**5,149**
Basic earnings per share, SEK							**(2.75)**	2.53
Diluted earnings per share, SEK							**(2.75)**	2.53

Other comprehensive income	2009	2008
Income for the period	**(5,564)**	5,149
Exchange differences on translation of foreign operations	**(458)**	383
Exch diff on hedge instruments of net investm in foreign operations	**38**	(18)
Accumulated translation difference reversed to income	**(138)**	26
Available for sale investments	**149**	(110)
Cash flow hedges	**1,480**	(251)
Other comprehensive income, net of tax	**1,071**	30
Total comprehensive income for the period*	**(4,493)**	**5,179**
* Attributable to		
Equity holders of the parent company	**(4,482)**	5,164
Minority interests	**(11)**	15
	(4,493)	5,179

Income statements first six months

	Industrial Operations		Customer Finance		Eliminations		Volvo Group	
SEK M	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Net sales	**104,960**	152,811	**6,116**	5,254	**(996)**	(1,198)	**110,080**	156,868
Cost of sales	**(91,947)**	(116,831)	**(4,521)**	(3,628)	**996**	1,198	**(95,472)**	(119,263)
Gross income	**13,013**	**35,980**	**1,595**	**1,625**	**0**	**0**	**14,608**	**37,605**
Research and development expenses	**(6,866)**	(6,669)	**0**	0	**0**	0	**(6,866)**	(6,669)
Selling expenses	**(12,497)**	(12,463)	**(819)**	(738)	**0**	0	**(13,316)**	(13,200)
Administrative expenses	**(3,281)**	(3,681)	**(14)**	(6)	**0**	0	**(3,295)**	(3,687)
Other operating income and expenses	**(1,078)**	(331)	**(1,459)**	(115)	**0**	0	**(2,537)**	(446)
Income from investments in associated companies	**(19)**	14	**0**	0	**0**	0	**(19)**	14
Income from other investments	**8**	56	**5**	0	**0**	0	**12**	56
Operating income	**(10,719)**	**12,905**	**(692)**	**768**	**0**	**0**	**(11,411)**	**13,673**
Interest income and similar credits	**245**	633	**0**	0	**(48)**	(80)	**197**	553
Interest expenses and similar charges	**(1,736)**	(797)	**0**	0	**48**	80	**(1,687)**	(717)
Other financial income and expenses	**(663)**	113	**0**	0	**0**	0	**(663)**	113
Income after financial items	**(12,873)**	**12,854**	**(692)**	**768**	**0**	**0**	**(13,564)**	**13,622**
Income taxes	**3,655**	(4,012)	**123**	(247)	**0**	0	**3,778**	(4,258)
Income for the period*	**(9,218)**	**8,842**	**(569)**	**521**	**0**	**0**	**(9,787)**	**9,364**
* Attributable to:								
Equity holders of the parent company							**(9,802)**	9,326
Minority interests							**15**	38
							(9,787)	**9,364**
Basic earnings per share, SEK							**(4.83)**	4,60
Diluted earnings per share, SEK							**(4.83)**	4,60

Other comprehensive income		
Income for the period	**(9,787)**	9,364
Exchange differences on translation of foreign operations	**701**	(1,761)
Exch diff on hedge instruments of net investm in foreign operations	**26**	6
Accumulated translation difference reversed to income	**(138)**	26
Available for sale investments	**99**	(134)
Cash flow hedges	**1,214**	153
Other comprehensive income, net of tax	**1,902**	(1,710)
Total comprehensive income for the period*	**(7,885)**	**7,654**
* Attributable to		
Equity holders of the parent company	**(7,952)**	7,643
Minority interests	**67**	11
	(7,885)	7,654

Balance sheet Volvo Group

	Industrial Operations		Customer Finance		Eliminations		Total	
SEK M	**June 30 2009**	Dec 31 2008	**June 30 2009**	Dec 31 2008	**June 30 2009**	Dec 31 2008	**June 30 2009**	Dec 31 2008
Assets								
Non-current assets								
Intangible assets	**42,808**	43,909	**93**	49	**0**	0	**42,901**	43,958
Tangible assets								
Property, plant and equipment	**56,008**	57,185	**81**	86	**0**	0	**56,089**	57,270
Assets under operating leases	**14,922**	16,967	**12,627**	13,238	**(4,541)**	(4,776)	**23,008**	25,429
Financial assets								
Shares and participations	**2,011**	1,935	**21**	18	**0**	0	**2,032**	1,953
Non-current customer-financing receivables	**490**	467	**46,532**	50,460	**(513)**	(495)	**46,509**	50,432
Deferred tax assets	**11,482**	10,976	**361**	204	**0**	0	**11,843**	11,180
Prepaid pensions	**2,613**	2,431	**10**	10	**0**	0	**2,623**	2,442
Non-current interest-bearing receivables	**849**	149	**0**	0	**(159)**	545	**690**	694
Other non-current receivables	**2,860**	3,051	**40**	28	**(54)**	(56)	**2,846**	3,023
Total non-current assets	**134,043**	**137,070**	**59,765**	**64,093**	**(5,267)**	**(4,782)**	**188,541**	**196,381**
Current assets								
Inventories	**46,047**	54,084	**1,841**	961	**0**	0	**47,888**	55,045
Current receivables								
Customer-financing receivables	**884**	508	**45,297**	48,382	**(1,102)**	(833)	**45,079**	48,057
Current tax assets	**1,504**	1,749	**94**	61	**0**	0	**1,598**	1,810
Interest-bearing receivables	**1,019**	2,684	**136**	21	**(754)**	(740)	**401**	1,965
Internal funding	**927**	792	**0**	0	**(927)**	(792)	**–**	–
Accounts receivable	**22,051**	30,137	**481**	386	**0**	0	**22,532**	30,523
Other receivables	**13,781**	14,673	**1,351**	1,495	**(852)**	(1,145)	**14,280**	15,024
Non interest-bearing assets held for sale	**3,132**	–	**–**	–	**–**	–	**3,132**	–
Interest-bearing assets held for sale	**8**	–	**–**	–	**–**	–	**8**	–
Marketable securities	**7,980**	5,901	**9**	2	**0**	0	**7,989**	5,902
Cash and cash equivalents	**23,996**	16,674	**738**	2,245	**(258)**	(1,207)	**24,476**	17,712
Total current assets	**121,329**	**127,202**	**49,947**	**53,553**	**(3,893)**	**(4,717)**	**167,383**	**176,038**
Total assets	**255,372**	**264,272**	**109,712**	**117,646**	**(9,160)**	**(9,499)**	**355,924**	**372,419**
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company	**62,679**	74,416	**9,328**	9,594	**0**	0	**72,007**	84,010
Minority interests	**678**	630	**0**	0	**0**	0	**678**	630
Total shareholders' equity	**63,357**	**75,046**	**9,328**	**9,594**	**0**	**0**	**72,685**	**84,640**
Non-current provisions								
Provisions for post-employment benefits	**12,688**	11,677	**35**	28	**0**	0	**12,723**	11,705
Provisions for deferred taxes	**3,576**	6,557	**1,703**	1,703	**0**	0	**5,278**	8,260
Other provisions	**7,200**	7,938	**72**	148	**89**	50	**7,362**	8,136
Non-current liabilities								
Bond loans	**45,274**	35,798	**0**	0	**0**	0	**45,274**	35,798
Other loans	**50,112**	39,880	**7,570**	7,426	**(9)**	(7)	**57,673**	47,298
Internal funding	**(37,487)**	(44,934)	**42,821**	45,054	**(5,334)**	(119)	**–**	–
Other liabilities	**14,418**	13,249	**612**	674	**(3,215)**	(3,483)	**11,815**	10,442
Current provisions	**10,159**	10,723	**203**	122	**43**	38	**10,405**	10,883
Current liabilities								
Loans	**57,260**	56,178	**7,316**	7,241	**(658)**	(788)	**63,918**	62,631
Internal funding	**(39,392)**	(40,173)	**37,104**	42,784	**2,288**	(2,610)	**–**	–
Non interest-bearing liabilities held for sale	**827**	–	**–**	–	**–**	–	**827**	–
Interest-bearing liabilities held for sale	**47**	–	**–**	–	**–**	–	**47**	–
Trade payables	**29,997**	50,622	**186**	404	**0**	0	**30,184**	51,025
Current tax liabilities	**438**	1,044	**153**	160	**0**	0	**592**	1,204
Other liabilities	**36,898**	40,667	**2,609**	2,308	**(2,364)**	(2,580)	**37,141**	40,397
Total shareholders' equity and liabilities	**255,372**	**264,272**	**109,712**	**117,646**	**(9,160)**	**(9,499)**	**355,924**	**372,419**
Contingent liabilities							**9,618**	9,427

Cash flow statement for the second quarter

	Industrial Operations		Customer Finance		Eliminations		Volvo Group	
SEK bn	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Operating activities								
Operating income	**(6.6)**	6.8	**(0.3)**	0.4	**0.0**	0.0	**(6.9)**	7.2
Depreciation and amortization	**3.3**	2.9	**0.7**	0.7	**0.0**	(0.2)	**4.0**	3.4
Other non-cash items	**0.7**	(0.2)	**0.6**	0.0	**0.0**	0.0	**1.3**	(0.2)
Change in working capital	**2.6**	(0.8)	**3.4**	(5.6)	**0.3**	0.7	**6.3**	(5.7)
Financial items and income taxes paid	**(0.5)**	(0.7)	**(0.1)**	0.0	**0.0**	0.0	**(0.6)**	(0.7)
Cash flow from operating activities	**(0.5)**	**8.0**	**4.3**	**(4.5)**	**0.3**	**0.5**	**4.1**	**4.0**
Investing activities								
Investments in fixed assets	**(2.6)**	(3.2)	**0.0**	0.0	**0.0**	0.0	**(2.6)**	(3.2)
Investment in leasing vehicles	**(0.1)**	(0.2)	**(1.1)**	(1.2)	**0.1**	0.2	**(1.1)**	(1.2)
Disposals of fixed assets and leasing vehicles	**0.3**	0.3	**0.9**	0.6	**0.0**	(0.1)	**1.2**	0.8
Operating cash flow	**(2.9)**	**4.9**	**4.1**	**(5.1)**	**0.4**	**0.6**	**1.6**	**0.4**
Investments and divestments of shares, net							**0.0**	(0.1)
Acquired and divested operations, net							**0.0**	0.0
Interest-bearing receivables incl marketable securites							**(2.0)**	9.6
Cash-flow after net investments							**(0.4)**	**9.9**
Financing activities								
Change in loans, net							**10.6**	(0.3)
Dividend to AB Volvo shareholders							**(4.1)**	(11.1)
Dividend to minority shareholders							**0.0**	(0.1)
Other							**0.0**	(0.1)
Change in cash and cash equivalents excl. translation differences							**6.1**	**(1.7)**
Translation difference on cash and cash equivalents							**(0.1)**	0.0
Change in cash and cash equivalents							**6.0**	**(1.7)**

Cash flow statement for the first six months

	Industrial Operations		Customer Finance		Eliminations		Volvo Group	
SEK bn	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Operating activities								
Operating income	**(10.7)**	12.9	**(0.7)**	0.8	**0.0**	0.0	**(11.4)**	13.7
Depreciation and amortization	**6.5**	5.7	**1.5**	1.4	**0.0**	(0.4)	**8.0**	6.7
Other non-cash items	**1.0**	(0.3)	**1.3**	0.1	**0.0**	0.1	**2.3**	(0.1)
Change in working capital	**(8.8)**	(9.5)	**6.2**	(6.6)	**0.3**	0.2	**(2.3)**	(15.9)
Financial items and income taxes paid	**(1.7)**	(2.1)	**(0.1)**	(0.1)	**0.0**	0.0	**(1.8)**	(2.2)
Cash flow from operating activities	**(13.7)**	**6.7**	**8.2**	**(4.4)**	**0.3**	**(0.1)**	**(5.2)**	**2.2**
Investing activities								
Investments in fixed assets	**(5.2)**	(5.4)	**0.0**	0.0	**0.0**	0.0	**(5.2)**	(5.4)
Investment in leasing vehicles	**(0.1)**	(0.2)	**(2.3)**	(2.3)	**0.1**	0.2	**(2.3)**	(2.3)
Disposals of fixed assets and leasing vehicles	**0.4**	0.5	**1.7**	1.0	**0.0**	(0.1)	**2.1**	1.4
Operating cash flow	**(18.6)**	**1.6**	**7.6**	**(5.7)**	**0.4**	**0.0**	**(10.6)**	**(4.1)**
Investments and divestments of shares, net							**0.0**	(0.1)
Acquired and divested operations, net							**0.0**	0.2
Interest-bearing receivables incl marketable securites							**(0.5)**	0.1
Cash-flow after net investments							**(11.1)**	**(3.9)**
Financing activities								
Change in loans, net							**22.0**	9.9
Dividend to AB Volvo shareholders							**(4.1)**	(11.1)
Dividend to minority shareholders							**0.0**	(0.1)
Other							**0.0**	0.0
Change in cash and cash equivalents excl. translation differences							**6.8**	**(5.2)**
Translation difference on cash and cash equivalents							**0.0**	(0.4)
Change in cash and cash equivalents							**6.8**	**(5.6)**

Net financial position

SEK M	Industrial operations June 30 2009	Industrial operations Dec 31 2008	Volvo Group June 30 2009	Volvo Group Dec 31 2008
Non-current interest-bearing assets				
Non-current customer-financing receivables	**-**	–	**46,509**	50,432
Non-current interest-bearing receivables	**849**	149	**690**	694
Current interest-bearing assets				
Customer-financing receivables	**-**	–	**45,079**	48,057
Interest-bearing receivables	**1,019**	2,684	**401**	1,965
Internal funding	**927**	792	**-**	–
Interest-bearing assets held for sale	**8**	–	**8**	–
Marketable securities	**7,980**	5,901	**7,989**	5,902
Cash and bank	**23,996**	16,674	**24,476**	17,712
Total financial assets	**34,779**	**26,200**	**125,152**	**124,762**
Non-current interest-bearing liabilities				
Bond loans	**45,274**	35,798	**45,274**	35,798
Other loans	**50,112**	39,880	**57,673**	47,298
Internal funding	**(37,487)**	(44,934)	**-**	–
Current interest-bearing liabilities				
Loans	**57,260**	56,178	**63,918**	62,631
Internal funding	**(39,392)**	(40,173)	**-**	–
Interest -bearing liabilities held for sale	**47**	–	**47**	–
Total financial liabilities	**75,814**	**46,749**	**166,912**	**145,727**
Net financial position excl post-employment benefits	**(41,035)**	**(20,549)**	**(41,760)**	**(20,965)**
Prov for post-employm benefits, net	**10,075**	9,246	**10,100**	9,263
Net financial position incl post-employment benefits	**(51,110)**	**(29,795)**	**(51,860)**	**(30,228)**

Changes in net financial position, Industrial operations

SEK bn	Second quarter 2009	First six months 2009
Beginning of period	**(45.3)**	**(29.8)**
Cash flow from operating activities	**(0.5)**	(13.7)
Investments in fixed assets	**(2.7)**	(5.3)
Disposals	**0.3**	0.4
Operating cash-flow	**(2.9)**	**(18.6)**
Investments and divestments of shares, net	**0.0**	0.0
Acquired and divested operations, net	**0.0**	0.0
Capital injections to/from Customer Finance operations	**(0.1)**	(0.1)
Currency effect	**2.1**	1.5
Dividend paid to AB Volvo shareholders	**(4.1)**	(4.1)
Revaluation of loans	**0.0**	0.9
Provision for UAW agreement	**(0.9)**	(0.9)
Other changes	**0.1**	0.0
Total change	**(5.8)**	**(21.3)**
Net financial position at end of period	**(51.1)**	**(51.1)**

Changes in shareholders' equity

	First six months	
SEK bn	**2009**	2008
Total equity at beginning of period	**84.6**	**82.8**
Shareholders' equity attributable to equity holders of the parent company at beginning of period	**84.0**	**82.2**
Income for the period	**(9.8)**	9.3
Other comprehensive income	**1.9**	(1.7)
Total comprehensive income	**(7.9)**	7.6
Dividend to AB Volvo's shareholders	**(4.1)**	(11.1)
Share-based payments	**0.0**	0.1
Other changes	**0.0**	(0.1)
Shareholders' equity attributable to equity holders of the parent company at end of period	**72.0**	**78.7**
Minority interests at beginning of period	**0.6**	0.6
Income for the period	**0.0**	0.0
Other comprehensive income	**0.1**	0.0
Total comprehensive income	**0.1**	0.0
Cash dividend	**0.0**	(0.1)
Minority regarding new acquisitions	**0.0**	0.0
Other changes	**0.0**	0.0
Minority interests at end of period	**0.7**	**0.5**
Total equity at end of period	**72.7**	**79.2**

Key ratios

Industrial operations

	First six months	
	2009	2008
Gross margin, %	**12.4**	23.5
Research and development expenses in % of net sales	**6.5**	4.4
Selling expenses in % of net sales	**11.9**	8.2
Administrative expenses in % of net sales	**3.1**	2.4
Operating margin, %	**(10.2)**	8.4

	June 30 2009	Dec 31 2008
Return on operating capital, %, 12 months rolling values	**(9.0)**	16.3
Net financial position at end of period, SEK billion	**(51.1)**	(29.8)
Net financial position in % of shareholders' equity at end of period	**(80.7)**	(39.7)
Shareholders' equity as percentage of total assets, end of period	**24.8**	28.4

Customer finance

	June 30 2009	Dec 31 2008
Return on shareholders' equity, %, 12 months rolling values	**(0.5)**	12.6
Equity ratio at end of period, %	**8.5**	8.2
Asset growth, % from preceding year end until end of period	**(6.7)**	24.2

Volvo Group

	First six months	
	2009	2008
Gross margin, %	**13.3**	24.0
Research and development expenses in % of net sales	**6.2**	4.3
Selling expenses in % of net sales	**12.1**	8.4
Administrative expenses in % of net sales	**3.0**	2.4
Operating margin, %	**(10.4)**	8.7

	June 30 2009	Dec 31 2008
Basic earnings per share, SEK, 12 months rolling values	**(4.53)**	4.90
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	**35.5**	41.4
Return on shareholders' equity, %, 12 months rolling values	**(11.3)**	12.1
Shareholders' equity as percentage of total assets, end of period	**20.4**	22.7

Share data

	First six months	
	2009	2008
Basic earnings per share, SEK	**(4.83)**	4.60
Diluted earnings per share, SEK	**(4.83)**	4.60
Number of shares outstanding, million	**2,027**	2,027
Average number of shares during period, million	**2,027**	2,027
Average diluted number of shares during period, million	**2,027**	2,027
Number of company shares, held by AB Volvo, million	**101**	101
Average number of company shares, held by AB Volvo, million	**101**	102

Quarterly figures

SEK M unless otherwise stated

Industrial operations	2/2008	3/2008	4/2008	1/2009	**2/2009**
Net sales	**78,399**	**67,461**	**75,564**	**53,448**	**51,512**
Cost of sales	(60,132)	(53,201)	(63,481)	(45,428)	**(46,519)**
Gross income	**18,267**	**14,260**	**12,083**	**8,020**	**4,993**
Research and development expenses	(3,335)	(3,428)	(4,251)	(3,463)	**(3,403)**
Selling expenses	(6,268)	(6,075)	(7,060)	(6,423)	**(6,074)**
Administrative expenses	(1,842)	(1,710)	(1,530)	(1,727)	**(1,554)**
Other operating income and expenses	(75)	(269)	(493)	(527)	**(551)**
Income from investments in associated companies	9	(2)	11	(15)	**(4)**
Income from other investments	43	10	3	3	**5**
Operating income Industrial operations	**6,799**	**2,786**	**(1,237)**	**(4,132)**	**(6,587)**
Customer Finance					
Finance and lease income	2,599	2,837	2,982	3,156	**2,959**
Finance and lease expenses	(1,788)	(1,965)	(2,090)	(2,349)	**(2,172)**
Gross income	**811**	**872**	**892**	**807**	**787**
Selling and administrative expenses	(368)	(389)	(418)	(423)	**(410)**
Credit provision expenses	(59)	(124)	(239)	(780)	**(663)**
Other operating income and expenses	3	32	3	0	**(11)**
Operating income Customer Finance	**387**	**391**	**238**	**(396)**	**(296)**
Volvo Group					
Operating income	**7,186**	**3,177**	**(999)**	**(4,528)**	**(6,883)**
Interest income and similar credits	272	251	367	120	**77**
Interest expense and similar credits	(374)	(460)	(758)	(808)	**(879)**
Other financial income and costs	397	(70)	(1,120)	(627)	**(36)**
Income after financial items	**7,481**	**2,898**	**(2,510)**	**(5,843)**	**(7,721)**
Income taxes	(2,332)	(898)	1,162	1,620	**2,158**
Income for the period*	**5,149**	**2,000**	**(1,348)**	**(4,223)**	**(5,564)**
* Attributable to					
Equity holders of AB Volvo	5,130	1,977	(1,361)	(4,228)	**(5,574)**
Minority interests	19	23	13	5	**10**
	5,149	**2,000**	**(1,348)**	**(4,223)**	**(5,564)**
Shara data					
Earnings per share, SEK[1]	2.53	0.98	(0.67)	(2.09)	**(2.75)**
Number of shares outstanding, million	2,027	2,027	2,027	2,027	**2,027**
Average number of shares during period, million	2,026	2,027	2,027	2,027	**2,027**
Number of company shares, held by AB Volvo, million	101	101	101	101	**101**

1 Earnings per share are calculated as Income for the period (excl minority interests) divided by the weighted average number of shares outstanding during the period.

Depreciation and amortization included above	2/2008	3/2008	4/2008	1/2009	**2/2009**
Product and software development, amortization	727	641	797	823	**803**
Other intangible assets, amortization	96	108	127	127	**118**
Property, plant and equipment, depreciation	2,551	2,670	2,596	3,082	**3,040**
Total	**3,374**	**3,419**	**3,520**	**4,032**	**3,961**
Of which					
Industrial operations	2,719	2,737	2,949	3,239	**3,226**
Customer Finance	655	682	571	793	**735**
Total	**3,374**	**3,419**	**3,520**	**4,032**	**3,961**

Key operating ratios, Industrial operations	2/2008	3/2008	4/2008	1/2009	**2/2009**
Gross margin, %	23.3	21.1	16.0	15.0	**9.7**
Research and development expenses in % of net sales	4.3	5.1	5.6	6.5	**6.6**
Selling expenses in % of net sales	8.0	9.0	9.3	12.0	**11.8**
Administrative expenses in % of net sales	2.3	2.5	2.0	3.2	**3.0**
Operating margin , %	8.7	4.1	(1.6)	(7.7)	**(12.8)**

Quarterly figures

Net sales

SEK M	2/2008	3/2008	4/2008	1/2009	**2/2009**
Trucks	52,598	46,154	54,132	37,384	**33,527**
Construction Equipment	16,731	13,213	11,219	8,172	**9,151**
Buses	4,293	3,822	5,589	4,006	**4,676**
Volvo Penta	3,327	2,686	2,355	2,037	**2,258**
Volvo Aero	1,700	1,656	2,398	2,030	**2,034**
Eliminations and other	(250)	(70)	(129)	(182)	**(134)**
Industrial operations	**78,399**	**67,461**	**75,564**	**53,448**	**51,512**
Customer Finance	2,599	2,837	2,982	3,156	**2,960**
Eliminations and other	(692)	(517)	(554)	(483)	**(513)**
Volvo Group	**80,306**	**69,781**	**77,992**	**56,121**	**53,959**

Operating income

SEK M	2/2008	3/2008	4/2008	1/2009	**2/2009**
Trucks	4,825	2,653	257	(2,382)	**(4,778)**
Construction Equipment	1,629	134	(1,256)	(1,395)	**(1,259)**
Buses	46	(72)	72	(95)	**(118)**
Volvo Penta	458	198	(46)	(97)	**(165)**
Volvo Aero	4	78	141	83	**28**
Group headquarter functions and other	(163)	(205)	(405)	(247)	**(293)**
Industrial operations	**6,799**	**2,786**	**(1,237)**	**(4,132)**	**(6,587)**
Customer Finance	387	391	238	(396)	**(296)**
Volvo Group	**7,186**	**3,177**	**(999)**	**(4,528)**	**(6,883)**

Operating margin

%	2/2008	3/2008	4/2008	1/2009	**2/2009**
Trucks	9.2	5.7	0.5	(6.4)	**(14.3)**
Construction Equipment	9.7	1.0	(11.2)	(17.1)	**(13.8)**
Buses	1.1	(1.9)	1.3	(2.4)	**(2.5)**
Volvo Penta	13.8	7.4	(2.0)	(4.8)	**(7.3)**
Volvo Aero	0.2	4.7	5.9	4.1	**1.4**
Industrial operations	**8.7**	**4.1**	**(1.6)**	**(7.7)**	**(12.8)**
Volvo Group	**8.9**	**4.6**	**(1.3)**	**(8.1)**	**(12.8)**

Accounting principles

As from January 1, 2005, AB Volvo applies the International Financial Reporting Standards (IFRS) as adopted by the EU, for the group consolidation. The accounting principles, which were applied during the preparation of this report, are described in Note 1 to the consolidated financial statements, which are included in the 2008 Annual Report for the Volvo Group. This interim report has been prepared in accordance with IAS 34, Interim financial Reporting and the Annual Accounts Act.

The financial reporting of the parent company has been prepared in accordance with the Annual Accounts Act and RFR 2.2 Reporting for legal entities. Application of RFR 2.2 entails that in interim reporting for legal entities, the parent company is to apply all IFRSs and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligations Vesting Act, and taking into account the connection between accounting and taxation.

New accounting principles in 2009

In accordance with considerations presented in the Annual Report, Note 1, regarding new accounting principles for 2009, a number of new standards and IFRIC interpretations become effective from January 1, 2009.

IFRS 8 Operating segments

The implementation of the standard has not resulted in any change in the identification of segments. Volvo has however, in connection to the implementation of IFRS 8, removed the reclassification of leases from operating to finance leases within the Customer Finance segment and reports currency exchange effects in gross income that previously have been reported in Other operating income and expenses. See Note 3 to the Annual Report 2008 for further details. As a consequence of these changes, the 2008 comparison numbers have been restated in this report as well as for future reports. A complete restate of 2008 by quarters is available at www.volvogroup.com.

IAS 23 amendment Borrowing costs

The amendment states that borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, should form part of the cost of that asset. According to the previously applied accounting principle, Volvo has expensed borrowing cost. The change of accounting principle for the Volvo group has no significant impact on the Group's financial statements.

IAS 1 amendment Presentation of financial statements

The amendment concerns the form for presentation of financial position, comprehensive income and cash flow and includes a requirement for statement of comprehensive income. As a consequence of the amendment, Volvo reports an additional statement of the Group's comprehensive income, which includes items previously reported in the Statement of Equity.

Other new amendments to standards and IFRIC interpretations applied by the Volvo Group from January 1, 2009, have no significant effect on the financial statements of the Group, in accordance with what has been communicated in Note 1 of the Annual report.

Operating income before depreciation and amortization (EBITDA)

EBITDA is the operating income before depreciation and amortization. In the Volvo Group this key figure is calculated by adding back depreciation and amortization on the operating income of the Industrial operations.

Clarification of the connection between net debt and the balance sheet

From 2009, internal lending from Industrial Operations to Customer Finance is separately disclosed in the balance sheet. The main purpose is to facilitate the understanding for what items are included in net debt and the reconciliation to the balance sheet.

Hedging of commercial currency exposure

In accordance with the description in the Annual Report Note 36, Volvo gradually and temporarily shifted focus from hedging forecasted flows to hedging contracted flows as a consequence of the financial turmoil. During the second quarter 2009, Volvo has however hedged some forecasted flows in accordance with the Volvo hedging policy.

Assets held for sale in segment reporting

In accordance with the description in the Annual Report Note 1, assets held for sale and related liabilities are reported separately in the balance sheet of the Volvo Group. The balance sheet items and the income effect resulting from the revaluation to fair value less costs to sell are reported in the segment Group headquarter functions and other, until the sale is completed and the result from it is assigned to the other segments.

Otherwise, accounting principles and methods of calculations have remained essentially unchanged from those applied in the 2008 Annual Report.

Risks and uncertainties

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favorable profitability. Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. Volvo works continuously to identify, measure and manage risk, and in some cases Volvo can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Volvo's control, the aim is to minimize the consequences.

The risks to which the Volvo Group are exposed are classified into three main categories:

External-related risks – such as the cyclical nature of the commercial vehicles business, intense competition, changes in prices for commercial vehicles and government regulations;

Financial risks – such as currency fluctuations, interest levels fluctuations, valuations of shares or similar instruments, credit risk and liquidity risk and;

Operational risks – such as market reception of new products, reliance on suppliers, protection and maintenance of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital. For a more elaborated account for these risks, please refer to the Risk Management section on pages 45-48 in the 2008 Annual Report for the Volvo Group. The Annual Report is available on the internet at www.volvogroup.com. Short-term risks, when applicable, are also described in the respective report per business area of this report.

The financial turmoil and credit tightening has led to an extreme cautiousness among customers when it comes to deciding on investments, which has caused a decrease in demand for Volvo products.

The development of the financial markets during the latest quarters has led to an intensification of Volvo's work with financial risks. The credit risks are continuously managed through active credit monitoring and there are regular controls that provisions are made on incurred losses for doubtful receivables, in the customer finance portfolio as well as for other accounts receivable, in accordance with applicable accounting principles.

The present market conditions also limit the accessibility to credits and loan financing, which may negatively affect customers, suppliers, dealers as well as the Volvo Group. Suppliers' financial instability could result in delivery disturbances. A sound balance between short- and long-term borrowing, as well as borrowing preparedness in the form of overdraft facilities, is intended to meet the long-term financing needs of the Volvo Group.

In the course of its operations, Volvo is exposed to residual value risks through operating lease agreements and sales combined with repurchase agreements. The estimated net realizable value of the products is continuously monitored on an individual basis. A decline in prices for used trucks and equipment may negatively affect the consolidated operating income. High inventories in the truck industry and the construction equipment industry and low demand may have a negative impact on the prices of new and used trucks and construction equipment.

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities at June 30, 2009, amounted to SEK 9.6 billion, an increase of SEK 0.2 billion compared to December 31, 2008. Included in the total is a contingent liability of SEK 0.6 billion pertaining to a claim on Volvo Powertrain to pay penalties following a demand by the US Environmental Protection Agency (EPA). The demand is a consequence of dissenting opinions on whether an agreement between EPA and Volvo Powertrain regarding lower emitting engines also should include engines sold by Volvo Penta.

Members of the U.S. trade union, the United Auto Workers (UAW), have approved a new 40-month Master Agreement with the Volvo Group's subsidiary Mack Trucks. The agreement includes the establishment of an independent trust that will completely eliminate Mack's commitments for providing healthcare to retired employees. This has a negative impact of approximately SEK 870 M on the Volvo Group's operating income during the second quarter of 2009 and a negative impact of the same amount on net debt. The trust must be approved by the U.S. District Court for the Eastern District of Pennsylvania, a process that can take up to 12 months.

Volvo verifies annually, or more frequently if necessary, the goodwill value of its business areas for possible impairment. The size of the overvalue differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. A continued financial turmoil and volatility in interest and currency rates may lead to indications of impairment. Changes to the assessments of the duration of the crisis could result in a significant write-down of goodwill for some business areas.

Corporate acquisitions and divestments

Volvo Group has not made any acquisitions or divestments during the period or after the end of the period, that have had a significant impact on the Group's financial statements.

During the second quarter 2009, assets of SEK 3,140 M and liabilities of SEK 874 M have been reclassified to assets and liabilities held for sale. In connection to the reclassification, Volvo has written down assets by SEK 298 M to the corresponding estimated fair value less costs to sell. Depending on how the sale process will progress, changes in the business environment, access to liquidity, market outlook etc, the fair value may change in forthcoming periods or when the transactions are finalized. Reclassified assets and liabilities are pertaining to smaller operations and real estates.

Parent company

Income Statements

SEK M	Second quarter 2009	Second quarter 2008	First six months 2009	First six months 2008
Net sales[1]	**181**	**212**	**373**	**409**
Cost of sales[1]	**(181)**	(212)	**(373)**	(409)
Gross income	**0**	**0**	**0**	**0**
Operating expenses[1]	**(114)**	(173)	**(260)**	(410)
Income from investments in Group companies	**7,998**	(488)	**7,078**	(1,075)
Income from investments in associated companies	**(10)**	(13)	**(12)**	(28)
Income from other investments	**-**	30	**-**	30
Operating income	**7,874**	**(644)**	**6,806**	**(1,483)**
Interest income and expenses	**(80)**	(222)	**(153)**	(385)
Other financial income and expenses	**(8)**	8	**12**	20
Income after financial items	**7,786**	**(858)**	**6,665**	**(1,848)**
Income taxes	**419**	267	**717**	505
Income for the period	**8,205**	**(591)**	**7,382**	**(1,343)**

1 Of net sales in the second quarter, SEK 151 M (188) pertained to Group companies, while purchases from Group companies amounter to SEK 82 M (105).

Balance Sheets

SEK M	June 30 2009	June 30 2009	Dec 31 2008	Dec 31 2008
Assets				
Non-current assets				
Intangible assets		**103**		110
Tangible assets		**16**		16
Financial assets				
Shares and participations in Group companies	**46,477**		46,122	
Other shares and participations	**2,349**		2,280	
Other long-term receivables	**903**	**49,729**	245	48,647
Total non-current assets		**49,848**		**48,773**
Currents assets				
Short-term receivables from Group companies		**77**		9,561
Other short-term receivables		**453**		586
Cash and bank accounts		**0**		0
Total currant assets		**530**		**10,147**
Total assets		**50,378**		**58,920**
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity	**9,891**		9,891	
Unrestricted equity	**31,090**	**40,981**	27,678	37,569
Untaxed reserves		**704**		704
Provisions		**155**		178
Non-current liabilities				
Liabilities to Group companies		**7**		7
Current liabilities[1]		**8,531**		20,462
Total shareholders' equity and liabilities		**50,378**		**58,920**

1 Of which SEK 8,256 M (20,166) pertains to Group companies.

Income from investments in Group companies includes dividends amounting to SEK 9,163 M (90) and transfer price adjustments, net, of SEK −1,165 M (−578).

In 2009 revaluation of the ownership in the listed company Deutz AG has increased the value by SEK 80 M, recognized in equity.

Investments in intangible and tangible assets amounted to SEK – M (116) and 0 M (0) respectively.

Financial net debt amounted to SEK 7,248 M at the end of the second quarter (11,510).

Events after the balance sheet date

For events after the balance sheet date, see page 4 of this report.

No other significant events have occurred after the end of the second quarter 2009 that are expected to have a substantial effect on the Volvo Group.

This report has been reviewed by AB Volvo's auditors.

The Board of Directors and the CEO certify that the half-yearly financial report gives a fair view of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Göteborg, 21 July 2009
AB Volvo (publ)

Finn Johnsson
Board Chairman

Peter Bijur
Board member

Jean-Baptiste Duzan
Board member

Leif Johansson
President and CEO of the Volvo Group and Board member

Anders Nyrén
Board member

Louis Schweitzer
Board member

Ying Yeh
Board member

Ravi Venkatesan
Board member

Lars Westerberg
Board member

Martin Linder
Board member

Olle Ludvigsson
Board member

Berth Thulin
Board member

Review report

We have reviewed this report for the period 1 January 2009 to 30 June 2009 for AB Volvo. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Göteborg, 21 July 2009
PricewaterhouseCoopers AB

Göran Tidström
Authorised Public Accountant
Auditor in charge

Olov Karlsson
Authorised Public Accountant

Deliveries

Delivered trucls

	Second quarter			First six months		
	2009	2008	Change in %	**2009**	2008	Change in %
Trucks						
Europe	**12,664**	36,772	(66)	**27,269**	72,847	(63)
Western Europe	**11,264**	28,124	(60)	**24,891**	57,085	(56)
Eastern Europe	**1,400**	8,648	(84)	**2,378**	15,762	(85)
North America	**3,667**	8,802	(58)	**7,753**	15,939	(51)
South America	**3,054**	4,899	(38)	**5,297**	8,453	(37)
Asia	**6,801**	14,041	(52)	**14,492**	28,619	(49)
Middle East	**757**	4,263	(82)	**3,053**	8,054	(62)
Other Asia	**6,044**	9,778	(38)	**11,439**	20,565	(44)
Other markets	**3,464**	5,240	(34)	**7,085**	9,787	(28)
Total Trucks	**29,651**	**69,754**	**(57)**	**61,897**	**135,645**	**(54)**
Mack Trucks						
Europe	**0**	8	–	**0**	8	–
Western Europe	**0**	0	–	**0**	0	–
Eastern Europe	**0**	8	–	**0**	8	–
North America	**1,901**	3,501	(46)	**3,658**	6,551	(44)
South America	**426**	987	(57)	**597**	1,436	(58)
Asia	**63**	20	215	**207**	61	239
Middle East	**63**	20	215	**207**	52	298
Other Asia	**0**	0	–	**0**	9	–
Other markets	**359**	223	61	**711**	530	34
Total Mack Trucks	**2,749**	**4,739**	**(42)**	**5,173**	**8,586**	**(40)**
Renault Trucks						
Europe	**8,008**	20,302	(61)	**16,271**	39,558	(59)
Western Europe	**7,325**	17,029	(57)	**15,252**	33,487	(54)
Eastern Europe	**683**	3,273	(79)	**1,019**	6,071	(83)
North America	**69**	97	(29)	**127**	285	(55)
South America	**129**	339	(62)	**177**	614	(71)
Asia	**489**	1,492	(67)	**864**	2,599	(67)
Middle East	**386**	1,410	(73)	**741**	2,469	(70)
Other Asia	**103**	82	26	**123**	130	(5)
Other markets	**1,308**	1,609	(19)	**2,524**	2,810	(10)
Total Renault Trucks	**10,003**	**23,839**	**(58)**	**19,963**	**45,866**	**(56)**
Volvo Trucks						
Europe	**4,656**	16,462	(72)	**10,996**	33,281	(67)
Western Europe	**3,939**	11,095	(64)	**9,639**	23,598	(59)
Eastern Europe	**717**	5,367	(87)	**1,357**	9,683	(86)
North America	**1,483**	4,754	(69)	**3,608**	8,129	(56)
South America	**2,424**	3,384	(28)	**4,310**	6,014	(28)
Asia	**743**	2,745	(73)	**2,784**	5,380	(48)
Middle East	**227**	1,619	(86)	**1,751**	3,264	(46)
Other Asia	**516**	1,126	(54)	**1,033**	2,116	(51)
Other markets	**998**	1,325	(25)	**2,322**	2,394	(3)
Total Volvo Trucks	**10,304**	**28,670**	**(64)**	**24,020**	**55,198**	**(56)**

AB Volvo (publ) discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 7.30 a.m. on July 21, 2009.

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 OMX Nordic Exchange Stockholm if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

	Second quarter			First six months		
	2009	2008	Change in %	**2009**	2008	Change in %
Nissan Diesel						
Europe	**0**	0	–	**2**	0	–
Western Europe	**0**	0	–	**0**	0	–
Eastern Europe	**0**	0	–	**2**	0	–
North America	**214**	450	(52)	**360**	974	(63)
South America	**75**	189	(60)	**213**	389	(45)
Asia	**3,351**	9,784	(66)	**6,638**	20,579	(68)
Middle East	**81**	1,214	(93)	**354**	2,269	(84)
Other Asia	**3,270**	8,570	(62)	**6,284**	18,310	(66)
Other markets	**799**	2,083	(62)	**1,528**	4,053	(62)
Total Nissan Diesel	**4,440**	**12,506**	**(64)**	**8,742**	**25,995**	**(66)**

Eicher [1]						
Europe	**-**	–	–	**-**	–	–
Western Europe	**-**	–	–	**-**	–	–
Eastern Europe	**-**	–	–	**-**	–	–
North America	**-**	–	–	**-**	–	–
South America	**-**	–	–	**-**	–	–
Asia	**2,155**	0	–	**3,999**	0	–
Middle East	**-**	–	–	**-**	–	–
Other Asia	**2,155**	0	–	**3,999**	0	–
Other markets	**-**	–	–	**-**	–	–
Total Eicher	**2,155**	**0**	**-**	**3,999**	**0**	**-**

1 50% of the joint venture together with Eicher Motor Limited was consolidated in the Volvo Group on August 1, 2008.

Delivered Buses

	Second quarter			First six months		
	2009	2008	Change in %	**2009**	2008	Change in %
Buses						
Europe	**1,047**	924	13	**1,802**	1,719	5
Western Europe	**887**	881	1	**1,579**	1,645	(4)
Eastern Europe	**160**	43	272	**223**	74	201
North America	**314**	477	(34)	**627**	845	(26)
South America	**115**	192	(40)	**222**	342	(35)
Asia	**771**	761	1	**1,237**	1,559	(21)
Other markets	**217**	171	27	**346**	274	26
Total Buses	**2,464**	**2,525**	**(2)**	**4,234**	**4,739**	**(11)**

Further publication dates

Report for the first nine months 2009	October 23, 2009
Report on 2009 operations	February, 2010
Annual Report 2009	March, 2010

Contacts

Investor Relations:

Christer Johansson	+46 31 66 13 34
Patrik Stenberg	+46 31 66 13 36
Anders Christensson	+46 31 66 11 91
John Hartwell	+1 212 418 74 32

Aktiebolaget Volvo (publ)
556012-5790
Investor Relations, VHQ
SE-405 08 Göteborg
Tel +46 31 66 00 00
Fax +46 31 53 72 96
www.volvogroup.com

AB Volvo (publ)
SE-405 08 Göteborg, Sweden
Telephone +46 31 66 00 00
www.volvogroup.com