Volvo Group

Six months ended June 30, 2010

In the second quarter net sales increased by 27% to SEK 68.8 billion (54.0). Adjusted for currency movements, sales increased by 31%.

The second quarter operating income amounted to SEK 4,770 M including a write-down of assets in Volvo Aero Services amounting to SEK 223 M (Loss SEK 6,883 M). Operating margin in the second quarter was 6.9% (Negative 12.8%).

In the second quarter basic and diluted earnings per share amounted to SEK 1.55 (Negative SEK 2.75).

In the second quarter, operating cash flow in the Industrial Operations was positive in an amount of SEK 8.5 billion (Negative SEK 2.9 billion).

During the second quarter, net debt in the Industrial Operations was reduced by SEK 5.1 billion to SEK 39.9 billion, corresponding to 63.4% of equity (53.3% excluding provisions for post-employment benefits).

Decision to start production of the Group's new medium duty engine range in India.

	Second quarter		First six months	
	2010	2009	**2010**	2009
Net sales Volvo Group, SEK M	**68,765**	53,959	**127,382**	110,080
Operating income Volvo Group, SEK M	**4,770**	(6,883)	**7,569**	(11,411)
Operating income Industrial operations, SEK M	**4,763**	(6,587)	**7,548**	(10,719)
Operating income Customer Finance, SEK M	**7**	(296)	**21**	(692)
Operating margin Volvo Group, %	**6.9**	(12.8)	**5.9**	(10.4)
Income after financial items, SEK M	**4,541**	(7,721)	**6,769**	(13,564)
Income for the period, SEK M	**3,226**	(5,564)	**4,946**	(9,787)
Diluted earnings per share, SEK	**1.55**	(2.75)	**2.38**	(4.83)
Return on shareholders' equity and rolling 12 months,%			**0.1**	(11.3)

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CEO's comments – good sales and profitability trend

During the second quarter, the Volvo Group's sales continued to increase as a result of the gradual recovery in demand in most of the Group's markets. At the same time, profitability continued to improve thanks to the sales increase, strict control over our costs and a good productivity development in our industrial system.

Adjusted for exchange-rate fluctuations, the Group's sales rose 31% compared with the second quarter of 2009. The sales trend was particularly strong in Asia and South America as a result of favorable market development, but also due to the recent years' investments in industrial presence, distribution channels and service networks. However, despite the sales increase, volume levels in Europe, North America and Japan are still at low levels when seen in a historical perspective.

The earnings recovery on these low sales levels is driven by the substantial cost reduction measures implemented during 2009, which have significantly lowered the Volvo Group's cost base and breakeven level. Operating income reached SEK 4.8 billion in the second quarter with an operating margin of 6.9%.

Operating cash flow in the Industrial Operations was strong and amounted to SEK 8.5 billion, which is due to a seasonally good second quarter and that we were able to manage the increase in sales without increasing the tied-up capital.

Establishment of engine manufacturing in India

During the second quarter, we announced the strategically important decision to start manufacturing the Group's medium-sized engine platform also in India. The Group will now have an engine platform that combines Japanese quality standards and European leading-edge technology with manufacturing and a supplier base in India. The investment will provide the Group with cost-efficient medium-sized engines for the Asian market as well as sophisticated engines that fulfill tough emission regulations like Euro VI.

During the second quarter, our truck operations continued to develop well, with sales that rose 24% to SEK 41.6 billion and an operating margin of 6.0%.

In North America, we continue to receive very good response from customers to the Group's trucks that are equipped with engines that fulfill the new emissions requirements, EPA2010, that were implemented at the beginning of the year. The trucks are a significant step forward for the environment, with nearly zero emissions of nitrogen oxides and particulates, while reducing fuel consumption by up to 5%. To date, we have received orders for more than 10,000 of the new trucks.

In Europe, Renault Trucks is introducing the new series of the light truck Renault Master in market after market and deliveries will increase successively during the second half of the year. At the same time, Volvo Trucks is preparing to start up production of the newly launched and well-received Volvo FMX truck aimed at the construction market and the new Volvo FM distribution truck. In Japan, UD Trucks has started to ramp up production of its new series of heavy trucks. Our Indian joint venture company together with Eicher Motors continues to develop very well, with strong demand in the market. The focus for the JV is now on implementing the industrialization of the new engine platform and on projects aimed at increasing production capacity for existing trucks and buses.

In terms of market conditions, we see an increase in activities among our North American customers and that order intake is on the way up. We anticipate that the demand for new trucks in North America will continue to rise during the second half of this year and that the gradual increase in Europe will also continue. Accordingly, we maintain our earlier assessment that the truck market will have total growth for full-year 2010 of approximately 10% in Europe and 20–30% in North America.

Improved profitability in all business areas

Volvo CE's favorable profitability trend continues thanks to excellent growth in sales and good cost control. Volvo CE has carried out a turnaround in profitability and the operating margin during the quarter was a record 13.6%, among other things, due to very good profitability in the Chinese operations. Demand continues to gradually improve, which is why we have increased the market outlook for all regions for the full year 2010.

Volvo Penta has made strategic inroads into the market for commercial shipping with the sale of its drive system IPS to the Swedish Coast Guard. They have also signed important agreements with new boat builders for the IPS system, which will further strengthen their position in the marine engine sector. Volvo Penta posted an operating margin of 11.9% in the quarter.

Despite depressed market demand in Europe and North America, Volvo Buses achieved an operating margin of 4.9%, thanks to implemented measures to reduce costs. During the quarter Volvo Buses started serial production of hybrid buses in the plant in Poland.

Last week, we announced an agreement regarding the divestment of Volvo Aero's service operations in the US. The sale is in line with Volvo Aero's strategy to focus on its core operations, the development and manufacture of components for aircraft engines. The sale had a negative impact on Volvo Aero's earnings for the second quarter, but adjusted for the divestment, Volvo Aero's core operations reported an operating margin of 11.3%.

For our customer financing operations in VFS, the credit portfolio continues to stabilize with reduced delinquencies in most markets as demand for transport increases. However, in terms of profitability, VFS experienced a difficult quarter due to continued high credit provisions primarily in Eastern Europe, and we estimate that it will still take some time until we are back on a positive trend there.

Continued focus on productivity and tied-up capital

In the near term, we will focus on ensuring that planned production increases in most of our manufacturing facilities run as efficiently as possible, with minimum capital being tied up. The pace in the recovery in demand has been rather moderate, which is positive as it gives us a good opportunity to continue with the activities that contribute to further increasing productivity and efficiency. In this area, employees in all parts of our operations have made significant contributions.

There is ongoing intense work to complete the development and prepare the launch of a number of new products, which will be introduced in the market during the coming years. In terms of products, we are well prepared to capitalize on increased demand and, despite the challenges of last year, we also have a strong network of dealers that work closely together with customers. Based on this, I have confidence in the Volvo Group's development and opportunities in both the short and the long-term.

Leif Johansson
President and CEO

Important events

Investment in Indian facility for production of excavators

As part of Volvo Construction Equipment's (Volvo CE) objective of supporting customers in the growing BRIC (Brazil, Russia, India and China) markets, Volvo CE has announced a strategic investment in its existing facility in Bangalore, India. The investment, which totals around SEK 144 M, will allow Volvo CE to produce medium sized excavators at the plant. These machines will primarily be models for use on the Indian market. Production of the first machines is expected to start by the end of 2011.

Production of new medium-duty engine in India

Volvo Group's Indian joint venture company, VE Commercial Vehicles (VECV) is to invest a total of SEK 480 M in the production of the Group's new global medium-duty engine in India. The investment gives the Volvo Group a complete facility in India for machining and assembling the new medium-duty engine, which will be introduced in the Group's trucks and buses worldwide in the next few years. Through this investment, it will be possible for the Volvo Group to locate most of its production of medium-duty engines to VECV's plant in Pithampur, India.

Volvo Aero to sell its US service business

In July it was announced that Volvo Aero had signed an agreement to sell its US subsidiary Volvo Aero Services. The sale had a negative impact of SEK 223 M on the Volvo Group's operating income during the second quarter. The sale is among other things contingent on customary approvals being obtained and completion is expected to take place in the third quarter of 2010, at which point it is forecast to have a positive effect of about SEK 400 M on the Group's net financial debt. The sale of Volvo Aero Services is due to Volvo Aero's strategy of focusing on its core operations of developing and manufacturing components for aircraft engines, combined with the goal of reducing the company's tied-up capital.

Previously reported important events

- Annual General Meeting
- New trucks launched

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 increased by 27% to SEK 68,765 M during the second quarter of 2010, compared to SEK 53,959 M in the same quarter a year earlier.

Operating income

The Volvo Group's operating income amounted to SEK 4,770 M in the second quarter compared to an operating loss of SEK 6,883 M in the preceding year. The Industrial Operations' operating income amounted to SEK 4,763 M (Loss SEK 6,587 M). The Volvo Group's Customer Finance operations reported an operating income of SEK 7 M (Loss SEK 296 M). For detailed information on the development, see separate sections below.

Net financial items

Net interest expense in the second quarter was SEK 703 M compared to an expense of SEK 718 M in the first quarter of 2010.

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 433 M compared to a positive impact of SEK 81 M in the second quarter of 2009.

Income Statement Volvo Group

	Second quarter		First six months	
SEK M	**2010**	2009	**2010**	2009
Net sales Volvo Group	**68,765**	**53,959**	**127,382**	**110,080**
Operating Income Volvo Group	**4,770**	**(6,883)**	**7,569**	**(11,411)**
Operating income Industrial Operations	***4,763***	*(6,587)*	***7,548***	*(10,719)*
Operating income Customer Finance	***7***	*(296)*	***21***	*(692)*
Interest income and similar credits	**112**	77	**215**	197
Interest expense and similar credits	**(815)**	(879)	**(1,636)**	(1,687)
Other financial income and expenses	**475**	(36)	**622**	(663)
Income after financial items	**4,541**	**(7,721)**	**6,769**	**(13,564)**
Income taxes	**(1,315)**	2,158	**(1,823)**	3,778
Income for the period	**3,226**	**(5,564)**	**4,946**	**(9,787)**

Income taxes

The tax expense in the second quarter amounted to SEK 1,315 M (Income: SEK 2,158 M).

Income for the period and earnings per share

The income for the period amounted to SEK 3,226 M in the second quarter of 2010 compared to a loss for the period of SEK 5,564 M in the second quarter of 2009.

Basic and diluted earnings per share in the second quarter amounted to SEK 1.55 (Negative SEK 2.75).

Volvo Group's Industrial Operations
– sales growth in all regions

In the second quarter, net sales for the Volvo Group's Industrial Operations increased by 30% to SEK 66,717 M (51,512). Adjusted for changes in exchange rates and acquired and divested units net sales increased by 33%. Compared to the second quarter of 2009, all markets increased with a very strong development in South America and Asia.

Net sales by market area

SEK M	Second quarter 2010	Second quarter 2009	Change in %	First six months 2010	First six months 2009	Change in %	Share of industrial operations' net sales, %
Western Europe	**22,870**	21,804	5	**42,557**	45,133	(6)	35
Eastern Europe	**3,113**	2,557	22	**5,489**	4,749	16	4
North America	**11,034**	9,221	20	**21,585**	19,261	12	18
South America	**7,282**	3,851	89	**13,098**	6,956	88	11
Asia	**17,492**	10,021	75	**31,445**	20,943	50	26
Other markets	**4,926**	4,058	21	**9,002**	7,918	14	7
Total Industrial Operations	**66,717**	**51,512**	**30**	**123,176**	**104,960**	**17**	**100**

Income Statement Industrial operations

SEK M	Second quarter 2010	Second quarter 2009	First six months 2010	First six months 2009
Net sales	**66,717**	**51,512**	**123,176**	**104,960**
Cost of sales	**(51,066)**	(46,519)	**(94,645)**	(91,947)
Gross income	**15,651**	**4,993**	**28,531**	**13,013**
Gross margin, %	***23.5***	*9.7*	***23.2***	*12.4*
Research and development expenses	**(3,201)**	(3,403)	**(6,205)**	(6,866)
Selling expenses	**(5,783)**	(6,074)	**(11,259)**	(12,497)
Administrative expenses	**(1,430)**	(1,554)	**(3,052)**	(3,281)
Other operating income and expenses	**(445)**	(551)	**(419)**	(1,078)
Income from investments in associated companies	**(37)**	(4)	**(56)**	(19)
Income from other investments	**7**	5	**7**	8
Operating income	**4,763**	**(6,587)**	**7,548**	**(10,719)**
Operating margin, %	***7.1***	*(12.8)*	***6.1***	*(10.2)*
Operating income before depreciation and amortization (EBITDA)	**7,621**	(3,361)	**13,188**	(4,254)
EBITDA margin, %	***11.4***	*(6.5)*	***10.7***	*(4.1)*

Continued earnings improvement

In the second quarter of 2010, the operating income for the Volvo Group's Industrial Operations amounted to SEK 4,763 M, a significant improvement compared to an operating income of SEK 2,785 M in the first quarter 2010 and an operating loss of SEK 6,587 M in the second quarter of 2009. The operating margin for the Industrial Operations was 7.1%, compared to 4.9% in the first quarter 2010 and a negative 12.8% during the second quarter of 2009.

The earnings recovery compared to the first quarter 2010 is largely driven by higher sales of new products and aftermarket products and services as well as improved cost absorption and improved productivity in the manufacturing system due to higher capacity utilization. Strict cost control preserved the significantly lower expense level compared to last year. The increase in research and development, selling and administrative expenses was limited to 3% compared to the first quarter of 2010 despite a significant sales increase of 18%.

Compared to the second quarter of 2009 the overall cost structure of the Group has been significantly reduced and is now in line with the current level of demand, which together with higher sales volumes significantly contributes to the earnings recovery.

The decision to divest Volvo Aero's US service business had a negative impact of SEK 223 M during the quarter. Compared to the first quarter of 2010, changes in currency exchange rates had a negative impact on operating income amounting to about SEK 200 M including a negative impact from mark-to-market valuation on cash flow hedges equal to SEK 231 M in the second quarter, which is recorded in the segment "Group headquarter functions and other".

During the second quarter of 2010, operating income was positively affected by lower costs for raw materials and components, estimated at approximately SEK 100 M compared to the second quarter of 2009.

In the second quarter of 2010, research and development expenses decreased by 6% to SEK 3,201 M (3,403). Selling expenses decreased by 5% and administrative expenses by 8% compared to the second quarter of 2009.

The operating income for the second quarter 2009 was negatively affected by costs of in total SEK 3 billion from the UAW agreement, credit provisions, costs for redundancies, write-down of assets held for sale and increased provisions for residual value commitments.

Good cash flow generation

In the second quarter of 2010, operating cash flow from the Industrial Operations was positive in an amount of SEK 8.5 billion compared to a negative cash flow of SEK 2.9 billion in the second quarter of 2009. The positive cash flow is an effect of the operating income of SEK 4.8 billion and a positive impact from an increase in trade payables of SEK 7.0 billion as a consequence of production being ramped up. On the other hand, increases in accounts receivables (SEK 1.9 billion) and inventories (SEK 1.6 billion) had a negative impact on cash flow.

Volvo Group's Customer Finance
– slow recovery

During the quarter, positive portfolio trends were established in North America, Western Europe and Asia/Pacific. Delinquencies in these regions have decreased from the first quarter. Overall inventories of repossessed vehicles were reduced and default activity declined. While these signs are encouraging, write-offs and non-earning assets continued at historically high levels and overall financial conditions in Eastern Europe remained depressed.

New financing volume in the second quarter of 2010 amounted to SEK 8.9 billion (7.9). Adjusted for changes in exchange rates, new business volume increased by 14% compared to the second quarter of 2009. The increase in volume is linked to higher deliveries in the Industrial Operations. In total, 8,212 new Volvo Group units (6,922) were financed during the quarter. In the markets where financing is offered, the average penetration rate in the second quarter was 24% (28%).

Operating income in the second quarter amounted to SEK 7 M compared to an operating loss of SEK 296 M in the previous year. The improvement compared to the previous year is driven mainly by lower credit provisions.

Income Statement Customer Finance

	Second quarter		First six months	
SEK M	**2010**	2009	**2010**	2009
Finance and lease income	**2,426**	2,960	**4,934**	6,116
Finance and lease expenses	**(1,670)**	(2,172)	**(3,407)**	(4,521)
Gross income	**756**	**788**	**1,527**	**1,595**
Selling and administrative expenses	**(388)**	(410)	**(773)**	(832)
Credit provision expenses	**(414)**	(663)	**(788)**	(1,443)
Other operating income and expenses	**53**	(11)	**55**	(11)
Operating income	**7**	**(296)**	**21**	**(692)**
Income taxes	**(14)**	67	**(49)**	123
Income for the period	**(7)**	**(229)**	**(28)**	**(569)**
Return on Equity, 12 months rolling values			***(0,3%)***	*(0,5%)*

As a consequence of the strong volume growth in Brazil, it was decided to syndicate approximately SEK 4 billion of the Brazilian credit portfolio as a risk mitigation measure and to free up capital for reinvestment in the country. The transaction generated a positive impact on operating income of SEK 38 M.

During the quarter, credit provisions amounted to SEK 414 M (663) while write-offs of SEK 375 M (563) were recorded. Credit reserves increased from 1.74% to 1.84% of the credit portfolio at March 31, 2010 and June 30, 2010, respectively, mainly due to net amortization of the credit portfolio and additional specific provisions in Europe. The annualized write-off ratio through June 30, 2010 was 1.59% (1.77).

In May, VFS successfully completed its first asset-backed securitization in many years. Under the terms of the transaction, USD 616 M of securities tied to US-based loans on trucking and construction equipment assets were issued.

At June 30, 2010 total assets amounted to SEK 93 billion (110). The credit portfolio decreased by 14.6% over the last twelve months, adjusted for exchange-rate movements, including the syndication of assets in Brazil.

Volvo Group financial position

Net financial debt in the Industrial Operations amounted to SEK 39.9 billion at June 30, 2010, a decrease of SEK 5.1 billion compared to the first quarter of 2010, and equal to 63.4% of shareholders' equity. Excluding the provision for post-employment benefits, the Industrial Operations net debt amounted to SEK 33.6 billion, which is equal to 53.3% of shareholders' equity.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined, amounted to SEK 38.5 billion at June 30, 2010. In addition to this, granted but unutilized credit facilities amounted to SEK 35.2 billion. On June 28, Volvo Treasury entered into a contract with European Investment Bank for a loan of EUR 400 M, of which SEK 2 billion were drawn down on July 15.

During the second quarter, currency movements increased the Volvo Group's total assets by SEK 9.3 billion.

The equity ratio in the Volvo Group amounted to 21.2% on June 30, 2010 compared to 20.2% at year-end 2009. At June 30, 2010 shareholder's equity in the Volvo Group amounted to SEK 71.6 billion.

Related-party transactions

Sales to associated companies amounted to SEK 519 M and purchases from associated companies amounted to SEK 21 M during the first six months of 2010. On June 30, 2010, receivables from associated companies amounted to SEK 197 M and liabilities to associated companies to SEK 114 M. Sales to related-party Renault s.a.s. amounted to SEK 29 M and purchases from Renault s.a.s to SEK 755 M during the first six months of 2010. Receivables from Renault s.a.s. amounted to SEK 16 M and liabilities to Renault s.a.s. to SEK 319 M on June 30, 2010.

Number of employees

On June 30, 2010 the Volvo Group had 88,412 employees and 12,087 temporary employees and consultants, compared with 89,178 employees and 7,104 temporary employees and consultants at year-end 2009. The increase in the number of employess is attributable to temporary employees and consultants within production, which gives the Group a considerable flexibility should market conditions change unexpectedly.

Business segment overview

Net sales

SEK M	Second quarter 2010	Second quarter 2009	Change, %	Change, %*	First six months 2010	First six months 2009	12 months rolling values	Jan–Dec 2009
Trucks	**41,589**	33,527	24	28	**78,077**	70,911	146,106	138,940
Construction Equipment	**15,295**	9,151	67	73	**26,443**	17,323	44,778	35,658
Buses	**5,253**	4,676	12	12	**10,320**	8,682	20,103	18,465
Volvo Penta	**2,631**	2,258	17	23	**4,608**	4,295	8,472	8,159
Volvo Aero	**2,133**	2,034	5	10	**4,043**	4,064	7,782	7,803
Eliminations and other	**(184)**	(134)	–	–	**(315)**	(316)	(537)	(538)
Industrial Operations	**66,717**	**51,512**	**30**	**33**	**123,176**	**104,960**	**226,703**	**208,487**
Customer Finance	**2,426**	2,960	(18)	(15)	**4,934**	6,116	10,530	11,712
Eliminations	**(378)**	(513)	–	–	**(728)**	(996)	(1,570)	(1,838)
Volvo Group	**68,765**	**53,959**	**27**	**31**	**127,382**	**110,080**	**235,663**	**218,361**

* Adjusted for exchange rates and acquired and divested units.

Operating income (loss)

SEK M	Second quarter 2010	Second quarter 2009	First six months 2010	First six months 2009	12 months rolling values	Jan–Dec 2009
Trucks	**2,478**	(4,778)	**3,922**	(7,160)	277	(10,805)
Construction Equipment	**2,086**	(1,259)	**3,092**	(2,654)	1,741	(4,005)
Buses	**259**	(118)	**404**	(213)	267	(350)
Volvo Penta	**312**	(165)	**433**	(262)	465	(230)
Volvo Aero	**(372)**[1]	28	**(220)**	111	(281)	50
Group headquarter functions and other	**0**[2]	(293)	**(83)**	(540)	(537)	(994)
Industrial Operations	**4,763**	**(6,587)**	**7,548**	**(10,719)**	**1,932**	**(16,333)**
Customer Finance	**7**	(296)	**21**	(692)	33	(680)
Volvo Group	**4,770**	**(6,883)**	**7,569**	**(11,411)**	**1,967**	**(17,013)**

During the second quarter of 2010 Volvo Aero signed an agreement to sell the US subsidiary Volvo Aero Services (VAS).

1 The second quarter of 2010 was negatively impacted by a SEK 613 M write-down of assets in VAS.

2 Including mark-to-market valuation of commercial cash flow hedges of SEK -231 M as well as write-downs of assets in VAS amounting to SEK 390 M which were booked in "Group headquarter functions and other" during 2009 and were reclassified to Volvo Aero in the second quarter of 2010.

Operating margin

%	Second quarter 2010	Second quarter 2009	First six months 2010	First six months 2009	12 months rolling values	Jan–Dec 2009
Trucks	**6.0**	(14.3)	**5.0**	(10.1)	0.2	(7.8)
Construction Equipment	**13.6**	(13.8)	**11.7**	(15.3)	3.9	(11.2)
Buses	**4.9**	(2.5)	**3.9**	(2.5)	1.3	(1.9)
Volvo Penta	**11.9**	(7.3)	**9.4**	(6.1)	5.5	(2.8)
Volvo Aero	**(17.4)**[1]	1.4	**(5.4)**	2.7	(3.6)	0.6
Industrial Operations	**7.1**	**(12.8)**	**6.1**	**(10.2)**	**0.9**	**(7.8)**
Volvo Group	**6.9**	**(12.8)**	**5.9**	**(10.4)**	**0.8**	**(7.8)**

1 The second quarter of 2010 was negatively impacted by a SEK 613 M write-down of assets in VAS.

Overview of Industrial Operations

Trucks
– the gradual demand and earnings recovery continues

- New products going into production
- Gradually increasing production
- Favorable earnings trend

Net sales by market area, Trucks

SEK M	Second quarter 2010	Second quarter 2009	Change in %	First six months 2010	First six months 2009	Change in %
Europe	**17,219**	16,486	4	**32,682**	35,290	(7)
North America	**6,095**	5,261	16	**12,135**	10,957	11
South America	**5,794**	3,017	92	**10,340**	5,387	92
Asia	**9,098**	5,513	65	**16,442**	12,964	27
Other markets	**3,383**	3,250	4	**6,478**	6,313	3
Total	**41,589**	**33,527**	**24**	**78,077**	**70,911**	**10**

Net order intake per market

Number of trucks	Second quarter 2010	Second quarter 2009	Change in %	First six months 2010	First six months 2009	Change in %
Europe	**19,054**	8,980	112	**35,415**	16,474	115
North America	**6,675**	3,257	105	**10,085**	6,126	65
South America	**4,986**	2,998	66	**9,534**	4,729	102
Asia	**13,367**	7,884	70	**28,809**	13,595	112
Other markets	**4,336**	3,505	24	**8,511**	5,882	45
Total	**48,418**	**26,624**	**82**	**92,354**	**46,806**	**97**

Improving market conditions

Through June 2010, the total market for heavy-duty trucks (Class 8) in North America increased by 19% to 64,347 trucks compared to 53,884 in the same period last year. Overall, customer activity in the highway segment is offsetting continued weakness in construction related segments. As large competitor inventories of pre-EPA 2010 engines appear to have finally been drawn down, interest in the EPA 2010 trucks being offered by both Mack and Volvo Trucks has been steadily building. The North American market for heavy-duty trucks is expected to increase by some 20-30% from the 2009 level of 115,000 units, primarily as a consequence of improved demand in the second half of 2010 (unchanged outlook).

During the first five months of 2010, the total number of registrations in Europe 29 (the EU, Norway and Switzerland) decreased by 22% to 63,059 heavy trucks (80,944) with southern Europe being the weakest. However, demand for both new and used trucks continues to improve in primarily Northern, Central and parts of Eastern Europe with the larger fleet customers being the most active buyers. With expectations of a stronger second half, the European market for heavy-duty trucks is expected to increase by about 10% for full-year 2010 compared to the 2009 level of 164,000 trucks (unchanged outlook).

In South America, the strong Brazilian heavy duty truck market is mainly driven by favorable macro economic development as well as being supported by tax incentives and subsidized financing. The subsidized financing is scheduled to expire in December 2010. Through June 2010 the market in Brazil increased by 47% to 42,421 heavy duty trucks (28,929).

In India, the market for heavy duty trucks as of June rose by 121% to 107,950 trucks (48,928). The Group's largest market in Asia is Japan, where the market for heavy duty trucks amounted to 13,310 vehicles in the first six months of 2010 (7,912), which was an increase of 68%. Expectations are that the market will slow down, among other things because of incentives for buying new trucks having ended during the summer. The total Japanese market for heavy-duty trucks is now expected to increase by about 30% from a level of 18,700 vehicles in 2009. The previous outlook was an increase of about 40%.

Order intake continues to improve

Net order intake rose by 10% during the second quarter of 2010 when compared with the first quarter of 2010 and by 82% compared to the second quarter of 2009. Most notably order intake improved in North America where orders rose by 96% in comparison to the first quarter of 2010, and compared to the second quarter of 2009 net orders increased by 105%.

In Europe, net order intake improved by 16% compared with the first quarter of 2010 and by 112% compared to the weak second quarter of 2009.

In Asia orders reached 13,367 trucks, a decline of 13% compared to the first quarter of 2010 but an increase of 70% compared to the second quarter of 2009.

Order intake in South America increased by 10% compared with the first quarter 2010. Compared to the second quarter a year ago net orders increased by 66%.

Deliveries per market

	Second quarter			First six months		
Number of trucks	**2010**	2009	Change	**2010**	2009	Change
Europe	**15,805**	12,664	25	**27,986**	27,269	3
North America	**4,388**	3,667	20	**9,643**	7,753	24
South America	**5,495**	3,054	80	**10,048**	5,297	90
Asia	**13,211**	6,801	94	**25,022**	14,492	73
Other markets	**3,715**	3,465	7	**6,855**	7,086	(3)
Total	**42,614**	**29,651**	**44**	**79,554**	**61,897**	**29**

Truck deliveries – increase of 44% compared to the second quarter of 2009

The delivery pace of the truck operations increased sequentially during the quarter, ending with deliveries of 16,008 trucks in the month of June. In total, 42,614 trucks were delivered during the quarter, which was an increase of 15% compared to the first quarter of 2010, and a 44% increase when compared with the second quarter of 2009.

Favorable earnings trend – operating margin of 6%

During the second quarter of 2010, the truck operation's net sales amounted to SEK 41,589 M, which was an increase of 14% compared to the first quarter 2010 and 24% higher than the second quarter of 2009. Adjusted for changes in exchange rates net sales increased by 28% compared to the second quarter of 2009.

The truck operations posted an operating income of SEK 2,478 M in the second quarter of 2010 compared with SEK 1,444 M in the first quarter 2010 and an operating loss of SEK 4,778 M in the second quarter of 2009. The operating margin improved to 6.0%, compared with 4.0% in the first quarter of 2010 and a negative 14.3% in the second quarter of 2009. Earnings were significantly improved as a result of higher sales, increased productivity and capacity utilization as well as cost savings and a strong performance in Brazil. In the US, the transition to EPA 2010 trucks had a negative impact on earnings during the quarter.

Due to the positive order intake and building order board, production rates are gradually being increased in most plants.

Construction Equipment
– good spring season sales and earnings growth

- Volvo CE sales up 67%, adjusted for currency the increase was 73%
- Operating margin 13.6%
- 63% market growth in BRIC countries

Many markets recovering

Measured in units the total world market for heavy, road machinery and compact equipment increased by 43% during the second quarter of 2010 compared to the same period last year, strongly driven by the BRIC countries (Brazil, Russia, India and China) which increased by 63%. In Europe the total market was up 20% and North America increased by 9%. Asia was up 60%, strongly driven by China where the market increased by 57%. Other markets were up by 77%.

From historically very low levels, many markets are now recovering. Europe is expected to grow by 10% for the full year of 2010 (previous forecast 0–10%). North America is expected to grow by 5–10% (previous forecast 0–10%). Asia is expected to grow by approximately 30–40% (previous forecast approximately 20%) and other markets by about 40% (previous forecast approximately 20%).

Strong quarter with operating margin at 13.6%

Net sales increased by 67% to SEK 15,295 M (9,151) in the second quarter driven by traditionally strong second quarter and a particular good momentum in Asia and South America. Adjusted for currency movements, net sales increased by 73%.

Net sales by market area, Construction Equipment

SEK M	Second quarter 2010	Second quarter 2009	Change in %	First six months 2010	First six months 2009	Change in %
Europe	**4,557**	3,437	33	**7,632**	6,526	17
North America	**1,756**	1,523	15	**3,137**	3,313	(5)
South America	**1,083**	595	82	**1,884**	983	92
Asia	**7,125**	3,465	106	**12,379**	5,921	109
Other markets	**774**	131	491	**1,411**	580	143
Total	**15,295**	**9,151**	**67**	**26,443**	**17,323**	**53**

Total market development in the second quarter

Unit sales in %	Europe	North America	Asia	Other markets	**Total**
Heavy equipment	11	23	63	78	**53**
Compact equipment	20	6	49	82	**33**
Road machinery	56	0	173	62	**60**
Total	**20**	**9**	**60**	**77**	**43**

Operating income improved substantially to SEK 2,086 M (Loss SEK 1,259) and the operating margin was 13.6% (Negative 13.8%). The increase in operating income was mainly driven by higher sales, internal cost reduction activities implemented during 2009 and improved cost absorption in the manufacturing system as a result of higher volumes and a good productivity development.

The value of the order book at June 30 was 78% higher than a year earlier.

Events in the second quarter

In April, Volvo CE announced that the company will strengthen its position in the Russian Federation by signing an exclusive agreement with Ferronordic Machines covering the distribution of the company's products throughout the country. Ferronordic plans to invest about EUR 100 M in distribution development by the year 2015.

In May, Volvo CE announced an investment of SEK 144 M for production of excavators in the existing road machinery facility in Bangalore, India. These machines will primarily be models for the Indian market and production will start at the end of 2011.

Buses
– improved profitability despite low volumes

- Slow market recovery
- Improved profitability
- Serial production of hybrid buses

Net sales by market area, Buses

SEK M	Second quarter 2010	2009	Change in %	First six months 2010	2009	Change in %
Europe	**1,864**	2,365	(21)	**3,322**	4,104	(19)
North America	**1,725**	1,261	37	**3,762**	2,572	46
South America	**327**	190	72	**723**	472	53
Asia	**664**	536	24	**1,577**	941	68
Other markets	**673**	324	108	**936**	593	58
Total	**5,253**	**4,676**	**12**	**10,320**	**8,682**	**19**

Demand varies in the different markets

During January to May 2010 the number of registered buses in Western Europe was the lowest since 2004, but there are signs that the coach market has reached the bottom. There is high activity in the city bus market in the Nordic countries and Spain while the rest of Europe is characterized by low demand.

The bus market in North America still suffers from the recession, and there are no signs of a recovery for coaches and registrations of city buses are declining.

In South America the market for intercity buses and coaches is improving and the activity within city buses is good.

In Asia development has overall been very positive and there is an increased demand for heavy buses.

Lower volumes

During the second quarter 2,297 buses were delivered, which is a decrease of 7% compared to 2,464 buses during the second quarter in the preceding year. Deliveries increased in North and South America as well as in Australia, while Europe and China showed lower volumes. During the quarter order intake amounted to 3,081 buses, compared to 3,204 buses in the preceding year, which was a decline of 4%.

Profitable second quarter

During the second quarter net sales increased by 12% to SEK 5,253 M (4,676). Adjusted for currency movements, net sales increased by 12%.

Operating income amounted to SEK 259 M compared to an operating loss of SEK 118 M during the second quarter of 2009. Operating margin was 4.9% compared to a negative 2.5% during the second quarter of 2009 as a result of cost reductions implemented during 2009 and a positive change in market mix.

Alignment to current volumes

With prevailing economic conditions and the varying demand in the different markets there is continued focus on profitability with current volumes and a continued reduction of the overall cost structure.

During the second quarter Volvo Buses has begun serial production of hybrid buses in the plant in Poland, and the order backlog is currently about 100 hybrid buses. A number of important contracts were also signed, among them an order for 240 coaches to ADO in Mexico.

Volvo Penta
– substantial earnings improvement

- Continued low demand for leisure boats
- New contract strengthens IPS in commercial shipping
- Operating income considerably improved

Net sales by market area, Volvo Penta

SEK M	Second quarter 2010	Second quarter 2009	Change in %	First six months 2010	First six months 2009	Change in %
Europe	**1,395**	1,319	6	**2,513**	2,441	3
North America	**507**	290	75	**814**	555	47
South America	**80**	54	48	**152**	106	43
Asia	**549**	516	6	**949**	1,034	(8)
Other markets	**100**	79	27	**180**	159	13
Total	**2,631**	**2,258**	**17**	**4,608**	**4,295**	**7**

Unchanged total market

During the second quarter of the year, end customer demand for marine engines in Europe and North America were more or less on the same level as during the first quarter. The development for industrial engines was somewhat stronger. The global debt crisis and the turmoil in the financial markets have contributed to a continued low demand for leisure boats. The total market for industrial engines in the Middle East, India and South America has been somewhat stronger than in the preceding year, while demand in Asia has been somewhat weaker.

Strengthened positions

During the quarter, delivery contracts have been secured with a number of leading European boat builders adding to a strengthening of Volvo Penta's market shares within leisure boats. In commercial shipping, Volvo Penta has received a contract from the Swedish Coast Guard, which strengthens the IPS drive system's position. With the IPS system, Volvo Penta can offer up to 30% lower fuel consumption, which amounts to considerable savings for operators of patrol boats and passenger boats among others. On June 30, 2010 the total volume in the order book was 102% higher than on the same date in the preceding year.

Sales increase and substantial earnings improvement

During the second quarter, Volvo Penta's net sales increased by 17% to SEK 2,631 M (2,258). Adjusted for currency fluctuations, net sales increased by 23%. Sales were distributed between the two business segments as follows: Marine SEK 1,543 M (1,406) and Industrial SEK 1,088 M (852).

Operating income amounted to SEK 312 M compared to last year's operating loss of SEK 165 M. Operating income was positively impacted by higher sales, increased capacity utilization and the effects from cost reduction measures. Operating margin amounted to 11.9% (Negative 7.3%).

Product launches in the fall

During the third quarter, Volvo Penta will launch new instruments and an updated electronic platform for leisure boats and commercial boats. The new platform makes it possible for Volvo Penta to offer boat owners different types of peripheral services such as cruise controls and satellite based positioning systems to an even greater extent than previously.

During the fall, Volvo Penta will also launch an 800 horsepower inboard version of the D13 engine based on the Volvo Group's common diesel engine platform.

Volvo Aero
– improved earnings in core business

- Air traffic recovery continues
  – now above pre-recession levels
- Positive development for Volvo Aero component business
- Divestiture of Volvo Aero Services (VAS)

Net sales by market area, Volvo Aero

SEK M	Second quarter 2010	2009	Change in %	First six months 2010	2009	Change in %
Europe	**1,064**	1,036	3	**2,101**	1,989	6
North America	**978**	903	8	**1,769**	1,880	(6)
South America	**6**	9	(33)	**12**	20	(40)
Asia	**67**	54	24	**122**	107	14
Other markets	**18**	32	(44)	**39**	68	(43)
Total	**2,133**	**2,034**	**5**	**4,043**	**4,064**	**(1)**

Air travel above pre-recession levels

International air traffic has continued to recover in 2010, in spite of the impact of the European volcanic ash clouds in April. Statistics for May showed an 11.7% increase in passenger traffic and a 34.3% jump in freight demand compared to May 2009. The cumulative rate of traffic growth through May was 7.2% and cargo was 28.9%. Passenger traffic is now 1% above pre-recession levels, while the freight market is 6% higher

The International Air Transport Association (IATA) expects airlines to post a global profit of USD 2.5 billion in 2010. This is a major improvement compared with IATA's previous forecast released in March of a USD 2.8 billion loss.

Airbus and Boeing announced 319 gross orders in the first six months of 2010, an improvement compared to the 175 orders reported in the same time period last year. The backlog for large commercial aircraft decreased from 6,863 aircraft at the end of 2009 to 6,659 at the end of June. Combined deliveries decreased 6%, to 472 units.

The sale of VAS affects the operating result

Net sales during the second quarter increased by 5% to SEK 2,133 M, compared to SEK 2,034 M the same period a year ago. Adjusted for currency fluctuations, sales increased by 10%.

Volvo Aero has made a strategic decision to focus on its core operations of developing and manufacturing components for aircraft engines. As a result of this, an agreement to sell the US subsidiary Volvo Aero Services was signed in the second quarter and the transaction is expected to be closed during the third quarter. The sale has a negative impact on the operating income for the second quarter of SEK 613 M, of which SEK 390 M relates to write-downs made in "Group headquarter functions and other" during 2009 that have now been re-classified to Volvo Aero and an additional write-down of SEK 223 M in the second quarter of 2010. Therefore, Volvo Aero posted an operating loss of SEK 372 M in the quarter.

Adjusted for the negative impact of the sale of VAS, the operating income was SEK 241 M (28), with an operating margin of 11.3% (1.4%). The improvement compared to last year is due to higher sales, lower cost and higher productivity.

Trent XWB runs for the first time

On 17 June, the new Rolls-Royce engine Trent XWB ran for the first time at Rolls-Royce Headquarters in Derby, England. Volvo Aero is a risk and revenue sharing partner in the XWB engine, responsible for the Intermediate Compressor Case, the first fabricated Titanium ICC designed and manufactured completely in Volvo Aero's new design system. The Trent XWB will power the first flight of Airbus A350 XWB in 2012 and enter into service in 2013. The order book already exceeds 1,000 engines.

Income statements second quarter

SEK M	Industrial Operations 2010	Industrial Operations 2009	Customer Finance 2010	Customer Finance 2009	Eliminations 2010	Eliminations 2009	Volvo Group Total 2010	Volvo Group Total 2009
Net sales	**66,717**	**51,512**	**2,426**	**2,960**	**(378)**	**(513)**	**68,765**	**53,959**
Cost of sales	**(51,066)**	(46,519)	**(1,670)**	(2,172)	**378**	513	**(52,358)**	(48,178)
Gross income	**15,651**	**4,993**	**756**	**788**	**0**	**0**	**16,407**	**5,781**
Research and development expenses	**(3,201)**	(3,403)	**0**	0	**0**	0	**(3,201)**	(3,403)
Selling expenses	**(5,783)**	(6,074)	**(381)**	(403)	**0**	0	**(6,163)**	(6,477)
Administrative expenses	**(1,430)**	(1,554)	**(6)**	(7)	**0**	0	**(1,436)**	(1,561)
Other operating income and expenses	**(445)**	(551)	**(361)**	(679)	**0**	0	**(807)**	(1,229)
Income from investments in associated companies	**(37)**	(4)	**0**	0	**0**	0	**(37)**	(4)
Income from other investments	**7**	5	**0**	5	**0**	0	**7**	9
Operating income	**4,763**	**(6,587)**	**7**	**(296)**	**0**	**0**	**4,770**	**(6,883)**
Interest income and similar credits	**136**	107	**0**	0	**(24)**	(30)	**112**	77
Interest expenses and similar charges	**(838)**	(910)	**0**	0	**24**	30	**(815)**	(879)
Other financial income and expenses	**475**	(36)	**0**	0	**0**	0	**475**	(36)
Income after financial items	**4,536**	**(7,426)**	**7**	**(296)**	**0**	**0**	**4,541**	**(7,721)**
Income taxes	**(1,302)**	2,091	**(14)**	67	**0**	0	**(1,315)**	2,158
Income for the period*	**3,234**	**(5,335)**	**(7)**	**(229)**	**0**	**0**	**3,226**	**(5,564)**

	2010	2009
* Attributable to:		
Equity holders of the parent company	**3,145**	(5,574)
Minority interests	**81**	10
	3,226	**(5,564)**
Basic earnings per share, SEK	**1.55**	(2.75)
Diluted earnings per share, SEK	**1.55**	(2.75)

Other comprehensive income	2010	2009
Income for the period	**3,226**	(5,564)
Exchange differences on translation of foreign operations	**1,207**	(458)
Exchange differences on hedge instruments of net investment in foreign operations	**(21)**	38
Accumulated translation difference reversed to income	**(33)**	(138)
Available for sale investments	**(50)**	149
Cash flow hedges	**(73)**	1,480
Other comprehensive income, net of income taxes	**1,030**	1,071
Total comprehensive income for the period*	**4,256**	**(4,493)**
* Attributable to		
Equity holders of the parent company	**4,168**	(4,482)
Minority interests	**88**	(11)
	4,256	(4,493)

Income statements first six months

SEK M	Industrial Operations 2010	Industrial Operations 2009	Customer Finance 2010	Customer Finance 2009	Eliminations 2010	Eliminations 2009	Volvo Group Total 2010	Volvo Group Total 2009
Net sales	**123,176**	**104,960**	**4,934**	**6,116**	**(728)**	**(996)**	**127,382**	**110,080**
Cost of sales	**(94,645)**	(91,947)	**(3,407)**	(4,521)	**728**	996	**(97,324)**	(95,472)
Gross income	**28,531**	**13,013**	**1,527**	**1,595**	**0**	**0**	**30,058**	**14,608**
Research and development expenses	**(6,205)**	(6,866)	**0**	0	**0**	0	**(6,205)**	(6,866)
Selling expenses	**(11,259)**	(12,497)	**(759)**	(819)	**0**	0	**(12,018)**	(13,316)
Administrative expenses	**(3,052)**	(3,281)	**(13)**	(14)	**0**	0	**(3,065)**	(3,295)
Other operating income and expenses	**(419)**	(1,078)	**(733)**	(1,459)	**0**	0	**(1,153)**	(2,537)
Income from investments in associated companies	**(56)**	(19)	**0**	0	**0**	0	**(56)**	(19)
Income from other investments	**7**	8	**0**	5	**0**	0	**7**	12
Operating income	**7,548**	**(10,719)**	**21**	**(692)**	**0**	**0**	**7,569**	**(11,411)**
Interest income and similar credits	**260**	245	**0**	0	**(45)**	(48)	**215**	197
Interest expenses and similar charges	**(1,681)**	(1,736)	**0**	0	**45**	48	**(1,636)**	(1,687)
Other financial income and expenses	**622**	(663)	**0**	0	**0**	0	**622**	(663)
Income after financial items	**6,749**	**(12,873)**	**21**	**(692)**	**0**	**0**	**6,769**	**(13,564)**
Income taxes	**(1,774)**	3,655	**(49)**	123	**0**	0	**(1,823)**	3,778
Income for the period*	**4,975**	**(9,218)**	**(28)**	**(569)**	**0**	**0**	**4,946**	**(9,787)**
* Attributable to:								
Equity holders of the parent company							**4,826**	(9,802)
Minority interests							**120**	15
							4,946	**(9,787)**
Basic earnings per share, SEK							**2.38**	(4.83)
Diluted earnings per share, SEK							**2.38**	(4.83)

Other comprehensive income		
Income for the period	**4,946**	(9,787)
Exchange differences on translation of foreign operations	**21**	701
Exchange differences on hedge instruments of net investment in foreign operations	**79**	26
Accumulated translation difference reversed to income	**(33)**	(138)
Available for sale investments	**20**	99
Cash flow hedges	**(245)**	1,214
Other comprehensive income, net of income taxes	**(158)**	1,902
Total comprehensive income for the period*	**4,788**	**(7,885)**
* Attributable to		
Equity holders of the parent company	**4,653**	(7,952)
Minority interests	**135**	67
	4,788	(7,885)

Balance sheet Volvo Group

SEK M	Industrial Operations June 30 2010	Industrial Operations Dec 31 2009	Customer Finance June 30 2010	Customer Finance Dec 31 2009	Eliminations June 30 2010	Eliminations Dec 31 2009	Volvo Group Total June 30 2010	Volvo Group Total Dec 31 2009
Assets								
Non-current assets								
Intangible assets	**42,408**	41,532	**106**	96	**0**	0	**42,513**	41,628
Tangible assets								
Property, plant and equipment	**55,267**	55,208	**72**	72	**0**	0	**55,339**	55,280
Assets under operating leases	**12,813**	13,539	**10,053**	10,955	**(3,642)**	(4,106)	**19,224**	20,388
Financial assets								
Shares and participations	**2,165**	2,025	**20**	19	**0**	0	**2,186**	2,044
Non-current customer-financing receivables	**665**	531	**37,020**	39,720	**(653)**	(538)	**37,031**	39,713
Deferred tax assets	**13,080**	12,277	**348**	318	**0**	0	**13,427**	12,595
Prepaid pensions	**1,899**	2,038	**10**	10	**0**	0	**1,910**	2,049
Non-current interest-bearing receivables	**1,125**	1,095	**902**	0	**(1,370)**	(510)	**657**	585
Other non-current receivables	**3,930**	3,033	**43**	42	**(36)**	(36)	**3,938**	3,038
Total non-current assets	**133,352**	**131,278**	**48,574**	**51,232**	**(5,701)**	**(5,190)**	**176,225**	**177,320**
Current assets								
Inventories	**39,422**	35,765	**1,288**	1,962	**0**	0	**40,710**	37,727
Current receivables								
Customer-financing receivables	**1,123**	836	**38,864**	42,443	**(1,103)**	(1,015)	**38,884**	42,264
Tax assets	**1,223**	1,362	**134**	161	**0**	0	**1,357**	1,523
Interest-bearing receivables	**1,240**	1,215	**1,374**	66	**(2,239)**	(872)	**375**	410
Internal funding	**7,154**	3,662	**0**	0	**(7,154)**	(3,662)	**–**	–
Accounts receivable	**26,804**	20,877	**473**	460	**0**	0	**27,277**	21,337
Other receivables	**12,602**	11,459	**1,158**	1,701	**(676)**	(1,077)	**13,084**	12,082
Non interest-bearing assets held for sale	**968**	1,684	**–**	–	**–**	–	**968**	1,684
Interest-bearing assets held for sale	**9**	8	**–**	–	**–**	–	**9**	8
Marketable securities	**14,875**	16,655	**481**	21	**0**	0	**15,356**	16,676
Cash and cash equivalents	**22,339**	20,749	**891**	726	**(112)**	(241)	**23,117**	21,234
Total current assets	**127,758**	**114,272**	**44,662**	**47,540**	**(11,284)**	**(6,867)**	**161,137**	**154,945**
Total assets	**261,110**	**245,550**	**93,236**	**98,772**	**(16,985)**	**(12,057)**	**337,362**	**332,265**
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company	**62,285**	57,856	**8,650**	8,549	**0**	0	**70,935**	66,405
Minority interests	**685**	629	**0**	0	**0**	0	**685**	629
Total shareholders' equity	**62,970**	**58,485**	**8,650**	**8,549**	**0**	**0**	**71,620**	**67,034**
Non-current provisions								
Provisions for post-employment benefits	**8,264**	8,021	**39**	30	**0**	0	**8,303**	8,051
Provisions for deferred taxes	**2,465**	1,858	**1,571**	1,780	**0**	0	**4,036**	3,638
Other provisions	**6,396**	6,277	**106**	80	**1**	2	**6,503**	6,360
Non-current liabilities								
Bond loans	**42,004**	49,191	**0**	0	**0**	0	**42,004**	49,191
Other loans	**51,383**	48,684	**8,232**	7,458	**(90)**	(107)	**59,525**	56,035
Internal funding	**(25,134)**	(30,908)	**28,337**	32,758	**(3,203)**	(1,849)	**–**	–
Other liabilities	**11,552**	11,762	**420**	479	**(2,217)**	(2,353)	**9,755**	9,888
Current provisions	**8,825**	9,321	**157**	164	**1**	2	**8,983**	9,487
Current liabilities								
Loans	**36,178**	44,196	**9,840**	8,305	**(959)**	(876)	**45,059**	51,626
Internal funding	**(24,139)**	(32,273)	**32,643**	36,457	**(8,504)**	(4,184)	**–**	–
Non interest-bearing liabilities held for sale	**332**	272	**–**	–	**–**	–	**332**	272
Trade payables	**44,671**	35,754	**124**	201	**0**	0	**44,795**	35,955
Tax liabilities	**621**	369	**506**	254	**0**	0	**1,128**	623
Other liabilities	**34,722**	34,541	**2,611**	2,257	**(2,014)**	(2,692)	**35,319**	34,105
Total shareholders' equity and liabilities	**261,110**	**245,550**	**93,236**	**98,772**	**(16,985)**	**(12,057)**	**337,362**	**332,265**
Contingent liabilities							**11,253**	9,607

Cash flow statement for the second quarter

	Industrial Operations		Customer Finance		Eliminations		Volvo Group Total	
SEK bn	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Operating activities								
Operating income	**4.8**	(6.6)	**0.0**	(0.3)	**0.0**	0.0	**4.8**	(6.9)
Depreciation tangible assets	**1.5**	1.8	**0.0**	0.0	**0.0**	0.0	**1.5**	1.8
Depreciation intangible assets	**0.8**	1.0	**0.0**	0.0	**0.0**	0.0	**0.8**	1.0
Depreciation leasing vehicles	**0.5**	0.5	**0.6**	0.7	**0.0**	0.0	**1.1**	1.2
Other non-cash items	**0.6**	0.7	**0.4**	0.6	**0.0**	0.0	**1.0**	1.3
Total change in working capital whereof	**3.3**	2.6	**0.4**	3.4	**0.1**	0.3	**3.8**	6.3
Change in accounts receivable	***(1.9)***	*1.6*	***(0.1)***	*0.0*	***0.0***	*0.0*	***(2.0)***	*1.6*
Change in inventories	***(1.6)***	*5.8*	***0.3***	*(0.5)*	***0.0***	*0.0*	***(1.3)***	*5.3*
Change in trade payables	***7.0***	*(4.0)*	***0.0***	*0.0*	***0.0***	*0.0*	***7.0***	*(4.0)*
Other changes in working capital	***(0.2)***	*(0.8)*	***0.2***	*3.9*	***0.1***	*0.3*	***0.1***	*3.4*
Net of interest and other financial items	**(0.6)**	(0.3)	**0.0**	0.0	**0.0**	0.0	**(0.6)**	(0.3)
Income taxes paid	**(0.5)**	(0.2)	**(0.1)**	(0.1)	**0.0**	0.0	**(0.6)**	(0.3)
Cash flow from operating activities	**10.4**	**(0.5)**	**1.3**	**4.3**	**0.1**	**0.3**	**11.8**	**4.1**
Investing activities								
Investments in tangible assets	**(1.1)**	(1.7)	**(0.1)**	0.0	**0.1**	0.0	**(1.1)**	(1.7)
Investments in intangible assets	**(0.8)**	(0.9)	**0.0**	0.0	**0.0**	0.0	**(0.8)**	(0.9)
Investment in leasing vehicles	**(0.1)**	(0.1)	**(0.7)**	(1.1)	**0.0**	0.1	**(0.8)**	(1.1)
Disposals of fixed assets and leasing vehicles	**0.1**	0.3	**0.6**	0.9	**0.0**	0.0	**0.7**	1.2
Operating cash flow	**8.5**	**(2.9)**	**1.1**	**4.1**	**0.2**	**0.4**	**9.8**	**1.6**
Investments and divestments of shares, net							**0.0**	0.0
Acquired and divested operations, net							**0.2**	0.0
Interest-bearing receivables incl marketable securites							**(1.4)**	(2.0)
Cash-flow after net investments							**8.6**	**(0.4)**
Financing activities								
Change in loans, net							**(6.0)**	10.6
Dividend to AB Volvo shareholders							**0.0**	(4.1)
Dividend to minority shareholders							**(0.1)**	0.0
Change in cash and cash equivalents excl. translation differences							**2.5**	**6.1**
Translation difference on cash and cash equivalents							**0.5**	(0.1)
Change in cash and cash equivalents							**3.0**	**6.0**

Cash flow statement for the first six months

SEK bn	Industrial Operations 2010	Industrial Operations 2009	Customer Finance 2010	Customer Finance 2009	Eliminations 2010	Eliminations 2009	Volvo Group Total 2010	Volvo Group Total 2009
Operating activities								
Operating income	**7.6**	(10.7)	**0.0**	(0.7)	**0.0**	0.0	**7.6**	(11.4)
Depreciation tangible assets	**3.0**	3.4	**0.0**	0.0	**0.0**	0.0	**3.0**	3.4
Depreciation intangible assets	**1.6**	1.9	**0.0**	0.0	**0.0**	0.0	**1.6**	1.9
Depreciation leasing vehicles	**1.0**	1.2	**1.2**	1.5	**0.0**	0.0	**2.2**	2.7
Other non-cash items	**0.2**	1.0	**0.7**	1.3	**0.0**	0.0	**0.9**	2.3
Total change in working capital whereof	**(1.2)**	(8.8)	**2.8**	6.2	**0.1**	0.3	**1.7**	(2.3)
Change in accounts receivable	***(5.2)***	*7.7*	***(0.1)***	*(0.1)*	***0.0***	*0.0*	***(5.3)***	*7.6*
Change in inventories	***(2.9)***	*7.3*	***0.5***	*(0.9)*	***0.0***	*0.0*	***(2.4)***	*6.4*
Change in trade payables	***8.6***	*(20.6)*	***(0.1)***	*(0.1)*	***0.0***	*0.0*	***8.5***	*(20.7)*
Other changes in working capital	***(1.7)***	*(3.2)*	***2.5***	*7.3*	***0.1***	*0.3*	***0.9***	*4.4*
Net of interest and other financial items	**(1.3)**	(1.1)	**0.0**	0.0	**0.0**	0.0	**(1.3)**	(1.1)
Income taxes paid	**(1.5)**	(0.6)	**0.0**	(0.1)	**0.0**	0.0	**(1.5)**	(0.7)
Cash flow from operating activities	**9.4**	**(13.7)**	**4.7**	**8.2**	**0.1**	**0.3**	**14.2**	**(5.2)**
Investing activities								
Investments in tangible assets	**(2.3)**	(3.6)	**(0.1)**	0.0	**0.1**	0.0	**(2.3)**	(3.6)
Investments in intangible assets	**(1.6)**	(1.6)	**0.0**	0.0	**0.0**	0.0	**(1.6)**	(1.6)
Investment in leasing vehicles	**(0.1)**	(0.1)	**(1.4)**	(2.3)	**0.0**	0.1	**(1.5)**	(2.3)
Disposals of fixed assets and leasing vehicles	**0.4**	0.4	**1.1**	1.7	**0.0**	0.0	**1.5**	2.1
Operating cash flow	**5.8**	**(18.6)**	**4.3**	**7.6**	**0.2**	**0.4**	**10.3**	**(10.6)**
Investments and divestments of shares, net							**(0.1)**	0.0
Acquired and divested operations, net							**0.2**	0.0
Interest-bearing receivables incl marketable securites							**1.1**	(0.5)
Cash-flow after net investments							**11.5**	**(11.1)**
Financing activities								
Change in loans, net							**(10.1)**	22.0
Dividend to AB Volvo shareholders							**0.0**	(4.1)
Dividend to minority shareholders							**(0.1)**	0.0
Change in cash and cash equivalents excl. translation differences							**1.3**	**6.8**
Translation difference on cash and cash equivalents							**0.6**	0.0
Change in cash and cash equivalents							**1.9**	**6.8**

Net financial position

SEK M	Industrial operations June 30 2010	Industrial operations Dec 31 2009	Volvo Group June 30 2010	Volvo Group Dec 31 2009
Non-current interest-bearing assets				
Non-current customer-financing receivables	**-**	–	**37,031**	39,713
Non-current interest-bearing receivables	**1,125**	1,095	**657**	585
Current interest-bearing assets				
Customer-financing receivables	**-**	–	**38,884**	42,264
Interest-bearing receivables	**1,240**	1,215	**375**	410
Internal funding	**7,154**	3,662	**-**	–
Interest-bearing assets held for sale	**9**	8	**9**	8
Marketable securities	**14,875**	16,655	**15,356**	16,676
Cash and cash equivalents	**22,339**	20,749	**23,117**	21,234
Total financial assets	**46,742**	**43,384**	**115,429**	**120,890**
Non-current interest-bearing liabilities				
Bond loans	**42,004**	49,191	**42,004**	49,191
Other loans	**51,383**	48,684	**59,525**	56,035
Internal funding	**(25,134)**	(30,908)	**-**	–
Current interest-bearing liabilities				
Loans	**36,178**	44,196	**45,059**	51,626
Internal funding	**(24,139)**	(32,273)	**-**	–
Total financial liabilities	**80,292**	**78,890**	**146,588**	**156,852**
Net financial position excl post-employment benefits	**(33,550)**	**(35,506)**	**(31,159)**	**(35,962)**
Provisions for post-employment benefits, net	**6,365**	5,983	**6,393**	6,002
Net financial position incl post-employment benefits	**(39,915)**	**(41,489)**	**(37,552)**	**(41,964)**

Changes in net financial position, Industrial Operations

SEK bn	Second quarter 2010	First six months 2010
Beginning of period	**(45.0)**	**(41.5)**
Cash flow from operating activities	10.4	9.4
Investments in fixed assets	(2.0)	(4.0)
Disposals	0.1	0.4
Operating cash-flow	**8.5**	**5.8**
Investments and divestments of shares, net	0.0	(0.1)
Acquired and divested operations, net	0.2	0.2
Capital injections to/from Customer Finance operations	(0.1)	(0.4)
Currency effect	(3.3)	(3.4)
Dividend paid to minority shareholders	(0.1)	(0.1)
Other changes	(0.1)	(0.4)
Total change	**5.1**	**1.6**
Net financial position at end of period	**(39.9)**	**(39.9)**

Changes in shareholders' equity

	First six months	
SEK bn	**2010**	2009
Total equity at end of previous period	**67.0**	**84.6**
Transition effect IFRS 3, capitalized transaction costs	**(0.1)**	–
Total equity at beginning of period	**66.9**	**84.6**
Shareholders' equity attributable to equity holders of the parent company at beginning of period	**66.4**	**84.0**
Income for the period	**4.8**	(9.8)
Other comprehensive income	**(0.3)**	1.9
Total comprehensive income	**4.5**	**(7.9)**
Dividend to AB Volvo's shareholders	**0.0**	(4.1)
Share-based payments	**0.0**	0.0
Other changes	**0.0**	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	**70.9**	**72.0**
Minority interests at beginning of period	**0.6**	**0.6**
Income for the period	**0.1**	0.0
Other comprehensive income	**0.1**	0.1
Total comprehensive income	**0.2**	**0.1**
Cash dividend	**(0.1)**	0.0
Minority regarding new acquisitions	**0.0**	0.0
Other changes	**0.0**	0.0
Minority interests at end of period	**0.7**	**0.7**
Total equity at end of period	**71.6**	**72.7**

Key ratios

Industrial Operations

	First six months	
	2010	2009
Gross margin, %	**23.2**	12.4
Research and development expenses in % of net sales	**5.0**	6.5
Selling expenses in % of net sales	**9.1**	11.9
Administrative expenses in % of net sales	**2.5**	3.1
Operating margin, %	**6.1**	(10.2)

	June 30 2010	Dec 31 2009
Return on operating capital, %, 12 months rolling values	**2.0**	(15.6)
Net financial position at end of period, SEK billion	**(39.9)**	(41.5)
Net financial position in % of shareholders' equity at end of period	**(63.4)**	(70.9)
Shareholders' equity as percentage of total assets, end of period	**24.1**	23.8

Customer finance

	June 30 2010	Dec 31 2009
Return on shareholders' equity, %, 12 months rolling values	**(0.3)**	(6.2)
Equity ratio at end of period, %	**9.3**	8.7
Asset growth, % from preceding year end until end of period	**(5.6)**	(16.0)

Volvo Group

	First six months	
	2010	2009
Gross margin, %	**23.6**	13.3
Research and development expenses in % of net sales	**4.9**	6.2
Selling expenses in % of net sales	**9.4**	12.1
Administrative expenses in % of net sales	**2.4**	3.0
Operating margin, %	**5.9**	(10.4)

	June 30 2010	Dec 31 2009
Basic earnings per share, SEK, 12 months rolling values	**(0.04)**	(7.26)
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	**35.0**	32.8
Return on shareholders' equity, %, 12 months rolling values	**0.1**	(19.7)
Shareholders' equity as percentage of total assets, end of period	**21.2**	20.2

Share data

	First six months	
	2010	2009
Basic earnings per share, SEK	**2.38**	(4.83)
Diluted earnings per share, SEK	**2.38**	(4.83)
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**	101

Quarterly figures

SEK M unless otherwise stated

Industrial Operations	2/2009	3/2009	4/2009	1/2010	2/2010
Net sales	**51,512**	**46,086**	**57,441**	**56,459**	**66,717**
Cost of sales	(46,519)	(39,317)	(48,314)	(43,579)	**(51,066)**
Gross income	**4,993**	**6,769**	**9,127**	**12,880**	**15,651**
Research and development expenses	(3,403)	(2,961)	(3,366)	(3,004)	**(3,201)**
Selling expenses	(6,074)	(5,551)	(5,704)	(5,476)	**(5,783)**
Administrative expenses	(1,554)	(1,185)	(1,372)	(1,622)	**(1,430)**
Other operating income and expenses	(551)	(343)	(1,011)	26	**(445)**
Income from investments in associated companies	(4)	(12)	16	(19)	**(37)**
Income from other investments	5	0	(21)	0	**7**
Operating income Industrial Operations	**(6,587)**	**(3,283)**	**(2,331)**	**2,785**	**4,763**
Customer Finance					
Finance and lease income	2,960	2,781	2,815	2,508	**2,426**
Finance and lease expenses	(2,172)	(1,981)	(1,925)	(1,737)	**(1,670)**
Gross income	**788**	**800**	**890**	**771**	**756**
Selling and administrative expenses	(410)	(388)	(388)	(385)	**(388)**
Credit provision expenses	(663)	(418)	(466)	(374)	**(414)**
Other operating income and expenses	(11)	3	(21)	2	**53**
Operating income Customer Finance	**(296)**	**(3)**	**15**	**14**	**7**
Volvo Group					
Operating income	**(6,883)**	**(3,286)**	**(2,316)**	**2,799**	**4,770**
Interest income and similar credits	77	98	95	103	**112**
Interest expense and similar credits	(879)	(986)	(886)	(821)	**(815)**
Other financial income and costs	(36)	46	225	147	**475**
Income after financial items	**(7,721)**	**(4,129)**	**(2,881)**	**2,228**	**4,541**
Income taxes	2,158	1,214	897	(508)	**(1,315)**
Income for the period*	**(5,564)**	**(2,913)**	**(1,985)**	**1,720**	**3,226**
* Attributable to					
Equity holders of AB Volvo	(5,574)	(2,918)	(1,998)	1,681	**3,145**
Minority interests	10	5	13	39	**81**
	(5,564)	**(2,913)**	**(1,985)**	**1,720**	**3,226**

Key operating ratios, Industrial Operations					
Gross margin, %	9.7	14.7	15.9	22.8	**23.5**
Research and development expenses in % of net sales	6.6	6.4	5.9	5.3	**4.8**
Selling expenses in % of net sales	11.8	12.0	9.9	9.7	**8.7**
Administrative expenses in % of net sales	3.0	2.6	2.4	2.9	**2.1**
Operating margin , %	(12.8)	(7.1)	(4.1)	4.9	**7.1**

Depreciation and amortization, included above					
Product and Software development, amortization	803	753	745	716	**706**
Other intangible assets, amortization	118	110	109	105	**111**
Property, plant and equipment, depreciation	3,040	2,821	2,696	2,576	**2,663**
Total	**3,961**	**3,684**	**3,550**	**3,397**	**3,480**
Of which					
Industrial Operations	3,226	3,025	2,892	2,782	**2,858**
Customer Finance	735	659	658	615	**622**
Total	**3,961**	**3,684**	**3,550**	**3,397**	**3,480**

Research and development expenses					
Capitalization	731	448	752	713	**464**
Amortization	(703)	(611)	(643)	(588)	**(569)**
Net capitalization of research and development expenses	**28**	**(163)**	**109**	**125**	**(105)**

Quarterly figures

Share data

	2/2009	3/2009	4/2009	1/2010	**2/2010**
Earnings per share, SEK[1]	(2.75)	(1.44)	(0.99)	0.83	**1.55**
Number of shares outstanding, million	2,027	2,027	2,027	2,027	**2,027**
Average number of shares during period, million	2,027	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.

Net sales

SEK M	2/2009	3/2009	4/2009	1/2010	**2/2010**
Trucks	33,527	30,351	37,678	36,488	**41,589**
Construction Equipment	9,151	8,176	10,159	11,148	**15,295**
Buses	4,676	3,990	5,793	5,067	**5,253**
Volvo Penta	2,258	1,925	1,939	1,977	**2,631**
Volvo Aero	2,034	1,761	1,978	1,910	**2,133**
Eliminations and other	(134)	(117)	(105)	(131)	**(184)**
Industrial Operations	**51,512**	**46,086**	**57,441**	**56,459**	**66,717**
Customer Finance	2,960	2,781	2,815	2,508	**2,426**
Eliminations	(513)	(384)	(458)	(350)	**(378)**
Volvo Group	**53,959**	**48,483**	**59,798**	**58,617**	**68,765**

Operating income

SEK M	2/2009	3/2009	4/2009	1/2010	**2/2010**
Trucks	(4,778)	(2,329)	(1,316)	1,444	**2,478**
Construction Equipment	(1,259)	(787)	(564)	1,006	**2,086**
Buses	(118)	(91)	(46)	145	**259**
Volvo Penta	(165)	25	7	121	**312**
Volvo Aero	28	108	(169)	152	**(372)**
Group headquarter functions and other	(293)	(210)	(244)	(83)	**0**
Industrial Operations	**(6,587)**	**(3,283)**	**(2,331)**	**2,785**	**4,763**
Customer Finance	(296)	(3)	15	14	**7**
Volvo Group	**(6,883)**	**(3,286)**	**(2,316)**	**2,799**	**4,770**

Operating margin

%	2/2009	3/2009	4/2009	1/2010	**2/2010**
Trucks	(14.3)	(7.7)	(3.5)	4.0	**6.0**
Construction Equipment	(13.8)	(9.6)	(5.6)	9.0	**13.6**
Buses	(2.5)	(2.3)	(0.8)	2.9	**4.9**
Volvo Penta	(7.3)	1.3	0.4	6.1	**11.9**
Volvo Aero	1.4	6.1	(8.5)	8.0	**(17.4)**
Industrial Operations	**(12.8)**	**(7.1)**	**(4.1)**	**4.9**	**7.1**
Volvo Group	**(12.8)**	**(6.8)**	**(3.9)**	**4.8**	**6.9**

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 2009 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 2.3 Reporting for legal entities. Application of RFR 2.3 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 2010

In accordance with considerations presented in the Annual Report, Note 3, regarding new accounting principles for 2010, a number of new standards and IFRIC interpretations became effective January 1, 2010.

Revised IFRS 3 Business combinations

The standard became effective on July 1, 2009 and applies to fiscal years beginning on or after that date. The standard entails changes to the reporting of future acquisitions regarding for example the accounting of transaction costs, any contingent considerations and step acquisitions. Further information regarding the financial impact is available in note 3 to the consolidated financial statements, included in the 2009 Annual Report for the Volvo Group.

IAS 27 amendment Consolidated and separate financial statements

The standard became effective on July 1, 2009, as a consequence of the revised IFRS 3, and applies to fiscal years beginning on or after that date. The amendment brings about changes in IAS 27 regarding for example how to report changes to the ownership in cases where the parent company retains or loses the control of the owned entity. The Group will apply the amendment as of January 1, 2010. The application will prospectively affect the accounting for business combinations made from the application date.

Other new amendments to standards and IFRIC interpretations applied by the Volvo Group from January 1, 2010, have no significant effect on the financial statements of the Group, in accordance with what has been communicated in Note 3 of the Annual Report.

Otherwise, accounting principles and methods of calculations have remained essentially unchanged from those applied in the 2009 Annual Report.

Hedging of commercial currency flows

Volvo only hedges firm flows whereof the major part is realized within 6 months. Hedge accounting is not applied and unrealized gains and losses from fluctuations in the fair values of the contracts are reported in the income statement in the segment Group headquarter functions and other. This has negatively affected the Group's operating income by SEK 231 M during the second quarter. When the contracts have been realised the income effect will be reported within the respective segments.

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 34–36 in the 2009 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 development of the financial markets 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.

Instability in the financial markets impacts the accessibility to credits and loan financing, which may negatively affect customers, suppliers, dealers as well as the Volvo Group. Suppliers' financial instability and higher demand 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.

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities at June 30, 2010, amounted to SEK 11.3 billion, an increase of SEK 1.6 billion compared to March 31, 2010. Included in the total is a contingent liability of SEK 0.5 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. The trust must be approved by the U.S. District Court for the Eastern District of Pennsylvania, which is now expected in the fourth quarter 2010. The Volvo Group will fund the trust with USD 525 M, to be paid over 5 years. The funding obligation is reported as a financial liability and amortizations will be reported as cash flow from financing activities.

Nissan Diesel Thailand Co. Limited on 30 November 2009 filed a claim at the Pathumthani Provincial Court of First Instance, Thailand, against AB Volvo and three of its employees, claiming damages of approximately SEK 2.5 billion. AB Volvo considers that the claim is of no merit. Further information is available in note 29 to the consolidated financial statements, included in the 2009 Annual Report for the Volvo Group.

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. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

Corporate acquisitions and divestments

In May Volvo CE sold its Russian distribution network with assets amounting to SEK 200 M which was previously classified as assets held for sale. The transaction had a minor effect on Volvo's result.

Volvo CE has signed an agreement to sell the Turkish distribution network. The closing of the transaction was in the beginning of July. The transaction is estimated to have a minor impact on Volvo's result.

Volvo Aero has signed an agreement to sell the US service business subsidiary Volvo Aero Services (VAS). The sale of VAS is due to Volvo Aero's strategy of focusing on its core operations of developing and manufacturing components for aircraft engines, combined with the goal of reducing the company's tied-up capital. VAS is classified as assets held for sale according to IFRS 5. For 2009 net sales for VAS amounted to SEK 1.4 billion and operating income is not considered to be material for the Group. The transaction is expected to be closed in the third quarter. In the second quarter 2009 a write-down of assets was performed of SEK 151 M and in the fourth quarter 2009 an additional write-down of assets of SEK 217 M was performed. According to Volvo's accounting principles these write-downs of SEK 390 M impacted by currency movements up to the second quarter of 2010, are transferred from the segment Group Headquarter functions and other to Volvo Aero within the second quarter 2010. In the second quarter 2010 there has been an additional write-down of SEK 223 M. A total of SEK 613 M has negatively affected Volvo Aero's operating income and expenses. Volvo Group has chosen to keep the lease portfolio previously connected to VAS and therefore assets and liabilities amounting to SEK 554 M and SEK 14 M respectively are no longer classified as assets held for sale according to IFRS 5.

Depending on the progress of the sales processes, the fair value of assets held for sale may change in the forthcoming periods or when the transactions are finalized. At the end of the second quarter assets and liabilities held for sale amount to SEK 977 M and SEK 332 M respectively.

Parent Company

Income Statements

SEK M	Second quarter 2010	Second quarter 2009	Second quarter 2010	Second quarter 2009
Net sales[1]	**160**	**181**	**323**	**373**
Cost of sales[1]	**(160)**	(181)	**(323)**	(373)
Gross income	**0**	**0**	**0**	**0**
Operating expenses[1]	**(141)**	(114)	**(313)**	(260)
Income from investments in Group companies	**5,906**	7,998	**5,555**	7,078
Income from investments in associated companies	**(31)**	(10)	**(45)**	(12)
Income from other investments	**2**	–	**2**	–
Operating income	**5,736**	**7,874**	**5,199**	**6,806**
Interest income and expenses	**(152)**	(80)	**(317)**	(153)
Other financial income and expenses	**(44)**	(8)	**(48)**	12
Income after financial items	**5,540**	**7,786**	**4,834**	**6,665**
Income taxes	**210**	419	**339**	717
Income for the period	**5,750**	**8,205**	**5,173**	**7,382**

1 Of net sales in the second quarter SEK 143 M (151) pertained to Group companies, while purchases from Group companies amounted to SEK 116 M (82).

Other comprehensive income				
Income for the period	**5,750**	8,205	**5,173**	7,382
Available-for-sale investments	**(26)**	87	**32**	80
Other comprehensive income, net of income taxes	**(26)**	87	**32**	80
Total comprehensive income for the period	**5,724**	**8,292**	**5,205**	**7,462**

Balance Sheets

SEK M		June 30 2010		Dec 31 2009
Assets				
Non-current assets				
Intangible assets		**88**		96
Tangible assets		**16**		16
Financial assets				
Shares and participations in Group companies	**57,206**		57,062	
Other shares and participations	**2,415**		2,363	
Other long-term receivables	**5,051**	**64,672**	4,712	64,137
Total non-current assets		**64,776**		**64,249**
Current assets				
Short-term receivables from Group companies		**87**		4,707
Other short-term receivables		**324**		247
Cash and bank accounts		**0**		0
Total current assets		**411**		**4,954**
Total assets		**65,187**		**69,203**
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity	**9,891**		9,891	
Unrestricted equity	**26,668**	**36,559**	21,462	31,353
Untaxed reserves		**4**		4
Provisions		**134**		136
Non-current liabilites				
Liabilities to Group companies		**7**		7
Currrent liabilites[1]		**28,843**		37,703
Total shareholders´equity and liabilities		**65,187**		**69,203**

1 Of which SEK 28,150 M (37,370) pertains to Group companies.

Income from investments in Group companies includes dividends amounting to SEK 6,338 M (9,163) and transfer price adjustments, net, of a negative SEK 432 M (Negative SEK 1,165 M).

In 2010, revaluation of the ownership in the listed company Deutz AG has increased the value by SEK 32 M, recognized in equity.

Investments in tangible assets amounted to 0 (0).

Financial net debt amounted to SEK 27,804 M at the end of the second quarter (18,922).

Events after the balance sheet date

No significant events have occurred after the end of the second quarter 2010 that are expected to have a substantial effect on the Volvo Group.

The Board of Directors and the CEO certify that the half-year 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 July 22, 2010
AB Volvo (publ)

Louis Schweitzer
Board Chairman

Peter Bijur
Board member

Hanne de Mora
Board member

Jean-Baptiste Duzan
Board member

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

Anders Nyrén
Board member

Ravi Venkatesan
Board member

Lars Westerberg
Board member

Ying Yeh
Board member

Martin Linder
Board member

Mikael Sällström
Board member

Berth Thulin
Board member

Review report

We have reviewed this report for the period 1 January 2010 to 30 June 2010 for AB Volvo. The board of directors and the President 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, 22 July 2010
PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Lead partner

Johan Rippe
Authorized Public Accountant

Deliveries

Delivered trucks

	Second quarter			First six months		
	2010	2009	Change in %	**2010**	2009	Change in %
Trucks						
Europe	**15,805**	12,664	25	**27,986**	27,269	3
Western Europe	**13,666**	11,264	21	**24,307**	24,891	(2)
Eastern Europe	**2,139**	1,400	53	**3,679**	2,378	55
North America	**4,388**	3,667	20	**9,643**	7,753	24
South America	**5,495**	3,054	80	**10,048**	5,297	90
Asia	**13,211**	6,801	94	**25,022**	14,492	73
Middle East	**2,633**	757	248	**4,438**	3,053	45
Other Asia	**10,578**	6,044	75	**20,584**	11,439	80
Other markets	**3,715**	3,465	7	**6,855**	7,086	(3)
Total Trucks	**42,614**	**29,651**	**44**	**79,554**	**61,897**	**29**
Mack Trucks						
Europe	**-**	–	–	**-**	–	–
Western Europe	**-**	–	–	**-**	–	–
Eastern Europe	**-**	–	–	**-**	–	–
North America	**1,674**	1,901	(12)	**4,533**	3,658	24
South America	**634**	426	49	**898**	597	50
Asia	**3**	63	(95)	**14**	207	(93)
Middle East	**3**	63	(95)	**14**	207	(93)
Other Asia	**-**	–	–	**-**	–	–
Other markets	**253**	359	(30)	**412**	711	(42)
Total Mack Trucks	**2,564**	**2,749**	**(7)**	**5,857**	**5,173**	**13**
Renault Trucks						
Europe	**8,530**	8,008	7	**15,747**	16,271	(3)
Western Europe	**7,907**	7,325	8	**14,580**	15,252	(4)
Eastern Europe	**623**	683	(9)	**1,167**	1,019	15
North America	**13**	69	(81)	**18**	127	(86)
South America	**94**	129	(27)	**184**	177	4
Asia	**739**	489	51	**1,214**	864	41
Middle East	**687**	386	78	**1,112**	741	50
Other Asia	**52**	103	(50)	**102**	123	(17)
Other markets	**1,667**	1,308	27	**2,729**	2,524	8
Total Renault Trucks	**11,043**	**10,003**	**10**	**19,892**	**19,963**	**0**
Volvo Trucks						
Europe	**7,275**	4,656	56	**12,239**	10,996	11
Western Europe	**5,759**	3,939	46	**9,727**	9,639	1
Eastern Europe	**1,516**	717	111	**2,512**	1,357	85
North America	**2,344**	1,483	58	**4,454**	3,608	23
South America	**4,713**	2,424	94	**8,855**	4,310	105
Asia	**2,466**	743	232	**4,297**	2,784	54
Middle East	**1,508**	227	564	**2,599**	1,751	48
Other Asia	**958**	516	86	**1,698**	1,033	64
Other markets	**956**	998	(4)	**1,889**	2,322	(19)
Total Volvo Trucks	**17,754**	**10,304**	**72**	**31,734**	**24,020**	**32**

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 22, 2010.

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		
	2010	2009	Change in %	**2010**	2009	Change in %
UD Trucks						
Europe		–	–	**-**	2	–
Western Europe	**-**	–	–	**-**	–	–
Eastern Europe	**-**	–	–	**-**	2	–
North America	**357**	214	67	**638**	360	77
South America	**54**	75	(28)	**111**	213	(48)
Asia	**6,560**	3,351	96	**11,800**	6,638	78
Middle East	**435**	81	437	**713**	354	101
Other Asia	**6,125**	3,270	87	**11,087**	6,284	76
Other markets	**839**	800	5	**1,825**	1,529	19
Total UD Trucks	**7,810**	**4,440**	**76**	**14,374**	**8,742**	**64**

Eicher						
Europe	**-**	–	–	**-**	–	–
Western Europe	**-**	–	–	**-**	–	–
Eastern Europe	**-**	–	–	**-**	–	–
North America	**-**	–	–	**-**	–	–
South America	**-**	–	–	**-**	–	–
Asia	**3,444**	2,155	60	**7,698**	3,999	92
Middle East	**-**	–	–	**-**	–	–
Other Asia	**3,444**	2,155	60	**7,698**	3,999	92
Other markets	**-**	–	–	**-**	–	–
Total Eicher	**3,444**	**2,155**	**60**	**7,698**	**3,999**	**92**

Delivered Buses

	Second quarter			First six months		
	2010	2009	Change in %	**2010**	2009	Change in %
Buses						
Europe	**657**	1,047	(37)	**1,181**	1,802	(34)
Western Europe	**652**	887	(26)	**1,159**	1,579	(27)
Eastern Europe	**5**	160	(97)	**22**	223	(90)
North America	**427**	314	36	**1,034**	627	65
South America	**170**	115	48	**431**	222	94
Asia	**704**	771	(9)	**1,690**	1,237	37
Other markets	**339**	217	56	**512**	346	48
Total Buses	**2,297**	**2,464**	**(7)**	**4,848**	**4,234**	**15**

Further publication dates

Report for the first nine months 2010	October 22, 2010
Report on 2010 operations	February 2011
Annual Report 2010	March 2011

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