The Volvo Group 2009

VOLVO

A global group

2 CEO comment
4 Close to customers
6 Vision, mission and values
7 Strategy focusing on creating value
8 Particular focus 2010–2012
10 Strength factors
12 The Volvo Group's product offering
14 Leading products …
16 … and world-class services
18 2009 was a dramatic year

Board of directors' report

20 Significant events
23 Financial performance
26 Financial position
28 Cash-flow statements
30 Financial strategy
32 The share
34 Risks and uncertainties
37 Group Segments
38 Trucks
39 Volvo Trucks
40 Renault Trucks
40 UD Trucks
41 Mack Trucks
41 VE Commercial Vehicles
42 Buses
44 Construction Equipment
46 Volvo Penta
48 Volvo Aero
50 Financial Services
52 Sustainable development

Corporate Governance Report

56 Corporate Governance Report
62 Group Management
64 Board of Directors and Auditors

Financial information 2009

67 Consolidated income statements
68 Balance sheets
69 Changes in shareholders' equity
70 Cash-flow statements
71 Notes to consolidated financial statements
114 Parent Company AB Volvo
128 Proposed remuneration policy
129 Proposed disposition of unappropriated earnings
130 Audit report for AB Volvo

131 Eleven-year summary
Flap Definitions
Annual General Meeting

2

A year of adaptation and alignment.

14

Leading products – developed with the customer in focus.

18

2009 was a dramatic year – with financial crisis and a very weak global economy.

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

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

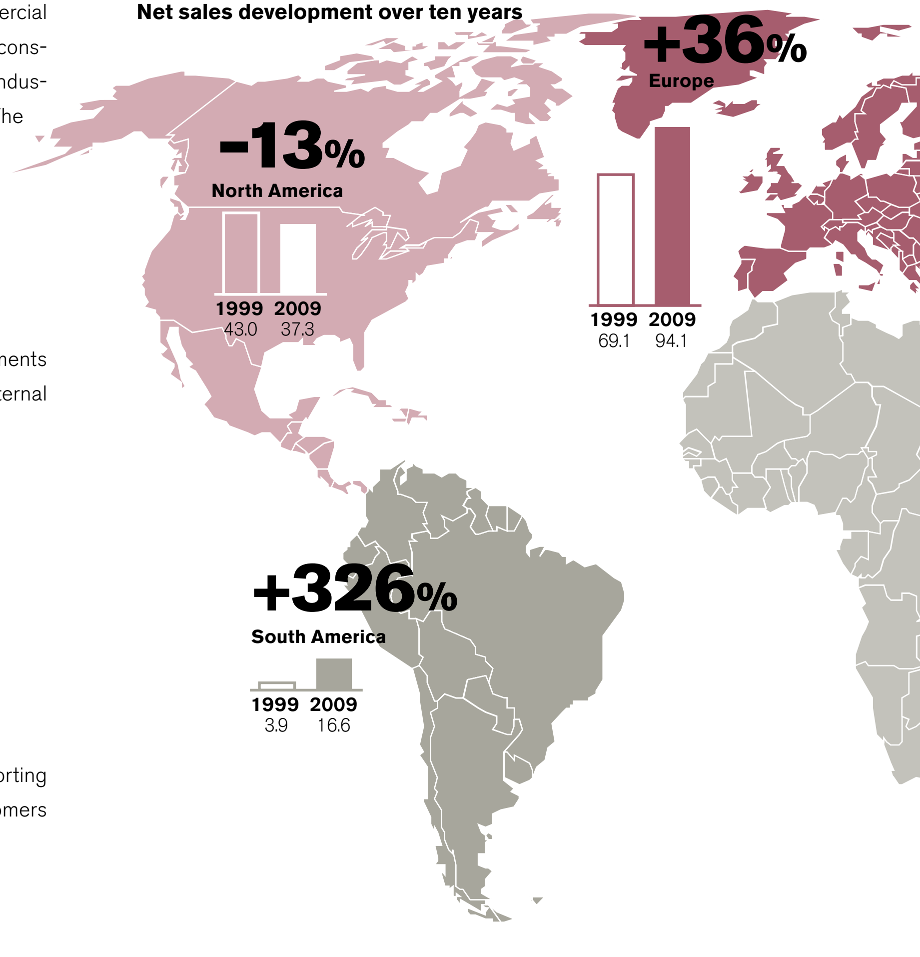
The Volvo Group's formal financial reports are presented on pages 20–55 and 66–129 in the printed version and has been audited by the company's auditors.

Volvo Group

The Volvo Group is one of the leading suppliers of commercial transport solutions providing products such as trucks, buses, construction equipment, engines and drive systems for boats and industrial applications as well as aircraft engine components. The Volvo Group also offers its customers financial solutions.

The Group has about 90,000 employees, production facilities in 19 countries, and sales activities in some 180 countries.

Net sales development over ten years



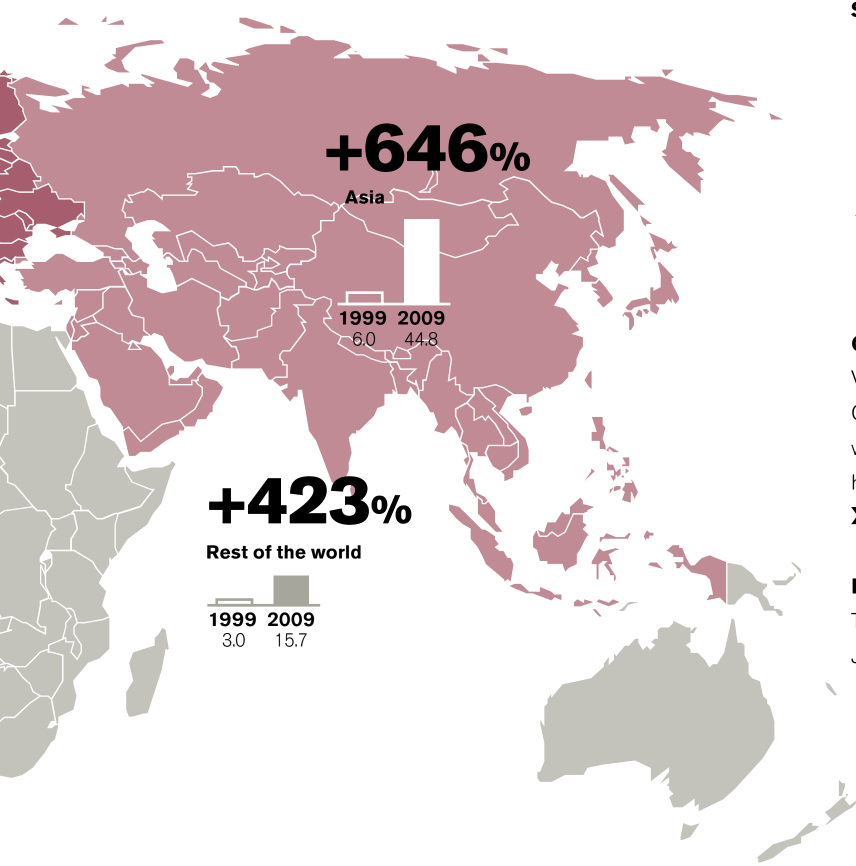
Strategy

The Volvo Group's strategy is based on customers' requirements and is focused on profitable growth, product renewal and internal efficiency. » 7

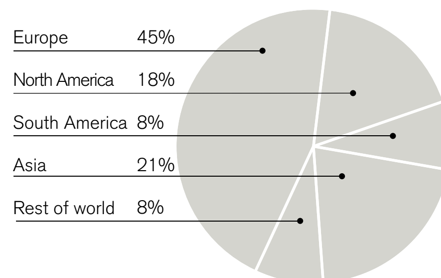
Organization

The Volvo Group has product-related companies and supporting business units. This makes for close cooperation with customers and an efficient use of Group-wide resources.

» 4



Share of Group's net sales by geography



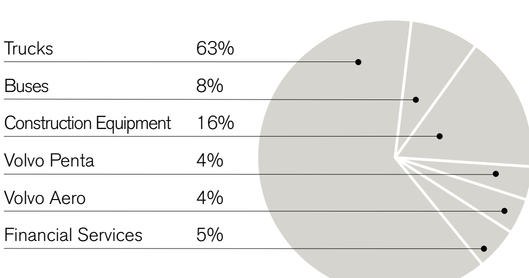
Customers

Volvo Group customers are active in about 180 countries worldwide. Group sales of products and services are conducted through both wholly owned and independent dealers. The global service network handles customer demand for spare parts and other services. » 14

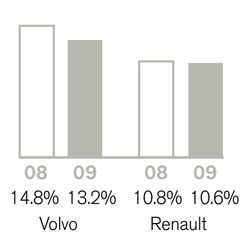
Employees

The majority of the Group's employees work in Sweden, France, Japan, the US, China, Brazil and South Korea. » 55

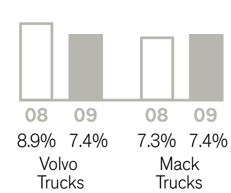
Share of Group's net sales



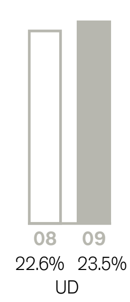
Market shares in Europe, heavy trucks



Market shares in North America, heavy trucks



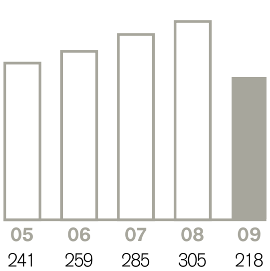
Market shares in Japan, heavy trucks



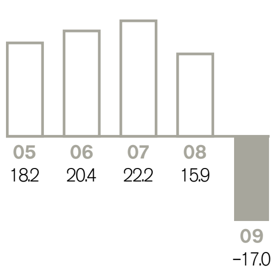
The Volvo Group 2009

- A year of dramatic fall in demand and internal adaptation to lower demand.
- Weak markets in Europe, North America and Japan with a gradual recovery in parts of Asia and South America.
- Net sales deceased by 28% to SEK 218,361 M (304,642).
- The operating loss amounted to SEK 17,013 M (Income: SEK 15,851 M).
- The loss for the year amounted to SEK 14,685 M (Income: SEK 10,016 M) and return on equity was a negative 19.7% (Positive 12.1%).
- Earnings per share amounted to a negative SEK 7.26 (Positive SEK 4.90).
- The Board of Directors proposes that no dividend is distributed for the year 2009 (SEK 2.00 per share).

Net sales, SEK bn



Operating income, SEK bn



Key ratios	2008	**2009**
Net sales Volvo Group, SEK M	304,642	218,361
Operating income Volvo Group, SEK M	15,851	(17,013)
Operating income Industrial operations, SEK M	14,454	(16,333)
Operating income Customer Finance, SEK M	1,397	(680)
Operating margin Volvo Group, %	5.2	(7.8)
Income after financial items, SEK M	14,010	(20,573)
Income for the period, SEK M	10,016	(14,685)
Diluted earnings per share, SEK	4.90	(7.26)
Dividend per share, SEK	2.00	0[1]
Return on shareholders' equity, %	12.1	(19.7)

1 According to the Board's proposal.

CEO comment
– adaptation and alignment

2009 was a very dramatic year – it was characterized by comprehensive measures designed to rapidly adapt the operations to the exceptionally sharp downturn that occurred in most of our markets and by an intensive work to reduce the Group's costs to a new level that matched lower demand.

Following the exceptionally rapid drop in demand that resulted from the crisis in the financial system in autumn 2008, demand remained weak in the Group's main markets during most of 2009. Toward the end of the year, an improvement could be discerned in increasing parts of the world, although the upturn occurred from low levels in most cases.

Substantial operating loss

During 2009, the Volvo Group's sales decreased by approximately SEK 90 billion compared to the preceding year. The low sales of new vehicles and machines had a significant adverse impact on our profitability. As early as autumn 2008, production cutbacks were initiated to adapt capacity to the lower demand, to reduce inventories, particularly of new trucks and construction equipment, and try to defend the price levels for new products. These measures continued during the first half of 2009. Since it was not possible to reduce costs in the industrial system sufficiently to match the extremely sharp decline in production volumes, the result was a considerable surplus of resources in the manufacturing process, which meant that the absorption of fixed costs was very low. The manufacturing rate was reduced to levels that were even lower than the demand, in order to cut back on inventories of new products.

In view of the weak demand, substantial actions were taken to adjust the Group to lower cost levels. Savings were implemented at all levels and in all parts of the Group. These savings were designed to reduce the annual cost level by approximately SEK 21 billion when their full impact is reached during 2010. Among other measures, we were forced to lay off many employees, which is both a painful and a costly process. Since the middle of 2008, a total of 18.000 regular employees, temporary employees and consultants have left the Group.

We focused a great deal on reducing inventories in order to safeguard the Group's cash flow, and the actions that were taken were successful. In total, the capital tied up in inventories was reduced by slightly more than SEK 17 billion during the year. Toward the end of the year, inventories of new products were essentially in balance with the prevailing demand. As a consequence of the reduced inventories, we were able to increase the production rate somewhat at that point in time, since a larger part of the incoming orders could be steered toward production rather than inventory reduction. However, since uncertainty still prevails concerning the recovery in the global economy, the increase in production will be cautious and gradual.

The Group's aftermarket business is not exposed to the same fluctuations as sales of new products. While the Group's sales of new products declined by almost 40%, the aftermarket business, with sales of spare parts, service hours and other aftermarket services, only declined a few percent during the year, which is positive from a profitability viewpoint.

In total, the Volvo Group incurred an operating loss of SEK 17 billion for the year, primarily as an effect of the sharply reduced sales volumes and low cost coverage in our production. As a consequence of the financial crisis and the subsequent recession, we also had to take considerable costs for, among other measures, workforce cutbacks, write-downs on inventories and increased provisions for residual value commitments and expected credit losses.

Based on the Volvo Group's losses during 2009 and the present financial position, the Board of Directors proposes that no dividend is to be distributed for the year 2009.

Some recovery

In Europe we see a gradual recovery, which is resulting in an increase in order bookings for trucks and construction equipment, albeit from very low levels. In North America, demand remains on a low level, with a building and construction market that is still weak.

Our truck operations posted a substantial loss during 2009, due to significantly lower sales of new trucks, low cost coverage in production, write-downs on inventories, increased costs for residual value commitments and costs related to workforce cutbacks. However, the rate of losses decreased steadily during the second half of the year as the savings programs started to generate effects.

The sharp downturn in the construction market also resulted in Volvo Construction Equipment experiencing a difficult year. However, as a result of measures to cut costs, Volvo CE reduced its losses continuously during 2009. Volvo CE also succeeded in reducing its inventories of unsold equipment, and by the end of the year they were in balance with demand.

Viewed as a whole, the global market for buses has stabilized at a low level, but with demand shifting from Europe, North America and South America to Asia, where margins are lower. Although Volvo Buses' operating loss increased, it left the year with a healthy level of order bookings and with higher market shares.

For Volvo Penta, demand for marine and industrial engines was low. Although Volvo Penta incurred a full-year loss, it reported an operating profit for the second half of the year, primarily as a result of reduced costs.

Reduced sales of new spare parts, due to the recessionary conditions in the aviation industry, and weaker earnings in the American aftermarket business led to a weakening of Volvo Aero's operating result.

Customer financing operations in Financial Services reported a sharp increase in write-offs and provisions for doubtful receivables because our customers' profitability decreased in the wake of reduced demand for transportation in many markets. Some stabilization was discernible towards the end of the year.

In spite of the financial crisis, the fact that truck transports and the building of infrastructure is the foundation of modern society remains unchanged. The Group's products and services contribute to the development of society, and I can't see anything in the financial crisis of the past year that changes my positive view on the Group's long-term development possibilities.

Products for growth and reduced environmental impact

Even in difficult times it is important to maintain a long-term view of the business operations and of what will generate profitability in the future. Accordingly, we have continued to invest in product programs for the future.

As one of the world's largest manufacturers of commercial vehicles, we have a responsibility for reducing the environmental impact from our production and from the use of our products – a responsibility that we take extremely seriously. Engines that consume less fuel reduce our customers' costs and enhance their competitiveness, while simultaneously curtailing the environmental impact. Toward the end of the year, a key step was taken that will benefit both us in the Volvo Group and the environment, when our Group-wide engines received approval from the U.S. environmental authorities. The engines, which were put into production at the start of 2010, have emission levels very close to zero for nitrogen oxides and particulate matter. The response from customers who have tested the engines has been excellent, not least with respect to the lower fuel consumption.

As a result of the acquisition of UD Trucks (previously Nissan Diesel), Lingong and the joint venture in India in partnership with Eicher, the Volvo Group has established a very strong foundation for further growth in Asia. UD Trucks has a strong position in Japan and Southeast Asia, Lingong and Volvo CE are jointly ranked as Number 4 in the Chinese market for construction equipment and Eicher is the second largest manufacturer of medium-heavy trucks in India. We are now investing in broadening the product programs in these important emerging countries.

In early 2010 we took a step ahead in Japan, when we were the first company to receive preliminary approval for our engines in accordance with the country's new emission regulations, which are the first in the world to stipulate levels for CO_2 emissions. When the new Japanese emission legislation becomes effective later this year, we will take another important step in the integration of UD Trucks by launching Group engines in UD trucks.

The Group is also in the process of developing an in-house platform for medium-heavy engines. To a large extent, these engines will be manufactured in Asia and have Asian suppliers to ensure that the cost of the engines will be competitive. The first engines will enter production this year and will subsequently be introduced in an increasing number of Group products in the years ahead.

Continued focus on costs

We will continue to focus on our customers, while simultaneously continuing our efforts to reduce costs in all parts of the Group. We will also work hard to achieve a proper increase in productivity, when the volumes gradually return to more normal levels.

We have a newly adopted strategy for the Group covering the period 2010–2012. The strategy focuses less on acquisitions and mainly on organic growth, since we have attained critical volume in most markets and in most product segments. We will devote our development resources to the design of cost-effective products based on common architecture and shared technology. A particular aim will be to achieve significantly improved internal efficiency and productivity in all parts of the Group in order to improve profitability.

Now that we have put 2009 behind us, I can state that although demand remains at low levels from a historical perspective, we have reduced our costs substantially, cut back on our inventories and reduced our capital employed. We have a healthy liquidity and low refinancing requirements. We have also continued to invest in research and development to allow us to launch competitive products in the years ahead. We are determined to work hard to restore the Group's profitability. Although 2009 was a particularly difficult year, I have a positive view on the Group's prospects to come back and continue to create value for our customers and our owners.

Leif Johansson
President and CEO

Close to customers
– with underlying synergies

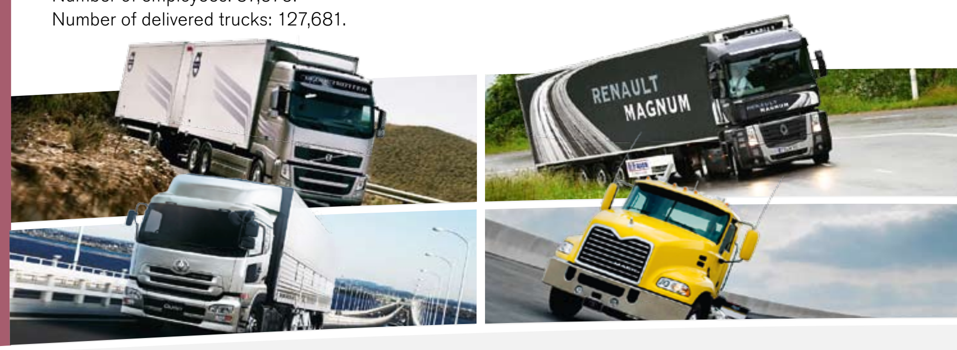
The Volvo Group's product-related companies in the six different segments work closely together with customers while Group-wide resources are efficiently utilized. Approximately 70% of the Group's 90,000 employees work in the product-related companies and 30% work in the business units.

The business units are organized globally and combine expertise in key areas. They have the overall responsibility for product planning and purchasing and for developing and delivering components, subsystems, services, and service and support to the Group's business areas. The structure creates economies of scale in product development, production, parts supply, logistics, administration and support functions.

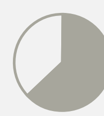
In addition to the business units in the overview to the right, there is Volvo Technology that develops new technology and new concepts for "hard" and "soft" products and processes in the transportation and automotive industries. Volvo Group Real Estate conducts property management and development. Volvo Technology Transfer invests in companies with projects of technical and commercial interest. Volvo Treasury coordinates the Group's global financing and is also responsible for managing all interest-bearing assets and liabilities. Volvo Group NAP (Non-Automotive Purchasing) is a global procurement organization sourcing indirect goods and services.

SEGMENTS

Trucks
The truck operations consist of Volvo Trucks, Renault Trucks, UD Trucks, Mack Trucks and VE Commercial Vehicles (50%) in India. The product offer stretches from heavy-duty trucks for long-haulage and construction work to light-duty trucks for distribution.
Number of employees: 37,575.
Number of delivered trucks: 127,681.



SHARE OF GROUP'S NET SALES



BUSINESS UNITS

Volvo 3P

Volvo 3P is responsible for product planning, product development and purchasing for the Group's truck companies. Product planning involves having the right products over the longer term. Product development focuses on chassis, cabins and electrical systems. In purchasing, Volvo 3P offers significant size and negotiating strength.

Number of employees: 4,022.

Volvo Powertrain

Volvo Powertrain coordinates the Volvo Group's driveline operations and is responsible for the development and manufacturing of medium-duty and heavy-duty diesel engines, gearbox and driveshafts. Volvo Powertrain also manufactures light-duty engines for external customers and is responsible for ensuring that the Volvo Group is supplied with drivelines for medium-duty applications from external manufacturers.

Number of employees: 8,143.

Volvo Parts

Volvo Parts provides services and tools for the aftermarket. The services start with the suppliers and proceed via the dealers all the way to the end-customers. This entails planning, purchasing, shipping and storing parts, as well as inventory management, order management, and tools and services for the aftermarket.

Number of employees: 4,133.

Volvo Logistics

Volvo Logistics develops and provides transport and logistics solutions to the automotive and aerospace industries worldwide. Its customers come from both inside and outside the Volvo Group. Volvo Logistics provides customer-adapted services throughout the logistics chain – everything from the design of complex logistics systems to packaging, insurance and distribution solutions for finished products.

Number of employees: 1,157.

Volvo Business Services

Volvo Business Services provides administrative services to Volvo Group companies. Its operations include accounts payable, accounts receivable, accounting and human resources administration.

Number of employees: 910.

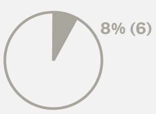
Volvo Information Technology

Volvo IT's business concept is to manage complex IT systems. Volvo IT delivers solutions for all segments of the industrial process and provides unique expertise in product lifecycle management, SAP solutions and IT operation. Its customers include the Volvo Group, Ford-owned Volvo Cars, and other large industrial companies.

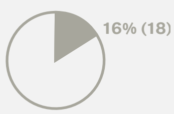
Number of employees: 4,984.

Volvo Group Real Estate, Volvo Technology

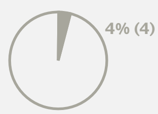
Buses
has a product range comprising city and intercity buses, coaches and chassis.
Number of employees: 8,095.
Number of delivered buses: 9,857.



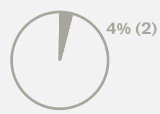
Construction Equipment
manufactures equipment for construction applications and related industries.
Number of employees: 13,456.
Number of delivered machines: 38,783.



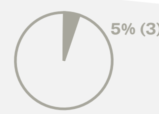
Volvo Penta
offers engines and drive systems for leisure and commercial boats and for industrial applications such as gensets and materials handling.
Number of employees: 1,358.
Delivered marine and industrial engines: 44,983.



Volvo Aero
offers advanced components for aircraft engines and space applications with a focus on lightweight technology for reduced fuel consumption.
Number of employees: 2,991.



Financial Services
Conducts operations in customer and dealer financing.
Number of employees: 1,234.



Vision, mission and values

Our vision

The Volvo Group's vision is to be valued as the world's leading supplier of commercial transport solutions.

Our mission

By creating value for our customers, we create value for our shareholders.

We use our expertise to create transport-related products and services of superior quality, safety and environmental care for demanding customers in selected segments.

We work with energy, passion and respect for the individual.

Our values

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

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

Quality

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

Safety

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

Environmental care

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

Strategy focusing on creating value
– based on customer needs

The majority of the Volvo Group's customers are involved in commercial transport-related operations. They place high demand on both products and services.

The market is characterized by intense competition where customer satisfaction is a key factor as it represents an assurance of future sales and future profitability. The Volvo Group's strategy is based on customers' requirements and is focused on profitable growth, product renewal and internal efficiency. During 2009, the Volvo Group further developed its internal goals within the previously defined three strategic areas.

Customer requirements

The products and services have high performance characteristics, quality, safety, flexibility and offer favorable total economy. Customers are offered solutions adapted to their operations regardless of whether they involve a single product or a complete solution.

Products, services and complete solutions are developed in close cooperation with customers with the goal of contributing to improving the customers' productivity and profitability, and thus creating value. Volvo strives to increase the penetration and proportion of sales coming from services and soft products, with an offer consisting of financing, insurance, various forms of service contracts and spare parts, superstructures and attachments.

In the past few years, the Volvo Group has intensified its relationships with key customers. The advantages are many. The Group can support customers' development in an even better way than previously, and intensified relationships result in increased penetration of both the product and the service range. The extended offering creates advantages for both the Volvo Group and its customers.

Profitable growth

1

The Volvo Group's aim is to continue to grow while focusing on profitability. Growth is to occur globally, both organically and through acquisitions. The aim is to grow by 10% a year over a complete business cycle with a higher pace in new markets. Part of the growth may, over time, come from acquisitions in strategic markets and in strategic product segments.

Profitable growth is a necessary condition for the Volvo Group's continued strengthening of its competitiveness and development as a partner to customers with high demands. There is particularly strong growth potential in supplemental business relating to service and to services in which significant effort is invested to give the customer a more complete offering.

Profitability is essential to assure investments in research and the development of new products and services and a favorable return to the shareholders. Part of the profitability is a result of the utilization of economies-of-scale. The Group's brands shall increase customer satisfaction by offering environmentally- and cost-efficient products and services.

Product Renewal

2

The ongoing renewal of the Group's product range and creation of new and better products and services is a challenge, but a matter of survival. Intense competition, new environmental standards and safety and quality requirements involve significant demands on the entire product development process.

The development of new, innovative technology is key to the success of future product generations and to maintaining market-leading positions. Efforts are constantly under way within the Group to refine and improve the performance of products – this strengthens current competitiveness. At the same time, research looking further into the future is conducted to achieve new technical breakthroughs that will contribute to reduced environmental impact and meet future requirements. The Volvo Group has a unique strength in its global network in product development, which is a strong base for meeting future demands.

The Group redistributes an increasing portion of the resources within research and development to soft products with the aim of meeting customer needs through the entire product life cycle.

Internal Efficiency

3

The Volvo Group strives to optimize cost-efficiency and productivity in all sectors of its operations. The internal cost-efficiency work involves reducing production costs and sales and administrative costs.

Volvo Production System (VPS) is an important tool that contains methods to make operations more efficient and reduce productivity losses. Competence development is a key part of VPS. Great effort is placed on developing employees in new, future technological competencies.

Special focus 2010–2012
– product renewal and internal efficiency

Following a period of acquisition-driven growth in 1998–2008, the Volvo Group now has the critical mass needed within each of its business areas. With maintained focus on customers, the strategy now shifts direction towards product renewal and internal efficiency in order to secure competitiveness and to improve profitability.

Profitable growth

Required scale achieved in all business areas already during 2008

- No 2 in the world in heavy-duty trucks.
- One of the leaders in construction equipment.
- No 2 on heavy-duty diesel engines.
- Strong brand portfolio.
- Good market shares in all regions.
- Well-performing distribution and service channels globally.
- Good foothold in developing economies.

This implies

FOCUS SHIFTS TO

Internal efficiency

Reduce costs and increase productivity in order to improve profitability

This implies

Product renewal

Capitalize on size to optimize research and development based on common architecture and shared technology

This implies

"Our most important tasks for the future involves taking advantage of our economies-of-scale and improving productivity in all parts of the Group"

Leif Johansson, President and CEO

- Organic growth in line with market.
- Focus on sales of services and aftermarket products.
- Increase sales on markets new to the Group.
- Acquisitions have low priority.

- Go from regional to global production capacity – flexibility within each factory, within each product line and between plants for total efficiency.
- Productivity increase in the industrial system.
- Lowered quality costs through the utilization of best practices throughout the Group.
- Focus on well-performing suppliers and take further advantage of large purchasing volumes.
- Utilize the Group's presence in Asia to reduce purchasing costs for material and components.
- Common development processes for increased productivity and reduced lead times.
- Improve profitability in wholly-owned dealers.
- Introduce global processes with the help of business units in order to raise productivity in administration.
- Increase productivity in product development.
- Increase flexibility to be able to rapidly adapt the cost structure to changes in demand.
- Restructure businesses with low profitability.

- Introduce the Volvo Group's heavy-duty engine platform in all heavy-duty trucks.
- Meet future emission standards with competitive products – capitalize on converging technologies.
- Launch medium-duty engine platform developed by the Group.
- Further enhance the Group's market-leading position within automatic gearboxes.
- Commercialize the Group's technology for diesel-electric hybrids.
- Utilize common architecture and shared technology.
- Leadership in environmentally-adapted technology.
- Reduce product costs.

Strength factors
– foundations for success

Based on its strength factors, the Volvo Group's ambition is to further increase its competitiveness and improve its profitability.

Strong brands

The Volvo brand, which has been built up over decades, is one of the world's best known and respected brand names within trucks, buses, construction equipment, marine engines, industrial engines and in the aviation industry.

Mack is one of the most well known truck brands in North America while Renault Trucks holds a special position in Southern Europe. In February 2010, Nissan Diesel changed its name to UD Trucks Corporation. The UD brand is one of the biggest on the Japanese truck market.

Prevost sells coaches and Nova Bus city buses in North America.

The Volvo Group also sells construction equipment under the brand SDLG mainly in China, and through joint-venture companies, trucks and buses under the brand Eicher mainly in India and buses under the brands Sunwin and Silver in China.

A customer offering at the forefront

The Volvo Group offers customers complete, efficient transport solutions. Products with reliability, durability, good driveability, favorable fuel efficiency and high environmental performance are combined with services such as financing, insurance, various service contracts, accessories and spare parts that support the core products. The Volvo Group's increasingly broad offering of these services and aftermarket products is intended to provide for improved competitiveness.

Continuous product renewal

In order to strengthen the Group's position, products and services must continuously be developed and improved, which in turn demands considerable investments in research and development. By taking customer needs into account early in the development process and utilizing the Group's collective technological competence, the product program has been renewed and strengthened in recent years. During 2009, the Volvo Group invested SEK 13 billion in product and development.

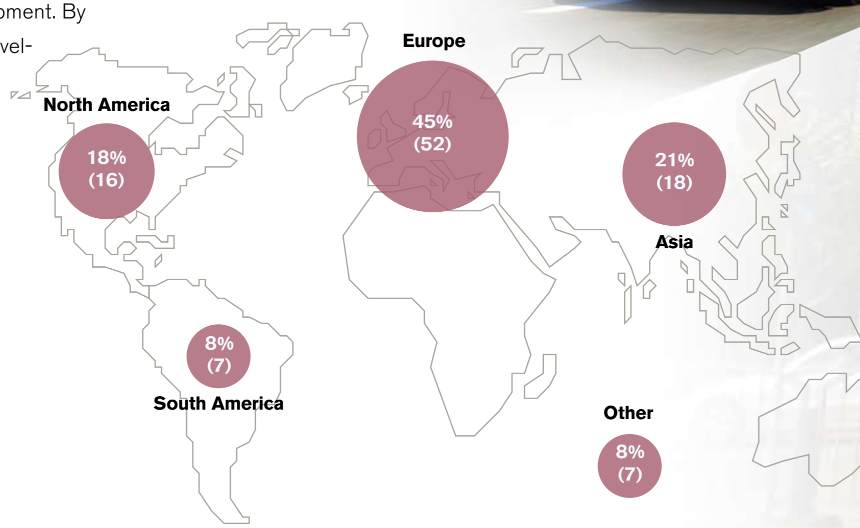
Strong market positions

The Volvo Group has leading positions globally in each of its business areas. The Volvo Group is Europe's largest and one of the world's largest manufacturers of heavy-duty trucks and one of the largest manufacturers of buses in Europe and North America. Within construction equipment, the Volvo Group is the world's largest manufacturer of articulated haulers and wheel loaders as well as one of the world's largest manufacturers of excavation equipment and road development machines. All in all, the Volvo Group in 2008 was the world's second largest producer of heavy-duty diesel engines.

Strengthened presence in Asia and South America

In recent years, the Volvo Group has strengthened its position in important growth markets in Asia and South America through a combination of organic growth and acquisitions. Among the acquired companies were UD Trucks in Japan, Lingong (85% ownership) in China, VE Commercial Vehicles (50% direct and indirect ownership) with its brand Eicher in India and Ingersoll Rand's road development division. During 2009, SEK 30.5 billion, equal to 14%, of Group sales were generated in the BRIC countries (Brazil, Russia, India and China).

Share of Group's net sales



Read more about our
broad product offering »

Strong
brands and strong
market positions

The Volvo Group's product offering

Trucks

All brands in the Volvo Group's truck operations have a unique and distinct brand-specific character that attracts customers in their market segments.

Volvo Trucks, Renault Trucks, UD Trucks, Mack Trucks and Eicher offer customers a broad range of products and services for efficient and economic transports.

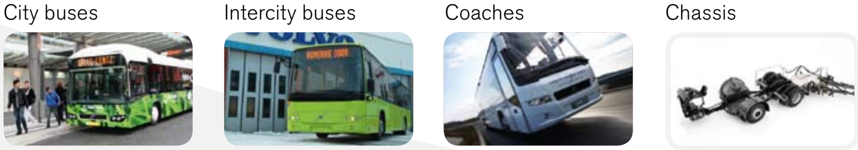
Long-haul | Regional distribution | City distribution | Construction

Volvo Trucks
Renault Trucks
UD Trucks
Mack Trucks
Eicher

Buses

Volvo Buses' product line includes complete buses and bus chassis for city, intercity and coach traffic. The company has a total offering that, in addition to buses, includes a global service network, efficient spare parts handling, service and repair contracts, financial services and traffic information systems.

City buses | Intercity buses | Coaches | Chassis



Marine and industrial applications

Volvo Penta manufactures engines and drive systems for marine applications, for both leisure and commercial craft, with an engine range of 10 to 1,200 hp and has a global service network with approximately 5,000 dealers. Volvo Penta also supplies industrial engines ranging from 75 kW to 600 kW for irrigation pumps, generator units and other application areas.

Marine engines

Industrial engines

Construction equipment

Volvo Construction Equipment develops, manufactures and markets equipment for construction and related industries. Its products are leaders in many world markets, and include a comprehensive range of wheel loaders, hydraulic wheeled and crawler excavators, articulated haulers, road machinery and a wide range of compact equipment.

Compact construction equipment


Wheel loaders


Backhoe loaders


Crawler Excavators


Skidsteer loaders

Heavy construction equipment


Wheel loaders


Crawler excavators


Articulated haulers


Wheeled excavators


Lingong wheel loaders

Road machinery


Motor graders

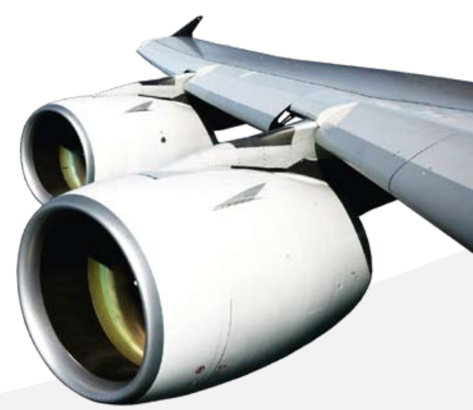

Compaction equipment


Pavers


Asphalt milling machines

Aerospace industry

Volvo Aero specializes in a number of highly advanced components for aircraft engines and space rockets. More than 90% of all new large commercial aircraft are equipped with engine components from Volvo Aero, which is also responsible for the engines of the Swedish Air Force's Gripen fighters. Volvo Aero also has a substantial aftermarket business.



Engine components

Engine overhaul

Space

Financial services

Financial services such as customer and dealer financing and other services such as insurance contribute to create customer value. Providing cost effective and attractive financing solutions and other services is essential in retaining existing customers and attracting new ones to the Volvo Group.

Customer and dealer financing

Leading products ...
– developed with the customer in focus

The Volvo Group has products with strong brand names that have been built up over a long time. The Volvo Group's mission includes "using our combined expertise to create transport-related products and services of superior quality, safety and environmental care for demanding customers in selected segments."

By constantly developing and improving its products and services in close cooperation with customers, the Group strengthens its competitiveness while creating value for customers.

Cleaner engines

After implementing comprehensive product renewal in recent years, the Volvo Group continued to launch more new products in 2009, among other things in connection with the introduction of new emission standards for trucks, Euro V in Europe and EPA 2010 in North America. The Group has its most competitive product program to date. The customer offering will be further strengthened in the next few years by focusing intensely on the development of future generations of products and services that create value for customers.

Focus on the driveline

The Volvo Group is one of the world's largest manufacturers of heavy diesel engines for commercial use and a significant manufacturer of drivelines for heavy vehicles. The Group has production and research and development facilities for drivelines on three continents. The products are sold to customers in some 180 markets worldwide.

The Volvo Group is also currently developing its own captive Group-wide engine platform for medium-duty diesel engines. The medium-duty engines will be launched during 2010.

The drivelines are designed so they can be adapted to a large number of applications in most of the Group's products. The diesel engines are used in trucks, buses and construction equipment, as well as in boats and industrial applications, such as generator units.

The strongest driver of the development of drivelines is customer requirements and preferences as well as new legislation with stricter emissions requirements. Products with reliability, sustainability, good drivability, favorable fuel economy and high environmental parameters help boost customers' productivity and profitability.

The environmental aspect is of great significance in all product development. Alternative drivelines and lower fuel consumption when using traditional drivelines provides for twice the benefit – less impact on the environment and lower costs for customers. Volvo Group is a driving force in the areas of environment and energy efficiency. The undertaking involves a gradual transition from fossil fuels, such as oil and natural gas, to fuels from renewable sources and to hybrids.

Volvo Trucks
During 2009, Volvo Trucks continued the global roll-out of the new generation of trucks. In focus was the new Volvo FH for long haulage, with the 700 hp version of the Volvo FH16, the world's strongest truck, as the flagship. Among other product news was the 11 liter engine for the Volvo FM. Several features were introduced to further strengthen the Volvo Trucks' position within traffic safety and environmental care.

Renault Trucks
In May 2009, Renault Trucks introduced a comprehensive package aiming at improving fuel efficiency with Renault Premium Optifuel: a state of the art driveline, combined with aerodynamics and accessories, a vehicle management software and including ecodrive training. The fuel reduction is at least 6%. Among other news: Renault Midlum Optitronic and Renault Maxity Electric.

UD Trucks
In June, UD Trucks launched a new light-duty truck, Condor, which meets the standard for fuel-efficient vehicles that the Japanese government established in a program for subsidies and scrapping incentives in order to promote the sales of eco-friendly vehicles.

Mack Trucks
Mack initiated delivery of SCR-equipped EPA 2010-certified engines, introduced natural gas-powered trucks for refuse applications, and placed heavy-duty hybrids into service with customers, including the city of New York – a response to the growing demand for increased fuel efficiency, cleaner air and lower greenhouse gas emissions.

Read about our service offering »

Progress in hybrid technology

Hybrid technology is one of the most promising and competitive technologies of the future for commercial vehicles. The hybrid technology, with its large potential for saving fuel, means lower costs and increased profitability for customers while providing substantial environmental benefits. Tests have shown fuel-savings of 20–30% for distribution trucks, up to 30% for city buses and 10% for wheel loaders. If also the hydraulic system is hybridized, the fuel savings can be significantly higher.

The development of hybrids continued during the year with hybrid buses starting to roll in field tests in Göteborg, Sweden and London, England. In April, the Volvo 7700 Hybrid city bus had its world premier, when the bus was deployed in traffic carrying passengers in Göteborg in a field test. In October, the Volvo Group's hybrid projects took another big step forward, when the first commercially sold hybrid bus was handed over to the customer Sales-Lentz in Luxemburg. Also on the truck side, development continues with hybrid refuse trucks in field tests in Göteborg, Lyon, France and New York, USA.

The Volvo Group has been testing various types of hybrid solutions since the 1980s and Volvo unveiled the first commercially viable hybrid solution for heavy vehicles in March 2006. The Volvo Group's solution is based on a concept known as I-SAM – Integrated Starter, Alternator Motor. This solution entails that an electric motor and a diesel engine work in parallel, whereby each of them can be used in the areas where they are most effective. This increases the capacity compared with series hybrids, while reducing fuel consumption and improving driving characteristics – simultaneously. Since it is based on a platform solution, the market prospects for the Volvo Group's hybrid technology are favorable. The solution can be used for many different Volvo Group products and applications, thus reducing production costs and facilitating volume manufacturing. 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.

Hybrids

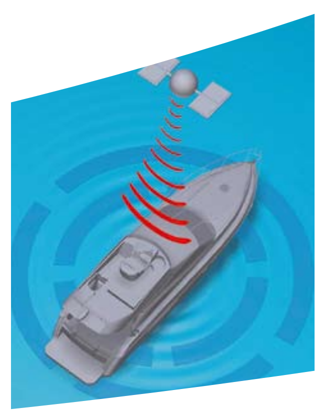
The hybrid technology points to fuel savings of 20–30% for distribution trucks and up to 30% for city buses.

Volvo Buses

During the summer of 2009, field tests began with seven of Volvo's hybrid buses, one Volvo 7700 Hybrid in Göteborg, Sweden and six hybrid double-deckers in London, England. The field tests have been successful and confirms the significant reduction in fuel consumption of approximately 30%. In November, the first Volvo 7700 Hybrid started regular, commercial traffic in Luxemburg.

Volvo Construction Equipment

At the Intermat fair in Paris, France, several new models were introduced, among them the ECR305CL short-swing excavator and the medium-sized wheel loaders L45F and L50F. Later in the year, a new generation of road machinery was launched; in it the pavers ABG7820B and ABG8820B for medium and large-scale applications.



Volvo Penta

Through the use of satellite coordinates the Dynamic Positioning System makes it possible to maintain the boat's position in the water without using an anchor. It is a practical and safe feature, for instance when waiting for locks or bridges to open. The system is available for boats equipped with Volvo Penta IPS – during the year the IPS range was extended with two new power classes.

Volvo Aero

The development of the new engines Trent XWB for Airbus future A350 XWB and the PW1000G geared turbo engine for Mitsubishi Regional Jet (MRJ) and Bombardier CSeries continued. Volvo Aero also developed a vital component to the GP7000 engine for Airbus A380. The company has also developed a new nozzle for the Ariane rocket's Vulcain 2 engine. By using a new welding technology, the new nozzle is less costly to produce and at the same time more robust and with better performance.

… and world-class services
– provides for stable sales and more satisfied customers

It is not enough to manufacture and sell high-quality products for the Volvo Group to realize its vision to become world leader in commercial transport solutions.

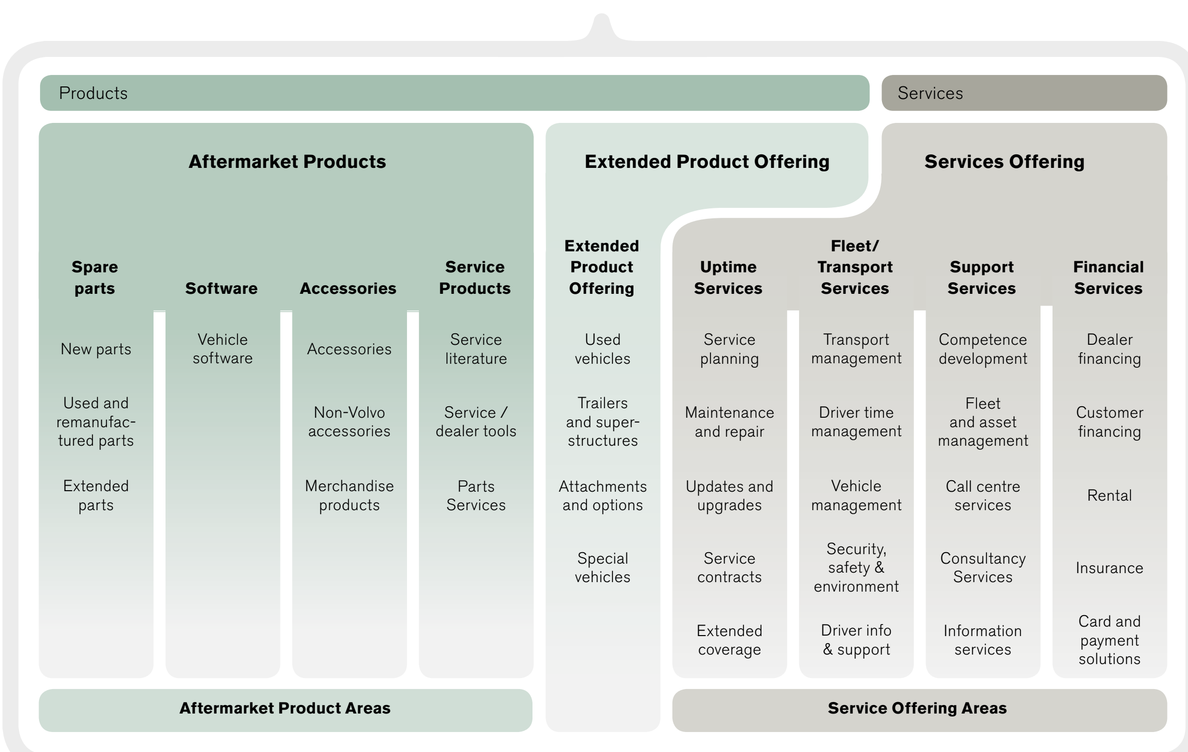
Many customers want long-term cooperation around total solutions to execute their work as efficiently as possible with maximum profitability and up-time. Consequently, when choosing suppliers of vehicles or machinery, the offering of supplementary services combined with excellent products and high availability is to a great extent crucial.

Accordingly, the Volvo Group is offering such services as financing and insurance, various forms of service agreements, accessories and spare parts to support core products. The Volvo Group's increasingly broad range of these services and aftermarket products is of ever-increasing importance to the Group's competitiveness.

Strengthening this offering is an important way for the Volvo Group to:

- Satisfy customer demand and requirements throughout the entire lifecycle of the product and thus create a closer, long-term relationship with them.
- Increase sales of supplementary services and products with sustainable profitability.
- Enhance earnings stability by increasing the share of revenues that is less cyclical than sales of new vehicles and machines.
- Differentiate itself compared with competitors by adding customer value throughout the entire product life cycle.

Services and aftermarket products



- Strengthen the relationships with existing customers and attract new customer segments.

Growing aftermarket business

The Volvo Group's offering includes various types of financing solutions, insurance, rental services, used vehicles, spare parts, preventive maintenance, service agreements, assistance services and IT services. The range and flexibility of the offering means that the solutions can be customized for each customer.

Since a large part of the accessories, spare parts and services in the aftermarket business is requested as long as products are being used, they contribute to balancing the fluctuations in the economy. By strengthening the aftermarket offering, profitability and revenue sustainability can improve for the Group throughout the entire economic cycle.

Develop and increase interface with customers

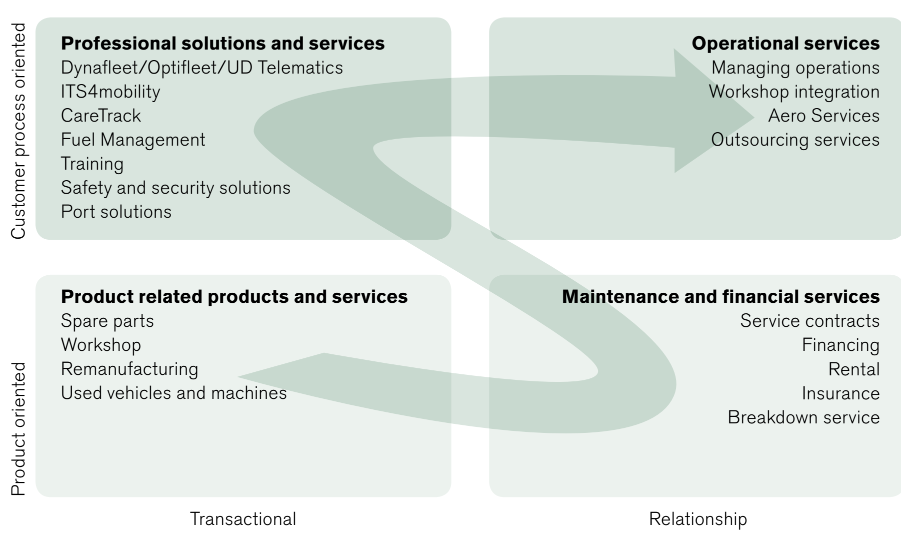
The majority of Volvo Group's customers are companies within the transportation and construction industries. The reliability and productivity of the products are vital and highly crucial to the customers' success and profitability.

The goal is that Volvo Group companies shall be regarded as number one in customer satisfaction, in terms of both products and services. The Volvo Group must also be number one when the dealers' customers assess customer satisfaction. A competent and professional dealer and service network is vital to the Volvo Group and contributes to strengthening the Group's various brands.

Vital element of growth strategy

The strategy to increase sales of services and aftermarket products is an important element in the Volvo Group's effort to achieve targets for profitability and growth, both in mature markets and in the Group's new markets. During 2009, the services and aftermarket products business represented approximately 40% of the Group's total sales.

Building the service and aftermarket products business
Our way forward



Service – recipe for success in Norway

Twenty years ago, Caterpillar dominated the market for wheel loaders in Norway. Today, the situation is totally different. Volvo has a market share of more than 70%.

"We have focused consciously on service. It pays off," says Jon Vislie at Volvo Maskin Service.

Customer focus

Jon Vislie greets us at his office just outside Oslo.

"I have been working with soft products and focusing on the customer for 25 years. This is something we simply take for granted," he says and explains why he wanted the word "service" in the company name. "There is an English expression 'at your service' and it sums up our attitude."

Volvo Maskin Service is a wholly-owned subsidiary of Volvo Construction Equipment and sells construction equipment all over Norway. However, the work does not end when a machine is sold. It is then that their real involvement begins.

"It's our job to live with our customers and their business. When they buy a machine, they have to be able to rely on us to provide the service they need," says Jon Vislie.

He shows us around the facility. Among the Volvo machines in for service, there is the odd Caterpillar. When asked why he helps competitors' customers, he laughs.

"Who does the customer remember when it's time to invest in a machine? He naturally remembers the excellent service and professional reception he was given here."

In the yard, there are a number of service vehicles.

"If a machine breaks down, the customer risks large-scale delays. Instead of bringing the machine to the workshop, we go to the machine. These vehicles are equipped to handle virtually everything," he says, opening the rear door. The interior is almost a complete workshop.

Long-term relationships

Roy Holth runs Gunnar Holth Grusforretning. He owns 70 machines, half from Volvo and half from Caterpillar. As he sees it, availability and service have to function.

"Service is the first thing I look at when I am buying a new machine. It goes without saying that quality and price are important, but, if a machines breaks down, it costs me about NOK 5,000 an hour!"

We drive to a neighbouring stone-crushing plant. Roy Holth wants to discuss a new proposal relating to a road construction project in southern Norway and he wants Jon Vislie's advice on the machinery to use.

"Jon acts as a partner who helps and supports me when I am about to take on a new assignment. The personal contact is important to me. I still want regular meetings, even if we are experiencing a downturn. Jon is good at this. Other companies try to make savings by cutting down on customer visits. I think they will lose out in the long run," says Roy Holth.

Back at the office, Jon Vislie explains that he tries to set up meetings with customers and potential customers as often as he can.

"If I have a customer with different brands in his fleet and he is unsure about what he is going to buy, I set up a meeting with one of my loyal Volvo customers. I can then sit back and let them talk," says Jon with a smile.

2009 was a dramatic year
– with financial crisis and very weak global economy

After the substantial drop in demand during the second half of 2008, weak conditions continued to characterize most of the Volvo Group's markets in 2009. Never before in the Group's history had so many markets simultaneously been so severely affected by the downturn, which is evident in the fact that the Group's sales in a single year declined by as much as 28% to SEK 218 billion.

Lower global GDP

According to the International Monetary Fund's World Economic Outlook Update from January 2010, global GDP is expected to have declined by 0.8% during 2009. At the same time, world trade was down over 12%. According to Consensus Economics, GDP in the EU dropped 4.0%, the U.S. was down 2.4% and Japan 5.3%. The economy in countries such as China, India and Brazil fared significantly better and continued to grow during the year.

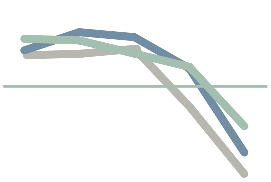
The GDP drop was significant in large parts of the world during the first half of the year, but most countries started to recover in the autumn. The recovery was aided by low interest rates and fiscal policies such as increased governmental investments in infrastructure and tax subsidies for certain types of investments.

Weak truck markets

Demand for transport capacity and therefore for trucks is closely linked to the development in GDP. The weak economic conditions in Europe, North America and Japan, the Group's most important Asian market, in the first half of the year resulted in a significant reduction in the need for transportation and consequently for the demand for new trucks. Toward the end of the year a slow recovery began, but the Group's main markets were still on historically low levels.

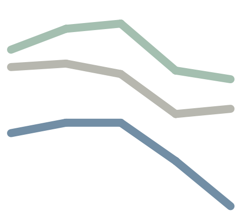
In Europe 29 (EU's 27 member states, Norway and Switzerland), registrations of heavy-duty trucks decreased by 49% to 164,000 vehicles during 2009. The same levels have not been seen since the middle of the 1990's. In North America, registrations dropped by 38% to 115,000 heavy-duty trucks, a level not seen since the 1980's. In Japan, registrations of heavy-duty trucks fell by 43% to 18,700 vehicles, which corresponds to the levels of the early 1960's. The Chinese market for trucks over 14 tons increased by 22% to 605,500 trucks. After a weak start, the Indian market improved gradually during the year. However, registrations of heavy-duty trucks in India

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



05	06	07	08	09	
2.9	2.8	2.0	1.2	(2.4)	%
2.2	3.3	3.0	1.1	(4.0)	%
1.9	2.0	2.3	(1.2)	(5.3)	%

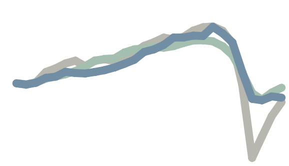
Economic growth in Asia, %



05	06	07	08	09	
10.4	11.6	11.9	9.2	8.7	%
9.4	9.6	9.0	6.7	7.0	%
5.6	6.2	6.2	4.0	1.4	%

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

Industrial production in the U.S., Europe and Japan



03	04	05	06	07	08	09	
101	105	109	111	113	103	99	%
101	103	106	112	114	103	96	%
103	105	108	114	117	99	94	%

Read about some of the year's events »

Significant drop in global GDP

decreased by 22% to 160,000 vehicles. In South America, the important Brazilian market decreased by 15% to 67,000 heavy-duty trucks despite a strong growth in the second half of the year.

The construction equipment market declined

Business conditions continued to be weak in the markets where Volvo Construction Equipment is present. Measured in units, the total world market for heavy, compact and road machinery equipment decreased by 39% during 2009 compared to the preceding year.

In Europe the total market was down 50% and North America decreased by 49%. In China the market increased by 25% while Asia as a whole declined by 9%.

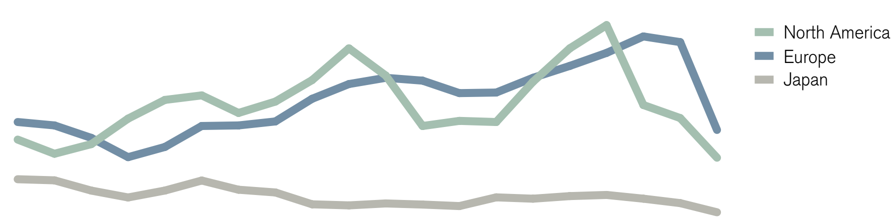
With the exception of China and to some extent Korea, stimulus packages introduced in several countries had no significant impact on the industry.

Global economic recovery predicted

At the end of January 2010, the International Monetary Fund (IMF) raised its forecast for global GDP growth in 2010 from 3.1% to 3.9%. According to IMF, GDP in the U.S. is predicted to grow by 2.7% while growth in the Euro zone is predicted at 1.0% and Japan at 1.7%.

High growth rates are predicted to continue in China, India and Brazil – 10.0% in China, 7.7% in India and 4.7% in Brazil. Russian GDP is expected to grow by 3.6%.

Heavy-duty truck markets
Vehicles, thousands



	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09
North America	147	122	139	184	217	225	194	214	252	308	260	171	180	178	249	308	349	208	185	115
Europe	178	172	150	116	134	171	172	179	219	245	256	251	229	230	256	277	300	329	319	164
Japan	77	75	57	45	57	75	59	54	33	31	34	32	30	45	43	47	49	43	35	19

Significant events

The year 2009 was characterized by continued weak demand in the Group's main markets. At the same time, the Volvo Group introduced new products that comply with the latest emissions regulations and took a big step forward in the commercialization of vehicles equipped with the Group's hybrid technology.

Q1

The first quarter

The Volvo Group secured SEK 30 billion in funding

During the first quarter, the Volvo Group completed a number of important funding transactions. In February, a 5-year EUR 700 M bond was issued, followed by a 3-year SEK 4.2 billion bond in March. Also in March, the Group received a 7-year loan from the European Investment Bank equivalent to EUR 400 M. Furthermore during the first quarter the Group raised additional medium- and long-term funds equivalent to approximately SEK 6 billion.

Furthermore, in early April a new 2-year revolving credit facility of EUR 775 M, backed by a large number of banks, was signed.

New generation of diesel engines

The Volvo Group introduced a new generation of diesel engines for trucks and buses with extremely low emissions of air pollutants. The engines meet the new Euro V regulations that came into effect in the EU in October 2009. Several of the new engines are also available in variants tailored for the EEV norm (Enhanced Environmentally friendly Vehicle).

The new generation of engines is the Volvo Group's most fuel-efficient and cleanest ever to be launched in Europe. A number of technical improvements with focus on optimized combustion and a new SCR catalytic converter have made it possible to combine increased power with decreased emissions and approximately 3% lower fuel consumption.

The second quarter

Annual General Meeting

The Annual General Meeting of AB Volvo held on April 1, 2009, approved the Board's proposal to pay an ordinary dividend to the shareholders of SEK 2.00 per share.

Peter Bijur, Leif Johansson, Finn Johnsson, Louis Schweitzer, Ravi Venkatesan, Lars Westerberg and Ying Yeh were re-elected members of the Board of AB Volvo and Jean-Baptiste Duzan and Anders Nyrén were newly elected members. Finn Johnsson was elected Chairman of the Board. Tom Hedelius and Philippe Klein did not stand for re-election.

The Chairman of the Board, Finn Johnsson, Carl-Olof By, representing AB Industrivärden, Lars Förberg, representing Violet Partners LP, Lars Öhrstedt, representing AFA Försäkring, and Thierry Moulonguet, representing Renault s.a.s., were elected members of the Election Committee. The meeting resolved that no fee should be paid to the members of the Election Committee.

Q2

Q3

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 from the Group's parallel hybrid technology indicated excellent fuel savings. The Volvo Group has developed about 20 different 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 30, 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, 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 the 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 develops its own medium-duty engine for trucks and buses scheduled to begin launch in 2010.

The third quarter

AB Volvo improved its funding capabilities through entry into US bond market

In October, Volvo Treasury AB, a subsidiary of AB Volvo, issued a USD 750 M guaranteed bond offering at an interest rate of 5.95% due 2015. The offering marked AB Volvo's first entry into the U.S. institutional bond market. The U.S. capital market is one of the world's largest and most liquid markets.

Q4

The fourth quarter

Volvo and Mack engines first to be certified for near-zero emissions of EPA 2010

In November 2009 it was announced that Volvo Trucks and Mack Trucks were the first manufacturers to have their engines certified as meeting EPA 2010 emissions standards, the most stringent in the world. On November 17, Talon Logistics, Inc. in the U.S. took delivery of the first EPA 2010-certified trucks from Volvo Trucks in North America. In December, Knight Transportation ordered 370 EPA 2010-compliant Volvo VN's.

Events after balance sheet date

Volvo received order for 12 hybrid buses to Norway

On January 8, 2010 it was announced that the operator company Nettbuss had ordered 12 hybrid buses from Volvo Buses for service in Norway thereby becoming the first company in the Nordic region to implement the hybrid technology commercially. Hybrid buses reduce fuel consumption by as much as 30%.

Louis Schweitzer new Chairman of AB Volvo

On January 15, 2010 it was announced that Louis Schweitzer, following a request from the Board of Directors, had agreed to take over as the Chairman of AB Volvo's Board for the period until the next Annual General Meeting. This change took place as Finn Johnsson had informed the Board of his resignation as Chairman.

Devaluation in Venezuela

In January 2010, an extensive devaluation was made in Venezuela. Volvo has assets in Venezuela and therefore exchange rate losses of approximately SEK 130 M will affect the Group results during the first quarter of 2010 as a consequence of the devaluation. The major part will be recognized in the Finance net.

Financial performance

– low volumes and adjustment of cost structure weighed on profitability

Net sales decreased by 28% to SEK 218.4 billion, while the operating loss amounted SEK 17.0 billion (Income: SEK 15.9 billion). The loss for the year amounted to SEK 14.7 billion, compared to an income for the year of SEK 10.0 billion in 2008. Basic and diluted earnings per share was a negative SEK 7.26 (Positive SEK 4.90).

Net sales by business area

SEK M	2008	**2009**	%
Trucks	203,642	138,940	(32)
Construction Equipment	56,277	35,658	(37)
Buses	17,350	18,465	6
Volvo Penta	11,518	8,159	(29)
Volvo Aero	7,625	7,803	2
Eliminations and other	(576)	(538)	(7)
Industrial operations[1]	**295,836**	**208,487**	**(30)**
Customer Finance	11,073	11,712	6
Reclassifications and eliminations	(2,268)	(1,838)	–
Volvo Group	**304,642**	**218,361**	**(28)**

1 Adjusted for acquired and divested units and changes in currency rates, net sales for Industrial operations decreased by 37%.

Net sales by market area

SEK M	2008	**2009**	%
Western Europe	124,261	84,452	(32)
Eastern Europe	28,212	9,632	(66)
North America	47,746	37,291	(22)
South America	19,613	16,610	(15)
Asia	55,812	44,842	(20)
Other markets	20,192	15,660	(22)
Total Industrial operations	**295,836**	**208,487**	**(30)**

Operating income (loss) by business area

SEK M	2008	**2009**
Trucks	12,167	(10,805)
Construction Equipment	1,808	(4,005)
Buses	(76)	(350)
Volvo Penta	928	(230)
Volvo Aero	359	50
Eliminations and other	(732)	(994)
Industrial operations	**14,454**	**(16,333)**
Customer Finance	1,397	(680)
Volvo Group	**15,851**	**(17,013)**

The Volvo Group

Net sales

Net sales for the Volvo Group decreased by 28% to SEK 218,361 M in 2009, compared to SEK 304,642 M in 2008.

Operating income

Volvo Group operating loss amounted to SEK 17,013 M (income SEK 15,851 M).

Operating loss for the Industrial Operations amounted to SEK 16,333 M compared to an operating income of SEK 14,454 M in the preceding year. The Customer Finance operations posted an operating loss of SEK 680 M (income SEK 1,397 M).

Net financial items

Net interest expense was SEK 3,169 M, compared with SEK 764 M in 2008. The increased interest expense is mainly attributable to increased debt level and it was also negatively impacted by an increased interest expense for post-employment benefits.

During the year, market valuation of derivatives, mainly used for the customer financing portfolio, had a negative effect on Other financial income and expenses in an amount of SEK 90 M (neg. SEK 1,029 M).

Income Taxes

The tax income for the year amounted to SEK 5,889 M. During 2008 the income tax expense amounted to SEK 3,994 M and a tax rate of 29%.

Income for the period and earnings per share

The loss for the period amounted to SEK 14,685 M (income SEK 10,016 M), corresponding to basic and diluted earnings per share of a negative SEK 7.26 (positive SEK 4.90). The return of shareholders' equity was negative 19.7% (positive 12.1%).

Industrial Operations

In 2009, net sales for the Volvo Group's Industrial Operations decreased by 30% to SEK 208.487 M (295.836).

The financial crisis and the downturn in the global economy that started during the autumn of 2008 continued to have a significantly negative impact on most of the Group's markets in 2009. The main markets in Europe, North America and Japan were very weak during the first half of the year. Towards the end of the year, a modest recovery was noted, but the markets were still on very low levels from an historical perspective. China, India and Brazil recovered relatively rapidly and grew during the second half of the year, among other things because of stimulus measures by the governments.

Operating loss

In 2009, the operating loss for the Volvo Group's Industrial Operations amounted to SEK 16,333 M, compared to an operating income of SEK 14,454 M in 2008. The operating margin for the Industrial Operations amounted to a negative 7.8% (Positive 4.9%).

The lower sales of trucks and construction equipment in particular had a negative impact on operating profit. Continued low capacity utilization in the industrial system resulted in an under absorption of costs equal to approximately SEK 10.7 billion during the year.

Operating profit was also negatively impacted with an amount of SEK 2,150 M in layoff-related costs. Furthermore, operating profit was negatively impacted by approximately SEK 1,120 M in write-downs on inventories and on assets held for sale and by approximately SEK 1,200 M in increased provisions for residual value commitments.

During 2009, operating profit was positively impacted by lower costs for raw material and components amounting to approximately SEK 200 M compared to the preceding year.

In 2009, research and development expenses amounted to SEK 13,193 M (14,348). The continued high expenses are primarily a consequence of projects ahead of new emission regulations in Europe, USA and Japan in 2009, 2010 and 2011.

Selling expenses decreased by 7% and administration expenses by 16% compared to 2008.

Impact of exchange rates on operating income

The combined effect of changed exchange rates had a negative effect on operating income of approximately SEK 1.9 billion in 2009, compared with 2008, primarily as an effect of the translation effects of operating losses in foreign subsidiaries.

Income Statement Volvo Group

SEK M	2008	**2009**
Net sales Volvo Group	**304,642**	**218,361**
Operating Income Volvo Group	**15,851**	**(17,013)**
Operating income Industrial operations	*14,454*	*(16,333)*
Operating income Customer Finance	*1,397*	*(680)*
Interest income and similar credits	1,171	390
Interest expense and similar credits	(1,935)	(3,559)
Other financial income and costs	(1,077)	(392)
Income after financial items	**14,010**	**(20,573)**
Income taxes	(3,994)	5,889
Income for the period	**10,016**	**(14,685)**

Income Statement Industrial operations

SEK M	2008	**2009**
Net sales	295,836	208,487
Cost of sales	(233,514)	(179,578)
Gross income	**62,322**	**28,909**
Gross margin, %	21.1	13.9
Research and development expenses	(14,348)	(13,193)
Selling expenses	(25,597)	(23,752)
Administrative expenses	(6,921)	(5,838)
Other operating income and expenses	(1,094)	(2,432)
Income from investments in associated companies	23	(15)
Income from other investments	69	(13)
Operating income Industrial operations	**14,454**	**(16,333)**
Operating margin, %	4.9	(7.8)

Operating margin

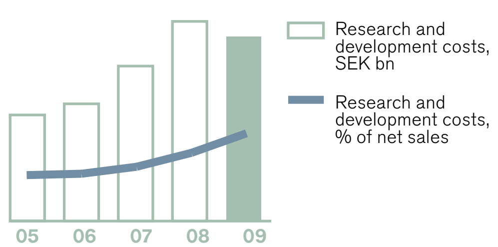
%	2008	**2009**
Trucks	6.0	(7.8)
Construction Equipment	3.2	(11.2)
Buses	(0.4)	(1.9)
Volvo Penta	8.1	(2.8)
Volvo Aero	4.7	0.6
Industrial operations	**4.9**	**(7.8)**
Volvo Group	**5.2**	**(7.8)**

Impact of exchange rates on operating income

Compared with preceding year, SEK bn	
Net sales[1]	20.9
Cost of sales	(19.5)
Research and development expenses	(0.5)
Selling and administrative expenses	(2.4)
Other operating income and expenses	(0.4)
Total effect of changes in exchange rates on operating income	**(1.9)**

1 Group sales are reported at monthly spot rates and the effects of currency hedges are reported among "Cost of sales".

Research and development costs



	05	06	07	08	09
SEK bn	7.6	8.4	11.1	14.3	13.2
% of net sales	3.3	3.4	3.9	4.9	6.3

Change in operating income	
SEK bn	**2009**
Operating income 2008	**15.9**
Gross income	(33.1)
Provisions for healthcare benefits according to agreement with United Auto Workers, UAW	(0.9)
Additional provisions for residual value commitments	(0.8)
Changes in currency exchange rates	(1.9)
Higher capitalization of development costs	1.1
Lower research and development expenditures	0.6
Lower selling and administrative expenses	5.4
Write-down of assets held for sale	(0.4)
Higher credit losses	(2.2)
Other	(0.7)
Operating income 2009	**(17.0)**

Operating net flow per currency[1]

SEK M	2008	**2009**
USD	23,600	14,000
EUR	15,700	6,300
GBP	7,700	4,000
CAD	1,900	1,300
Other currencies	12,200	6,200
Total	**61,100**	**31,800**

1 Operating net flow per currency are reported at average spot rates.

Customer Finance Operations

Total new financing volume in 2009 amounted to SEK 28.7 billion (44.5). Adjusted for changes in exchange rates, new business volume decreased by 41% compared to 2008 as a result of lower sales volumes of Group products. In total, 25,782 new Volvo vehicles and machines (47,986) were financed during the year. In the markets where financing is offered, the average penetration rate was 25% (25).

At December 31, 2009 total assets in customer finance amounted to SEK 98.8 billion (117.6). During 2009 the credit portfolio decreased by 15.6% (11.8), adjusted for exchange-rate movements.

The operating loss for the year amounted to SEK 680 M compared to an operating income of SEK 1,397 M in the previous year. Return on shareholders' equity was a negative 6.2% (Positive 12.6). The equity ratio at the end of the year was 8.7% (8.2). The loss was driven mainly by higher credit provisions. During the year, credit provision expenses amounted to SEK 2,327 M (483) while write-offs of SEK 2,223 M (521) were recorded. This resulted in an increase in credit reserves from 1.37% at December 31, 2008 to 1.67% of the credit portfolio at December 31, 2009. The write-off ratio was 2.09% (0.54).

Income Statement Customer Finance

SEK M	2008	**2009**
Finance and lease income	11,073	11,712
Finance and lease expenses	(7,683)	(8,427)
Gross income	**3,390**	**3,285**
Selling and administrative expenses	(1,551)	(1,608)
Credit provision expenses	(483)	(2,327)
Other operating income and expenses	41	(30)
Operating income	**1,397**	**(680)**
Income taxes	(356)	114
Income for the period	**1,041**	**(566)**
Return on Equity	12.6	(6.2)

Key ratios

Financial Services	2008	**2009**
Credit portfolio net, SEK bn	112.3	93.5
Operating income, SEK M	1,397	(680)
Return on shareholders' equity, %	12.6	(6.2)
Market penetration, %	24.9	24.8
Penetration by business area, %		
Volvo CE	36	34
Volvo Trucks	29	30
Renualt Trucks	18	20
Mack Trucks	16	14
Buses	14	16

Financial position
– increased debt but continued strong liquidity position

Net debt in the Volvo Group's Industrial Operations amounted to SEK 41.5 billion at December 31, 2009, equal to 70.9% of shareholders' equity. Excluding provisions for post-employment benefits the Volvo Group's net debt amounted to SEK 35.5 billion, which was equal to 60.7% of shareholders' equity.

Volvo Group's liquid funds, cash and cash equivalents and marketable securities combined, amounted to SEK 37.9 billion on December 31, 2009. Of this, SEK 1.2 billion was restricted for use by the Volvo Group and SEK 5.3 billion consisted of liquid funds in countries where exchange controls or other legal restrictions apply. In addition to this, granted but unutilized credit facilities amounted to SEK 33.2 billion.

Total assets in the Volvo Group amounted to SEK 332.3 billion on December 31, 2009, a decrease of SEK 40.2 billion compared to year-end 2008. The decrease is mainly the result of lower working capital due to decreased inventories and accounts receivable, decreased customer financing receivables due to lower levels of financial leasing, installment credits and dealer financing as well as fluctuations in currency. Fluctuations in currency decreased the Volvo Group's total assets by SEK 8.3 billion during 2009.

Volvo Group's intangible assets amounted to SEK 41.6 billion on December 31, 2009. Investments in research and development amounted to SEK 2.6 billion in 2009, resulting in a net value of development costs of SEK 11.4 billion at the end of the year. Volvo Group's total goodwill amounted to SEK 23.8 billion on December 31, 2009, a decrease by SEK 1.0 billion compared to year-end 2008. The decrease is a result of fluctuations in currency. The Volvo Group's tangible assets decreased by SEK 7.0 billion during 2009, mainly as a result of decreased assets under operational leasing.

The value of the Volvo Group's inventories decreased by SEK 17.3 billion during 2009. The decrease is mainly related to finished products within the Group's truck brands and construction equipment. Currency fluctuations only had a minor impact on the value of inventories at the end of 2009.

Net financial position

	Industrial operations		Volvo Group	
SEK M	Dec 31 2008	**Dec 31 2009**	Dec 31 2008	**Dec 31 2009**
Non-current interest-bearing assets				
Non-current customer-financing receivables	–	–	50,432	39,713
Non-current interest-bearing receivables	149	1,095	694	585
Current interest-bearing assets				
Customer-financing receivables	–	–	48,057	42,264
Interest-bearing receivables	2,684	1,215	1,965	410
Internal funding	792	3,662	–	–
Interest-bearing assets held for sale	–	8	–	8
Marketable securities	5,901	16,655	5,902	16,676
Cash and bank	16,674	20,749	17,712	21,234
Total financial assets	**26,200**	**43,384**	**124,762**	**120,890**
Non-current interest-bearing liabilities				
Bond loans	35,798	49,191	35,798	49,191
Other loans	39,880	48,684	47,298	56,035
Internal funding	(44,934)	(30,908)	–	–
Current interest-bearing liabilities				
Loans	56,178	44,196	62,631	51,626
Internal funding	(40,173)	(32,273)	–	–
Total financial liabilities	**46,749**	**78,890**	**145,727**	**156,852**
Net financial position excl. post employment benefits	**(20,549)**	**(35,506)**	**(20,965)**	**(35,962)**
Provision for post employment benefits, net	9,246	5,983	9,263	6,002
Net financial position incl. post employment benefits	**(29,795)**	**(41,489)**	**(30,228)**	**(41,964)**

Change in net financial position, Industrial operations

SEK bn	2008	**2009**
Beginning of period	**(4.3)**	**(29.8)**
Cash flow from operating activities	9.7	(1.6)
Investments in fixed assets	(13.0)	(10.5)
Disposals	0.6	0.7
Operating cash-flow	**(2.7)**	**(11.4)**
Investments and divestments of shares	0.0	0.0
Acquired and divested operations, net	(1.3)	0.2
Capital injections to/from Customer Finance operations	(0.2)	0.4
Currency effect	(9.1)	3.0
Payment to AB Volvo shareholders	(11.1)	(4.1)
Revaluation of loans	(0.9)	0.9
Provision UAW agreement	–	(0.9)
Other	(0.2)	0.2
Total change	**(25.5)**	**(11.7)**
Net financial position at end of period	**(29.8)**	**(41.5)**

Balance Sheets Volvo Group

SEK M	Industrial operations Dec 31 2008	Industrial operations **Dec 31 2009**	Customer Finance Dec 31 2008	Customer Finance **Dec 31 2009**	Eliminations Dec 31 2008	Eliminations **Dec 31 2009**	Total Dec 31 2008	Total **Dec 31 2009**
Assets								
Non-current assets								
Intangible assets	43,909	41,532	49	96	0	0	43,958	41,628
Tangible assets								
Property, plant and equipment	57,185	55,208	86	72	0	0	57,270	55,280
Assets under operating leases	16,967	13,539	13,238	10,955	(4,776)	(4,106)	25,429	20,388
Financial assets								
Shares and participation	1,935	2,025	18	19	0	0	1,953	2,044
Non-current customer-financing receivables	467	531	50,460	39,720	(495)	(538)	50,432	39,713
Deferred tax assets	10,976	12,277	204	318	0	0	11,180	12,595
Prepaid pensions	2,431	2,038	10	10	0	0	2,442	2,049
Non-current interest-bearing receivables	149	1,095	0	0	545	(510)	694	585
Other non-current receivables	3,051	3,033	28	42	(56)	(36)	3,023	3,038
Total non-current assets	**137,070**	**131,278**	**64,093**	**51,232**	**(4,782)**	**(5,190)**	**196,381**	**177,320**
Current assets								
Inventories	54,084	35,765	961	1,962	0	0	55,045	37,727
Current receivables								
Customer-financing receivables	508	836	48,382	42,443	(833)	(1,015)	48,057	42,264
Tax assets	1,749	1,362	61	161	0	0	1,810	1,523
Interest-bearing receivables	2,684	1,215	21	66	(740)	(872)	1,965	410
Internal funding	792	3,662	0	0	(792)	(3,662)	–	–
Accounts receivable	30,137	20,877	386	460	0	0	30,523	21,337
Other receivables	14,673	11,459	1,495	1,701	(1,145)	(1,077)	15,024	12,082
Non interest-bearing assets held for sale	–	1,684	–	–	–	–	–	1,684
Interest-bearing assets held for sale	–	8	–	–	–	–	–	8
Marketable securities	5,901	16,655	2	21	0	0	5,902	16,676
Cash and cash equivalents	16,674	20,749	2,245	726	(1,207)	(241)	17,712	21,234
Total current assets	**127,202**	**114,272**	**53,553**	**47,540**	**(4,717)**	**(6,867)**	**176,038**	**154,945**
Total assets	**264,272**	**245,550**	**117,646**	**98,772**	**(9,499)**	**(12,057)**	**372,419**	**332,265**
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company	74,416	57,856	9,594	8,549	0	0	84,010	66,405
Minority interests	630	629	0	0	0	0	630	629
Total shareholders' equity	**75,046**	**58,485**	**9,594**	**8,549**	**0**	**0**	**84,640**	**67,034**
Non-current provisions								
Provisions for post-employment benefits	11,677	8,021	28	30	0	0	11,705	8,051
Provisions for deferred taxes	6,557	1,858	1,703	1,780	0	0	8,260	3,638
Other provisions	7,938	6,277	148	80	50	2	8,136	6,360
Non-current liabilities								
Bond loans	35,798	49,191	0	0	0	0	35,798	49,191
Other loans	39,880	48,684	7,426	7,458	(7)	(107)	47,298	56,035
Internal funding	(44,934)	(30,908)	45,054	32,758	(119)	(1,849)	–	–
Other liabilities	13,249	11,762	674	479	(3,483)	(2,353)	10,442	9,888
Current provisions	10,723	9,321	122	164	38	2	10,883	9,487
Current liabilities								
Loans	56,178	44,196	7,241	8,305	(788)	(876)	62,631	51,626
Internal funding	(40,173)	(32,273)	42,784	36,457	(2,610)	(4,184)	–	–
Non interest-bearing liabilities held for sale	–	272	–	–	–	–	–	272
Trade payables	50,622	35,754	404	201	0	0	51,025	35,955
Tax liabilities	1,044	369	160	254	0	0	1,204	623
Other liabilities	40,667	34,541	2,308	2,257	(2,580)	(2,692)	40,397	34,105
Total shareholders' equity and liabilities	**264,272**	**245,550**	**117,646**	**98,772**	**(9,499)**	**(12,057)**	**372,419**	**332,265**
Contingent liabilities							9,427	**9,607**

The net value of assets and liabilities related to pensions and similar obligations amounted to SEK 6.0 billion on December 31, 2009, a decrease of SEK 3.3 billion compared to year-end 2008. The decrease is mainly a result of the reclassification of healthcare obligations in Mack Trucks to a financial liability as a consequence of the Master Agreement between Mack Trucks and United Auto Workers. Post-employment benefits valued at SEK 9.5 billion were reported outside the Volvo Group's balance sheet. For further information see Note 24.

At year-end, the equity ratio in the Industrial Operations was 23.8% and in the Volvo Group 20.2%. Shareholder's equity in the Volvo Group amounted to SEK 67.0 billion at December 31, 2009.

Cash-flow statement
– reduced working capital could not balance the operating loss

Operating cash flow in the Industrial Operations decreased to a negative SEK 11.4 billion (negative SEK 2.7 billion). The decreased cash flow was mainly due to the lower earnings, that was not offset by the decrease in working capital due to less capital tied up in inventories.

Financial items and paid income taxes had a SEK 4.7 billion negative effect on cash flow, mainly through payments of interests and income tax.

Operating cash flow within Financial Services was a positive SEK 15.1 billion in 2009 (negative SEK 11.3 billion) as a result of the decreased credit portfolio.

Investments

The industrial operations' investments in fixed assets and capitalized research and development during 2009 amounted to SEK 10.3 billion (12.6).

Capital expenditures in Trucks amounted to SEK 7.4 billion (8.3). The capital expenditures within Trucks consist of the ongoing investments in cab plants: assembly in Umeå, Sweden and assembly and painting in Blainville, France, aiming to increase capacity, flexibility and productivity. The ongoing investment program aiming to increase capacity and efficiency in the plants in Skövde and Köping (Sweden) where engines and gearboxes are produced, has also continued. Investments with the purpose of improving the efficiency in the industrial structure are ongoing in Tuve, Sweden and Ageo, Japan. Product-related investments during the year mainly refer to Euro V and EPA 2010 emission standards as well as other renewals in the product program. During 2009 investments continued in the dealer network and workshops, mainly in Europe, however on a lower level than the previous year.

Capital investments for Construction Equipment decreased to SEK 1.0 billion from SEK 2.0 billion the previous year. The main part was made in Eskilstuna, Sweden, aiming to increase efficiency and capacity within the axle and transmission production. They also include the expansion of the Lingong excavator factory in Linyi, China, as well as the expansion of the Shippensburg plant for production of motor graders in the U.S. Product-related investments during the year refer mainly to the new emission regulations Tier4i.

Investments in Buses were SEK 0.4 billion (0.2). They were mainly related to a new production facility for Nova Bus in Plattsburgh, New York, USA. Product-related investments during the year related mainly to the emission standards according to Euro V. Buses have also invested to increase efficiency in production facilities and products.

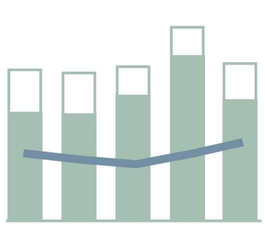
The level of investments in Volvo Penta were SEK 0.3 billion (0.4) and consist mainly of product-related investments in the new D3 engine and IPS2, investments in the new logistics system as well as tooling and other development activities.

Investments within Volvo Aero during 2009 were SEK 0.6 billion (0.9). The majority of the investments refer to the involvement in the new engine programs, PW1000G and Trent XWB, in cooperation with Pratt & Whitney and Rolls-Royce. The investments also refer to the finalization of a number of investments in Volvo Aero's production facilities in order to secure the capacity required for the GEnx program carried out in cooperation with General Electrics.

Investments in leasing assets amounted to SEK 0.2 billion (0.4).

For 2010 investments in property, plant and equipment are forecasted to be about SEK 6 billion, which is lower than 2009. The Volvo Group continuously reviews and prioritizes among the ongoing and future investments within the organization to secure adaptations of the investments to current market situation.

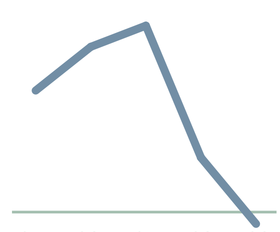
Capital expenditures, Industrial operations



Property, plant and equipment, SEK bn
Capitalized development costs, SEK bn
Capital expenditures, % of net sales

05	06	07	08	09	
6.9	6.8	8.0	10.5	7.7	Property, plant and equipment, SEK bn
3.0	2.9	2.1	2.1	2.6	Capitalized development costs, SEK bn
4.3	3.9	3.6	4.3	5.0	Capital expenditures, % of net sales

Self-financing ratio, Industrial operations, %



Cash-flow from operating activities divided by net investments in fixed assets and leasing assets.

05	06	07	08	09
173	235	265	78	(16)

Consolidated cash-flow statements

SEK bn	Industrial operations 2008	Industrial operations **2009**	Customer Finance 2008	Customer Finance **2009**	Eliminations 2008	Eliminations **2009**	Volvo Group Total 2008	Volvo Group Total **2009**
Operating activities								
Operating income	14.5	(16.3)	1.4	(0.7)	0.0	0.0	15.9	(17.0)
Depreciation and amortization	11.8	12.4	2.6	2.8	(0.9)	0.0	13.5	15.2
Other non-cash items	(0.7)	2.3	0.4	2.0	0.1	0.1	(0.2)	4.4
Change in working capital	(10.9)	4.7	(12.3)	11.8	(0.1)	0.4	(23.3)	16.9
Financial items and income taxes paid	(5.0)	(4.7)	(0.2)	0.1	0.0	0.0	(5.2)	(4.6)
Cash flow from operating activities	**9.7**	**(1.6)**	**(8.1)**	**16.0**	**(0.9)**	**0.5**	**0.7**	**14.9**
Investing activities								
Investments in fixed assets	(12.6)	(10.3)	(0.1)	0.0	0.0	(0.2)	(12.7)	(10.5)
Investment in leasing assets	(0.4)	(0.2)	(5.4)	(4.0)	0.4	0.0	(5.4)	(4.2)
Disposals of fixed assets and leasing vehicles	0.6	0.7	2.3	3.1	0.0	0.0	2.9	3.8
Operating cash flow	**(2.7)**	**(11.4)**	**(11.3)**	**15.1**	**(0.5)**	**0.3**	**(14.5)**	**4.0**
Investments and divestments of shares, net							0.0	0.0
Acquired and divested operations, net							(1.3)	0.2
Interest-bearing receivables including marketable securites							10.9	(8.9)
Cash-flow after net investments							**(4.9)**	**(4.7)**
Financing activities								
Change in loans, net							18.2	12.6
Payment to AB Volvo shareholders							(11.1)	(4.1)
Payment to minority shareholders							(0.1)	0.0
Other							0.1	(0.1)
Change in cash and cash equivalents excluding translation differences							**2.2**	**3.7**
Translation difference on cash and cash equivalents							1.0	(0.2)
Change in cash and cash equivalents							**3.2**	**3.5**

Acquisitions and divestments

Investments and divestments in shares and participation had an impact on cash flow of SEK 0.0 billion (0.0).

Acquired and divested companies 2009 had a positive impact on cash flow of SEK 0.2 billion (negative 1.3).

Financing and dividend

Net borrowings increased cash and cash equivalents by SEK 12.6 billion during 2009.

In 2009, SEK 4.1 billion, corresponding to SEK 2.00 per share, was paid to AB Volvo's shareholders.

Change in cash and cash equivalents

The Group's cash and cash equivalents increased by SEK 3.5 billion during the year and amounted to SEK 21.2 billion at December 31, 2009.

Financial strategy
– focusing on return and security

The purpose of Volvo's long-term financial strategy is to ensure the best use of Group resources in providing shareholders with a favorable return and offering creditors reliable security. The Volvo Group's three financial targets are: Growth, Operating Margin and Capital Structure.

Financial strategy – balancing the markets' demands and expectations

The purpose of Volvo's long-term financial strategy is to ensure the best use of Group financial resources. A prerequisite for the long-term competitive development of the company is the availability of sufficient financial resources to secure investments, thereby maintaining or improving competitiveness in all business areas. The financial resources are to be used for organic growth, the financing of acquisitions and for maintaining a high level of financial flexibility. Currently, the Group has a considerable diversity in its business in terms of geographic presence and products, which together with a substantial aftermarket business provide for making the company less sensitive to business cycles.

The financial strategy is based on:

- balancing shareholders expectations on returns with creditors' demands for reliable security
- a high degree of financial flexibility
- diversified access to financing from the capital markets
- enabling a customer financing operation with attractive conditions for the Group's customers
- strong and stable credit ratings
- favorable return to shareholders.

The goal concerning capital structure is defined as the financial net debt for the Industrial operations and it shall under normal circumstances be below 40% of shareholders' equity.

Measures to improve the financial position

The dramatic downturn in demand for the Group's products after the crisis in the financial system has negatively affected the Volvo Group's financial position during 2009. Financial net debt in the Industrial operations increased during the year from 39,7% to 70,9% of shareholders' equity. During the year, the Group has carried out substantial measures to adapt the operations to the lower demand and improve the financial position.

The financial readiness has improved through the increase of liquid assets in relation to sales. Furthermore, the maturity structure on Group debt has been extended, which has reduced the loans maturing in 2010 and 2011. The work to release working capital contributed to a SEK 17 billion release of inventories during 2009, which in the fourth quarter of 2009 helped break the negative trend in net debt.

In order to further assist the goal to improve the company's financial position, the Board of Directors proposes that no dividend is to be distributed for 2009.

Volvo strives for strong, stable credit ratings

The Volvo Group has continual meetings with the credit rating agencies Moody's and Standard & Poor's to update them on the company's development. These meetings contribute to the credit rating agencies' ability to assess the Group's future ability to repay loans. A high long-term credit rating provides access to additional sources of financing and improved access to the financial market.

As a consequence of the weakened market and the Volvo Group's lower profitability during 2009, the credit rating agencies lowered their ratings. At the end of the year, Moody's long-term credit rating for AB Volvo was Baa2 with stable outlook. The short-term rating was P-2. Standard & Poor's had a BBB long-term corporate credit rating with negative outlook. The short-term rating was A3.

Funding

The turbulence on the global financial markets affects the availability of credit lines and loan financing, which may adversely affect customers, suppliers, distributors and the Volvo Group. Volvo is working actively to achieve an appropriate balance between its short-term and long-term borrowing, and to ensure financial preparedness in the form of credit facilities to satisfy the future financing requirements of the Volvo Group.

During the year, the Group diversified its funding sources through cooperation with the European Investment Bank, the Nordic Investment Bank and Development Bank of Japan and through the Group's first issue of a bond loan in the U.S. At the end of 2009, the Volvo Group had cash and marketable securities equal to SEK 37.9 billion. In addition, the Group had SEK 33.3 billion in unutilized credit facilities.

Financial goals for Industrial Operations

Growth

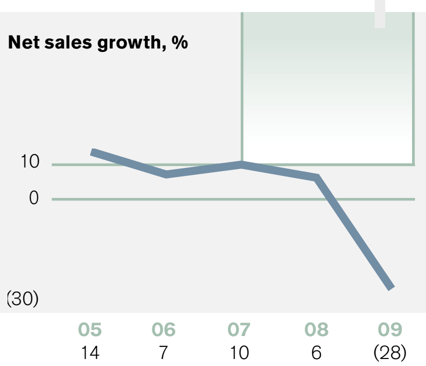
The growth target is that net sales should increase by a minimum of 10% annually. During 2009, net sales decreased by 28%. During 1999–2009, the average growth rate was 6% annually. Excluding the exceptionally weak 2009, the average growth rate was 10% annually.

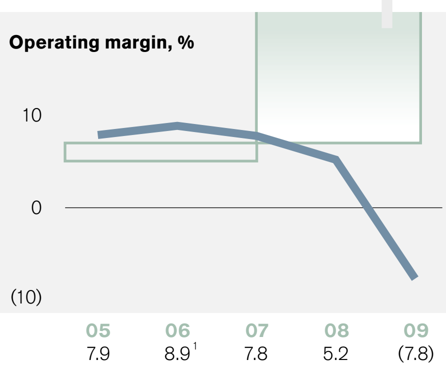
Operating margin

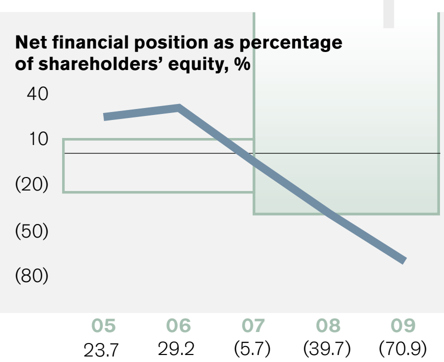
The Volvo Group's profitability target is that operating margin for the Industrial operations is to exceed an average of 7% annually over a business cycle. In 2009, the operating margin amounted to a negative 7.8%. The average annual operating margin for the Volvo Group was 3.9% from 1999 to 2009. Excluding the exceptionally weak 2009, the average operating margin was 5.1%.

Capital structure

The capital structure target is set to a net debt including provisions for post-employment benefits for the Industrial operations of a maximum of 40% of shareholders' equity under normal conditions. As of December 31, 2009, the Volvo Group's Industrial operations had a net financial debt position corresponding to 70.9% of shareholders' equity.







1) Excluding adjustment of goodwill in 2006. A reversal of a valuation reserve for deferred taxes and an adjustment of goodwill is included in 2006. As an effect, operating income in 2006 was negatively affected in the amount of SEK 1,712 M, while income taxes decreased by SEK 2,048 M. The total effect on income for the period was positive in an amount of SEK 336 M.

Financial goals for Financial Services

The target for Financial Services is a return on shareholders' equity of 12–15% and an equity ratio above 8%. At the end of 2009, the equity ratio was 8.7%. The return on shareholders' equity amounted to a negative 6.2% for 2009.

The share
– rose by 43% during the year

In 2009, the world's leading stock markets were characterized by a recovery after the weak development in the preceding year.

The Volvo share is listed on the Nasdaq OMX Nordic Exchange in Sweden. One A share entitles the holder to one vote at Annual General Meetings and one B share entitles the holder to one tenth of a vote. Dividends are the same for both classes of shares.

The Volvo share is included in a large number of indexes that are compiled by Dow Jones, FTSE, S&P and Nasdaq OMX Nordic.

Recovery on the stock market

The development on the world's leading stock exchanges was characterized by a recovery after the weak 2008. On Nasdaq OMX Nordic, the OMXSPI index rose by 43% in 2009.

Trading in Volvo A shares on Nasdaq OMX Nordic decreased by 52% compared to 2008. The share price increased by 40% and was SEK 61 per share at year-end. The highest price paid was SEK 71.50 on November 16, 2009.

Trading in Volvo B shares on Nasdaq OMX Nordic decreased by 13% compared to 2008. The share price increased by 43% and was SEK 61.45 per share at year-end. The highest price paid was SEK 73.05 on November 17, 2009.

In 2009, a total of 2.9 billion (3.4) Volvo shares were traded in Stockholm, corresponding to a daily average of 11.4 million (13.6). At year-end 2009, Volvo's market capitalization totaled SEK 124 billion (92).

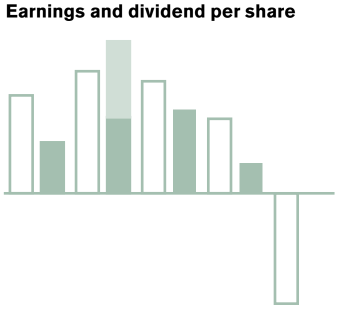
Dividend

Based on the Volvo Group's losses during 2009 and the present financial position, the Board of Directors proposes that no dividend is to be distributed for the year 2009. In the previous year, the dividend was SEK 2.00 per share.

Communication with the shareholders

On the website www.volvogroup.com it is possible to access financial reports, search for information concerning the share, insider trading in Volvo and statistics for truck deliveries. It is also possible to access information concerning the Group's governance, including information about the Annual General Meeting, the Board of Directors, Group Management and other areas that are regulated in the "Swedish Code of Corporate Governance." The website also offers the possibility to subscribe to information from Volvo.

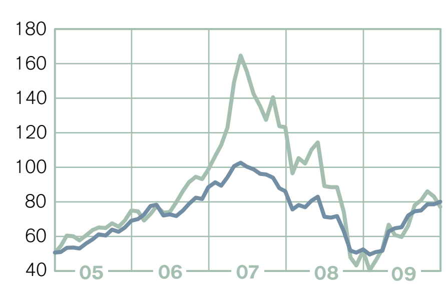
Earnings and dividend per share



Earnings per share, SEK
Dividend per share, SEK
Extraordinary payment, SEK
1 Proposed by the Board of Directors

05	06	07	08	09	
6.44	8.03	7.37	4.90	(7.26)	Earnings per share, SEK
3.35	5.00	5.50	2.00	0.00[1]	Dividend per share, SEK
	5.00				Extraordinary payment, SEK

Total return, Volvo B



Index 100 = Share price Volvo B Share, January 1, 2005.

B Share (incl. re-invested dividends)

SIX Return Index

Source: NASDAQ OMX

Price trend, Volvo Series B shares, SEK

Source: NASDAQ OMX/FTSE

The largest shareholders in AB Volvo, December 31, 2009[1]

	Voting rights, %
Renault s.a.s.	21.3
Industrivärden	8.8
SHB	6.2
Violet Partners LP	5.5
AFA Insurance	4.1

1 Following the repurchase of its own shares, AB Volvo held 20,728,135 class A shares and 80,265,060 class B shares comprising in total 4.7% of the number of registered shares on December 31, 2009.

Share capital, December 31, 2009

Registered number of shares[1]	2,128,420,220
of which, Series A shares[2]	677,601,630
of which, Series B shares[3]	1,450,818,590
Quota value, SEK	1.20
Share capital, SEK M	2,554
Number of shareholders	233,311
Private persons	219,955
Legal entities	13,356

More details on the Volvo share, see note 23.

1 The number of outstanding shares was 2,027,427,025 at December 31, 2009.

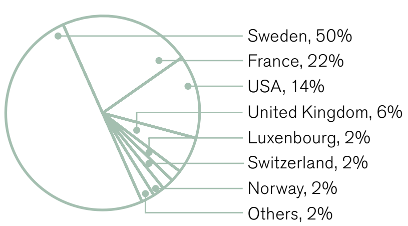
2 Series A shares carry one vote each.

3 Series B shares carry one tenth of a vote each.

Credit rating at February 26, 2010

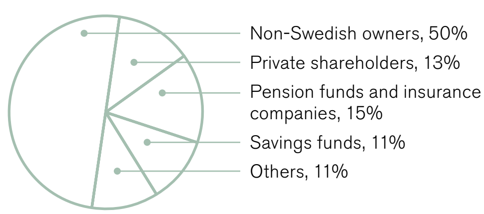
	Short term	Long term
Moody's	P-2	Baa2 stable
Standard & Poor's	A3	BBB negative
DBRS	R-1 (low)	–
R&I (Japan)	a-1	A stable

Ownership by country[1], %



1 Share of capital, registered shares.

Ownership categories[1], %



1 Share of capital, registered shares.
The employees' ownership of shares in Volvo through pension foundations is remote.

» More details on the Volvo share are provided in note 23 to the financial statements and in the Eleven-year summary.

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. At Volvo work is carried out daily to identify, measure and manage risk – in some cases the Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Group's control, the Group strives 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.
- **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.

Short-term risk factors

The downturn has led to cautiousness among customers when it comes to deciding on investments, which has caused a decrease in demand for Volvo products.

The development on 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 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 combined with 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 on December 31,2009, 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 0.5 billion pertaining to a claim on Volvo Powertrain to pay penalties following a demand by the U.S. 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 had a negative impact of SEK 877 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, which is expected in the third quarter of 2010. The Volvo Group will fund the trust with USD 525 M, paid over 5 years. In accordance with the description in note 24 to the financial statements, the funding obligation is reported as a financial liability while amortizations will be reported as cash flow from financing activities.

Nissan Diesel Thailand Co. Limited (the "Plaintiff") on November 30, 2009, filed a claim at the Pathumthani Provincial Court of First Instance, Thailand, against AB Volvo and three of its employees (together the "Defendants"), claiming damages in the sum of Baht 10.5 billion (equivalent to approximately SEK 2.2 billion). The Plaintiff claims that the Defendants' actions caused UD Trucks Corporation ("UDT"), a wholly-owned subsidiary of AB Volvo, to unlawfully terminate two agreements dated December 27, 2002, between UDT and the Plaintiff. The Plaintiff is one of UDT's private dealers. AB Volvo considers that the Plaintiff's claim is of no merit.

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 downturn and volatility in interest and currency rates may lead to indications of impairment. Changes to the assessments of the duration of the downturn could result in a significant write-down of goodwill for some business areas.

External-related risk

The commercial vehicles industry is cyclical

The Volvo Group's markets have undergone significant changes in demand as the general economic environment has fluctuated. Investments in infrastructure, major industrial projects, mining and housing construction all impact the Group's operations as its products are central to these sectors. Adverse changes in the economic conditions for the Volvo Group's customers may also impact existing order books through cancellations of previously placed orders. The cyclical demand for the Group's products makes the financial result of the operations dependable on the Group's ability to react to changes in demand, in particular to the ability to adapt production levels and production and operating expenses.

Intense competition

Continued consolidation in the industry is expected to create fewer but stronger competitors. Our major competitors are Daimler, Paccar, Navistar, MAN, Scania, Caterpillar, Komatsu, Cummins and Brunswick. In recent years, new competitors have emerged in Asia, particularly in China. These new competitors are mainly active in their domestic markets, but are expected to increase their presence in other parts of the world.

Prices may change

The prices of commercial vehicles have, at times, changed considerably in certain markets over a short period. This instability is caused by several factors, such as short-term variations in demand, shortages of certain component products, uncertainty regarding underlying economic conditions, changes in import regulations, excess inventory and increased competition. Overcapacity within the industry can occur if there is a lack of demand, potentially leading to increased price pressure.

Extensive government regulation

Regulations regarding exhaust emission levels, noise, safety and levels of pollutants from production plants are extensive within the industry.

Most of the regulatory challenges regarding products relate to reduced engine emissions. The Volvo Group is a significant player in the commercial vehicle industry and one of the world's largest producers of heavy-duty diesel engines. The product development capacity within the Volvo Group is well consolidated to be able to focus resources for research and development to meet tougher emission regulations. Future product regulations are well known, and the product development strategy is well tuned to the introduction of new regulations.

Financial risk

In its operations, the Volvo Group is exposed to various types of financial risks. Group-wide policies, which are updated and decided upon annually, form the basis of each Group company's management of these risks. The objectives of the Group's policies for management of financial risks are to optimize the Group's capital costs by utilizing economies of scale, to minimize negative effects on income as a result of changes in currency or interest rates, to optimize risk exposure and to clarify areas of responsibility. Monitoring and control that established policies are adhered to is continuously conducted. Most of the Volvo Group's financial transactions are carried out through Volvo's in-house bank, Volvo Treasury, that conducts its operations within established risk mandates and limits. Credit risks are mainly managed by the different business areas.

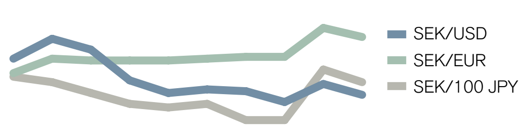
The nature of the various financial risks and objectives and the policies for the management of these risks are described in detail in notes 36 and 37. Volvo's accounting policies for financial instruments are described in note 1. Various aspects of financial risk are described separately in the following paragraphs. The overall impact on a company's competitiveness is also affected however by how various macro-economic factors interact.

Currency-related risk

More than 90% of the net sales of the Volvo Group are generated in countries other than Sweden. Changes in exchange rates have a direct impact on the Volvo Group's operating income, balance sheet and cash flow, as well as an indirect impact on Volvo's competitiveness, which over time affects the Group's earnings. Currency-associated risk in Volvo's business operations relates to changes in the value of contracted and expected future payment flows (commercial currency exposure), changes in the value of loans and investments (financial currency exposure) and changes in the value of assets and liabilities of foreign subsidiaries (currency exposure of shareholders' equity). In addition, currency movements can affect Volvo's pricing of products sold and materials purchased in foreign currencies.

Since Volvo has substantial manufacturing operations in Sweden and generates a substantial portion of its revenues in currencies other than the Swedish krona, Volvo's earnings in Swedish kronor could be positively affected in the short-term by a depreciation of the Swedish krona against other currencies.

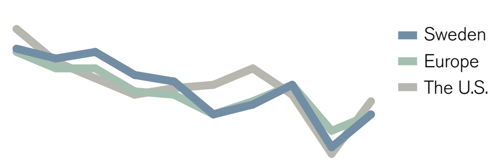
Currencies



Source: Reuters

	00	01	02	03	04	05	06	07	08	09
SEK/USD	9.2	10.3	9.7	8.0	7.3	7.5	7.4	6.8	7.8	7.2
SEK/EUR	8.4	9.2	9.1	9.1	9.1	9.2	9.3	9.3	10.9	10.4
SEK/100 JPY	8.2	7.9	7.3	6.7	6.5	6.7	5.8	5.8	8.6	7.9

Interest rates in Sweden, Europe and the U.S.



Source: Reuters

Government bonds, 10 year benchmarks.

	00	01	02	03	04	05	06	07	08	09	
Sweden	5.4	5.1	5.3	4.6	4.4	3.4	3.7	4.3	2.4	3.4	%
Europe	5.3	4.8	4.8	4.1	4.0	3.4	3.8	4.3	2.9	3.4	%
The U.S.	6.0	5.0	4.5	4.0	4.2	4.3	4.8	4.0	2.2	3.8	%

The objective of the Volvo Group's currency risk management is to minimize the short-term negative effects. The Volvo Group employs forward contracts and currency options to hedge the value of future payment flows in foreign currencies.

Interest-related risk

Interest-related risk includes risks that changes in interest rates will impact the Group's income and cash flow (cash flow risks) or the fair value of financial assets and liabilities (price risks). Interest-rate risk can be minimized through "matching" of the fixed interest terms of financial assets and liabilities. Interest rate swaps are used to adjust the fixed interest terms of the Group's financial assets and liabilities. Currency interest rate swaps make it possible to borrow from different markets in foreign currencies without assuming currency-associated risk. Volvo also holds standardized futures and forward rate agreements. The majority of these contracts are used to hedge interest rate levels for short-term borrowing or investment.

Market risk from investments in shares or similar instruments

The Volvo Group is indirectly exposed to market risks from shares and other similar instruments, as a result of managed capital transferred to independent pension plans being partly invested in instruments of these types.

Credit-related risk

Volvo's extension of credit is governed by Group-wide policies and rules for classifying customers. Efforts are made to ensure that the credit portfolio is reasonably diversified among different customer categories and industries. Credit-associated risk is managed by actively monitoring credit, routines for follow up and in certain cases repossession of products. Additionally, continuous and necessary reserves are monitored in cases involving uncertain receivables. An important part of the Group's credit risk is related to how the financial assets of the Group have been placed. The majority are placed in Swedish Government bonds and interest-bearing bonds issued by Swedish real estate financing institutions.

Liquidity risk

Volvo ensures its financial preparedness by always maintaining a certain portion of revenues in liquid assets. A healthy balance between short- and long-term borrowing and access to credit in the form of credit facilities are intended to meet the long-term financial needs.

Operational risk

The profitability depends on successful new products

The Volvo Group's long-term profitability depends on the Company's ability to successfully launch and market its new products. Product life cycles continue to shorten, putting increased focus on the success of the Group's product development.

Reliance on suppliers

Volvo purchases raw materials, parts and components from numerous external suppliers. A significant part of the Group's requirements for raw materials and supplies is filled by single-source suppliers. The effects of delivery interruptions vary depending on the item or component. Certain items and components are standard throughout the industry, whereas others are internally developed and require unique tools that are time-consuming to replace.

The Volvo Group's costs for raw materials and components can vary significantly over a business cycle. Cost variations may be caused by changes in world market prices for raw materials or by an inability of our suppliers to deliver.

Intangible assets

AB Volvo owns or otherwise has rights to patents and brands that refer to the products the Company manufactures and markets. These have been acquired over a number of years and are valuable to the operations of the Volvo Group. Volvo does not consider that any of the Group's operations are heavily dependent on any single patent or group of patents.

Through Volvo Trademark Holding AB, AB Volvo and Volvo Car Corporation jointly own the Volvo brand. AB Volvo has the exclusive right to use the Volvo name and trademark for its products and services. Similarly, Volvo Car Corporation has the exclusive right to use the Volvo name and trademark for its products and services.

The Volvo Group's rights to use the Renault brand are restricted to the truck operations only and are regulated by a license from Renault s.a.s., which owns the Renault brand.

Complaints and legal actions

The Volvo Group could be the target of complaints and legal actions initiated by customers, employees and other third parties alleging health, environmental, safety or business related issues, or failure to comply with applicable legislation and regulations. Even if such disputes were to be resolved successfully, without having adverse financial consequences, they could negatively impact the Group's reputation and take up resources that could be used for other purposes.

Risk related to human capital

A decisive factor for the realization of the Volvo Group's vision is our employees and their knowledge and competence. Future development depends on the company's ability to maintain its position as an attractive employer. To this end, the Volvo Group strives for a work environment in which energy, passion and respect for the individual are guiding principles. Every year a Group-wide survey is conducted, and according to the survey the share of satisfied employees has been on a high level in recent years.

Contractual conditions related to take over bids

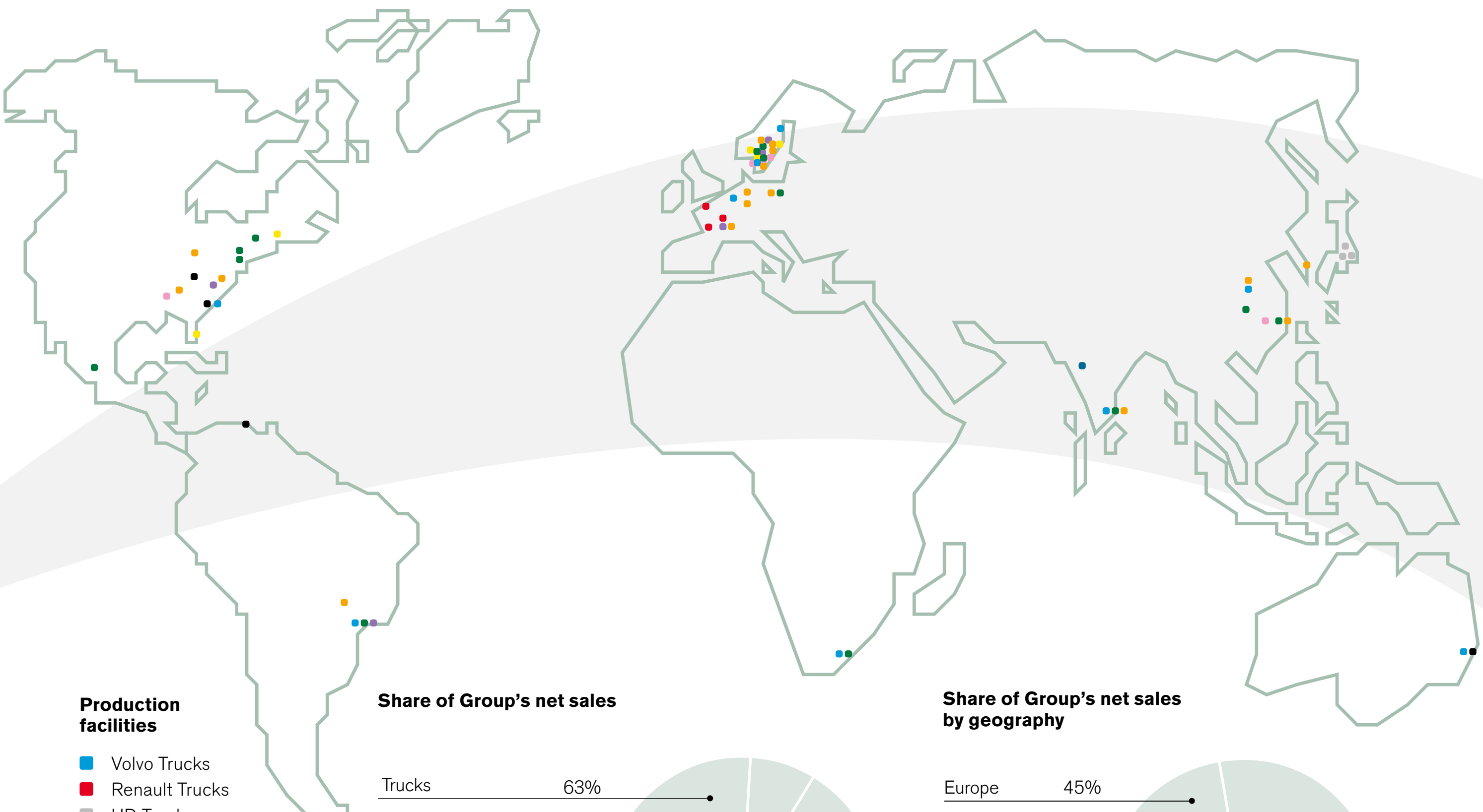
Some of AB Volvo's long term loan agreements contain conditions stipulating the right for a bondholder to request repayment in advance under certain conditions following a change of the control of the company. In Volvo's opinion it has been necessary to accept those conditions in order to receive financing on otherwise acceptable terms. Provisions stipulating that an agreement can be changed or terminated if the control of the company is changed are also included in some of the agreements whereby Renault Trucks' has been given the right to sell Renault s.a.s.' and Nissan Motor Co. Ltd's light-duty trucks as well as in some of the Group's purchasing agreements.

Note 34 Personnel contains information concerning rules on severance payments applicable for the Group Executive Committee and certain other senior executives.

Group segments

– world leaders in commercial transport solutions

Backed by strong product programs and increasingly more complete offerings including total solutions with spare parts, workshops, service packages, financing and leasing, the Volvo Group's business companies have established leading positions on a global market.

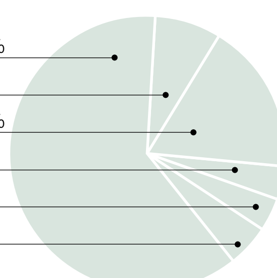


Production facilities

- Volvo Trucks
- Renault Trucks
- UD Trucks
- Mack Trucks
- Construction Equipment
- Buses
- Volvo Penta
- Volvo Aero
- Volvo Powertrain
- Eicher (50% direct and indirect ownership)

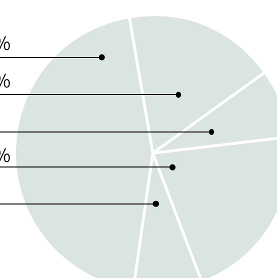
Share of Group's net sales

Trucks	63%
Buses	8%
Construction Equipment	16%
Volvo Penta	4%
Volvo Aero	4%
Financial Services	5%



Share of Group's net sales by geography

Europe	45%
North America	18%
South America	8%
Asia	21%
Rest of world	8%



The Volvo Group has an established and strong position in Europe, North America, South America, and through the acquisitions of UD Trucks, Lingong, Ingersoll Rand's division and the cooperation within trucks and buses with India-based Eicher Motors now also in many markets in Asia.

During 2009, the truck operations accounted for 63% of the Group's net sales. Construction Equipment accounted for 16% and Buses for 8%.

In 2009, the largest market was Europe, which accounted for 45% of the Volvo Group's net sales. Asia accounted for 21%, North America for 18%, South America for 8% and Other markets for 8%.

Trucks
– low demand in the Group's main markets

2009 was characterized by weak demand for trucks in the Group's main markets in Europe, North America and Japan.

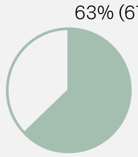
The truck operations consist of Volvo Trucks, Renault Trucks, UD Trucks, Mack Trucks and VECV in India (50% direct and indirect ownership). The product offer stretches from heavy-duty trucks for long-haulage and construction work to light-duty trucks for distribution.

Number of employees
37,575

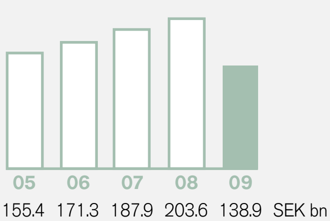
Position on world market
In total, the Volvo Group is Europe's largest and the world's second largest manufacturer of heavy trucks.

Brands
Volvo, Renault, UD, Mack and Eicher.

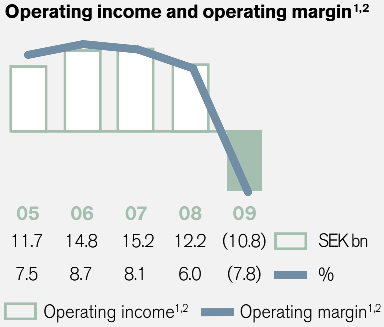
Net sales as percentage of Volvo Group's sales



Net sales[1]



Operating income and operating margin[1,2]



1) Years starting 2006 are reported according to a new reporting structure. See note 7.

2) Excluding adjustment of goodwill in 2006.

Order intake increased gradually in Europe and Japan during the second half of the year, however, the increase came from very low levels. The North American market weakened further from the very low levels of the two preceding years. In some emerging markets, such as Brazil and China, demand increased during the second half of the year, to a certain extent as a consequence of governmental stimulus measures.

Total market

The total market for heavy-duty trucks in 2009 in the EU's 27 countries plus Norway and Switzerland amounted to 164,000 vehicles, a decline of 49%. The decline was the result of lower activity in the European economies with lower freight volumes as a consequence. The truck manufacturers implemented measures to adapt production to the new, much lower demand level and to reduce inventories of new trucks.

The continued weak development in the North American economy affected the market adversely. The total market declined by 38% to 115,000 trucks, compared with 185,000 trucks in the preceding year.

The total market for heavy-duty trucks in Japan declined by 46% to 18,700 vehicles (34,900). Among the major markets in Asia, China rose with 22% to a record level of about 605,500 trucks (>14 tons), compared with 496,000 a year earlier. The market for heavy-duty trucks in India amounted to 124,500 vehicles in 2009 (159,600).

In Brazil, the total market declined by 15% to 67,000 heavy trucks.

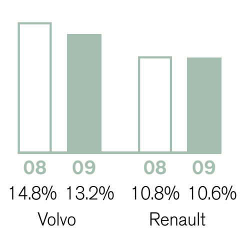
Net sales by market

Trucks, SEK M	2008	**2009**
Europe	111,120	65,874
North America	26,696	21,563
South America	14,732	12,490
Asia	37,540	26,943
Other markets	13,554	12,069
Total	**203,642**	**138,940**

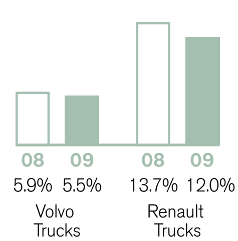
Deliveries by market

Trucks	2008	**2009**
Europe	121,847	49,145
North America	30,146	17,574
South America	18,092	12,587
Asia	60,725	34,800
Other markets	20,341	13,575
Total	**251,151**	**127,681**

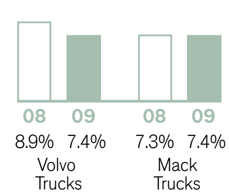
Market shares in Europe, heavy-duty trucks



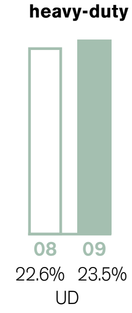
Market shares in Western Europe, medium-duty trucks



Market shares in North America, heavy-duty trucks



Market shares in Japan, heavy-duty trucks



Earnings

In 2009 net sales in the truck operations declined by 32% to SEK 138,940 M (203,642). The operating loss amounted to SEK 10,805 M (Income SEK 12,167 M), while the operating margin was a negative 7.8% (Positive 6.0%).

The operating loss is mainly a consequence of considerably lower sales of new trucks. Operating profit was also impacted negatively by low cost coverage as a result of the lower volumes, write-downs on the inventories of used trucks, increased provisions for residual value commitments and layoff-related costs.

The efforts to reduce inventories were successful. During the year, inventories of new trucks decreased by 15,000 vehicles excluding VE Commercial Vehicles, and inventories were in balance with demand at the end of the year. Inventories of used trucks also decreased during the year but were still too high at the end of the year.

Volvo Trucks

The year 2009 was Volvo Trucks most challenging ever. The financial crisis and the rapid decline in demand for new trucks led to a high pressure on the organization.

Through cost-cutting measures, the breakeven-level has been lowered. At the same time, investments in increased productivity and a competitive product program continued.

Lower costs and reduced capital tied-up

Volvo Trucks have executed a number of actions that resulted in the lowering of costs and capital tied-up in the business. On the cost side, the break even-level has been significantly lowered, which unfortunately meant a reduction in personnel. In order to reduce inventories of new trucks and the tied-up capital, production rates in the factories were substantially decreased. The inventories of new trucks were gradually lowered and were more or less in balance with prevailing demand at the end of the year.

Volvo Trucks' wholly-owned sales and service network in Europe is a cushion for the business during recessions. While deliveries of

Ambitions 2009

- Adapt the industrial system to lower demand.
- Reduce selling and administration expenses.
- Continue to develop new service and aftermarket products.

Outcome 2009

- Unprecedented drop in demand, both speed and level.
- Significant production cuts and staffing reductions.
- Significant operating loss as cost could not be reduced in the same pace as the drop in demand.
- Inventories of new and used trucks was gradually reduced during the year.
- First manufacturer to certify engines for the new emission regulation in USA implemented January 1, 2010.

Ambitions 2010

- Capture growth in emerging markets.
- Increase industrial productivity in up-turn.
- Control costs.
- Successful introduction of new engine generations in the US and Japan.

new trucks dropped by 55%, sales of spare parts only declined by a few percent.

Long-term view on product renewal

During 2009, Volvo Trucks continued to launch new products globally in line with its long-term plans. Focus during the year was on the launch of the new generation of Volvo FH and Volvo FM on the markets outside Europe and North America. It is of great importance to secure long-term competitiveness by protecting important projects and investments in product development.

Deliveries by segment

Volvo Trucks	2008	2009
Light trucks (under 7 tons)	–	–
Medium trucks (7–16 tons)	3,188	1,556
Heavy trucks (over 16 tons)	10,764	45,855
Total	**105,952**	**47,411**

Renault Trucks	2008	2009
Light trucks (under 7 tons)	21,305	13,993
Medium trucks (7–16 tons)	10,467	5,556
Heavy trucks (over 16 tons)	44,707	17,936
Total	**76,479**	**37,485**

UD Trucks	2008	2009
Light trucks (under 7 tons)	18,661	8,248
Medium trucks (7–16 tons)	15,095	6,651
Heavy trucks (over 16 tons)	15,607	6,610
Total	**49,363**	**21,509**

Mack Trucks	2008	2009
Light trucks (under 7 tons)	–	–
Medium trucks (7–16 tons)	5	1
Heavy trucks (over 16 tons)	16,608	11,100
Total	**16,613**	**11,101**

VECV[1]	2008	2009
Light trucks (under 7 tons)	407	1,113
Medium trucks (7–16 tons)	2,061	7,889
Heavy trucks (over 16 tons)	276	1,174
Total	**2,744**	**10,175**

1 VE Commercial Vehicles is consolidated (50%) into the Volvo Group from August 1, 2008.

Total solutions with financing, leasing and service contracts grow continuously. A positive effect is that the aftermarket business is much less sensitive to changes in the economic climate than the sale of new trucks which, to some extent, may balance the impact on profitability that comes from the lower sales of new trucks in a downturn.

Active role in societies' development

Volvo Trucks takes an active part in the debate and the opportunities regarding the development of transport solutions for a sustainable society. This encompasses everything from safety development, emissions regulations and the development of alternative drivelines, such as hybrids, and alternative fuels, such as Bio-DME, to CO_2-neutral factories.

Renault Trucks

The year 2009 was a demanding one for the truck industry. Production rates in Renault Trucks' plants were substantially lowered compared to 2008.

Securing the company's future

The company had to adapt to a level of order intake that stayed at a very low level during the entire year. Early in the year contracts with temporary employees were not prolonged, as a continuation of measures already started in the fourth quarter of 2008, and short time work was implemented for blue and white collar workers across the business. Employees working on essential future projects were not impacted by the short time measures. Focus was also on the further reduction of selling and administration expenses.

Better fuel efficiency, lower environmental impact, lower costs

Renault Trucks focuses on reducing fuel costs for its customers and lowering the emissions of CO_2. During the year, the comprehensive solution, Renault Premium Optifuel, was launched. It consists of Renault Premium with efficient driveline, the software Infomax for better managing the performance of the vehicle, aerodynamic accessories and last but not least, an ecodriving training for drivers and fleet managers.

In the light range, Renault Trucks launched an all electrical Renault Maxity, with a range of 100 km, a maximum speed of 90 km/h and which is rechargeable overnight.

The tests of medium-duty trucks equipped with the parallel hybrid system continued during 2009 with one Renault Premium refuse truck in Lyon, France, another Renault Premium delivering beverages for Coca-Cola in Brussels, Belgium and a third working for the road construction company Colas. These tests are a big step forward in fuel efficiency, reduced environmental impact and an improved image for the customers.

UD Trucks

Nissan Diesel became a part of the Volvo Group in 2007 and works as en engine to drive the Group's development in Asia. For more than 70 years, Nissan Diesel has developed and marketed a broad range of light, medium-duty and heavy-duty trucks, as well as buses, bus chassis, engines, vehicle components and specialized vehicles. In February, 2010, Nissan Diesel changed its name to UD Trucks Corporation.

Lower inventories and better cost coverage

UD Trucks moved quickly to reduce its truck inventories by reorganizing its production system in response to the contraction of the global truck market. The quick action resulted in improved cash flow. In addition, steps were taken to restructure the wholly-owned dealer system in Japan.

In order to expand its soft product business, the previous sales system centered on new vehicle sales was changed to a structure focused on vehicle servicing, parts and used vehicle sales. Business operations were streamlined by consolidating or closing unprofitable outlets and reducing the workforce.

Increased market share

In 2009, the Japanese government implemented a subsidy program to encourage purchases of low-emission vehicles. Having many heavy-duty trucks that meet the standards for low-emission vehicles, UD Trucks has benefited from the program with increased market share as a consequence. UD Trucks' share of the heavy-duty truck market in Japan remained above 25% for five consecutive months beginning in June. Full-year market shares were 23.5% (22.6).

Mack Trucks

Economic conditions weighed heavily on the North American market throughout 2009. Mack Trucks was particularly impacted by a severely depressed construction segment, and production was adjusted in line with low demand.

The existing fleet continued to age, leading to greater pent-up replacement demand, but underutilization of these trucks and ongoing uncertainty in the business environment was not supportive of the sale of new trucks.

Successful development of new technology

Development and testing of the SCR technology, used by Mack and Volvo Trucks North America, to meet the EPA 2010 emissions standards proceeded exceedingly well throughout 2009. The process culminated in November, when the common engine platform that the brands share became the first to receive EPA 2010 certification, allowing delivery of SCR-equipped customer trucks assembled at both the New River Valley and Macungie plants to begin.

In the second quarter, Mack heavy-duty hybrid trucks were delivered to customers, including the city of New York. Having customers operate these trucks, which deliver fuel economy improvements up to 30% and a corresponding reduction in greenhouse gas emissions, marks an important step towards commercialization of the technology.

In response to growing demand for low-emission alternative fuel vehicles, in June Mack introduced natural gas-powered trucks for refuse applications.

Focus on exports

Mack also maintained a strong focus on its international operations. Although truck export sales as a whole have been impacted by the global recession, there remains a strong desire for American-style trucks in many countries, particularly for construction and heavy-haul applications. Mack is determined to capitalize on this interest via its extensive product range and access to the resources of the Volvo Group.

Relocation of headquarters and production

The relocation of Mack Headquarters to Greensboro, aimed at improving organizational effectiveness and efficiency, was completed in the third quarter. By the end of November, Mack highway truck production had been successfully transferred from New River Valley to Macungie to capitalize on the benefits of consolidated assembly.

A new labor contract with the United Auto Workers union eliminated Mack retiree health care liabilities for UAW workers by creating an independent UAW-managed trust that assumes this obligation.

VE Commercial Vehicles

VE Commercial Vehicles (VECV) is a joint-venture company owned by AB Volvo and Eicher Motors. VECV comprises the entire Eicher Motors truck and bus operations, while concurrently the Volvo Group is contributing its Indian sales operations in the truck segment as well as the service operations for trucks and buses. 50% of VECV is consolidated into the Volvo Group.

VECV has a broad product range comprising light, medium-heavy and heavy trucks and buses as well as truck chassis, engines and engine components. With a market share of over 30% in the medium-duty (5–12 tons) truck segment, Eicher is India's third largest manufacturer of commercial vehicles.

After a weak start to 2009, demand for trucks in India increased gradually during the year. Production rates in VECV's factory had to be increased several times to new record levels.

In January 2010, VECV launched a new range of heavy-duty Eicher trucks in India – Eicher VE series. The ambition is that the new trucks shall contribute to a significantly increased market share in the heavy-duty segment from today's modest level of roughly 2%.

Deliveries by market

Volvo Trucks	2008	2009
Europe	58,187	19,749
North America	15,887	8,028
South America	12,890	10,349
Asia	13,440	5,573
Other markets	5,548	3,712
Total	**105,952**	**47,411**

Renault Trucks	2008	2009
Europe	63,643	29,396
North America	494	458
South America	1,172	574
Asia	5,252	1,794
Other markets	5,918	5,263
Total	**76,479**	**37,485**

UD Trucks	2008	2009
Europe	9	0
North America	1,608	853
South America	933	445
Asia	39,089	16,753
Other markets	7,724	3,458
Total	**49,363**	**21,509**

Mack Trucks	2008	2009
Europe	8	0
North America	12,157	8,235
South America	3,097	1,219
Asia	200	505
Other markets	1,151	1,142
Total	**16,613**	**11,101**

VECV[1]	2008	2009
Europe	–	–
North America	–	–
South America	–	–
Asia	2,744	10,175
Other markets	–	–
Total	**2,744**	**10,175**

1 VE Commercial Vehicles is consolidated (50%) into the Volvo Group from August 1, 2008.

Buses
– sharp decline for coaches globally

During 2009, Volvo Buses had a strong focus on Green Efficiency, which involves offering buses and services that contribute to the company's customers being able to transport more passengers with lower fuel consumption and reduced emissions.

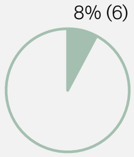
Buses has a product range comprising city and intercity buses, coaches and chassis.

Number of employees
8,095

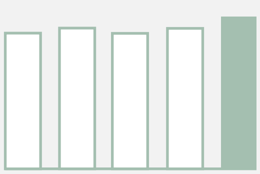
Position on world market
The business area is one of the world's largest producers of buses and coaches.

Brands
Volvo, Prevost, Nova, Sunwin and Silver.

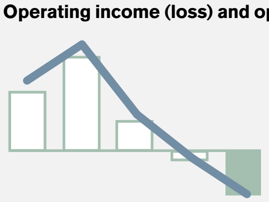
Net sales as percentage of Volvo Group sales



Net sales[1]



Operating income (loss) and operating margin[1]



1) Years starting 2006 are reported according to a new reporting structure. See note 7.

Demands on the transportation industry for substantially improved fuel economy is growing ever stronger for a number of reasons. One of the most important is the need to reduce the CO_2 emissions that affect the climate.

When Volvo Buses chose the SCR-technology in order to meet the stringent emissions regulations according to Euro IV, the main reason was that it meant a reduction in fuel consumption. With the launch of the new Euro V engines, the company has succeeded in reducing the fuel consumption by a further 5%.

Volvo's hybrid bus in operation

With Volvo's hybrid city buses there are even more substantial fuel savings of up to 30% and thus, 30% lower emissions of CO_2. During the spring, field tests began with one Volvo 7700 Hybrid in Göteborg, Sweden and six Volvo B5L Hybrid doubledeckers in London, England. The field tests have confirmed and in some cases even surpassed the company's expectations on fuel savings. Towards the end of the year, the first commercial Volvo 7700 Hybrid began operating in Luxemburg. Serial production of Volvo's hybrid buses is expected to begin in April, 2010.

Broad product offering

Volvo Buses is one of the world's largest manufacturers of heavy buses. The company has a strong, global position with an increasing share of its sales in Asia. The product program comprises complete buses, chassis, transport solutions, telematics, financial solutions and service and maintenance contracts. The company offers global products adapted to local needs, with production in Europe, Asia, North America, South America and Africa. Volvo Buses has sales in approximately 85 countries and one of the bus industry's strongest service networks with more than 1,500 dealers and service workshops world-wide.

Bi-articulated buses in South America

Many cities can improve the efficiency in their public transport with clever bus systems, such as Bus Rapid Transit, where buses with high passenger capacity is an important component. During the year, the world's largest BRT system in Bogota, Colombia has ordered its first bi-articulated buses from Volvo with a capacity to transport 240 passengers. In Brazil, Volvo launched a new, bi-articulated bus of which the city of Sao Paulo bought 100.

Impacted by the downturn

During 2009, the bus market was also impacted by the financial crisis and the economic downturn. The coach market fell by 35–60%, depending on the market, while the city bus market declined by 0–25%. In some countries the city bus market has been helped by government stimulus packages, for instance, in India and China.

In spite of the sharp decline in the total market, Volvo Buses succeeded in maintaining deliveries on, more or less, the same level as in the preceding year. During the year, 9,857 buses and bus chassis were delivered (9,937). However, there was a strong shift in sales from Europe and North and South America to Asia. Sales increased in countries such as China and India while they declined in the U.S., Canada and in most countries in Europe. During

the year, Volvo Buses managed to strengthen its market shares in the business regions of North America, South America and Asia.

Increased sales

In 2009, net sales increased to SEK 18,465 M (17,350). The operating loss increased from SEK 76 M to SEK 350 M. The operating margin amounted to a negative 1.9% (Negative 0.4%).

One factor behind the increased loss is the shift in sales to Asia where the price pressure is higher and margins are lower. Another factor is an unfavorable currency development. The global profitability program aimed at reducing costs continued with undiminished force.

New city bus factory in the U.S.

During the year, Volvo Buses' subsidiary Nova Bus inaugurated a new plant in Plattsburgh, New York, U.S. Production in the U.S. is a requirement in order to be able to sell city buses in the country. Nova Bus received a first order from New York City for 90 articulated buses.

Deliveries by market

Buses	2008	**2009**
Europe	3,313	3,164
North America	1,884	1,539
South America	995	690
Asia	3,033	3,839
Other markets	712	625
Total	**9,937**	**9,857**

Net sales by market

Buses, SEK M	2008	**2009**
Europe	7,338	7,707
North America	5,367	5,673
South America	1,575	1,235
Asia	2,099	2,749
Other markets	971	1,101
Total	**17,350**	**18,465**

Ambitions 2009

- Strong focus on cash flow.
- Secure a successful introduction of buses with Euro V engines and hybrid buses.
- Increased efforts in developing service and aftermarket products.
- Continued work with profitability program focused on selective expansion and reduced costs.

Outcome 2009

- Many activities contributed to a significantly improved cash flow.
- Euro V engines were introduced with lower fuel consumption and lower emissions.
- Successful field test with hybrid buses and in phase for the start of serial production in the spring of 2010.
- Increased sales of telematics. Increased focus on financial solutions for customers.
- Volvo 9700 launched in North America and new city bus factory in the U.S.
- Product and warranty costs have been lowered.

Ambitions 2010

- Profitable growth in all regions.
- Continued focus on cost-cutting and lower inventory levels.
- Increased sales of services and aftermarket products.
- Secure successful introductions of Euro V, EPA 2010 and hybrids.

Construction Equipment
– continued very tough market conditions

Volvo CE is the world's leading manufacturer of articulated haulers and wheel loaders and one of the leading manufacturers of excavators, road construction equipment and compact machines.

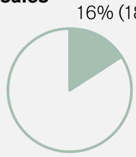
Construction Equipment manufactures equipment for construction applications and related industries.

Number of employees
13,456

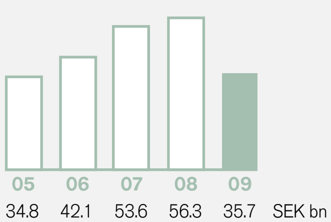
Position on world market
Volvo CE is the world's largest manufacturer of articulated haulers and wheel loaders, and one of the world's largest manufacturers of excavation equipment, road development machines and compact construction equipment.

Brands
Volvo and SDLG (Lingong).

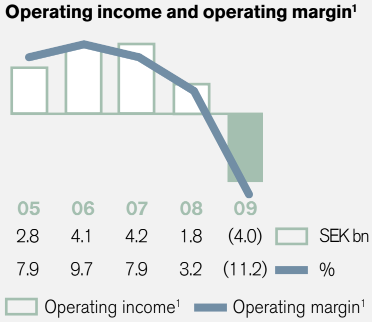
Net sales as percentage of Volvo Group sales



Net sales[1]



Operating income and operating margin[1]



1) Years starting 2006 are reported according to a new reporting structure. See note 7.

Volvo Construction Equipment's (Volvo CE's) products, services and spare parts are offered in more than 125 countries. The products are mainly used in general construction, road construction and maintenance as well as in the refuse, mining and forestry industries.

The product portfolio includes articulated haulers, wheel loaders, wheeled and crawler excavators, motor graders, pavers, milling machines, compactors, and a range of compact equipment such as wheel loaders, excavators, backhoe loaders and skid-steer loaders.

Asia leads the recovery

Measured in units, the total world market for heavy, compact and road machinery equipment decreased by 39% compared to 2008. In Europe the market was down 50% and in North America by 49%. China increased by 25% while Asia as a whole declined by 9%. Other markets fell by 60%.

The rapid introduction of governmental stimulus packages had an effect on the Asian market. In particular, China developed strongly. Asia accounted for over one third of the sales during 2009.

The BRIC countries, especially the growing markets in Asia, lead the global growth thanks to tax reliefs and stimulus packages. These countries are expected to continue their investments in infrastructure, road building and public construction, which brings a continued need for construction equipment. Through the SDLG brand in China, Volvo CE can offer a broader product portfolio with a greater range in price, attachments and adaptations to local conditions.

Deliveries and sales

During 2009 Volvo CE sold 38,783 machines, a decrease of 39% compared to 2008. Net sales amounted to SEK 35,658 M (56,277), which was a decline of 37%. The operating loss amounted to SEK 4,005 M (Income SEK 1,808 M) and the operating margin was a negative 11.2% (Positive 3.2%).

The operating loss is mainly a result of the sharp drop in sales with low cost coverage in the production as a consequence. The operating profit was also impacted by layoff-related costs, restructuring of the operations in North America and inventory write-downs.

The efforts to reduce company and dealer inventories were successful and the number of units in inventory was reduced by 47% during 2009. Inventories were in balance with demand at the end of the year.

Cash flow and internal efficiency

During the year, focus was directed towards efforts such as inventory reduction in order to improve cash flow. A comprehensive program, including the closure of factories, adaptation of unsold machines to meet needs of new customers and relocation of products to markets with demand, was carried out. In spite of difficult market conditions, these efforts contributed to a positive cash flow for the year.

During the year, a number of activities aimed at improving internal efficiency were also carried out, among them a comprehensive reorganization to globalize the business area's resources. This involves quicker and more efficient decision making in order to be an effective and competent supplier with a clear customer focus.

Fuel-efficient solutions

The importance of fuel-efficient solutions continues to grow against the backdrop of increased environmental awareness and higher fuel costs. In order to meet future environmental demands, Volvo CE develops comprehensive fuel-efficient solutions for its products. There are four distinct components in the total solution for fuel efficiency – engines, systems, operator behaviour and hybrid technology.

A fuel-saving driveline, OptiShift, was introduced for the wheel loaders in the L150F to L220F range. OptiShift provides for as much as 15% lower fuel consumption. Another effort is the Eco Operator Program, which was launched in April. By training operators in a more environmentally-friendly way of operation, emissions and fuel consumption may be reduced by as much as 25%. These solutions together with the development of the hybrid technology gives Volvo a leading role in fuel efficiency.

Volvo CE moves forward with the delivery of complete solutions for different customer segments. Among other things, all larger machines will be equipped with the CareTrack telematics system together with service of the system as standard.

Volvo CE continues to launch products and services that create value for customers. Among product launches were the demolition unit EC360HCR, the short-swing excavator ECR305CL, the medium-sized wheel loaders L45F and L50F and the ABG7820B and ABG8820B pavers for medium and large-scale applications.

Net sales by market

Construction Equipment, SEK M	2008	**2009**
Europe	25,281	12,987
North America	10,195	5,475
South America	2,923	2,578
Asia	13,787	12,957
Other markets	4,091	1,661
Total	**56,277**	**35,658**

Continued focus on synergies

The integration of the road machinery business line is complete. During 2010, the synergies between Volvo CE and the Chinese wheel loader manufacturer Lingong will continue to develop.

Ambitions 2009

- Adjust production capacity to market demand.
- Focus on cash flow.
- Improve internal efficiency.
- Continue to lead the development of fuel-efficient solutions.
- Continue to focus on emerging market opportunities.
- Continue integration of Lingong and road machinery businesses.

Outcome 2009

- Considerably lower capacity utilization.
- Company and dealer inventories of new machines were reduced by 47%.
- New organization for improved efficiency implemented.
- Eco Operator Program introduced.
- Increased sales in Asia and Latin America.
- Integration of the road machinery business completed.
- Continued integration of Lingong according to plan.

Ambitions 2010

- Secure market penetration and product adaptation in BRIC countries.
- Integrate Lingong with a joint business plan for a broader offer in emerging markets.
- Prioritize hard and soft products for new markets and customer segments.
- Increase the use of telematics in products.
- Optimize the industrial footprint to become more efficient in production and development.

Volvo Penta
– the leisure boat market affected by the downturn

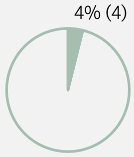
By delivering high-tech products with a focus on performance, reliability and environmental characteristics, and by satisfying customer demands for efficient service solutions, Volvo Penta has become a leading global supplier with one of the strongest brands in the industry.

Volvo Penta provides engines and power systems for leisure and commercial craft, as well as for industrial applications such as diesel-powered gensets, cranes and container handlers.

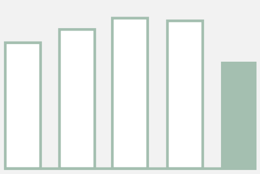
Number of employees
1,358

Position on world market
Volvo Penta is the world's largest producer of diesel engines for leisure boats and a leading, independent producer of industrial engines.

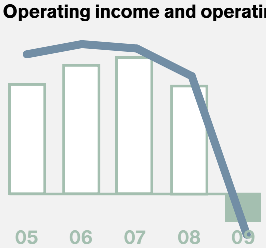
Net sales as percentage of Volvo Group sales



Net sales[1]



Operating income and operating margin[1]



1) Years starting 2006 are reported according to a new reporting structure. See note 7.

With approximately 4,000 dealers in some 130 countries, Volvo Penta has a uniquely strong global presence.

Volvo Penta contributes with substantial synergies and economies of scale to the Volvo Group's total production of diesel engines and transmissions. Roughly 10% of the Group's total volume of diesel engines are sold by Volvo Penta. The majority of these volumes consists of industrial engines for gensets – a business where Volvo Penta has market-leading positions through customers such as SDMO, Genpower, Kohler and Shanghai Dingxin Electric Group.

The ambition is to significantly increase the sales in other industrial engine segments such as mining equipment, stone crushers and materials handling. Global customers in these segments – for instance Kalmar Industries, Pramac and Sandvik – can utilize Volvo Group's complete product and service offering to have global support for their operations.

On the marine engine side, Volvo Penta delivers engines and drive systems to world-leading boat builders such as Fairline, Sunseeker, Riviera, Four Winns, Jeanneau/Beneteau and Cranchi.

With innovative technological solutions and integrated drive systems, Volvo Penta creates considerable advantages for customers in the form of lower fuel consumption, increased comfort onboard and more efficient boat production.

During the year, Volvo Penta delivered its 10,000th IPS unit – the acclaimed drive system with forward-facing propellers and steerable drive units that was launched in 2005. The IPS program has gradually been extended with new and larger drive units linked to the Volvo Group's 11-liter and 13-liter engines, which means that Volvo Penta can offer drive systems for boats up to 100 feet.

Total market

The global financial crisis and economic downturn meant that the market for leisure boats in Europe and North America declined substantially, in some segments by as much as 70%. The industry has been hit hard by bankruptcies and problems with financing, and many boat builders were from time to time forced to shut down their factories completely.

The markets for industrial engines and commercial marine engines have also declined, but the swings have not been as severe as for leisure boats.

In Asia and many markets in other parts of the world, for instance the Middle East and South America, demand for industrial engines and marine engines continued to be relatively stable.

Product renewal

With an aggressive focus on product development and product renewal, Volvo Penta has created a modern and complete product program that is being sought by increasing numbers of boat-builders and industrial engine customers throughout the world.

In recent years, Volvo Penta has accelerated the pace of launches of soft products through such steps as the launch of a new joystick for engines with Aquamatic drives and a new satellite-based positioning system.

Financial performance

In total, net sales amounted to SEK 8,159 M, compared to SEK 11,518 M in the preceding year. The operating loss amounted to SEK 230 M compared to an operating income of SEK 928 M in the preceding year. Operating margin amounted to a negative 2.8% (Positive 8,1%).

The operating loss is explained by lower sales volumes, low cost coverage in the production during the first half of the year and costs related to layoffs.

Production and investments

Production in the plants in Vara, Sweden and Lexington, USA was gradually lowered in line with falling demand for marine engines. Volvo Penta also implemented substantial reductions of both permanent and temporary personnel.

During the year, Volvo Penta continued to invest in a new, global logistics system that fully implemented will enable substantial efficiency improvements in the entire chain from order to delivery.

Net sales by market

Volvo Penta, SEK M	2008	**2009**
Europe	6,604	4,390
North America	1,962	1,100
South America	367	284
Asia	2,098	2,054
Other markets	487	331
Total	**11,518**	**8,159**

Engine volumes

Volvo Penta, No. of units	2008	**2009**
Marine engines	51,270	25,755
Industrial engines	26,061	19,228
Total	**77,331**	**44,983**

Ambitions 2009

- Secure favorable profitability also in weaker market conditions.
- Secure successful implementation of new, global logistics structure.
- Continue to expand industrial engine business to improve balance between business segments.

Outcome 2009

- Substantial cutbacks in production capacity and number of employees.
- Launch of new, global logistics system commenced.
- The industrial engine business accounted for more than 40% of sales.

Ambitions 2010

- Manage risks towards suppliers and customers.
- Secure positive cash flow and favorable profitability in new market conditions.
- Strengthen positions within mobile applications for industrial engines.

Volvo Aero

– contributes to a better environment through lightweight components

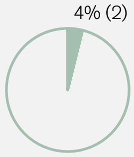
Volvo Aero plays an important part both as a developing and manufacturing partner in the aircraft engine industry.

Volvo Aero offers advanced components for aircraft engines and space applications with a focus on light-weight technology for reduced fuel consumption. Services for the aerospace industry are also offered.

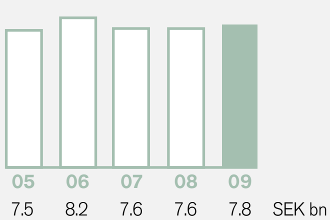
Number of employees
2,991

Position on world market
Volvo Aero holds a leading position as an independent producer, with engine components in about 90% of all large commercial aircraft delivered in 2009.

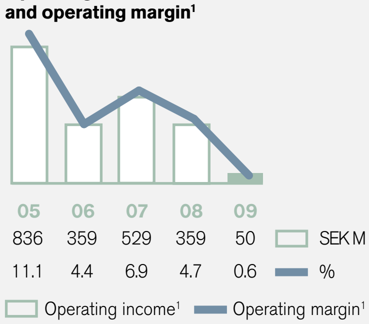
Net sales as percentage of Volvo Group sales



Net sales[1]



Operating income (loss) and operating margin[1]



1) Years starting 2006 are reported according to a new reporting structure. See note 7.

Volvo Aero, which is specialized on the aero engines complex structures, engine cases and rotating parts, cooperates with all major engine manufacturers, and the company's engine components are present in over 90% of all new, large aircraft.

Highly-interesting technologies

Volvo Aero develops its own unique technologies which are in increasing demand from customers in the aerospace industry. Development is mainly concentrated on lightweight designs, which has tremendous importance for fuel consumption and emissions. This makes the technologies highly interesting, since climate and environmental issues are in focus. At the same time, it is ever more important for airlines to reduce fuel consumption since fuel accounts for a large part of the total cost of flying.

Using Volvo Aero's knowledge of lightweight design, simulation and new, patented production methods, engine manufacturers can shorten the development process at the same time as engines become lighter and less noisy. Many of the technologies are based on competence developed in the military business. Over time, Volvo Aero has become ever better at utilizing synergies between military and civil aviation as well as in the field of aerospace.

Important events during the year

Volvo Aero secured a vital role in Clean Sky, EU's largest aerospace project to date. Volvo Aero received a role in the subprojects regarding open-rotor engines, which may reduce fuel consumption by 15 to 20%. The primary objective of Clean Sky is to develop and test new engine and component technologies, so that they are sufficiently "mature" to be tested in commercial engines.

The year 2009 marked a breakthrough for two new aircraft that will be propelled by Pratt & Whitney's new geared turbofan engine, PW1000G. Volvo Aero takes part in the development and manufacturing of the engine.

During 2009, work also continued to develop components for a new Rolls-Royce, Trent XWB, for Airbus A350 XWB, according to plan, while the engine itself was a sales success. The company has previously received a contract to develop a vital component for the GP7000 engine for Airbus A380, and at the end of the year the first test piece that will deliver lower weight and increased life for the component was supplied.

In June, the Swedish government decided to continue to participate in the European launch-vehicle program. Thereby Volvo Aero can continue to participate in all ongoing Ariane and technology programs and maintain its leading position in nozzles and turbines for space rockets. As a result of the decision, Snecma of France and Volvo Aero agreed on the basic principles of a five-year partnership in the space propulsion field. Volvo Aero and Snecma also signed a contract for the supply of components to the new CFM56 engine for the Boeing 737 aircraft.

The large investment program in new machinery in Volvo Aero's factories, aimed at shortening lead times and providing a more robust, flexible and efficient production, continued.

Declining air traffic

World airline passenger traffic decreased sharply in the first half of the year, and gradually leveled out towards the end of the year. According to IATA, the airlines' financial problems increased and are expected to remain in 2010, even though the total losses are expected to decrease somewhat.

Airbus and Boeing delivered 979 aircraft, an increase of 14% compared to 2008, but the order intake decreased sharply. At the end of the year, the order backlog had declined from 7,429 to 6,863 aircraft.

Lower profitability

Net sales increased by 2% to SEK 7,803 M (7,625) and operating income amounted to SEK 50 M (359). Operating margin declined from 4.7% to 0.6%.

The lower profitability is mainly attributable to lower volumes as a consequence of the downturn, in particular for new spare parts. It is also an effect of lower profits in the American aftermarket business. Delays in aircraft programs at Boeing and Airbus also had a negative impact.

During 2008 and 2009 staff reductions have been made in Trollhättan, Sweden as well as in Kongsberg, Norway, and Boca Raton, Florida, USA.

Net sales by market

Volvo Aero, SEK M	2008	**2009**
Europe	3,580	3,942
North America	3,618	3,508
South America	59	34
Asia	240	205
Other markets	128	114
Total	**7,625**	**7,803**

Ambitions 2009

- Adjust operations to the expected downturn and lower volumes.
- Continue working on improving productivity and lowering product cost.
- Handle the development of components to the new engine programs Trent XWB and PW1000G.
- Increase volumes and profitability in the aftermarket business.
- Continue to expand the customer offer of composites for cold structures.

Outcome 2009

- Operations have been adapted to expected lower volumes, for instance through personnel reductions.
- Volvo Aero has delivered according to agreed plans.
- The work to reduce lead times and lower product costs have continued, but is not completed.
- The American aftermarket business has not turned for the better.
- Efforts to develop components in composites has continued.

Ambitions 2010

- Manage the continued development responsibility and supply test hardware for the new engine programs Trent XWB and PWG1000G.
- Increase productivity in carried-out investments, shorten lead times and reduce costs.
- Continue to gain market share within engine services.
- Conduct a strategic overhaul of the American aftermarket business.

Financial Services
– adaptations from the downturn

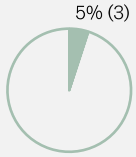
The services offered by its finance operations provide many benefits to the Volvo Group, including strengthening brand recognition, simplifying the product acquisition experience, enhancing customer loyalty and providing value-added services to customers and dealers.

Conducts operations in customer and dealer financing.

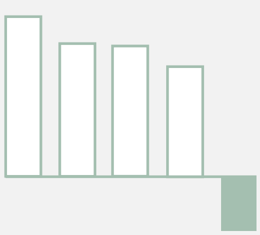
Number of employees
1,234

Position on world market
Volvo Financial Services operates exclusively to support the sales and leasing of vehicles and machines which are produced by the other Business Areas, enhancing their competitiveness.

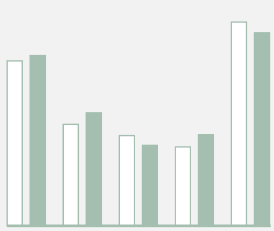
Net sales as percentage of Volvo Group sales



Operating income[1]



Penetration by business area[2]



1) Years starting 2006 are reported according to a new reporting structure, in which Volvo Group Real Estate and Volvo Treasury are not included in VFS. See note 7.

2) Share of business financed by Financial Services in markets where financial services are offered.

During the downturn, the activities of customer finance have proven critical as Volvo Financial Services (VFS) worked even more closely with buyers of Volvo Group products to help them through these very difficult times.

Risk mitigation and risk management

The severely depressed global economy continued to negatively affect the cash flow and business models of VFS' customers, compromising VFS' ability to generate profits in 2009. However, toward the end of the year there were signs of improvement in certain areas

The overriding focus throughout the organization centered on downturn management. Initiatives were geared toward customer account and asset management, as VFS strengthened its collection activities. Accordingly, inventory management and asset remarketing took on increased importance.

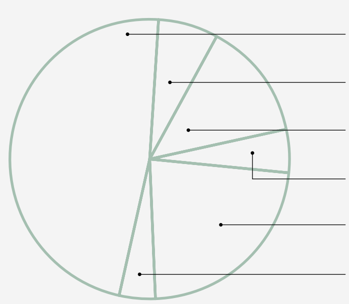
Rationalization of the cost structure

As the global economies emerge from this downturn, VFS intends to use the lessons learned to adapt the business models in order to secure sustainable profitability and strong returns over future business cycles.

Implementing these changes begins by identifying those segments and markets which have not met profit expectations over the current business cycle. At the same time, a plan is developed for achieving even higher penetration levels in those segments and markets which have demonstrated acceptable performance levels throughout the downturn. Priorities and resources are shifted accordingly.

Rationalization of the cost structure is a key component of the operating strategy, along with a focus on right sizing the business in response to current market conditions. Other initiatives include exploiting organizational and operational economies of scale, while making sure that VFS has adequate resources to continue to handle loss mitigation and recovery activities.

Credit portfolio by business area



In spite of the downturn, VFS has made strides in accordance with its long-term strategies, including growth through geographical expansion. In 2009, financing operations commenced in Japan and Australia.

Financial performance

Total new financing volume in 2009 amounted to SEK 28.7 billion (44.5). Adjusted for changes in exchange rates, new business volume decreased by 41% compared to 2008 as a result of lower sales volumes of Group products. In total, 25,782 new Volvo vehicles and machines (47,986) were financed during the year. In the markets where financing is offered, the average penetration rate was 25% (25).

On December 31, 2009, total assets in customer finance amounted to SEK 98.8 billion (117.6). During 2009 the credit portfolio decreased by 15.6% (11.8), adjusted for exchange-rate movements.

The operating loss for the year amounted to SEK 680 M compared to an operating income of SEK 1,397 M in the previous year. Return on shareholders' equity was a negative 6.2% (Positive: 12.6). The equity ratio at the end of the year was 8.7% (8.2). The loss was mainly caused by higher credit provisions. During the year, credit provision expenses amounted to SEK 2,327 M (483) while write-offs of SEK 2,223 M (521) were recorded. This resulted in an increase in credit reserves from 1.37% on December 31, 2008, to 1.67% of the credit portfolio on December 31, 2009. The write-off ratio was 2.09% (0.54).

Ambitions 2009

- Ensure sustained profitability in the global recession.
- Secure efficient funding and execute on capital management strategies.
- Continue optimizing growth by more tailored customer solutions.
- Secure key competencies and global mobility.

Outcome 2009

- Refinement of underwriting, portfolio management and remarketing processes.
- Full liquidity & interest matching maintained.
- Developed integrated offers with the other business areas to reduce inventory levels and optimize cash flow.
- Commenced customer financing activities in Japan and Australia.
- Developed and implemented global framework to secure key competencies.

Ambitions 2010

- Support customer and dealer downturn activities while mitigating the frequency and severity of credit losses.
- Adapt commercial strategy to lessons learned from the downturn to achieve sustainable profitability.
- Operational improvement & efficiency.
- Secure diversification of funding channels in cooperation with Volvo Treasury.

Sustainable development
– the foundation for long-term profitability

The Volvo Group's mission is to create value for its shareholders by creating value for its customers. Volvo views sustainable development, both in environmental and social terms, as a vital condition for long-term profitability and increased customer and shareholder value.

Hybrids
Alternative fuels
Carbon dioxide neutral

The Volvo Group's vision is to be valued as the world's leading supplier of commercial transport solutions. Transports are necessary for the development of society, and as a manufacturer the Group has a great responsibility for both the environment and to contribute to sustainable development. This is a responsibility that is taken very seriously.

In the Group's mission it is stated that the Group uses its collective expertise to create transport-related products and services of superior quality, safety and environmental care for demanding customers in selected segments.

An active approach to sustainability

The Volvo Group strives to conduct responsible business based on its Code of Conduct, corporate values and other established guidelines. The Code of Conduct, adopted in 2003, underscores the principles by which the Group conducts its relations with employees, business partners and other stakeholders. It applies to all employees and to the Board of Directors. Suppliers, dealers, consultants and other business partners are also encouraged to follow these principles. The principles in the Code of Conduct are based on the principles in the UN's initiative Global Compact.

It is vitally important that all employees are familiar with, and follow, the principles that are stated in the Group's Code of Conduct. An Internet based training program and discussion material have been produced to raise awareness of values.

The Volvo Group's social responsibility

The Volvo Group has a significant impact on the communities in which it operates. The Group's companies are major employers and also generate employment for numerous suppliers. The Volvo Group strives to be a good

The Global Compact

The Volvo Group supports the UN's Global Compact, which was designed to promote responsible business enterprise worldwide, and commits itself to implementing and integrating ten principles regarding human rights, working conditions and the environment in its operations.

THE GLOBAL COMPACT

partner to customers, suppliers, other business partners and entities in society as well as a good employer.

The Volvo Group strives to take responsibility through such actions as imposing demands on its suppliers. Since 2006, social issues have been an integral part of supplier evaluations and in 2008 a Group-wide project was implemented for the purpose of further focusing on this area.

Sustainability organization

Responsibility for the Volvo Group's efforts surrounding corporate social responsibility issues is coordinated at the head office in line with the respective operational responsibilities. Work on core values is coordinated by a Group Council.

Dialog with stakeholders

The Volvo Group strives to maintain straightforward, open communications with the world at large and participates in the active exchange of information with stakeholders on many different levels and in many different contexts. The Group strives to consider different viewpoints and evaluate these against our own internal strategies for the purpose of achieving sustainable development.

With the aim of being an active player in social development and to find business opportunities, it is essential that the Group is informed about the surrounding world. It is with that in mind that the Volvo Group analyzes social trends and follows the development of new legislation in regions in which the Group is active.

AB Volvo published its first environmental report in 1990. From 2002–2006 the Sustainability Report was part of the Annual Report. Since 2007, a separate Sustainability Report, inspired by GRI (Global Reporting Initiative), has been published. Detailed environmental data is reported annually in a separate report.

Environmental responsibility

High demands on production and products

Environmental management is a cornerstone of the Group's efforts to promote long-term sustainability. Volvo's environmental work has three distinct goals: to reduce the environmental impact of production, to reduce the impact from the use of its products and to reduce the impact from the Group's own transports.

Guidance and control in the environmental area

One of the most important elements for guidance of environmental issues at the Volvo Group is the common environmental policy. The policy forms the basis for the Group's environmental management systems, strategies, goals, audits and actions.

The environmental policy states that environmental efforts shall be marked by a holistic view, continuous improvements, technical innovation and efficient use of resources. The policy is, in turn, divided into strategies and goals for the organization.

The first environmental management system was certified already in 1995. At the end of 2009, 96% of the employees worked in production units in accordance with certified environmental management systems, primarily ISO 14001:2004. Other aspects of the value chain – such as product development and marketing – also have management systems. Most employees work in operations that have quality management systems certified in accordance with ISO 9001:2000.

The Group's environmental goals are used to monitor the entire organization, they are geared towards both the Group's own business and the use of the products. The goals are closely linked to business plans.

During the years 2004–2008, the Volvo Group focused on energy reduction in the manufacturing operations. This resulted in a 43% decrease of energy use per produced unit.

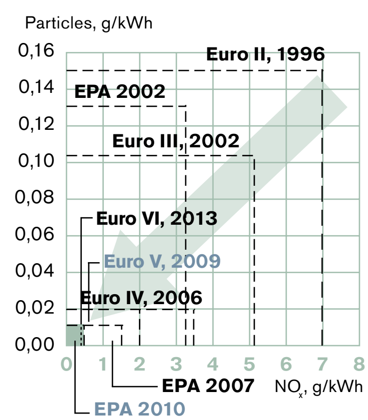
- The goal for the next three years is a reduction of a further 15%. Furthermore, a specific follow-up of idling losses will be carried out; i.e. the energy usage during down time in production.
- The first steps have been taken toward making the Group's production plants CO_2 neutral. Currently, the possibilities to make more plants CO_2 neutral are investigated.
- A Group goal for more efficient use of purchased raw materials have been set. The goal calls for an increased material efficiency and an intensified follow-up of the waste streams that come from prioritized raw materials.

Product use goals include:

- Achieving high fuel efficiency and low emissions throughout the entire life cycle
- Making comparisons with the best
- Consistent implementation of activities to become the industry leader
- Generating environmental data for follow-up and communication during the development of every new product
- Implementing a strategy for future fuels
- Including alternative fuels and alternative drivetrains in the product portfolio.

The environmental program also includes partners. Environmental requirements have been used since 1996 as an integral component of supplier evaluations and follow-up of various purchasing organizations.

Emissions regulations for trucks and buses



In September 2009, Euro V was implemented in Europe and in January 2010, EPA 2010 was implemented in North America. Euro V entails a 50% reduction of NO_x emissions compared to Euro IV. With the implementation of EPA 2010, emission levels for particulates and NO_x are very close to zero.

Requirements on facilities

All production units must meet Group-wide minimum requirements regarding the use of chemicals, energy consumption, emissions to air and water, waste management, environmental organization and improvement efforts. If local laws and regulations are more comprehensive they must be followed. Since 1989, environmental audits have been carried out to ensure that all plants comply with the environmental policy. Newly acquired companies and properties are subjected to an examination of environmental factors and risks.

All the Group's production facilities have the requisite environmental permits. In Sweden, there are 17 facilities that require permits. These permits encompass waste and noise as well as emissions to air, ground and water. No permits are due for renewal in 2010.

The existence of polluted land on the Group's properties is cataloged every year. This pollution generally has historic origins. In 2009, cleaning-up activities were conducted on two properties.

In the Swedish operations a few minor leakages were reported in 2009, but no major environmental incidents occurred and no environmental disputes took place.

The Volvo Group's operations generate transport to and from the plants. These flows are continuously reviewed to identify potential improvement measures to reduce environmental impact.

What's good for the environment can be good for the economy

Various projects are in progress throughout the Group with the aim of reducing energy consumption in the facilities. Activities differ among the various facilities, depending on local conditions. They have one element in common, however, which is the initial investment required. A couple of years ago, when the Volvo Group decided to create the world's first CO_2-neutral plant, the primary goal was not to save money but to reduce the Group's CO_2 emissions. Over the short term higher costs were anticipated, but it rather quickly became clear that it was a favorable economic investment. Today, it is clear that over the long term, it will generate considerable cost savings.

Greatest environmental impact during use

The greatest environmental impact caused by the products occurs during use. Lifecycle analyses show that 80–90% of the total environmental impact arises during use.

Climate change and access to energy sources may affect the Volvo Group. It is therefore vital to prepare for use of fuels other than crude oil. These efforts focus largely on the development of new drivelines, energy efficiency and alternative fuels.

More efficient engines lead to reduced emissions

The products use mainly diesel engines, since they have high energy efficiency and low emissions. In many countries, government agencies are imposing increasingly strict requirements of reduced emissions, particularly of nitrous oxides and particulates. In order to comply with these requirements, the Group is developing new engine technology that reduces consumption and emissions. Reduced fuel consumption benefits both the environment and customers' profitability, since fuel accounts for a large proportion of their costs. Since 1975, the fuel consumption of Volvo's trucks has declined by approximately 40% at the same time as the emissions of NO_x and PM have been dramatically reduced. Over the past 30 years, diesel engines have seen a hundredfold reduction of regulated emissions of NO_x and PM.

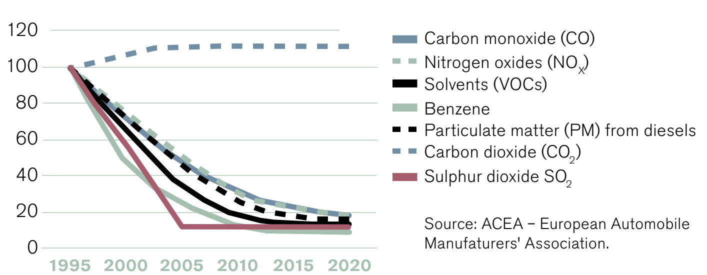
Vehicles with hybrid driveline

The Volvo Group is the leading manufacturer of hybrid technology for heavy trucks. The Volvo Group's I-SAM concept is based on a diesel engine and an electric motor, a so-called parallel hybrid. The Volvo Group has a unique process that involves developing and manufacturing its own hybrid solution. This enables the Group to coordinate and optimize products and components so that it can achieve the most efficient driveline. Hybrid technology works best in a vehicle that has a driving pattern involving numerous starts and stops. Field tests have shown fuel savings of 30% for a city bus. Extensive work is currently under way to develop and test hybrid solutions.

CO_2-neutral transports

As part of the efforts with alternative fuels, the Volvo Group was the first vehicle manufacturer to develop seven different demonstration trucks that all can be driven without net emissions of climate-impacting carbon dioxide. The vehicles can operate on biodiesel, biogas, biogas combined with biodiesel, ethanol/methanol, dimethyl ether (DME), synthetic diesel and hydrogen gas combined with biogas. These fuels are produced from renewable raw materials and therefore do not result in a net increase in carbon dioxide upon combustion.

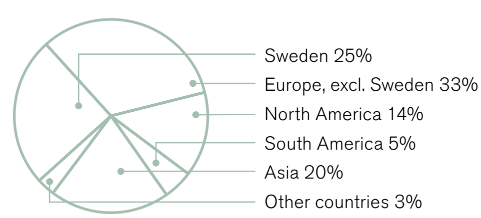
Road transport emissions in the EU



Source: ACEA – European Automobile Manufacturers' Association.

Within the EU all road transport emissions except for CO_2 are expected to decrease in the future. This is the result of stringent emission regulations.

Geographic distribution of employees



In this way, the Volvo Group has shown that it is prepared for the fuels of the future, regardless of which alternative authorities choose to invest in.

These activities resulted in the launch of the BioDME project. The goal of the project is to involve the entire production chain in the production and distribution of DME from biomass until it is used as fuel in vehicles. The project is being financed by the EU and the Swedish Energy Agency. Volvo's role in the project is to serve as project coordinator and to build vehicles for field-testing.

Social responsibility

A key factor in realizing the Group's vision is the contribution of the employees and their knowledge and expertise.

The Volvo Group aims to create a favorable work environment that contributes to the development of its competitiveness and attractiveness. As part of this aim, an increasing number of its operations are being certified in accordance with the international standard for work-environment management systems, OHSAS 18001.

It is important that the organization reflects its customers and that it understands the conditions prevailing in local markets, different cultures and future employees requirements. Diversity contributes

The Volvo Group as employer

The Group strives to be an attractive employer, both for current and future employees. Every employee is expected to take an active role in the Group's development, process of change and future. The Group is working in a number of different areas, such as fitness programs, skill development, work environment and leadership support in an effort to be an attractive employer.

Personnel reductions

Against the background of the overall low demand, measures to decrease cost levels within the Group continued. These measures include a reduction in personnel and a review of all expenses.

At the end of 2008 , the Group had 101,380 fixed employees. In addition, there were 8,234 temporary employees and consultants. During 2009, the number of fixed employees was decreased to 90,208 and the number of temporary employees and consultants to 6,074. Before going so far as redundancy notices, a host of other measures are taken, including the utilization of flexible time banks. The Volvo Group is following national regulations in conjunction with terminations of employment and is cooperating closely with the unions.

During the second quarter agreements were 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 were 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.

The Volvo Group Attitude Survey is an annual Groupwide survey. In the survey, employees express their views on their work and areas that need improvement. The results of the survey are discussed in each team and used to identity key improvement areas. The proportion of satisfied employees has steadily increased in recent years and continued to be on a high level in 2009 in spite of the significant workforce-reduction – the proportion of satisfied employees was 85%, compared with 86% in the preceding year.

Product quality and safety

Safety issues are a natural component of the development of world-leading commercial transport solutions. The Group strives to minimize the risk and consequences of accidents and improve driver safety and work environment. Human errors or misjudgments are a decisive or strongly contributory factor in most accidents, a fact that reflects the importance of good visibility, driving characteristics and brakes.

The Group is also a leader in designing vehicles that protect the driver and passengers in the event of a collision. Safety solutions include rollover-tested cabs and bodies, frontal collision protection, deformation zones, seat belts, deformable fittings and airbags.

The Group is also a leader in improving safety for other road-users. As early as 1996, the company introduced the Front Underrun Protection System to prevent passenger cars from becoming wedged beneath trucks in a frontal collision. This protection system has been fitted as standard to Volvo's trucks in the EU since 2001, and in 2003 the protection system became a legal requirement in EU countries.

Key figures	2008	**2009**
Number of employees at year-end	101,380	90,208
Share of women, %	17	17
Share of women, Board Members, %	10	11
Share of women, Presidents and other senior executives, %	17	19
Absence due to illness in the Group's Swedish companies		
Total absence due to illness of regular working hours, %	4.6	3.6
of which continuous sick leave for 60 days or more, %	39.1	35.8
Absence due to illness (as percentage of regular working hours) by gender		
Men, %	4.4	3.5
Women, %	5.4	3.9
Absence due to illness (as percentage of regular working hours) by age		
29 years or younger, %	4.6	2.7
30–49 years, %	4.6	3.6
50 years and older, %	4.8	3.7

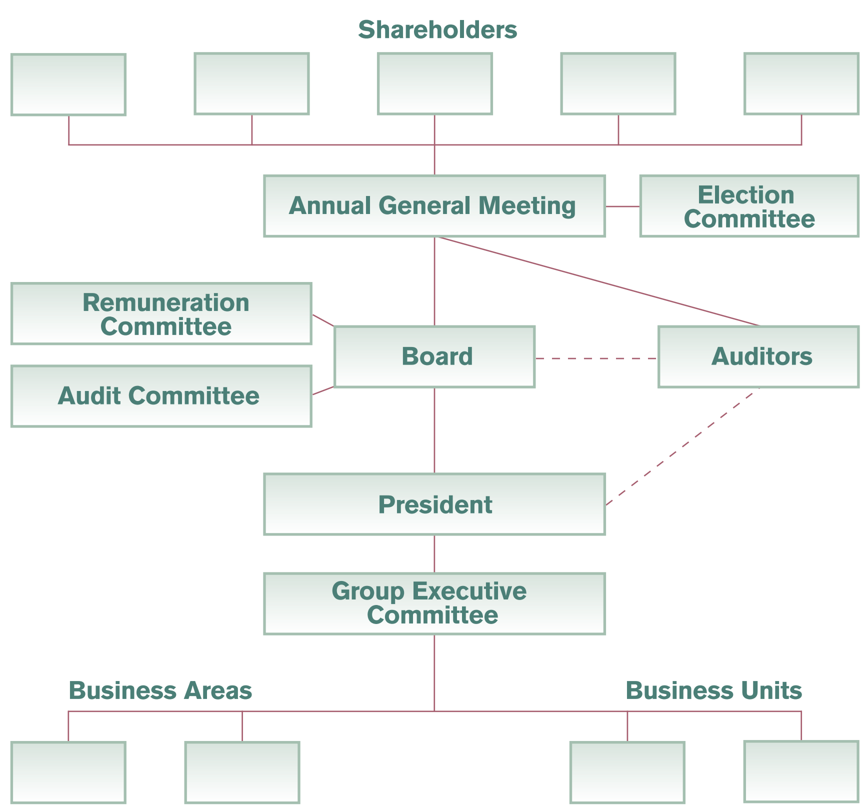
Volvo Group Sustainable Report will be available on www.volvogroup.com in mid-April.

Volvo Group's environmental performance For information on the Volvo Group's environmental performance see the Eleven-year summary.

Corporate Governance Report

During 2009, the Board focused specifically on adapting the Group's operations and cost structure to the significantly weaker demand for the Group's products. Furthermore, the Board focused on the continued integration of the operations acquired during the last years and issues relating to the continuous renewal of the Group's product portfolio. In addition, the Board focused on securing a strong liquidity position for the Group.

The Volvo Group Corporate Governance Model



Corporate bodies in corporate governance

The governance and control of the Volvo Group is carried out through a number of corporate bodies. At the Annual General Meeting, the shareholders exercise their voting rights with regard, for example, to the composition of the Board of Directors of AB Volvo and election of external auditors. An Election Committee proposes candidates to serve as Board members, Board Chairman and external auditors. The Board is responsible for the Group's long-term development and strategy as well as controlling and evaluating the company's operations. In addition, the Board appoints the President of AB Volvo, who is also the Chief Executive Officer (CEO). The duties of the Board are partly exercised through its Audit Committee and its Remuneration Committee. The CEO is in charge of the daily management of the Group in accordance with guidelines and instructions provided by the Board.

The CEO is in charge of the daily management of the Group through primarily two different bodies, the Group Executive Committee and the business areas' and business units' Boards of Directors. The Group Executive Committee comprises those who report directly to the CEO. The Group Executive Committee meetings, which are led by the CEO, deal with Group-wide issues and issues affecting more than one business area/unit, and sharing of information concerning the Group's performance. The CEO or another member of the Group Executive Committee is the Chairman of the Boards of all business areas and business units, which are comprised mainly of other members of the Group Executive Committee. The Boards of the business areas and business units effect control and follow-ups of business areas' and business units' financial development, business plans and goals as well as make decisions regarding, for example, investments.

Swedish Code of Corporate Governance

Volvo applies the Swedish Code of Corporate Governance (the Code), in accordance with which this Corporate Governance Report has been prepared. The Board's report of the key aspects of the company's system for internal controls and risk management regarding financial reports is included as a special section of this Corporate Governance Report.

Between January 1, 2009 and December 31, 2009 Volvo did not deviate from any of the regulations set forth in the Code.

This Corporate Governance Report does not comprise a portion of the formal annual report and it has not been reviewed by the company's external auditors.

Election Committee

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

The Election Committee's proposal shall be presented to Volvo in sufficient time to be included in the notice to attend the Annual General Meeting and to be published on Volvo's website at the same time. In conjunction with the notice to attend the Annual General Meeting is published, the Election Committee shall, among other things, comment on whether those persons who are proposed to be elected as Board members are to be considered as independent in relation to the company and company management as well as to major shareholders in the company and further to comment on their material assignments and holding of shares in Volvo. At Volvo's Annual General Meeting in 2007, new instructions for the Election Committee were adopted. According to these instructions, the Annual General Meeting shall select five members to serve on the Election Committee, of which four shall represent the largest shareholders in the company, in terms of the number of votes, who have expressed their willingness to participate. In addition, one of the members shall be the Chairman of the AB Volvo Board. Additionally, the Election Committee can offer other larger shareholders to appoint one representative as a member of the Election Committee. If such an offer is made, it should be directed in turn to the largest shareholder in terms of voting rights not already being represented on the Election Committee. The number of members on the Election Committee, however, may not exceed seven.

The Election Committee, which was appointed at Volvo's Annual General Meeting in 2009 in accordance with the instructions, comprised Volvo's Chairman Finn Johnsson, Carl-Olof By, representing AB Industrivärden, Lars Förberg, representing Violet Partners LP, Thierry Moulonguet, representing Renault s.a.s. and Lars Öhrstedt, representing AFA Försäkring. The Election Committee elected Thierry Moulonguet as Chairman. Later during 2009, the Election Committee offered Svenska Handelsbanken together with SHB Pension Fund, SHB Pensionskassa, SHB Employee Fund and Oktogonen and AMF Pension to appoint one representative each as a member of the Election Committee. Handelsbanken and others appointed Håkan Sandberg and AMF Pension appointed Ingrid Bonde.

On January 15, 2010, Finn Johnsson resigned as Chairman of the Board and Board member. Thereby, he also left the Election Committee.

The Election Committee has decided to propose to the Annual General Meeting 2010 the re-election of Peter Bijur, Jean-Baptiste Duzan, Leif Johansson, Anders Nyrén, Louis Schweitzer, Ravi Venkatesan, Lars Westerberg and Ying Yeh and the new election of Hanne de Mora as members of the Board of Directors. The Election Committee has also decided to propose to the Annual General Meeting 2010 the election of Louis Schweitzer as Chairman of the Board.

The Board

In 2009, AB Volvo's Board of Directors consisted of nine members elected by the Annual General Meeting. In addition, the Board had three members and two deputy members appointed by employee organizations. AB Volvo's CEO, Leif Johansson, was a member of the Board.

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

During 2009, six regular meetings, one statutory meeting and two extraordinary meetings were held.

The Board's composition and attendance at meetings January 1, 2009 to December 31, 2009

	Board	Audit Committee	Remuneration Committee
Finn Johnsson	9		4
Peter Bijur	8	3	
Jean-Baptiste Duzan[1]	5	2	
Tom Hedelius[2]	4		
Leif Johansson	9		
Philippe Klein[3]	3		
Anders Nyrén[4]	5		4
Louis Schweitzer	8		4
Ravi Venkatesan	8		
Lars Westerberg	9	3	
Ying Yeh[5]	7	1	
Martin Linder,[6] employee representative	8		
Olle Ludvigsson,[7] employee representative	7		
Johnny Rönnkvist,[8] employee representative	6		
Mikael Sällström,[9] employee representative	2		
Berth Thulin,[10] employee representative	3		
Total number of meetings	**9**	**3**	**4**

1 Elected to the Board at the 2009 Annual General Meeting. Member of the Audit Committee since April, 2009
2 Resigned from the Board and the Remuneration Committee in conjunction with the 2009 Annual General Meeting
3 Resigned from the Board in conjunction with the 2009 Annual General Meeting
4 Elected to the Board at the 2009 Annual General Meeting
5 Resigned from the Audit Committee in April, 2009
6 At the meeting at which Martin Linder was not present, Margareta Öhlin (deputy, employee representative) took his place
7 Resigned from the Board on September 8, 2009
8 Resigned from the Board on June 26, 2009
9 Board member as from September 8, 2009
10 Board member as from June 26, 2009

The Board has adopted work procedures for its activities that contain rules pertaining to the distribution of work between the Board members, the number of Board meetings, matters to be handled at regular meetings of the Board and duties incumbent on the Chairman. In addition thereof, the work procedures contain directives concerning the tasks of the Audit Committee and the Remuneration Committee respectively. The Board has also issued written instructions specifying how financial information should be reported to the Board as well as defining the distribution of duties between the Board and the President.

The Annual General Meeting decides on the fees to be paid to the Board members elected by the shareholders. The Annual General Meeting held on April 1, 2009 approved a total fee to the Board, for the time until the end of the next Annual General Meeting, of SEK 5,725,000 to be distributed among the Board Members according to the following: Chairman of the Board should receive a fee of SEK 1,500,000 and each of the remaining members should receive a fee of SEK 500,000, with the exception of the President. In addition, the Chairman of the Audit Committee should receive SEK 250,000, the other two members of the Audit Committee SEK 125,000 each and the members of the Remuneration Committee SEK 75,000 each.

During the year, the Board reviewed the business plans and strategies for the various businesses in the Volvo Group. The Board also reviewed the financial positions of AB Volvo and the Volvo Group on a regular basis and acted in order to ascertain that there are efficient systems in order to follow-up and control the business and financial position of the Volvo Group. In connection therewith, the Audit Committee was responsible for preparing for the Board's work to assure the quality of the company's financial reporting through reviewing the interim reports and the annual report. In connection therewith, the Board met with the company's auditors during 2009. The Board continuously evaluated the performance of the CEO.

During 2009, the Board focused specifically on adapting the Group's operations and cost structure to the significantly weaker demand for the Group's products. Furthermore, the Board focused on the continued integration of the operations acquired during the last years and issues relating to the continuous renewal of the Group's product portfolio. In addition, the Board focused on securing a strong liquidity position for the Group.

The Board's work is mainly performed through Board meetings and through meetings in the respective committees of the Board. In addition thereto, the Chairman of the Board is in regular contact with the CEO in order to discuss ongoing business and to ensure that the decisions taken by the Board are executed. An account of each Board member's age, main education, professional experience, assignments in the Company, other important board memberships, their and related parties' ownership of shares in Volvo as of February 26, 2010, and the years of membership on the Volvo Board, is presented on the Board and auditors page.

During 2009, the Board performed its yearly evaluation of the Board's work. The Chairman has informed the Election Committee on the result of the evaluation.

Independence requirements

The Board of Directors of Volvo must meet independence requirements pursuant to the Code. Up to October 1, 2009, these independence requirements were also set out in the NASDAQ OMX Stockholm's ("Stockholmsbörsen") Rule Book for Issuers. Further, since July 1, 2009, the Audit Committee must meet independence requirements pursuant to the Swedish Companies Act. Below follows a short description of the independence requirements. The independence requirements mainly state that only one person from the company's management may be a member of the Board, that a majority of the Board members elected by the General Meeting shall be independent of the company and the company management and that at least two of the Board members elected by the General Meeting who are independent of the company and the company's management shall also be independent of the company's major shareholders. In addition, the Code demands that a majority of the members in the Audit Committee shall be independent of the company and the company management and that at least one member shall be independent of the company's major shareholders. A member of the Board who is a member of the company management shall not be a member of the Audit Committee. According to the Swedish Companies Act, the members of the Audit Committee may not be employees of the company. With regard to the Remuneration Committee, the Code sets the requirement that members of the Remuneration Committee, with the exception of the Board Chairman if a member of the Remuneration Committee, shall be independent of the company and company management.

Prior to the Annual General Meeting 2009, considering the above requirements regarding the Board's independence, the Election Committee reported the following understanding with regard to the Board members who were elected at the Annual General Meeting in 2009:

Finn Johnsson, Peter Bijur, Ravi Venkatesan, Lars Westerberg, Ying Yeh and Anders Nyrén are all independent of the company and company management as well as of the company's major shareholders.

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

Louis Schweitzer is Chairman of the Board of Directors of Renault S.A. and Jean-Baptiste Duzan is employed by Renault S.A. Both of them represent Renault s.a.s. on the company's Board of Directors. They are both independent of the company and the company management but are, since Renault s.a.s. controls more than 10 percent of the shares and votes in Volvo, not to be considered as independent of one of the company's major shareholders.

After the Annual General Meeting 2009, Louis Schweitzer has left his assignment as

Chairman of the Board of Directors of Renault S.A. and Jean-Baptiste Duzan has left his employment in Renault S.A. However, Jean-Baptiste Duzan has remained advisor to Renault S.A. and both Louis Schweitzer and Jean-Baptiste Duzan have continued to represent Renault s.a.s. in the company's Board of Directors. Further, Finn Johnsson has resigned as Chairman and member of the company's Board of Directors.

The Election Committee must also meet independence requirements pursuant to the Code. According to the Code, the majority of the members of the Election Committee are to be independent of the company and the company management. Neither the CEO nor other members of the executive management are to be members of the Election Committee. At least one member of the Election Committee is to be independent of the company's largest shareholder in terms of votes or any group of shareholders that act in concert in the governance of the company. All members of the Election Committee have been considered to be independent of the company and the company management. All members of the Election Committee except Thierry Moulonguet have been considered to be independent of Volvo's largets shareholder in terms of votes, since Thierry Moulonguet represents Renault s.a.s. in the Election Committee and Renault s.a.s. is Volvo's largest shareholder in terms of votes.

As from the Annual General Meeting 2010, the Audit Committee must meet additional requirements according to the Swedish Companies Act. As from that time at least one member of the Audit Committee must be independent of the company, the company management and the company's major shareholders and have accounting or auditing proficiency.

Audit Committee

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

At the statutory Board meeting following the 2009 Annual General Meeting, Lars Westerberg, Peter Bijur and Jean-Baptiste Duzan were appointed members of the Audit Committee. Lars Westerberg was appointed Chairman of the Audit Committee.

The Audit Committee met with the external auditors and Head of Internal Audit at the meetings of the Audit Committee. The Audit Committee has also met separately with the external auditors and the Head of Internal Audit without the presence of the company management. The Audit Committee and the external auditors have among other things discussed the external audit plan and risk management. The Audit Committee held three meetings during 2009.

Remuneration Committee

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

In 2009, the Remuneration Committee comprised of Board members Finn Johnsson, Louis Schweitzer and Anders Nyrén. Finn Johnsson was appointed Chairman of the Remuneration Committee. The Remuneration Committee held four meetings during 2009.

When resigning as Chairman and member of the Board of the company on January 15, 2010, Finn Johnsson also left the Remuneration Committee. Thereafter, Ying Yeh was appointed as a new member of the Remuneration Committee and Louis Schweitzer was appointed as the new Chairman of the Remuneration Committee.

Group Executive Committee

An account of their respective age, principal education, Board memberships, their and related parties' ownership of shares in Volvo as of February 26, 2010, and year of joining Volvo for the CEO and each member of the Group Executive Committee is presented in the Group Executive Committee section.

External auditing

Volvo's auditors are elected by the Annual General Meeting for a period of three or four years. The current auditor is PricewaterhouseCoopers AB (PwC), which was elected at the 2007 Annual General Meeting for a period of three years. Auditors will thus be elected at the 2010 Annual General Meeting. Two PwC partners, Göran Tidström and Olov Karlsson, are responsible for the audit of Volvo. Göran Tidström is the Lead Partner.

The external auditors discuss the external audit plan and risk management with the Audit Committee. The Auditors review the interim report for the period January 1 to June 30 and the annual report. The auditors report their findings with regard to the annual report to the shareholders through the audit report, which they present to the Annual General Meeting. In addition, the auditors report detailed findings from their reviews to the Audit Committee twice a year and, once a year, to the full Board of Directors.

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

Disclosure Committee

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

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

Outstanding share and share-price related incentive programs

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

The Board's report on the key aspects of the company's system for internal controls and risk management regarding financial reports

The Board is responsible for the internal controls according to the Swedish Companies Act and the Code. The purpose of this report is to provide shareholders and other interested parties an understanding of how internal control is organized at Volvo with regard to financial reporting. The report has been prepared in accordance with the Code and the guidance issued by the Confederation of Swedish Enterprise and FAR SRS and is thus limited to internal control over financial reporting. This report is included as a section in the Corporate Governance Report, but does not comprise a portion of the formal annual report. This report has not been reviewed by the company's external auditors.

Introduction

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

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

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

Control environment

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

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

Risk assessment

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

Control activities

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

In October 2009, the Board of Directors visited Volvo Powertrain's plant in Skövde, Sweden.

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

Information and communication

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

Follow-up

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

1. *Management controls:* Self assessment procedure carried out by management teams at business area and business unit level as well as local company level. Main areas evaluated are the adherence to the Group's financial directives and policies found in FPP along with The Volvo Way and the Group's Code of Conduct.

2. *Transaction level controls:* Processes related to the financial reporting are evaluated by testing of specific routines and controls based upon the Group's framework for internal control over financial reporting, VICS – "Volvo Internal Control Standards". The framework focus on the financial reporting areas deemed to have a relatively higher risk for potential errors because e.g. complex accounting principles, complex or changed business operations etc.

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

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

Group Management

Group Management

1. Leif Johansson
President and CEO

Born 1951. M. Sc. Engineering. President of AB Volvo and Chief Executive Officer of the Volvo Group since 1997. With Volvo since 1997. **Chairman:** ERT (European Round Table of Industrialists). **Board member:** Bristol-Myers Squibb Company, Svenska Cellulosa Aktiebolaget SCA and The Confederation of Swedish Enterprise. Member of the Royal Swedish Academy of Engineering Sciences. Member of the Volvo Board since 1997. **Holdings in Volvo, own and related parties:** 540,810 shares, including 349,023 Series B shares.

2. Staffan Jufors
President of Volvo Trucks

Born 1951. Master of Business Administration. President of Volvo Trucks since 2004. President of Volvo Penta 1998–2004. Member of the Group Executive Committee since 1998. With Volvo since 1975. **Board member:** Seco Tools AB. **Holdings in Volvo, own and related parties:** 40,763 shares, including 34,937 Series B shares.

3. Stefano Chmielewski
President of Renault Trucks

Born 1952. MA M. Sc. Electronics/Automation. President of Renault Trucks since 2003. Member of the Group Executive Committee since 2003. With Volvo since 2001. **Holdings in Volvo, own and related parties:** None.

4. Dennis Slagle
President and CEO of North American Trucks

Born 1954. Bachelor of Science. President and CEO of North American Trucks since November 1, 2009. President and CEO of Mack Trucks, Inc. since 2008. President and CEO of Volvo Construction Equipment North America 2003–2008. Previously President of L.B. Smith, Inc. Member of the Group Executive Committee since 2008. With Volvo since 2000. **Board member:** West Virginia Wesleyan Collage Board of Trustees. **Holdings in Volvo, own and related parties:** 8,838 Series B shares.

5. Satoru Takeuchi
President of UD Trucks

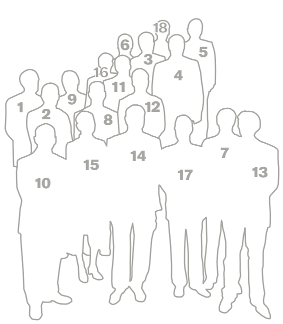
Born 1946. President of UD Trucks since 2007. Member of the Group Executive Committee since 2007. With Volvo since 2007. **Holdings in Volvo, own and related parties:** None.

6. Håkan Karlsson
President of Volvo Buses

Born 1961. M. Sc. Engineering. President of Volvo Buses since 2003. President of Volvo Logistics 2000–2003. Member of the Group Executive Committee since 2003. With Volvo since 1986. **Holdings in Volvo, own and related parties:** 37,233 shares, including 35,842 Series B shares.

7. Olof Persson
President of Volvo Construction Equipment

Born 1964. Bachelor of Business Administration. President of Volvo Aero 2006–2008. President of Volvo Construction Equipment since 2008. Member of the Group Executive Committee since 2006. With Volvo since 2006. **Holdings in Volvo, own and related parties:** 42,250 Series B shares.



8. Göran Gummeson
President of Volvo Penta

Born 1947. President of Volvo Penta since 2004. Has held various positions at Volvo Penta since 1991, head of Volvo Penta's European operations 1998–2004. Member of the Group Executive Committee since 2004. With Volvo since 1991. **Holdings in Volvo, own and related parties:** 108,862 Series B shares.

9. Staffan Zackrisson
President of Volvo Aero

Born 1953. Master of Science & Engineering. President of Volvo Aero since 2008. Has held various positions at Volvo Aero 1979–87 and since 1989. With Uddevalla Invest AB 1987–89. Member of the Group Executive Committee since 2008. With Volvo 1979–87 and since 1989. **Holdings in Volvo, own and related parties:** 10,333 Series B shares.

10. Salvatore L Mauro
President of Volvo Financial Services

Born 1960. Bachelor of Science in Accounting. President of Volvo Financial Services since 2001. President of Volvo Car Finance Europe 1999–2001. Member of the Group Executive Committee since 2001. With Volvo since 1985. **Holdings in Volvo, own and related parties:** 22,015 Series B shares.

11. Peter Karlsten
President of Volvo Powertrain

Born 1957. M. Sc. Electrical Engineering. President of Volvo Powertrain since 2007. Senior Vice President Technology for the Volvo Group since 2007. Head of Volvo Trucks in Brazil 2001–2003. Head of Volvo's North American truck operations 2003–2007. Member of the Group Executive Committee since 2007. With Volvo since 2001. **Holdings in Volvo, own and related parties:** 142,306 shares, including 142,250 series B shares.

12. Pär Östberg
Senior Vice President and President Trucks Asia

Born 1962. Master of Business Administration. Senior Vice President of AB Volvo since 2005. Has held various senior positions in the financial areas in the Volvo Group, most recently as CFO of the Volvo Group 2005–2008, prior to that as Senior Vice President and CFO of Renault Trucks 2004–2005. Member of the Group Executive Committee since 2005. With Volvo since 1990. **Board Chairman:** UD Trucks. **Holdings in Volvo, own and related parties:** 165,667 Series B shares.

13. Stefan Johnsson
Senior Vice President

Born 1959. Master of Business Administration. Senior Vice President of AB Volvo responsible for business units and human resources. Senior Vice President of AB Volvo and CFO of the Volvo Group 1998–2005. President of Volvo Group Finance Sweden 1994–1998. Member of the Group Executive Committee since 1998. With Volvo since 1987. **Board member:** The Association of Swedish Engineering Industries, The Chalmers University of Technology Foundation and GU School of Executive Education AB. **Holdings in Volvo, own and related parties:** 149,098 shares, including 148,667 Series B shares.

14. Mikael Bratt
Senior Vice President and CFO

Born 1967. Senior Vice President of AB Volvo and CFO of the Volvo Group since 2008. Responsible for finance, strategy and business development. Has held various senior positions in the financial areas in the Volvo Group, most recently as Vice President & Head of Corporate Finance at AB Volvo. Member of the Group Executive Committee since 2008. With Volvo since 1988. **Holdings in Volvo, own and related parties:** 73,802 shares, including 72,967 Series B shares.

15. Eva Persson
Senior Vice President and General Counsel

Born 1953. Master of Laws. Senior Vice President of AB Volvo and General Counsel of the Volvo Group. Responsible for legal, compliance, tax and security matters. Member of the Group Executive Committee since 1997. With Volvo since 1988. Secretary to the Board of Volvo since 1997. **Board member:** Handelsbanken Region Väst, Second Swedish National Pension Fund. Member of the Swedish Industry and Commerce Stock Exchange Committee. **Holdings in Volvo, own and related parties:** 75,723 shares, including 74,407 Series B shares

16. Per Löjdquist
Senior Vice President

Born 1949. Senior Vice President of AB Volvo, responsible for corporate communications and brand management. Member of the Group Executive Committee since 1997. With Volvo since 1973. **Holdings in Volvo, own and related parties:** 194,142 shares, including 177,362 Series B shares.

17. Tony Helsham
Senior Vice President

Born 1954. Bachelor of Engineering. Senior Vice President of AB Volvo responsible for soft products. President of Volvo Construction Equipment 2000–2008. President and CEO of Euclid Hitachi Heavy Equipment 1995–1998. President of Volvo Construction Equipment Korea 1998–2000. Member of the Group Executive Committee since 2000. With Volvo since 1985. **Holdings in Volvo, own and related parties:** None.

18. Jan-Eric Sundgren
Senior Vice President

Born 1951. M. Sc. Engineering, PhD in solid state Physics, Professor in materials science. Senior Vice President of AB Volvo responsible for public and environmental affairs. Member of the Group Executive Committee since 2006. With Volvo since 2006. **Chairman:** SP Technical Research Institute of Sweden. **Board member:** Hogia AB and Lindholmen Science Park AB. Member of the Royal Swedish Academy of Engineering Sciences. **Holdings in Volvo, own and related parties:** 25,202 Series B shares.

Changes in Group Executive Committee

Tony Helsham, Senior Vice President responsible for soft products, will resign from the Group Executive Committee on March 31, 2010.

Board of Directors and Auditors

Board members elected by the Annual General Meeting

1. Louis Schweitzer
Chairman of the Board since January 15, 2010
Chairman of the Remuneration Committee

Born 1942. Bachelor of Laws. **Board Chairman:** AstraZeneca Plc. Chairman of the Supervisory Board of Le Monde. **Board member:** BNP-Paribas, L'Oréal and Véolia. Member of the Volvo Board since 2001. **Holdings in Volvo, own and related parties:** 10,000 Series B shares.

Principal work experience: Official at French Budget Department; Chief of Staff of Mr Laurent Fabius (Minister of Budget, then Minister for Industry and Research, and Prime Minister), Chairman of the French High Authority against Discrimination and for Equality, HALDE (since 2005); numerous positions with Renault S.A. (Chief Financial Officer and Executive Vice President Finance and Planning, Chief Operating Officer, Chairman and Chief Executive Officer).

2. Finn Johnsson
Chairman of the Board until January 15, 2010
Chairman of the Remuneration Committee until January 15, 2010

Born 1946. MBA. **Board Chairman:** City Airline, EFG European Furniture Group AB, KappAhl AB, Luvata Oy, Thomas Concrete Group AB, West Sweden Chamber of Commerce and Industry. **Board member:** AB Industrivärden and Skanska AB. Member of the Volvo Board 1998–2010. Chairman 2004–2010. **Holdings in Volvo, own and related parties:** 71,000 shares, including 51,000 Series B shares.

Principal work experience: Machine Division at Swedish Match; President Arenco Machine Co., USA; President Swedish Match Europe and Swedish Match Asia; President Tarkett AB; Executive Vice President Stora AB; President Industri AB Euroc; President United Distillers, UK; CEO of Mölnlycke Health Care AB.

3. Peter Bijur
Member of the Audit Committee

Born 1942. MBA Marketing, BA Political Science. **Board member:** Gulfmark Offshore Inc. Member of the Volvo Board since 2006. **Holdings in Volvo, own and related parties:** 3,000 Series B shares.

Principal work experience: Numerous positions with Texaco Inc, retired as Chairman and Chief Executive Officer in 2001.

4. Jean-Baptiste Duzan
Member of the Audit Committee

Born 1946. Graduate of the Ecole Polytechnique. Advisor to the Chief Executive Officer, Renault S.A. **Board member:** Renault Crédit International and Nissan Motor Co. Ltd. Member of the Volvo Board since 2009. **Holdings in Volvo, own and related parties:** 1,000 Series B shares.

Principal work experience: Began his career at Citibank. Has held various positions within Renault since 1982–director of financial services at Renault V.I.; director of financial operations; project director for the car model Safrane; Senior Vice President, Purchasing; and joined the Renault Management Committee. He was also named Chairman and Managing Director, Renault Nissan Purchasing Organization.

5. Leif Johansson

Born 1951. Master Sc Engineering. President of AB Volvo and Chief Executive Officer of the Volvo Group since 1997. With Volvo since 1997. **Chairman:** ERT (European Round Table of Industrialists). **Board member:** Bristol-Myers Squibb Company, Svenska Cellulosa Aktiebolaget SCA and The Confederation of Swedish Enterprise. Member of the Royal Swedish Academy of Engineering Sciences. Member of the Volvo Board since 1997. **Holdings in Volvo, own and related parties:** 540,810 shares, including 349,023 Series B shares.

Principal work experience: Project consultant Indevo; Assistant to President Centro Maskin Morgårdshammar; President Husqvarna Motorcyklar; Division Manager Office Machines Facit Sweden; President Facit; Division Manager AB Electrolux Major Appliances; Division President AB Electrolux Major Appliances; Executive Vice President AB Electrolux; President AB Electrolux; CEO Electrolux Group.

6. Anders Nyrén
Member of the Remuneration Committee

Born 1954. Graduate of the Stockholm School of Economics, MBA at UCLA. President and Chief Executive Officer of AB Industrivärden. **Board Chairman:** Association of Exchange-Listed Companies and Association for Generally Accepted Principles in the Securities Market in Sweden. **Vice Chairman:** Sandvik AB and Svenska Handelsbanken. **Board member:** AB Industrivärden, Ernströmgruppen, SSAB Svenskt Stål AB, Svenska Cellulosa Aktiebolaget SCA, Telefonaktiebolaget LM Ericsson and SSE Association. Member of the Volvo Board since 2009. **Holdings in Volvo, own and related parties:** 5,200 Series B shares.

Principal work experience: Has worked for AB Wilhelm Becker. He has held various positions within STC – Controller, Executive Vice President and CFO, and President of STC Venture AB; President and Chief Executive Officer at OM International AB; Executive Vice President and CFO at Securum; Director with executive responsibility for Markets and Corporate Finance at Nordbanken; Executive Vice President and CFO at Skanska.

7. Ravi Venkatesan

Born 1963. MBA and M Sc Industrial Engineering. Chairman of Microsoft India and responsible for Microsoft's marketing, operational and business development efforts in India. **Board Chairman:** Junior Achievement India, Non profit organisation. **Board member:** Non Profit Advisory Board Harvard Business School, Advisory Board Indian Institute of Technology. Member of the Volvo Board since 2008. **Holdings in Volvo, own and related parties:** 700 Series B shares.

Principal work experience: Several leading positions within the American engine manufacturer Cummins.

8. Lars Westerberg
Chairman of the Audit Committee

Born 1948. M Sc Engineering, Bachelor Business Administration. **Board Chairman:** Autoliv Inc., Husqvarna AB and Vattenfall AB. **Board member:** SSAB Svenskt Stål AB. Member of the Volvo Board since 2007. **Holdings in Volvo, own and related parties:** 60,000 Series A shares.

Principal work experience: President and CEO of Gränges AB, ESAB AB and Autoliv Inc.

9. Ying Yeh
Member of the Remuneration Committee

Born 1948. BA, Literature & International Relations. Vice President and Chairman of Nalco Company, Greater China Region. Member of the Volvo Board since 2006. **Holdings in Volvo, own and related parties:** None.

Principal work experience: Journalist NBC, New York. Numerous positions with the U.S. Government Foreign Service in Burma, Hong Kong, Taiwan and Beijing. Various positions with Eastman Kodak in China, most recently as President and Chairman, North Asia Region.

Board members and deputies appointed by employee organisations

10. Martin Linder

Employee representative. Born 1973. With Volvo since 1994. Member of the Volvo Board since 2004. **Holdings in Volvo, own and related parties:** 112 Series A shares.

11. Mikael Sällström

Employee representative. Born 1959. With Volvo 1980–1999 and since 2009. Member of the Volvo Board since September 8, 2009. **Holdings in Volvo, own and related parties:** None.

12. Berth Thulin

Employee representative. Born 1951. With Volvo since 1975. Deputy member of the Volvo Board 1999–2009, member since June 26, 2009. **Holdings in Volvo, own and related parties:** 1,175 Series B shares.

13. Lars Ask

Employee representative. Born 1959. With Volvo since 1982. Deputy member of the Volvo Board since June 26, 2009. **Holdings in Volvo, own and related parties:** 306 shares, including 250 Series B shares.

Peteris Lauberts

Employee representative. Born 1948. With Volvo since 1999. Deputy member of the Volvo Board since January 11, 2010. **Holdings in Volvo, own and related parties:** 56 Series A shares.

Changes in the Board

Board members elected by the Annual General Meeting
On January 15, 2010, Finn Johnsson resigned as Chairman and Board member. In connection therewith, Louis Schweitzer was appointed new Chairman until the next Annual General Meeting.

Board members and deputies appointed by employee organisations
On June 26, 2009, Johnny Rönnkvist left his assignment as Board member. In connection therewith, Berth Thulin, former deputy, was appointed new Board member and Lars Ask was appointed new deputy.

On September 8, 2009, Olle Ludvigsson left his assignment as Board member. In connection therewith, Mikael Sällström was appointed new Board member.

On January 11, 2010, Margareta Öhlin **[14.]** left her assignment as deputy. In connection therewith, Peteris Lauberts was appointed new deputy.

Secretary to the Board

Eva Persson

Born 1953. Master of Laws. Senior Vice President of AB Volvo and General Counsel of the Volvo Group. Secretary to the Volvo Board since 1997. **Holdings in Volvo, own and related parties:** 75,723 shares, including 74,407 Series B shares.

Auditors

PricewaterhouseCoopers AB

Göran Tidström

Authorized Public Accountant.
Lead Partner.

Auditor since 2006.

Other assignments: Auditor of Telia Sonera, Trelleborg, Meda and Kungliga Operan. Deputy President of IFAC (International Federation of Accountants).

Born 1946.

Olov Karlsson

Authorized Public Accountant.
Partner.

Auditor since 1998.

Other assignments: Auditor of Trelleborg.

Born 1949.

Financial information 2009

67	**Consolidated income statements**
68	**Consolidated balance sheets**
69	**Changes in consolidated Shareholders' equity**
70	**Consolidated cash-flow statements**
71	**Notes to consolidated financial statements**
114	**Parent Company AB Volvo**
128	**Proposed remuneration policy**
129	**Proposed disposition of unappropriated earnings**
130	**Audit report**
131	**Eleven-year summary**

p.	Note	The Volvo Group
71	1	Accounting principles
76	2	Key sources of estimation uncertainty
77	3	Change of accounting principles
78	4	Acquisition and divestments of shares in subsidiaries
80	5	Joint ventures
80	6	Associated companies
81	7	Segment reporting
83	8	Other operating income and expenses
83	9	Income from investments in associated companies
83	10	Income from other investments
83	11	Other financial income and expenses
84	12	Income taxes
85	13	Minority interests
85	14	Intangible and tangible assets
88	15	Shares and participations
89	16	Non-current customer-financing receivables
89	17	Non-current receivables
90	18	Inventories
90	19	Current customer-financing receivables
90	20	Current receivables
91	21	Marketable securities
91	22	Cash and cash equivalents
91	23	Shareholders' equity
93	24	Provisions for post-employment benefits
97	25	Other provisions
97	26	Non-current liabilities
98	27	Current liabilities
99	28	Assets pledged
99	29	Contingent liabilities
100	30	Cash-flow
100	31	Leasing
101	32	Transactions with related parties
101	33	Government grants
101	34	Personnel
105	35	Fees to the auditors
105	36	Goals and policies in financial risk management
109	37	Financial instruments

p.	Note	Parent Company
118	1	Accounting principles
118	2	Administrative expenses
118	3	Other operating income and expenses
119	4	Income from investments in Group companies
119	5	Income from investments in associated compaies
119	6	Income from other investments
119	7	Interest income and expenses
119	8	Other financial income and expenses
119	9	Allocations
120	10	Income taxes
120	11	Intangible and tangible assets
121	12	Investments in shares and participations
122	13	Other short-term receivables
122	14	Untaxed reserves
122	15	Provisions for pensions
123	16	Non-current liabilities
123	17	Other current liabilities
123	18	Contingent liabilities
123	19	Cash-flow
124	20	Financial risks and instruments
124	21	Personnel

Consolidated income statements

SEK M		2008	**2009**
Net sales	Note 7	304,642	**218,361**
Cost of sales		(238,928)	**(186,167)**
Gross income		65,713	**32,194**
Research and development expenses	Note 7	(14,348)	**(13,193)**
Selling expenses		(27,129)	**(25,334)**
Administrative expenses		(6,940)	**(5,863)**
Other operating income and expenses	Note 8	(1,539)	**(4,798)**
Income from investments in associated companies	Note 7, 9	25	**(14)**
Income from other investments	Note 10	69	**(6)**
Operating income	Note 7	15,851	**(17,013)**
Interest income and similar credits		1,171	**390**
Interest expenses and similar charges		(1,935)	**(3,559)**
Other financial income and expenses	Note 11	(1,077)	**(392)**
Income after financial items		14,010	**(20,573)**
Income taxes	Note 12	(3,994)	**5,889**
Income for the period		10,016	**(14,685)**
Attributable to:			
Equity holders of the parent company		9,942	**(14,718)**
Minority interests	Note 13	74	**33**
		10,016	**(14,685)**
Basic earnings per share, SEK	Note 23	4.90	**(7.26)**
Diluted earnings per share, SEK	Note 23	4.90	**(7.26)**

Other comprehensive income	2008	2009
Income for the period	10,016	**(14,685)**
Exchange differences on translation of foreign operations	6,149	**(1,246)**
Exchange differences on hedge instruments of net investment in foreign operations	(414)	**159**
Accumulated translation difference reversed to income	(82)	**(136)**
Available-for-sale investments	(459)	**86**
Cash flow hedges	(2,249)	**2,313**
Other comprehensive income, net of income taxes	2,945	**1,176**
Total comprehensive income for the period	12,961	**(13,509)**
Attributable to:		
Equity holders of the parent company	12,874	**(13,561)**
Minority interests	87	**52**
	12,961	**(13,509)**

Consolidated balance sheets

SEK M		December 31, 2008		**December 31, 2009**	
Assets					
Non-current assets					
Intangible assets	Note 14		43,958		**41,628**
Tangible assets	Note 14				
Property, plant and equipment		56,248		**54,289**	
Investment property		1,022		**991**	
Assets under operating leases		25,429	82,699	**20,388**	**75,668**
Financial assets					
Associated companies	Note 15	652		**588**	
Other shares and participations	Note 15	1,301		**1,456**	
Non-current customer-financing receivables	Note 16	50,432		**39,713**	
Deferred tax assets	Note 12	11,180		**12,595**	
Prepaid pensions	Note 24	2,442		**2,049**	
Non-current interest-bearing receivables	Note 17	694		**585**	
Other non-current receivables	Note 17	3,023	69,724	**3,038**	**60,024**
Total non-current assets			196,381		**177,320**
Current assets					
Inventories	Note 18		55,045		**37,727**
Current receivables					
Customer-financing receivables	Note 19	48,057		**42,264**	
Tax assets		1,810		**1,523**	
Interest-bearing receivables	Note 20	1,965		**410**	
Accounts receivable	Note 20	30,523		**21,337**	
Other receivables	Note 20	15,024		**12,082**	
Non interest-bearing assets held for sale	Note 4	–		**1,684**	
Interest-bearing assets held for sale		–	97,379	**8**	**79,308**
Marketable securities	Note 21		5,902		**16,676**
Cash and cash equivalents	Note 22		17,712		**21,234**
Total current assets			176,038		**154,945**
Total assets			372,419		**332,265**
Shareholders' equity and liabilities					
Shareholders' equity	Note 23				
Share capital		2,554		**2,554**	
Additional contributed capital		–		**-**	
Reserves		5,078		**6,235**	
Retained earnings		66,436		**72,334**	
Income for the period		9,942		**(14,718)**	
Equity attributable to the equity holders of the parent company		84,010		**66,405**	
Minority interests		630		**629**	
Total shareholders' equity			84,640		**67,034**
Non-current provisions					
Provisions for post-employment benefits	Note 24	11,705		**8,051**	
Provisions for deferred taxes	Note 12	8,260		**3,638**	
Other provisions	Note 25	8,136	28,101	**6,360**	**18,049**
Non-current liabilities	Note 26				
Bond loans		35,798		**49,191**	
Other loans		47,298		**56,035**	
Other liabilities		10,442	93,538	**9,888**	**115,114**
Current provisions	Note 25		10,883		**9,487**
Current liabilities	Note 27				
Loans		62,631		**51,626**	
Non interest-bearing liabilities held for sale	Note 4	–		**272**	
Trade payables		51,025		**35,955**	
Tax liabilities		1,204		**623**	
Other liabilities		40,397	155.257	**34,105**	**122,581**
Total shareholders' equity and liabilities			372,419		**332,265**
Assets pledged	Note 28		1,380		**958**
Contingent liabilities	Note 29		9,427		**9,607**

Changes in consolidated Shareholders' equity

		Shareholders' equity attributable to equity holders of the parent company						
SEK M		Share capital	Other reserves[1]	Translation reserve	Retained earnings	Total	Minority interests	Total equity
Balance at December 31, 2007		**2,554**	**435**	**1,711**	**77,502**	**82,202**	**579**	**82,781**
Income for the period		–	–	–	9,942	9,942	74	10,016
Other comprehensive income								
Translation differences		–	–	6,126	–	6,126	23	6,149
Translation differences on hedge instruments of net investments in foreign operations		–	–	(414)	–	(414)	–	(414)
Accumulated translation difference reversed to income		–	–	(82)	–	(82)	–	(82)
Available-for-sale investments:	Note 15, 23							
Gains/losses at valuation to fair value		–	(459)	–	–	(459)	–	(459)
Change in hedge reserve	Note 23	–	(2,239)	–	–	(2,239)	(10)	(2,249)
Other comprehensive income			(2,698)	(5,630)	–	2,932	13	2,945
Total income for the period		**–**	**(2,698)**	**5,630**	**9,942**	**12,874**	**87**	**12,961**
Transactions with shareholders								
Dividends		–	–	–	(11,150)	(11,150)	(54)	(11,204)
Share based payments	Note 34	–	–	–	73	73	–	73
Changes in minority interests		–	–	–	–	–	(62)	(62)
Other changes		–	–	–	11	11	80	91
Transactions with shareholders					(11,066)	(11,066)	(36)	(11,102)
Balance at December 31, 2008		**2,554**	**(2,263)**	**7,341**	**76,378**	**84,010**	**630**	**84,640**
Income for the period		–	–	–	(14,718)	(14,718)	33	(14,685)
Other comprehensive income								
Translation differences		–	–	(1,252)	–	(1,252)	6	(1,246)
Translation differences on hedge instruments of net investments in foreign operations		–	–	159	–	159	–	159
Accumulated translation difference reversed to income		–	–	(136)	–	(136)	–	(136)
Available-for-sale investments:	Note 15, 23							
Gains/losses at valuation to fair value		–	86	–	–	86	–	86
Change in hedge reserve	Note 23	–	2,300	–	–	2,300	13	2,313
Other comprehensive income for the period		–	2,386	(1,229)	–	1,157	19	1,176
Total income for the period		**–**	**2,386**	**(1,229)**	**(14,718)**	**(13,561)**	**52**	**(13,509)**
Transactions with shareholders								
Dividends		–	–	–	(4,055)	(4,055)	(15)	(4,070)
Share based payments	Note 34	–	–	–	4	4	–	4
Changes in minority interests		–	–	–	–	–	(2)	(2)
Other changes		–	–	–	7	7	(36)	(29)
Transactions with shareholders					(4,044)	(4,044)	(53)	(4,097)
Balance at December 31, 2009		**2,554**	**123**	**6,112**	**57,616**	**66,405**	**629**	**67,034**

1 For specification of other reserves please see Note 23.

Consolidated cash-flow statements

SEK M			2008		**2009**
Operating activities					
Operating income			15,851		**(17,013)**
Depreciation and amortization	Note 14		13,524		**15,227**
Other items not affecting cash	Note 30		(133)		**4,397**
Changes in working capital:					
(Increase)/decrease in receivables			3,209		**10,271**
(Increase)/decrease in customer finance receivables			(10,174)		**12,806**
(Increase)/decrease in inventories			(6,664)		**15,225**
Increase/(decrease) in liabilities and provisions			(9,675)		**(21,387)**
Interest and similar items received			1,100		**353**
Interest and similar items paid			(1,302)		**(2,905)**
Other financial items			109		**(514)**
Income taxes paid			(5,076)		**(1,604)**
Cash-flow from operating activities			769		**14,856**
Investing activities					
Investments in fixed assets		(12,664)		**(10,464)**	
Investments in leasing assets		(5,440)		**(4,246)**	
Disposals of fixed assets and leasing assets		2,905		**3,849**	
Shares and participations, net	Note 30	(29)		**(38)**	
Acquired and divested subsidiaries and other business units, net	Note 4, 30	(1,317)		**149**	
Interest-bearing receivables including marketable securities		10,882	(5,663)	**(8,866)**	**(19,616)**
Cash-flow after net investments			(4,894)		**(4,760)**
Financing activities					
Increase/(decrease) in bond loans and other loans	Note 30	18,230		**12,655**	
Cash payment to AB Volvo shareholders'		(11,150)		**(4,055)**	
Dividends to minority shareholders		(54)		**(15)**	
Other		8	7,034	**(58)**	**8,527**
Change in cash and cash equivalents, excluding translation differences			2,140		**3,767**
Translation difference on cash and cash equivalents			1,028		**(245)**
Change in cash and cash equivalents			3,168		**3,522**
Cash and cash equivalents, January 1	Note 22		14,544		**17,712**
Cash and cash equivalents, December 31	Note 22		17,712		**21,234**

The effects of major acquisitions and divestments of subsidiaries in each year have been excluded from other changes for the balance sheet items in the cash-flow statement. The effects of currency movements in translation of foreign Group companies have also been excluded since these effects do not affect cash flow. Cash and cash equivalents include cash and bank balances but also bank certificates which matures within 3 months from aquisition.

Notes to consolidated financial statements

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the preceding year, 2008.

Note 1 Accounting principles

The consolidated financial statements for AB Volvo and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The portions of IFRS not adopted by the EU have no material effect on this report. This Annual report is prepared in accordance with IAS 1 Presentation of Financial Statements and in accordance with the Swedish Companies Act. In addition, RFR 1.2 Supplementary Rules for Groups, has been applied, issued by the Swedish Financial Reporting Board.

In the preparation of these financial statements, the company management has made certain estimates and assumptions that affect the value of assets and liabilities as well as contingent liabilities at the balance sheet date. Reported amounts for income and expenses in the reporting period are also affected. The actual future outcome of certain transactions may differ from the estimated outcome when these financial statements were issued. Any such differences will affect the financial statements for future accounting periods. The key sources of estimation uncertainty are set out in Note 2.

Changes of accounting principles

Effective in 2005 Volvo has applied International Financial Reporting Standards (IFRS) in its financial reporting. In accordance with the IFRS transitions rules in IFRS 1, Volvo applies retrospective application from the IFRS transition date at January 1, 2004. The details of the transition from Swedish GAAP to IFRS are set out in Note 3 in the annual reports of 2005 and 2006. Refer to the 2004 Annual Report for a description of the previous Swedish accounting principles applied by Volvo.

Consolidated financial statements

Principles for consolidation

The consolidated financial statements have been prepared in accordance with the principles set forth in IAS 27, Consolidated and Separate Financial Statements. Accordingly, intra-Group transactions and gains on transactions with associated companies are eliminated. The consolidated financial statements comprise the parent company, subsidiaries, joint ventures and associated companies.

– Subsidiaries are defined as companies in which Volvo holds more than 50% of the voting rights or in which Volvo otherwise has a controlling interest.

– Joint ventures are companies over which Volvo has joint control together with one or more external parties. Joint ventures are reported by use of the proportionate method of consolidation.

– Associated companies are companies in which Volvo has a significant influence, which is normally when Volvo's holdings equals to at least 20% but less than 50% of the voting rights. Holdings in associated companies are reported in accordance with the equity method. The Group's share of reported income in such companies is included in the consolidated income statement in Income from investments in associated companies, reduced in appropriate cases by depreciation of surplus values and the effect of applying different accounting principles. Income from associated companies is included in operating income as the Volvo investments are of operating nature. For practical reasons, most of the associated companies are included in the consolidated accounts with a certain time lag, normally one quarter. Dividends from associated companies are not included in consolidated income. In the consolidated balance sheet, the book value of shareholdings in associated companies is affected by Volvo's share of the company's net income, reduced by depreciation of surplus values and by the amount of dividends received.

Volvo applies IFRS 3, Business Combinations for acquisitions after January 1, 2004, in accordance with the IFRS 1 transition rules. All business combinations are accounted for in accordance with the purchase method. Volvo decided not to restate prior acquisitions. Volvo values acquired identifiable assets, tangible and intangible, and liabilities at fair value. Surplus amounts compared to the purchase consideration are reported as goodwill. Any lesser amount, so-called negative goodwill, is reported in the income statement. Transactions with the minority are reported as transactions with external parties to the group. Divestments to the minority may result in gains or losses in the income statement. Acquisitions from the minority may result in goodwill corresponding to the difference between considerations paid and acquired part of net asset value in the acquired subsidiary. Companies acquired during the year are consolidated as of the date of acquisition. Companies that have been divested are included in the consolidated financial statements up to and including the date of divestment.

Translation to Swedish kronor when consolidating companies using foreign currencies

AB Volvo's functional currency is the Swedish krona. All reporting in group companies for group purposes is made in the currency, in which the company has the majority of its revenues and expenses; normally the currency of the country where the company is located. AB Volvo's and the Volvo Group's presentation currency is Swedish kronor. In preparing the consolidated financial statements, all items in the income statements of foreign subsidiaries and joint ventures (except for subsidiaries in highly inflationary economies) are translated to Swedish kronor at the average exchange rates during the year (average rate). All balance sheet items are translated at exchange rates at the respective year-ends (closing rate). The differences in consolidated shareholders' equity, arising as a result of variations between closing rates, for the current and previous year are charged or credited directly to shareholders' equity as a separate component.

The accumulated translation difference related to a certain subsidiary, joint venture or associated company is reversed to income as a part of the gain/loss arising from the divestment or liquidation of such a company.

IAS 29, Financial Reporting in Hyperinflationary Economies, is applied to financial statements of subsidiaries operating in highly inflationary economies. Volvo applies reporting based on historical value. Translation differences due to inflation are charged against earnings for the year. Currently, Volvo has no subsidiaries with a functional currency that could be considered a hyperinflationary currency.

Receivables and liabilities in foreign currency

In the individual group companies as well as in the consolidated accounts, receivables and liabilities in foreign currency are valued at closing rates. Translation differences on operating assets and liabilities are recognized in operating income, while translation differences arising in financial assets and liabilities are charged to other financial income and expenses. Financial assets and liabilities are defined as items included in the net financial position of the Volvo Group (see Definitions at the end of this report). Currency swap contracts are reported at fair value, unrealized gains on exchange rates are reported as short term receivables and unrealized losses on exchange rates are reported as short term liabilities. Exchange rate differences on loans and other financial instruments in foreign currency, which are used to hedge net assets in foreign subsidiaries and associated companies, are offset against translation differences in the shareholders' equity of the respective companies. Exchange rate gains and losses

Notes to consolidated financial statements

Exchange rates

		Average rate		Closing rate	
Country	Currency	2008	2009	2008	2009
Brazil	BRL	3.6152	3.8444	3.2490	4.1375
Canada	CAD	6.1723	6.7006	6.3060	6.8885
China	CNY	0.9464	1.1192	1.1300	1.0600
Denmark	DKK	1.2895	1.4275	1.4691	1.3926
Euro	EUR	9.6142	10.6305	10.9448	10.3623
Great Britain	GBP	12.0975	11.9322	11.2538	11.4913
Japan	JPY	0.0641	0.0819	0.0861	0.0785
Norway	NOK	1.1716	1.2172	1.1045	1.2440
South Korea	KRW	0.0060	0.0060	0.0061	0.0062
United States	USD	6.5821	7.6470	7.7538	7.2138

on payments during the year and on the valuation of assets and liabilities in foreign currencies at year-end are credited to, or charged against, income in the year they arise. The more important exchange rates applied are shown in the table.

Net sales and revenue recognition

The Group's reported net sales pertain mainly to revenues from sales of goods and services. Net sales are reduced by the value of discounts granted and by returns.

Income from the sale of goods is recognized when significant risks and rewards of ownership have been transferred to external parties, normally when the goods are delivered to the customers. If, however, the sale of goods is combined with a buy-back agreement or a residual value guarantee, the sale is accounted for as an operating lease transaction if significant risks of the goods are retained in Volvo. Revenues are then recognized over the period of the residual value commitment. If the residual value risk commitment is not significant, independent from the sale transaction or in combination with a commitment from the customer to buy a new Volvo product in connection to a buy-back option, the revenue is recognized at the time of sale and a provision is reported to reflect the estimated residual value risk (see Provisions below).

Revenue from the sale of workshop services is recognized when the service is provided. Interest income in conjunction with finance leasing or installment contracts are recognized during the underlying contract period. Revenue for maintenance contracts are recognized according to how costs associated with the contracts are distributed during the contract period.

Interest income is recognized on a continuous basis and dividend income when the right to receive dividend is obtained.

Leasing

Volvo as the lessor

Leasing contracts are defined in two categories, operating and finance leases, depending on the contract's financial implications. Operating leasing contracts are reported as non-current assets in Assets under operating leases. Income from operating leasing is reported equally distributed over the leasing period. Straight-line depreciation is applied to these assets in accordance with the terms of the undertaking and the deprecation amount is adjusted to correspond to the estimated realizable value when the undertaking expires. Assessed impairments are charged to the income statement. The product's assessed realizable value at expiration of the undertaking is reviewed continuously on an individual basis.

Finance leasing agreements are reported as either Non-current or current receivables in the customer finance operations. Payments from finance leasing contracts are distributed between interest income and amortization of the receivable in the customer finance operations.

Volvo as the lessee

Volvo evaluates leasing contracts in accordance with IAS 17, Leases. In those cases in which risks and rewards that are related to ownership are substantially held by Volvo, so called finance leases, Volvo reports the asset and related obligation in the balance sheet at the lower of the leased asset's fair value or the present value of minimum lease payments. Future leasing fee commitments are reported as loans. The lease asset is depreciated in accordance with Volvo's policy for the respective non-current asset. The lease payments when made are allocated between amortization and interest expenses. If the leasing contract is considered to be a so called operating lease, lease payments are charged to the income statement over the lease contract period.

Reporting of financial assets and liabilities

Financial assets treated within the framework of IAS 39 are classified either as

- Financial assets at fair value through profit and loss,
- Investments held to maturity,
- Loans and receivables, or as
- Available-for-sale financial assets

Financial liabilities are reported at amortized cost.

Purchases and sales of financial assets and liabilities are recognized on the transaction date. A financial asset is derecognized (extinguished) in the balance sheet when all significant risks and benefits linked to the asset have been transferred to a third party. The same principles are applied for financial assets in the segment reporting of Volvo Group.

The fair value of assets is determined based on the market prices in such cases they exist. If market prices are unavailable, the fair value is determined for each asset using various valuation techniques. Transaction expenses are included in the asset's fair value except in cases in which the change in value is recognized in the income statement. The transaction costs arising in conjunction with assuming financial liabilities are amortized over the term of the loan as a financial cost.

Embedded derivatives are detached from the related main contract, if applicable. Contracts containing embedded derivatives are valued at fair value in the income statement if the contracts' inherent risk and other characteristics indicate a close relation to the embedded derivative.

Financial assets at fair value through profit and loss

All of Volvo's financial assets that are recognized at fair value in the income statement are classified as held for trading. Included are derivatives that Volvo has decided not to apply hedge accounting on, and derivates that are not part of an evidently effective hedge accounting. Gains and losses on these assets are recognized in the income statement. Short-term investments that are reported at fair value through profit and loss mainly consist of interest-bearing financial instruments and are reported in note 21.

Derivatives used for hedging interest-rate exposure in the customer financing portfolio are included in this category as it is not practically possible to apply hedge accounting in accordance with IAS 39 due to the large number of contracts that the customer finance portfolio consist of. Volvo intends to keep these derivatives to maturity, why, over time, the market valuation will be offset as a consequence of the interest-rate fixing on borrowing and lending for the customer finance operations, and accordingly not affect result or cash flow.

Financial assets held to maturity

Held-to-maturity investments are non-derivative assets with fixed payments and term and that Volvo intends and is able to hold to maturity. After initial recognition, these assets are measured in accordance with the effective interest method, with adjustment for any impairment. Gains and losses are recognized in the income statement when assets are divested or impaired as well as in pace with the accrued interested being reported. At present Volvo has no financial instruments classified in this category.

Loan receivables and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market. After initial recognition, loans and receivables are measured in accordance with the effective interest method. Gains and losses are recognized in the income statement when the loans or receivables are divested or impaired as well as in pace with the accrued interested being reported.

Accounts receivables are recognized initially at fair value, which normally corresponds to the nominal value. In the event that the payment terms exceed one year, the receivable is recognized at the discounted present value.

Assessment of impairment – loan receivables and other receivables

Volvo conducts routine controls to ensure that the carrying value of assets valued at amortized cost, such as loans and receivables, has not decreased, which would result in an impairment loss reported in the income statement. Allowances for doubtful receivables are continuously reported based on an assessment of a possible change in the customer's ability to pay.

Impairments consist of the difference between carrying value and current value of the estimated future payment flow attributable to the specific asset with consideration to the fair value of any collateral. Discounting of future cash flow is based on the effective rate used initially. Initially, the impairment requirement is evaluated for each respective asset. If, based on objective grounds, it cannot be determined that one or more assets are subject to an impairment loss, the assets are grouped in units based, for example, on similar credit risks to evaluate the impairment loss requirement collectively. Individually written down assets or assets written down during previous periods are not included when grouping assets for impairment test. If the conditions for a completed impairment loss later prove to no longer be present, and that can be related to a specific event after the impairment event, the impairment loss is reversed in the income statement as long as the carrying value does not exceed the amortized cost at the time of the reversal.

Volvo discloses loan receivables and accounts receivables in the notes 16, 17, 19 and 20.

Available-for-sale assets

This category includes assets available for sales or those that have not been classified in any of the other three categories. These assets are initially measured at fair value including transaction costs. Fair value changes are recognized directly in shareholders' equity. The cumulative gain or loss that was recognized in equity is recognized in profit or loss when an available-for-sale financial asset is sold. Unrealized value declines are recognized in equity, unless the decline is significant or prolonged. Then the impairment is recognized in the income statement. If the event causing the impairment no longer exists, impairment can be reversed in the income statement if it does not involve an equity instrument.

Earned or paid interest attributable to these assets is recognized in the income statement as part of net financial items in accordance with the effective interest method. Dividends received attributable to these assets are recognized in the income statement as Income from other investments.

Volvo reports shares and participations in listed companies at market value on the balance-sheet date, with the exception of investments classified as associated companies and joint ventures. Holdings in unlisted companies for which a market value is unavailable are recognized at acquisition value. Volvo classifies these types of investments as assets available for sale. See note 15 for Volvo's holdings of shares and participations in listed companies.

Assessment of impairment – available-for-sale assets

If an asset available for sale is to be impaired, it shall be effected by taking the difference between the asset's acquisition value (adjusted for any accrued interest if it involves that type of asset) and its fair value. If it instead involves equity instruments such as shares, a completed impairment shall not be reversed in the income statement. On the other hand, impairments that have been made on debt instruments (interest-bearing instruments) shall in whole or part be reversed in the income statement, in those instances where an event that is proven to have occurred after the impairment was performed is identified and impacts the valuation of that asset.

Hedge accounting

In order to apply hedge accounting in accordance with IAS 39, the following criteria must be met: the position being hedged is identified and exposed to market value movements, for instance related to exchange-rate or interest-rate movements, the purpose of the loan/instrument is to serve as a hedge and the hedging effectively protects the underlying position against changes in the fair value. Financial instruments used for the purpose of hedging future currency flows are accounted for as hedges if the currency flows are considered highly probable to occur.

– During 2009 Volvo has partly applied hedge accounting for hedging against currency-rate risk and interest-rate risks pertaining to commercial assets and liabilities. Financial instruments used to hedge forecasted internal commercial cash flows and forecasted electricity consumption are reported at fair value in the balance sheet. The fair value is debited or credited to a separate component of equity provided that hedge accounting is applied and to the extent the requirements for cash-flow hedge accounting are fulfilled. To the extent that hedge accounting is not applied or the requirements are not met, the unrealized gain or loss will be charged to the income statement. Unrealized and realized gains and losses on hedges are reported in gross income.

– During 2009 Volvo has partly applied hedge accounting for financial instruments used to hedge interest and currency risks on loans only for cases when hedge accounting requirements are fulfilled. For cases

Notes to consolidated financial statements

where hedge accounting is not considered to be fulfilled, unrealized gains and losses up until the maturity date of the financial instrument will be charged to the financial net in the income statement.

– During 2009 Volvo has applied hedge accounting for certain net investments in foreign operations. The current result for such hedges is reported in a separate component in shareholders' equity. In the event of a divestment, the accumulated result from the hedge is recognized in the income statement.

See notes 36 and 37 for the valuation of all financial instruments in the Volvo Group and for details and further description on principles for economic hedging, hedge accounting and changes to the policies for hedging and hedge accounting during 2009 and going forward.

Research and development expenses

Volvo applies IAS 38, Intangible Assets, for reporting of research and development expenses. In accordance with this standard, expenditures for development of new products, production systems and software shall be reported as intangible assets if such expenditures with a high degree of certainty will result in future financial benefits for the company. The acquisition value for such intangible assets shall be amortized over the estimated useful life of the assets. In order for these development expenditures to be reported as assets, a number of criteria must be met. For example, it must be possible to prove the technical functionality of a new product or software prior to its development being reported as an asset. In normal cases, this means that expenditures are capitalized only during the industrialization phase of a product development project. Other research and development expenses are charged to income as incurred.

Tangible and intangible non-current assets

Volvo applies acquisition values for valuation of intangible and tangible assets. Borrowing costs are included in the acquisition value of so called qualifying assets from January 1, 2009.

Investment property is reported at acquisition cost. Information regarding estimated value of investment property is based on discounted cash flow projections. The estimation is performed by the Group's Real Estate business unit. The required return is based on current property market conditions for comparable properties in comparable locations.

In connection with participation in industrial cooperation projects together with other companies, such as the aircraft engine projects that Volvo Aero participates in, Volvo pays in certain cases an entrance fee to participate. These entrance fees are capitalized as intangible assets.

Depreciation, amortization and impairment

Depreciation is made on a straight-line basis based on the acquisition value of the assets, adjusted in appropriate cases by write-downs, and estimated useful lives. Impairment tests for depreciable non-current assets are performed if there are indications of impairment at the balance sheet date.

Goodwill is reported as an intangible non-current asset with indefinite useful life. For non-depreciable non-current assets such as goodwill, impairment tests are performed annually, as well as if there are indications of impairments during the year, through calculation of the asset's recovery value. If the calculated recovery value is less than the carrying value, a write-down is made to the asset's recovery value. See note 14 for goodwill.

Depreciation periods

Capitalized type-specific tools	2 to 8 years
Operational leases	3 to 5 years
Machinery	5 to 20 years
Buildings and Investment property	25 to 50 years
Land improvements	20 years
Trademarks	20 years
Distribution networks	10 years
Product and software development	3 to 8 years
Aircraft engine projects	20 years

Non-current assets held for sale and discontinued operations

Volvo applies IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. In a global group like Volvo, processes are continuously ongoing regarding the sale of assets or groups of assets at minor values. In cases in which the criteria for being classified as a non-current asset held for sale are fulfilled and the asset or group of assets is not of minor value, the asset or group of assets and the related liabilities are reported on a separate line in the balance sheet. The asset or group of assets are tested for impairment and, if impaired valued at fair value after deduction for selling expenses. The balance sheet items and the income effect resulting from the revaluation to fair value less costs to sell are normally 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.

Inventories

Inventories are reported at the lower of cost, in accordance with the first-in, first-out method (FIFO), or net realizable value. The acquisition value is based on the standard cost method, including costs for all direct manufacturing expenses and the apportionable share of the capacity and other related manufacturing costs. The standard costs are tested regularly and adjustments are made based on current conditions. Costs for research and development, selling, administration and financial expenses are not included. Net realizable value is calculated as the selling price less costs attributable to the sale.

Share-based payments

Volvo applies IFRS 2, Share-based Payments for share-based incentive programs. IFRS 2 distinguishes between "cash-settled" and "equity-settled", in Volvo's case, shares. The Volvo program includes both a cash-settled and an equity-settled part. The value of the equity-settled payments is determined at the grant-date, recognized as an expense during the vesting period and credited to equity. The fair value is calculated according to share price reduced by dividend connected to the share before the allotment. The additional social costs are reported as a liability, revalued at each balance sheet date in accordance with UFR 7, issued by the Swedish Financial Reporting Board. The cash-settled payment is revalued at each balance sheet day and is reported as an expense during the vesting period and as a short term liability. An assessment whether the terms for allotment will be fulfilled is made continuously. If the assessment changes, the expense will be adjusted. The employee stock option program which ended in 2008 was accounted for in accordance with the transition principles of IFRS 2, meaning that the equity-settled part was accounted for at fair value at each reporting period and provided for as an accrued expense over the vesting period. See note 34.

Provisions

Provisions are reported on balance when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Pensions and similar obligations (Post-employment benefits)

Volvo applies IAS 19, Employee Benefits, for pensions and similar obligations. In accordance with IAS 19, actuarial calculations should be made for all defined-benefit plans in order to determine the present value of obligations for benefits vested by its current and former employees. The actuarial calculations are prepared annually and are based upon actuarial assumptions that are determined close to the balance sheet date each year. Changes in the present value of obligations due to revised actuarial assumptions and experience adjustments are treated as actuarial gains or losses. These are amortized according to function over the employees' average remaining service period to the extent they exceed the corridor value for each plan.

Deviations between expected return on plan assets and actual return are also treated as actuarial gains or losses. Provisions for post-employment benefits in Volvo's balance sheet correspond to the present value of obligations at year-end, less fair value of plan assets, unrecognized actuarial gains or losses and unrecognized unvested past service costs. See note 24.

As a supplement to IAS 19, Volvo applies UFR 4, in accordance with the recommendation from the Swedish Financial Reporting Board in calculating the Swedish pension liabilities.

For defined contribution plans premiums are expensed as incurred over the income statement according to function.

Provisions for residual value risks

Residual value risks are attributable to operating lease contracts or sales transactions combined with buy-back agreements or residual value guarantees. Residual value risks are the risks that Volvo in the future would have to dispose used products at a loss if the price development of these products is worse than what was expected when the contracts were entered. Provisions for residual value risks are made on a continuing basis based upon estimations of the used products' future net realizable values. The estimations of future net realizable values are made with consideration to current prices, expected future price development, expected inventory turnover period and expected direct and indirect selling expenses. If the residual value risks pertain to products that are reported as tangible assets in Volvo's balance sheet, these risks are reflected by depreciation or write-down of the carrying value of these assets. If the residual value risks pertain to products, which are not reported as assets in Volvo's balance sheet, these risks are reflected under the line item current provisions.

Contingent liabilities

A contingent liability is reported for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

Warranty expenses

Estimated costs for product warranties are charged to operating expenses when the products are sold. Estimated costs include both expected contractual warranty obligations as well as expected goodwill warranty obligations. Estimated costs are determined based upon historical statistics with consideration of known changes in product quality, repair costs or similar. Costs for campaigns in connection with specific quality problems are charged to operating expenses when the campaign is decided and announced.

Restructuring costs

Restructuring costs are reported as a separate line item in the income statement if they relate to a considerable change of the Group structure. Other restructuring costs are included in Other operating income and expenses. A provision for decided restructuring measures is reported when a detailed plan for the implementation of the measures is complete and when this plan is communicated to those who are affected.

Income taxes

Tax legislation in Sweden and other countries sometimes contains rules other than those identified with generally accepted accounting principles, pertaining to the timing of taxation and measurement of certain commercial transactions. Deferred taxes are reported on differences that arise between the taxable value and reported value of assets and liabilities (temporary differences) as well as on tax-loss carryforwards. However, with regard to the valuation of deferred tax assets, that is, the value of future tax reductions, these items are recognized provided that it is probable that the amounts can be utilized against future taxable income.

Deferred taxes on temporary differences on participations in subsidiaries and associated companies are only reported when it is probable that the difference will be recovered in the near future.

Tax laws in Sweden and certain other countries allow companies to defer payment of taxes through allocations to untaxed reserves. These items are treated as temporary differences in the consolidated balance sheet, that is, a split is made between deferred tax liability and equity capital. In the consolidated income statement an allocation to, or withdrawal from, untaxed reserves is divided between deferred taxes and net income for the year.

Cash-flow statement

The cash-flow statement is prepared in accordance with IAS 7, Cash flow statement, indirect method. The cash-flow statements of foreign Group companies are translated at the average rate. Changes in Group structure, acquisitions and divestments, are reported net, excluding cash and cash equivalents, in the item Acquisition and divestment of subsidiaries and other business units and are included in cash flow from Investing activities.

Cash and cash equivalents include cash, bank balances and parts of marketable securities, with date of maturity within three months at the time for investment. Marketable securities comprise interest-bearing securities, the majority of which with terms exceeding three months. However, these securities have high liquidity and can easily be converted to cash. In accordance with IAS 7, certain investment in marketable securities are excluded from the definition of cash and cash equivalents in the cash-flow statement if the date of maturity of such instruments is later than three months after the investment was made.

Earnings per share

Earnings per share are calculated as the income for the period attributed to the shareholders of the parent company, divided with the average number of outstanding shares per reporting period. To calculate the diluted earnings per share, the average number of shares in the denominator is adjusted with the average number of shares that would be issued as an effect of ongoing share-based incentive programs and employee stock option programs that have been exercised or cancelled during the period. See note 23.

Notes to consolidated financial statements

Note 2 Key sources of estimation uncertainty

Volvo's significant accounting principles are set out in note 1, Accounting Principles and conform to IFRS as endorsed by the EU. The preparation of Volvo's Consolidated Financial Statements requires the use of estimates, judgements and assumptions that affect the reported amounts of assets, liabilities and provisions at the date of the financial statements and the reported amounts of sales and expenses during the periods presented. In preparing these financial statements, Volvo's management has made its best estimates and judgements of certain amounts included in the financial statements, giving due consideration to materiality. The application of these accounting principles involves the exercise of judgement and use of assumptions as future uncertainties and, accordingly actual results could differ from these estimates. In accordance with IAS 1, preparers are required to provide additional disclosure of accounting principles in which estimates, judgments and assumptions are particularly sensitive and which, if actual results are different, may have a material impact on the financial statements. The accounting principles applied by Volvo that are deemed to meet these criteria are discussed below:

Impairment of goodwill, other intangible assets and other non-current assets

Property, plant and equipment, intangible assets, other than goodwill, and certain other non-current assets are amortized and depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue. If, at the date of the financial statements, there is any indication that a tangible or intangible non-current asset has been impaired, the recoverable amount of the asset should be estimated. The recoverable amount is the higher of the asset's net selling price and its value in use, estimated with reference to management's projections of future cash flows. If the recoverable amount of the asset is less than the carrying amount, an impairment loss is recognized and the carrying amount of the asset is reduced to the recoverable amount. Determination of the recoverable amount is based upon management's projections of future cash flows, which are generally made by use of internal business plans or forecasts. While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect valuations. Intangible and tangible non-current assets amounted to 117,296 (126,657) whereof 23,827 (24,813) represents goodwill. For Goodwill and certain other intangible assets with indefinite useful lives, an annual, or more frequently if necessary, impairment review is performed. Such an impairment review will require management to determine the fair value of Volvo's cash generating units, on the basis of projected cash flows and internal business plans and forecasts. Overvalues differ between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Volvo has since 2002 performed a similar impairment review. No impairment charges were required for the period 2002 until 2009. See note 14 for the allocation and impairment tests of goodwill.

Revenue recognition

Revenue from the sale of products is recognized when significant risks and rewards of ownership have been transferred to external parties, normally when the products are delivered to the customers. If, however, the sale of products is combined with a buy-back agreement or a residual value guarantee, as described below regarding residual value risks, the sale is accounted for as an operating lease transaction under the condition that significant risks of the products are retained by Volvo. In certain cases Volvo enters into a buy-back agreement or residual value guarantee after Volvo has sold the product to an independent party or in combination with an undertaking from the customer that in the event of a buy-back to purchase a new Volvo product. In such cases, there may be a question of judgement regarding whether or not significant risks and rewards of ownership have been transferred to the customer. If it is determined that such an assessment was incorrect, Volvo's reported revenue and income for the period will decline and instead be distributed over several reporting periods.

Residual value risks

In the course of its operations, Volvo is exposed to residual value risks through operating lease agreements and sales combined with repurchase agreements. Residual value commitments amount to SEK 14,954 (16,422) at December 31, 2009. Residual value risks are reflected in different ways in the Volvo consolidated financial statements depending on the extent to which the risk remains with Volvo.

In cases where significant risks pertaining to the product remain with Volvo, the products, primarily trucks, are generally recognized in the balance sheet as assets under operating leases. Depreciation expenses for these products are charged on a straight-line basis over the term of the commitment in amounts required to reduce the value of the product to its estimated net realizable value at the end of the commitment. The estimated net realizable value of the products at the end of the commitments is monitored individually on a continuing basis. A decline in prices for used trucks and construction 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. In monitoring estimated net realizable value of each product under a residual value commitment, management makes consideration of current price-level of the used product model, value of options, mileage, condition, future price deterioration due to expected change of market conditions, alternative distribution channels, inventory lead-time, repair and reconditioning costs, handling costs and overhead costs in the used product divisions. Additional depreciations and estimated impairment losses are immediately charged to income.

The total risk exposure for assets under operating lease is reported as current and non-current residual value liabilities. See notes 26 and 27.

If the residual value risk commitment is not significant, independent from the sale transaction or in combination with a commitment from the customer to buy a new Volvo product in connection to a buy-back option, the asset is not recognized on balance. Instead, the risk exposure is reported as a residual value provision equivalent to the estimated residual value risk. See note 25.

To the extent the residual value exposure does not meet the definition of a provision, the remaining residual value risk exposure is reported as a contingent liability. See note 29.

Deferred taxes

Under IFRS, deferred taxes are recognized for temporary differences, which arise between the taxable value and reported value of assets and liabilities as well as for unutilized tax-loss carryforwards. Volvo records valuation allowances for deferred tax assets where management does not expect such assets to be realized based upon current forecasts. In the event that actual results differ from these estimates or management adjusts these estimates in future periods, changes in the valuation allowance may be needed that could materially impact the financial position and the income for the period. At December 31, 2009, the valuation allowance amounted to 296 (245) for the value of deferred tax assets. Net of this valuation allowance, deferred tax assets net of 21,533 (16,003) were recognized in the Group's balance sheet.

Volvo has significant tax loss carryforwards which are related to countries with long or indefinite periods of utilization, mainly Sweden and France. Of the total deferred tax asset for loss carryforwards 8,939, 4,653 relates to Sweden with indefinite time of utilization. Volvo conciders it to be most certain that the Volvo Group will be able to generate sufficient income in the coming years to utilize the tax loss carryforwards.

Inventory obsolescence

Inventories are reported at the lower of cost, in accordance with the first-in, first-out method (FIFO), and net realizable value. The estimated net realizable value includes management consideration of outdated articles, over-stocking, physical damages, inventory-lead-time, handling and other selling costs. If the estimated net realizable value is lower than cost, a valuation allowance is established for inventory obsolescence. The total inventory value, net of inventory obsolescence allowance, is per December 31, 2009, 37,727 (55,045).

Credit loss reserves

The establishment of credit loss reserves on customer financing receivables is dependent on estimates including assumptions regarding past dues, repossession rates and the recovery rate on the underlying collaterals. At December 31, 2009, the total credit loss reserves in the segment Customer Finance segment amounted to 1.67% (1.37) of the total credit portfolio in the segment. See note 36 for a description of the credit risk.

Pensions and other post-employment benefits

Provisions and costs for post-employment benefits, mainly pensions and health-care benefits, are dependent on assumptions used by actuaries in calculating such amounts. The appropriate assumptions and actuarial calculations are made separately for the respective countries of Volvo's operations which result in obligations for post-employment benefits. The assumptions include discount rates, health care cost trends rates, inflation, salary growth, long-term return on plan assets, retirement rates, mortality rates and other factors. According to IAS 19, actuarial assumptions such as the discount rate shall be based on market expectations at the balance sheet date for the period over which the obligations are to be settled and reflect the time-value of money but not the actuarial or investment risk. Volvo's assumptions regarding discount rate are presented in note 24. Health care cost trend assumptions are based on historical cost data, the near-term outlook, and an assessment of likely long-term trends. Inflation assumptions are based on an evaluation of external market indicators. The salary growth assumptions reflect the long-term actual experience, the near-term outlook and assumed inflation. Retirement and mortality rates are based primarily on officially available mortality statistics. The actuarial assumptions are reviewed on an annual basis and modifications are made to them when it is deemed appropriate to do so. Actual results that differ from management's assumptions are accumulated and amortized over future periods. See Note 24 for more information regarding costs and assumptions for post-employment benefits. At December 31, 2009 net provisions for post-employment benefits amounted to 6,002 (9,264).

Product warranty costs

Estimated costs for product warranties are charged to cost of sales when the products are sold. Estimated warranty costs include contractual warranty and goodwill warranty (warranty cover in excess of contractual warranty or campaigns which is accepted as a matter of policy or normal practice in order to maintain a good business relation with the customer). Warranty provisions are estimated with consideration of historical claims statistics, the warranty period, the average time-lag between faults occurring and claims to the company and anticipated changes in quality indexes. Differences between actual warranty claims and the estimated claims generally affect the recognized expense and provisions in future periods. Refunds from suppliers, that decrease Volvo's warranty costs, are recognized to the extent these are considered to be certain. At December 31, 2009 warranty cost provisions amounted to 7,947 (10,354).

Legal proceedings

Volvo recognizes obligations in the Group accounts as provisions or other liabilities only in cases where Volvo has a present obligation from a past event, where a financial responsibility is probable and Volvo can make a reliable estimate of the size of the amount. In instances where these criteria are not met, a contingent liability may be disclosed in the notes to the accounts.

Volvo regularly reviews the development of significant outstanding legal disputes in which Group companies are parties, both civil law and tax disputes, in order to assess the need for provisions and contingent liabilities in the financial statements. Among the factors that Volvo considers in making decisions on provisions and contingent liabilities are the nature of the dispute, the amount claimed, the progress of the case, the opinions or views of legal counsels and other advisers, experience in similar cases, and any decision of Volvo's management as to how Volvo intends to handle the dispute. The actual outcome of a legal dispute may deviate from the expected outcome of the dispute. The difference between actual and expected outcome of a dispute might materially affect future financial statements, with an adverse impact upon the Group's results of operation, financial position and liquidity. See note 29 for the Volvo Group's gross exposure to contingent liabilities.

Note 3 Change of accounting principles

New accounting principles in 2009

The following new accounting principles are effective from January 1, 2009 and have been applied by the Volvo Group unless stated otherwise:

IFRS 8 Operating segments

The standard addresses the distribution of the company's operations in different segments. In accordance with the standard, Volvo has an approach based on the internal reporting structure and determine the reportable segments based on this structure. The adoption of IFRS 8 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. Volvo also reports currency exchange effects in gross income, that were earlier reported in operating income. As described in note 3 of the Volvo Group Annual report 2008 comparison numbers for 2008 have been restated

Notes to consolidated financial statements

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 previous accounting principle applied by Volvo, borrowing costs were expensed. The amendment resulted accordingly in a change of accounting principle for the Volvo Group, but has not had a significant impact on the Group's financial statements in 2009 as 73 is capitalized.

IAS 1 amendment Presentation of financial statements
The amendment concerns the form of presentation of financial position, comprehensive income and cash flow and contains a requirement for statement of comprehensive income. The Group has included statements of comprehensive income in the financial statements in 2009. Otherwise, the amendment has not had a significant impact on the Group's financial statements.

IFRS 7 amendment Financial instruments: Disclosures
The amendment requires enhanced disclosures about fair value measurements and liquidity risk. See notes 36 and 37 for the disclosures of the Volvo Group.

In addition to the above-mentioned, the below amendments to standards and new interpretations from IFRIC have been applicable for the Volvo Group from January 1, 2009, but have not had a significant impact on the Group's financial statements during the year.

– *IFRIC 13 Customer Loyalty Programmes*
– *IFRIC 15 Agreements for the construction of Real Estate*
– *IFRIC 16 Hedges of a net investment in a foreign operation*
– *IFRS 2 amendment Share-based payments: Vesting conditions and cancellations*
– *IAS 32 and IAS 1 amendment Puttable financial instruments and obligations arising on liquidation*
– *IFRS 1 and IAS 27 amendment Cost of an investment in a subsidiary, jointly-controlled entity or associate*
– *IFRIC 9 and IAS 39 amendment Embedded derivatives*
– *Annual improvements*

New accounting principles 2010 and later
When preparing the consolidated accounts as of December 31, 2009, a number of standards and interpretations have been published, but have not yet become effective. The following is a preliminary assessment of the effect that the implementation of these standards and statements could have on the Volvo Group's financial statements.

Revised IFRS 3 Business combinations
The standard becomes 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. 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. Capitalized transaction costs of 135 relating to ongoing acquisition projects will be transferred to equity by Volvo.

IAS 27 amendment Consolidated and separate financial statements
The standard becomes 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.

*IFRS 9 Financial instruments**
IFRS 9 Financial instruments have been published in three parts: Classification and Measurement , Impairment and Hedge accounting, which will replace IAS 39 with effective date January 1, 2013. Earlier adoption is permitted given endorsement.

In addition to the above-mentioned, the below amendments to standards and interpretations from IFRIC are applicable for the Volvo Group from January 1, 2010 or later, but are not expected to have a significant impact on the Group's financial statements.

– *IFRIC 12 Service Concession Arrangements*
– *IFRIC 17 Distribution of non-cash assets to owners*
– *IAS 39 amendment Financial instruments: Recognition and Measurement: Eligible hedge items*
– *Revised IFRS 1 First time adoption of IFRS*
– *IFRIC 18 Transfers of assets from customers*
– *IFRS 1 amendments Additional exemptions for first-time adopters**
– *IAS 32 amendment Classification of rights issues*
– *Annual improvements**

Depreciation period in aircraft engine projects
In connection with its participation in aircraft engine projects with other companies, Volvo Aero in certain cases pays an entrance fee, which is capitalized as an intangible asset. Volvo estimates the expected useful life for existing and future projects to be 35 years and therefore the depreciation period has been adjusted from today's 20 to 35 years as from 2010. Volvo estimates the effect during 2010 to be insignificant.

*These standards/interpretations have not been adopted by the EU at this time. Accordingly, stated dates for adoption may change as a consequence of decisions within the EU endorsement process.

Note 4 Acquisitions and divestments of shares in subsidiaries

AB Volvo's holding of shares in subsidiaries as of December 31, 2009 is shown in the disclosures of AB Volvo's holding of shares. Significant acquisitions, formations and divestments within the Group are listed below.

Acquisitions in 2009
The Volvo Group has not made any acquisitions during 2009 that have had a significant impact on the Volvo Group's financial statements.

Acquisitions in 2008
VE Commercial Vehicles Ltd.
The Volvo Group finalized, in the third quarter 2008, the deal with Eicher Motors for the establishment of a new Indian joint venture, VE Commercial Vehicles Ltd. The joint venture comprises Eicher Motors' entire truck and bus operations and the Volvo Group contributed its Indian truck sales operations and service network for trucks and buses.

Volvo paid 1,845 for the direct and indirect ownership in the joint venture and contributed to the joint venture its Indian truck sales operations fair valued at 530, whereof 234 equivalent to 50% of the overvalue, was recognized as a gain in the Volvo Group in the third quarter 2008.

In connection with the acquisition, a purchase price allocation was made which included goodwill of 855, other intangible assets of 564 and fair value adjustments on property, plant and equipment of 157. The monthly negative impact on operating income from amortization and depreciation on the purchase price allocation adjustments amounts to approximately 7.

After the approval of the transaction by the requisite authorities, Volvo's 50% interest in the joint-venture company was consolidated according to the proportionate method in the Volvo Group as from August 1, 2008.

In addition to that, the Volvo Group made only minor acquisitions and divestments during 2008, that had no significant impact on the Group's financial statements.

Valuation of acquisitions

For acquisitions performed in 2009 and 2008, the fair value adjustments to the purchase price allocations have not been significant for the Volvo Group. The effects on the Volvo Group's balance sheet and cash flow statement in connection with the acquisition of subsidiaries and other business units are specified in the following table based on valuations on the respective acquisition dates:

Acquisitions	2008	2009
Intangible assets	585	3
Property, plant and equipment	898	4
Assets under operating lease	0	19
Shares and participations	(113)	0
Inventories	278	20
Current receivables	186	2
Cash and cash equivalents	819	0
Other assets	261	9
Minority interests	95	0
Provisions	(284)	6
Loans	(347)	0
Liabilities	(499)	(48)
	1,879	15
Goodwill	1,028	41
Acquired net assets	**2,907**	**56**
Cash and cash equivalents paid	(2,672)	(56)
Cash and cash equivalents according to acquisition analysis	819	0
Effect on Group cash and cash equivalents	**(1,853)**	**(56)**

Acquisitions after the end of the period

Volvo has not made any acquisitions after the end of the period that have had a significant impact on the Volvo Group.

Divestments

The effects on the Volvo Group's balance sheet and cash-flow statement in connection with the divestment of subsidiaries and other business units are specified in the following table:

Divestments	2008	2009
Intangible assets	(3)	(3)
Property, plant and equipment	(445)	(59)
Assets under operating lease	0	(42)
Shares and participations	0	65
Inventories	(513)	(280)
Other receivables	(90)	(112)
Cash and cash equivalents	(41)	(116)
Provisions	21	80
Other liabilities	644	254
Divested net assets	**(427)**	**(213)**
Cash and cash equivalents received	577	321
Cash and cash equivalents, divested companies	(41)	(116)
Effect on Group cash and cash equivalents	**536**	**205**

Assets Held for Sale

By the end of 2009 the Volvo Group reports assets amounting to 1,692 and liabilities amounting to 272 as assets and liabilities held for sale. In connection to the reclassification, Volvo wrote down assets by 515 to the corresponding estimated fair value less costs to sell, whereof 147 has been realized. Depending on the progress with the sales process, changes in the business environment, access to liquidity, market outlook etc, the fair value of remaining assets held for sale may change in the forthcoming periods or when the transactions are finalized. Reclassified assets and liabilities are pertaining to smaller operations and real estates. For the comparison year 2008, there were no assets or liabilities classified as held for sale.

Non-current asset held for sale	2008	2009
Intangible assets	–	54
Tangible assets	–	618
Inventories	–	776
Accounts receivable	–	109
Other current receivables	–	111
Other assets	–	24
Total assets	**-**	**1,692**
Trade payables	–	108
Other current liabilities	–	164
Total liabilities	**-**	**272**

Notes to consolidated financial statements

Note 5 Joint ventures

Joint ventures are companies over which Volvo has joint control together with one or more external parties. Joint ventures are reported by applying the proportionate consolidation method, in accordance with IAS 31 Joint ventures. Group holdings of shares in joint ventures are listed below.

Shares in joint ventures	Dec 31, 2009 Holding percentage
Shanghai Sunwin Bus Corp., China	50
Xian Silver Bus Corp., China	50
Dong Feng Nissan Diesel Motor Co., Ltd., China	50
VE Commercial Vehicles, Ltd., India	50

Dong Feng Nissan Diesel Motor Co., Ltd. is consolidated according to the proportionate method as from July 1, 2008. The direct and indirect ownership in VE Commercial Vehicles, Ltd. is consolidated as from August 1, 2008.

Volvo's share of joint ventures' income statements	2008	2009
Net sales	1,326	3,171
Operating income	(71)	(12)
Income after financial items	(60)	25
Income taxes	14	(9)
Volvo's share of income for the period	**(46)**	**16**

Volvo's share of joint ventures' balance sheets	Dec 31, 2008	Dec 31, 2009
Non-current assets	2,207	2,019
Current assets	1,794	2,141
Total assets	**4,001**	**4,160**
Shareholders' equity	2,681	2,598
Provisions	304	286
Long-term liabilities	78	23
Current liabilities	938	1,253
Total shareholders' equity and liabilities	**4,001**	**4,160**

At the end of 2009 guarantees amounting to 80 (110) were issued for the benefit of joint ventures by AB Volvo. At the same date Volvo's share of contingent liabilities issued by its joint ventures amounted to 29 (5).

	2008		2009	
Volvo's share of average number of employees	Number of employees	of which women, %	Number of employees	of which women, %
Shanghai Sunwin Bus Corp.	470	21	458	17
Xian Silver Bus Corp.	212	17	172	17
Dong Feng Nissan Diesel Motor Co., Ltd.	142	12	138	12
VE Commercial Vehicles, Ltd.	765	2	1,363	2
Volvo's share of total number of employees	**1,589**	**11**	**2,131**	**7**

Note 6 Associated companies

The following table presents summarized financial information for the associated companies partly owned by Volvo. Volvo consolidates the associated companies according to the equity method. For more information about Volvo's shareholding, see notes 9 and 15.

Income statement data	2008	2009
Net sales	6,479	4,027
Cost of sales	(6,439)	(3,991)
Financial income and expense	(22)	(7)
Income before taxes	**18**	**29**
Income taxes	(6)	(28)
Income of the period	**12**	**1**

Balance sheet data	Dec 31, 2008	Dec 31, 2009
Property, plant and equipment, net	1,474	1,264
Other non-current assets	198	207
Current assets	5,147	1,353
Total Assets	**6,819**	**2,824**
Shareholders' equity	1,525	1,322
Provisions	59	59
Long-term liabilities	160	57
Current liabilities	5,075	1,386
Total Shareholders' equity and liabilities	**6,819**	**2,824**

Note 7 Segment reporting

Reporting by business segment

The Volvo Group's operations are organized in nine business areas: Volvo Trucks, Renault Trucks, Mack Trucks, Trucks Asia, Buses, Construction Equipment, Volvo Penta, Volvo Aero and Customer Finance. In addition to the nine business areas, there are other operations consisting mainly of business units that are designed to support the business areas' operations. The business units include Volvo Powertrain, Volvo 3P, Volvo IT, Volvo Logistics and Volvo Parts. As the four truck brands share product development, production and other activities in business units such as Volvo 3P and Volvo Powertrain and also share certain infrastructure in distribution such as dealers, the four truck brands are reported as one business segment. The Volvo Group is thus reported divided in six segments where net sales and operating income are reported for each product area.

Each business area, except for Customer Finance, has total responsibility for its operating income, operating capital and operating cash flow. Volvo Financial Services within Customer Finance has responsibility for its net income and total balance sheet within certain restrictions and principles that are established centrally. The supervision and coordination of treasury and tax matters is organized centrally to obtain the benefits of a Group-wide approach. The legal structure of the Volvo Group is based on optimal handling of treasury, tax and administrative matters and, accordingly, differs from the operating structure.

The business units are designated to support the business areas and are therefore not reportable business segments. As from January 1, 2007, the results from the synergies created in the business units are transferred back to the various product areas. The allocation is based on the degree to which individual product areas have utilized the services of the business units. The heading Other contains mainly earnings linked to corporate functions including the Group's treasury operations. The Group's real estate, held in Volvo Real Estate, is reported under industrial operations, and earnings are transferred back to the business areas.

Reported segment information is based on the information used internally by the chief operating decision maker, which in Volvo is the Volvo Group Executive Committee.

Net sales	2008	2009
Trucks	203,642	138,940
Construction Equipment	56,277	35,658
Buses	17,350	18,465
Volvo Penta	11,518	8,159
Volvo Aero	7,625	7,803
Other and eliminations	(576)	(538)
Industrial operations	**295,836**	**208,487**
Customer Finance	11,073	11,712
Reclassifications and eliminations	(2,268)	(1,838)
Volvo Group	**304,642**	**218,361**

The above sales figures include internal sales in the following amounts:

Net sales to Group companies	2008	2009
Trucks	1,382	1,558
Construction Equipment	483	234
Buses	409	461
Volvo Penta	21	87
Volvo Aero	35	37
Other and eliminations	(976)	(782)
Industrial operations	**1,354**	**1,595**
Customer Finance	376	243
Eliminations	(1,730)	(1,838)
Volvo Group	**0**	**0**

Internal sales between business areas are generally made at standard cost of sales, including calculated interest and product improvement expenses. Internal sales from service companies are generally made at market prices.

Operating income	2008	2009
Trucks	12,167	(10,805)
Construction Equipment	1,808	(4,005)
Buses	(76)	(350)
Volvo Penta	928	(230)
Volvo Aero	359	50
Other	(732)	(994)
Industrial operations	**14,454**	**(16,333)**
Customer Finance	1,397	(680)
Volvo Group	**15,851**	**(17,013)**

Depreciation and amortization	2008	2009
Trucks	8,575	9,618
Construction Equipment	1,927	2,036
Buses	393	555
Volvo Penta	454	515
Volvo Aero	387	435
Other	(707)	(777)
Industrial operations	**11,029**	**12,382**
Customer Finance[1]	86	2,845
Reclassification Group versus segment Customer Finance	2,409	0
Volvo Group total[2]	**13,524**	**15,227**

1 Volvo no longer reclassifies operating leases on a consolidated level to finance leases. For further information see note 3 in the Annual report for 2008.

2 Of which write-down 221 (57).

Research and development expenses	2008	2009
Trucks	10,253	9,525
Construction Equipment	2,134	1,982
Buses	953	918
Volvo Penta	695	665
Volvo Aero	269	170
Other	44	(67)
Volvo Group total	**14,348**	**13,193**

Notes to consolidated financial statements

Income from investments in associated companies	2008	2009
Trucks	40	(22)
Construction Equipment	0	0
Buses	8	12
Volvo Penta	0	0
Volvo Aero	0	0
Other	(25)	(5)
Industrial operations	**23**	**(15)**
Customer Finance	2	1
Volvo Group total	**25**	**(14)**

Total assets	2008	2009
Operating assets, Industrial operations[1]:		
Trucks	140,225	112,157
Construction Equipment	47,914	40,454
Buses	12,073	12,462
Volvo Penta	6,222	5,444
Volvo Aero	11,973	11,326
Other	1,831	936
Total operating assets Industrial operations	**220,238**	**182,779**
Interest-bearing financial assets	28,631	45,422
Tax receivables	12,725	13,639
Total assets in Customer Finance	117,646	98,772
Other and eliminations	(6,821)	(8,347)
Volvo Group total	**372,419**	**332,265**

1 Defined as Total assets less Interest-bearing financial assets and Tax receivables.

Total shareholders' equity and liabilities	2008	2009
Operating liabilities, Industrial operations:[1]		
Trucks	85,366	62,003
Construction Equipment	18,137	14,756
Buses	6,531	7,572
Volvo Penta	3,517	2,967
Volvo Aero	4,975	4,152
Other	869	400
Total operating liabilities Industrial operations	**119,395**	**91,850**
Financial liabilities	58,426	86,911
Tax liabilities	8,242	2,861
Total liabilities in Customer Finance	108,052	90,223
Other and eliminations	(6,336)	(6,614)
Total liabilities	**287,779**	**265,231**
Shareholders' equity	84,640	67,034
Volvo Group total	**372,419**	**332,265**

1 Defined as Total liabilities less Shareholders' equity, Financial liabilities and Tax liabilities.

Investments in associated companies	2008	2009
Trucks	266	217
Construction Equipment	–	–
Buses	64	51
Volvo Penta	–	–
Volvo Aero	1	1
Customer Finance	18	19
Other	303	300
Volvo Group total	**652**	**588**

Capital expenditures	2008	2009
Trucks	7,998	7,272
Construction Equipment	2,503	1,307
Buses	386	639
Volvo Penta	656	687
Volvo Aero	1,304	533
Other	359	104
Industrial operations	**13,206**	**10,542**
Customer Finance[1]	246	4,102
Eliminations	0	(71)
Reclassification Group versus segment Customer Finance	4,840	0
Volvo Group total	**18,292**	**14,573**

1 Volvo no longer reclassifies operating leases on a consolidated level to finance leases. For further information see note 3 in the Annual report for 2008.

Reporting by geographical segment

Net sales	2008	2009
Europe	159,366	99,518
North America	48,670	40,223
South America	20,367	17,613
Asia	55,976	45,273
Other markets	20,263	15,734
Volvo Group total*	**304,642**	**218,361**
*of which:		
Sweden	13,899	10,412
United States	36,799	31,243
France	33,815	25,344

Total assets	2008	2009
Sweden	77,591	77,528
Europe excluding Sweden	129,325	105,265
North America	71,007	60,223
South America	15,704	20,322
Asia	70,439	60,286
Other markets	8,353	8,641
Volvo Group total	**372,419**	**332,265**

Capital expenditures	2008	2009
Sweden	5,358	3,924
Europe excluding Sweden	9,071	6,135
North America	2,147	2,622
South America	182	97
Asia	1,264	1,574
Other markets	270	221
Volvo Group total	**18,292**	**14,573**

Note 8 Other operating income and expenses

	2008	2009
Gains/losses on divestment of group companies	471	108
Write down of assets held for sale	–	(368)
Change in allowances and write-offs for doubtful receivables, customer financing	(484)	(2,327)
Change in allowances and write-offs for doubtful receivables, other	(282)	(692)
Damages and litigations	(269)	(71)
Restructuring cost	(554)	(635)
Volvo profit sharing program	(109)	(9)
Other income and expenses	(312)	(804)
Total	**(1,539)**	**(4,798)**

For further information regarding other operating income and expenses please see not 3.

Note 9 Income from investments in associated companies

Income/loss	2008	2009
UD Trucks Niigata Co	13	(1)
JV Fonderie Venissieux	10	3
Merkavim Metal Works Ltd	8	12
Other companies	(16)	(2)
Subtotal	**15**	**12**
Revaluation and write-down of shares		
Thomas Hardie Commercials Ltd	0	(11)
Other companies	0	(2)
Subtotal	**0**	**(13)**
Gains (losses) on divestment of shares in associated companies		
UD Trucks Niigata Co	0	(13)
Petro Stopping Centers Holdings LP	10	–
Subtotal	**10**	**(13)**
Total income (loss) from investments in associated companies	**25**	**(14)**

Note 10 Income from other investments

Dividends received	2008	2009
Deutz AG	30	2
Holdings of UD Trucks	12	9
Other	15	11
Subtotal	**57**	**22**
Revaluation and write-downs of shares		
Vindic Holding AB	(20)	–
Holdings of Volvo Technology Transfer[1]	(4)	(36)
Other	(9)	–
Subtotal[2]	**(33)**	**(36)**
Gain on divestment of shares		
Volverkinvest AB	23	–
Holdings of Volvo Technology Transfer[1]	17	8
Other	5	–
Subtotal	**45**	**8**
Total	**69**	**(6)**

1 Investments held by the Volvo venture-capital company.
2 Volvo has during 2009 made write-down of 36 of financial assets available-for sale for which a market value can not be calculated.

Note 11 Other financial income and expenses

SEK M	2008	2009
Financial instruments at fair value through profit or loss	(1,027)	(90)
Exchange rate gains and losses on financial assets and liabilities	(12)	(174)
Financial income and expenses related to taxes	24	140
Costs for Treasury function, credit facilities, etc	(62)	(268)
Total	**(1,077)**	**(392)**

For further information regarding financial instruments please see note 37.

Notes to consolidated financial statements

Note 12 Income taxes

Income taxes were distributed as follows:

	2008	2009
Current taxes relating to the period	(4,349)	(989)
Adjustment of current taxes for prior periods	(45)	(73)
Deferred taxes originated or reversed during the period	352	6,981
Recognition and derecognition of deferred tax assets	48	(30)
Total income taxes	**(3,994)**	**5,889**

Provisions have been made for estimated tax charges that may arise as a result of prior tax audits in the Volvo Group. Volvo evaluates tax processes on a regular basis and makes provisions for possible outcome when it is probable that Volvo will have to pay more taxes and when it is possible to make a reasonably assessment of the possible outcome. Tax claims for which no provision has been deemed necessary were reported as contingent liabilities.

Deferred taxes relate to income taxes payable or recoverable in future periods in respect of taxable temporary differences, deductible temporary differences, unused tax loss carryforwards or unused tax credit carryforwards. Deferred tax assets are recognized to the extent that it is probable that the amount can be utilized against future taxable income. At December 31, 2009, the valuation allowance attributable to deductible temporary differences, unused tax loss carryforwards and unused tax credit carryforwards for which no deferred tax asset was recognized amounted to 296 (245). The major part of the reserve consists of unused loss carryforwards.

Accumulated deferred taxes of 816 (neg 899) have at December 31, 2009, been accounted for as a direct decrease of equity. It is related to fair value of derivative instruments.

At year-end 2009, the Group had unused tax loss carryforwards amounting to 30,200 (5,600). These loss carryforwards expire according to the table below:

Due date	2008	2009
Within 1 year	100	300
Within 2 years	100	100
Within 3 years	400	100
Within 4 years	100	400
Within 5 years	100	800
After 5 years	4,800	28,500
Total	**5,600**	**30,200**

The Swedish corporate income tax rate is 26,3% (28%). The table below shows the principal reasons for the difference between this rate and the Group's tax rate, based on income after financial items.

	2008, %	2009, %
Swedish corporate income tax rates[1]	28	26
Difference in tax rate in various countries	4	2
Capital gains	(1)	0
Other non-taxable income	0	0
Other non-deductible expenses	0	0
Adjustment of current taxes for prior years	0	1
Recognition and derecognition of deferred tax assets	0	1
Other, net	(2)	(1)
Income tax rate for the Group	**29**	**29**

1 As from January 1, 2009 the Swedish tax rate was reduced from 28% to 26,3%.

Specification of deferred tax assets and tax liabilities	2008	2009
Deferred tax assets:		
Unused tax loss carryforwards	1,839	8,939
Other unused tax credits	100	85
Intercompany profit in inventories	810	459
Allowance for inventory obsolescence	641	860
Valuation allowance for doubtful receivables	689	702
Provisions for warranties	1,596	1,071
Provisions for residual value risks	407	387
Provisions for post-employment benefits	3,197	2,066
Provisions for restructuring measures	123	169
Adjustment to fair value at company acquisitions	13	0
Fair value of derivative instruments	1,108	240
Other deductible temporary differences	5,725	6,851
Deferred tax assets before deduction for valuation allowance	**16,248**	**21,829**
Valuation allowance	(245)	(296)
Deferred tax assets after deduction for valuation allowance	**16,003**	**21,533**
Netting of deferred tax assets/liabilities	(4,823)	(8,938)
Deferred tax assets, net	**11,180**	**12,595**

	2008	2009
Deferred tax liabilities:		
Accelerated depreciation on property, plant and equipment	3,885	4,046
Accelerated depreciation on leasing assets	1,902	2,073
LIFO valuation of inventories	263	228
Capitalized product and software development	4,244	3,724
Adjustment to fair value at company acquisitions	503	0
Untaxed reserves	300	98
Fair value of derivative instruments	26	67
Other taxable temporary differences	1,960	2,340
Deferred tax liabilities	**13,083**	**12,576**
Netting of deferred tax assets/liabilities	(4,823)	(8,938)
Deferred tax liabilities, net	**8,260**	**3,638**
Deferred tax assets/liabilities, net[1]	**2,920**	**8,957**

1 Deferred taxes are partially recognized in the balance sheet on a net basis after taking into account offsetting possibilities. Changes in tax rates during 2009 and 2010 have been considered when measuring deferred tax assets and deferred tax liabilities and have affected the income tax cost of the year. Deferred tax assets and liabilities have been measured to the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The significant tax loss carryforwards are related to countries with long or indefinite periods of utilization, mainly Sweden and France. Of the total deferred tax asset for loss carryforwards 8,939, 4,653 relates to Sweden with indefinite time of utilization. Volvo concider it to be most certain that the Volvo Group will be able to generate sufficient income in the coming years to utilize the tax loss carryforwards.

The cumulative amount of undistributed earnings in foreign subsidiaries, which Volvo currently intends to indefinitely reinvest outside of Sweden and upon which deferred income taxes have not been provided is approximately SEK 40 billion (45) at year end. There are different taxation rules depending on country, in some countries dividends are not taxable and in some countries there are withholding taxes. See note 36 how Volvo handles equity currency risk.

Note 13 Minority interests

Minority interests in income (loss) for the period and in shareholders' equity consisted mainly of the minority interests in Volvo Aero Norge A/S (22%), in Wuxi da Hao Power Co, Ltd (30%), in Berliet Maroc S.A (30%), in Shandong Lingong Construction Machinery Co, Ltd (15%) as well as in Nissan Diesel South Africa (Pty) Ltd (20%).

Note 14 Intangible and tangible assets

Intangible assets, acquisition costs	Goodwill[1]	Entrance fees, industrial programs	Product and software development	Other intangible assets[2]	**Total intangible assets**
Value in balance sheet 2008	24,813	3,569	23,290	6,987	**58,659**
Capital expenditures[3]	–	262	2,602	71	**2,935**
Sales/scrapping	–	0	(274)	(81)	**(355)**
Acquired and divested operations[4]	41	0	3	(3)	**41**
Translation differences	(1,035)	2	(716)	(314)	**(2,063)**
Reclassifications and other	8	0	243	59	**310**
Value in balance sheet 2009	**23,827**	**3,833**	**25,148**	**6,719**	**59,527**

Notes to consolidated financial statements

Accumulated depreciation and amortization	Goodwill	Entrance fees, industrial programs	Product and software development	Other intangible assets	**Total intangible assets**
Value in balance sheet 2008	–	1,699	10,909	2,093	**14,701**
Depreciation and amortization	–	63	3,126	400	**3,589**
Sales/scrapping	–	0	(260)	(66)	**(326)**
Acquired and divested operations[4]	–	0	0	0	**0**
Translation differences	–	0	(256)	(78)	**(334)**
Reclassifications and other	–	0	220	49	**269**
Value in balance sheet 2009	**0**	**1,762**	**13,739**	**2,398**	**17,899**
Net carrying value in balance sheet 2008[5]	**24,813**	**1,870**	**12,381**	**4,894**	**43,958**
Net carrying value in balance sheet 2009[5]	**23,827**	**2,071**	**11,409**	**4,321**	**41,628**

Tangible assets, acquisition costs	Buildings	Land and land improvements	Machinery and equipment[6]	Construction in progress, including advance payments	**Total investment property, property, plant and equipment**	Assets under operating leases	**Total tangible assets**
Value in balance sheet 2008	31,897	12,701	69,144	5,347	**119,089**	37,582	**156,671**
Capital expenditures[3]	1,431	302	4,467	1,192	**7,392**	4,246	**11,638**
Sales/scrapping	(510)	(139)	(2,495)	(10)	**(3,154)**	(6,197)	**(9,351)**
Acquired and divested operations[4]	(3)	0	(52)	0	**(55)**	(12)	**(67)**
Translation differences	(1,286)	(768)	(2,054)	(89)	**(4,197)**	(1,251)	**(5,448)**
Reclassifications and other	330	545	(159)	(1,862)	**(1,146)**	(2,375)	**(3,521)**
Value in balance sheet 2009	**31,859**	**12,641**	**68,851**	**4,578**	**117,929**	**31,993**	**149,922**

Accumulated depreciation and amortization	Buildings	Land and land improvements	Machinery and equipment[6]	Construction in progress, including advance payments	**Total investment property, property, plant and equipment**	Assets under operating leases	**Total tangible assets**
Value in balance sheet 2008	14,804	671	46,344	–	**61,819**	12,153	**73,972**
Depreciation and amortization[7]	1,236	118	5,208	–	**6,562**	5,076	**11,638**
Sales/scrapping	(277)	(12)	(2,217)	–	**(2,506)**	(3,004)	**(5,510)**
Acquired and divested operations[4]	0	0	0	–	**0**	11	**11**
Translation differences	(609)	(27)	(1,579)	–	**(2,215)**	(507)	**(2,722)**
Reclassifications and other	(374)	292	(929)	–	**(1,011)**	(2,124)	**(3,135)**
Value in balance sheet 2009	**14,780**	**1,042**	**46,827**	**-**	**62,649**	**11,605**	**74,254**
Net carrying value in balance sheet 2008[5]	**17,093**	**12,030**	**22,800**	**5,347**	**57,270**	**25,429**	**82,699**
Net carrying value in balance sheet 2009[5, 8]	**17,079**	**11,599**	**22,024**	**4,578**	**55,280**	**20,388**	**75,668**

1 Includes on the date of IFRS adoption, acquisition costs of 14,184 and accumulated amortization of 3,863.
2 Other intangible assets mainly consists of trademarks and distribution networks.
3 Includes capitalized borrowing costs of 73.
4 Includes subsidiaries and joint ventures that previously were accounted for according to the equity method.
5 Acquisition costs less accumulated depreciation, amortization and write-downs.
6 Machinery and equipment pertains mainly to production equipment.
7 Of which write-down 221 (57).
8 Whereof Investment property 991 and Property, plant and equipment 54,289.

"Reclassifications and other" mainly consist of "assets under operating leases" related to legal sales transactions, where revenue is deferred and accounted for as operating lease revenue. Assets classified as inventory will, when the operating lease model is applied for revenue recognition, be reclassified from "inventory" to "assets under operating leases", when the legal sales transaction occurs. If the product is returned after the lease period, there will again be a reclassification from "assets under operating leases" to "inventory". When a buy-back agreement has expired, but the related product is not returned, the acquisition cost and the accumulated depreciation are reversed in "reclassification and other", within the line item "assets under operating leases". Some of the reclassifications within tangible assets relate to construction in progress, which are reclassified to the respective category within property, plant and equipment.

Depreciation and amortization by type of asset	2008	2009
Intangible assets	3,286	3,589
Property, plant and equipment	5,718	6,562
Assets under operating leases	4,520	5,076
Total	**13,524**	**15,227**

Capital expenditures by type of asset	2008	2009
Intangible assets	2,875	2,935
Property, plant and equipment	9,977	7,392
Assets under operating leases	5,440	4,246
Total	**18,292**	**14,573**

Goodwill

Volvo verifies annually, or more frequently if necessary, the value of its operations to secure that they do not fall below the carrying value. If impairment is detected the carrying value, in the first place goodwill, has to be written down. Volvo's evaluation model is based on a discounted cash-flow model, with a forecast period of four to six years. Evaluation is made on cash-generating units, identified as Volvo's business areas.

Goodwill assets are allocated to these cash-generating units on the basis of anticipated future utility. The evaluation is based on management's best estimation of the operations' development and has been performed with prudence due to the current financial environment. The basis for this estimation is long-term forecasts of the market's growth, two to four percent, in relation to the development of Volvo's operations. In the model, Volvo is expected to maintain stable capital efficiency over time. The evaluation is made on nominal values and a general rate of inflation in line with the European target is used. Volvo uses a discounting factor calculated to 12% before tax for 2009.

During 2009, the value of Volvo's operations has exceeded the carrying value of goodwill for all business areas, and accordingly, no impairment has been recognized. Volvo has also evaluated whether there still is an overvalue with reasonable changed assumptions, negatively adjusted with one percentage point, where of no adjustment, individually, would have such a big effect that there would be an impairment.

Since the overvalue differs between the business areas they are to a varying degree sensitive to changes in the assumptions described above. Volvo therefore continuously follows the development of the business areas whose overvalue is dependent on the fulfilment of Volvo's assessments. A continued downturn and volatility in interest and currency rates may lead to indications of impairment which could result in a significant write-down of goodwill for some business areas. The most important factors for the future operations of Volvo are described in the Volvo business area section, as well as in the Risk management section.

Goodwill per Business Area	2008	2009
Volvo Trucks	4,356	4,368
Renault Trucks	2,723	2,580
Trucks Asia	6,243	5,752
Mack Trucks	985	924
Construction Equipment	9,007	8,607
Buses	1,124	1,178
Other business areas	375	418
Total goodwill value	**24,813**	**23,827**

Investment property

Investment property is property owned for the purpose of obtaining rental income and/or appreciation in value. The acquisition cost of investment property was 1,681 (1,603) at year-end. Capital expenditures during 2009 amounted to 87 (99). Accumulated depreciation was 690 (582) at year-end, whereof 54 (50) during 2009. The estimated fair value of investment property was SEK 2.5 billion (1.9) at year-end, based on the yield. The required return is based on current property market conditions for comparable properties in comparable locations. 93% of the investment properties were leased out during the year (100%). Net income for the year was affected by 268 (275) in rental income from investment properties and 45 (50) in direct costs.

Notes to consolidated financial statements

Note 15 Shares and participations

Group holdings of shares and participations in non-Group companies	Registration number	Percentage holding	Dec 31, 2008 Carrying value	Dec 31, 2009 Carrying value
Shares in associated companies, equity method of accounting				
Blue Chip Jet II HB, Sweden	969717-2105	50	286	284
UD Trucks Doto Corporation, Japan	–	38	88	83
UD Trucks Niigata Corporation, Japan	–	34	82	54
Merkavim Metal Works Ltd, Israel	–	27	54	41
JV Fonderie Venissieux, France	–	49	38	38
PK-UD Axle Co.,Ltd. (HangZhou), China	–	45	21	18
Diamond Finance Ltd, Great Britain	–	40	18	19
Blue Chip Jet HB, Sweden	969639-1011	45	17	17
Thomas Hardie Commercials Ltd, Great Britain	–	–	13	–
Quingdao Sunwin Bus Corp, China	–	43	9	9
Arabian Vehicle & Truck Industry Ltd, Saudi Arabia	–	25	9	9
Other holdings	–	–	17	16
Total shares and participations in associated companies[1]			**652**	**588**
Shares and participations in other companies				
Deutz AG, Germany	–	7	212	286
Nippon Express Co.,Ltd., Japan	–	–	138	128
Nishi-Nippon Railroad Co Ltd, Japan	–	–	57	47
Sankyu Inc., Japan	–	1	48	64
Iron Planet.com Inc., USA	–	4	34	34
TBK Co.,Ltd., Japan	–	7	25	26
Vantage Equipment. LLC, USA	–	50	19	18
Scott Van Keppel, USA	–	40	16	14
Other holdings	–	–	752	839
Total shares and participations in other companies[1]			**1,301**	**1,456**
Total value of Group holdings of shares and participations in non-Group companies			**1,953**	**2,044**

1 Volvo's share of shareholders' equity in associated companies (incl. equity in untaxed reserves) amounted to 588 (652).

The carrying value of Volvo's holdings of shares and participations in listed companies as of December 31, 2009 are shown in the table below. The carrying value is equal to the market value for holdings in listed companies.

	Carrying value
Deutz AG	286
Nippon Express Co.,Ltd., Japan	128
TBK Co.,Ltd., Japan	26
Sankyu Inc., Japan	64
Nishi-Nippon Railroad Co.,Ltd., Japan	47
Nippon Konpo Unyu Soko Co.,Ltd.	23
Fukuyama Transporting Co.,Ltd., Japan	14
Senko Co.,Ltd, Japan	31
Tonami Holdings Co.,Ltd., Japan	16
Yamato Holdings Co.,Ltd., Japan	22
Holdings in other listed companies	50
Total holdings in listed companies	**707**
Holdings in non-listed companies[1]	749
Total shares and participations in other companies	**1,456**

1 Unlisted shares, for which a reliable fair value cannot be determined, are reported at the acquisition value reduced in appropriate cases by write-downs.

Dong Feng Nissan Diesel Motor Co., Ltd

The company is consolidated in the Volvo Group according to the proportionate method as from July 1, 2008.

Changes in the Volvo Group's holdings of shares and participations:	2008	2009
Balance sheet, December 31, preceding year	2,219	1,953
Change in Group structure	(88)	(15)
Acquisitions and divestments, net	16	45
Write-downs of associated companies	(33)	(48)
Capital contribution	56	2
Share of income in associated companies	15	12
Revaluation of shares to fair value	(546)	92
Translation differences	325	(74)
Dividends	(7)	(21)
Re-classification of holdings of Volvo Technology Transfer	–	80
Other	(4)	18
Balance sheet, December 31	**1,953**	**2,044**

Note 16 Non-current customer-financing receivables

	2008	2009
Installment credits	23,029	18,517
Financial leasing	26,874	20,478
Other receivables	529	718
Total	**50,432**	**39,713**

Effective interest rate for Long-term customer-financing receivables was 7.27% as per December 31, 2009.

Long-term customer-financing receivables maturities	
2011	17,918
2012	11,954
2013	6,526
2014	2,457
2015 or later	858
Total	**39,713**

See notes 36 and 37 for financial instruments and goals and policies in financial risk management.

Note 17 Non-current receivables

	2008	2009
Other loans to external parties	219	287
Other interest-bearing financial receivables	475	298
Other financial receivables	1,382	1,425
Other receivables	1,641	1,613
Total	**3,717**	**3,623**

Notes to consolidated financial statements

Note 18 Inventories

	2008	2009
Finished products	39,137	23,612
Production materials, etc.	15,908	14,115
Total	**55,045**	**37,727**

Inventories recognized as cost of sale during the period amounted to 170,107 (223,986).

Increase (decrease) in allowance for inventory obsolescence	2008	2009
Balance sheet, December 31, preceding year	2,837	3,522
Increase in allowance for inventory obsolescence charged to income	1,229	1,045
Scrapping	(325)	(399)
Translation differences	305	(79)
Reclassifications, etc.[1]	(524)	12
Balance sheet, December 31	**3,522**	**4,101**

1 (567) is related to reversal of the allowance for inventory obsolescence in Volvo Aero's operations in Bromma during 2008.

Note 19 Current customer-financing receivables

	2008	2009
Installment credits	16,747	15,070
Financial leasing	14,324	13,589
Dealer financing	16,135	12,435
Other receivables	851	1,170
Total	**48,057**	**42,264**

Effective interest rate for Short-term customer-financing receivables was 6.72 % as per December 31, 2009.

See notes 36 and 37 for financial instruments and goals and policies in financial risk management.

Note 20 Current receivables

	2008	2009
Loans to external parties	6	7
Other interest-bearing financial receivables	1,959	403
Accounts receivable	30,523	21,337
Prepaid expenses and accrued income	3,032	3,027
VAT receivables	3,348	2,237
Other financial receivables[1]	2,947	2,195
Other receivables	5,697	4,623
Total, after deduction of valuation allowances for doubtful accounts receivable	**47,512**	**33,829**

1 Fair value financial derivatives.

Change of valuation allowances for doubtful accounts receivable	2008	2009
Balance sheet, December 31, preceding year	923	1,749
New valuation allowance charged to income	357	638
Reversal of valuation allowance charged to income	(149)	(274)
Utilization of valuation allowance related to actual losses	(172)	(664)
Acquired and divested operations	3	(7)
Translation differences	287	(88)
Reclassifications, etc.	500	(53)
Balance sheet, December 31	**1,749**	**1,301**

See notes 36 and 37 for financial instruments and goals and policies in financial risk management.

Note 21 Marketable securities

Marketable securities consist mainly of interest-bearing securities, distributed as shown below:

	2008	2009
Government securities	298	147
Banks and financial institutions	504	3,387
Real estate financial institutions	5,100	13,142
Total	**5,902**	**16,676**

Note 22 Cash and cash equivalents

	2008	2009
Cash in banks	10,889	13,540
Bank certificates [1]	–	2,999
Time deposits in banks	6,823	4,695
Total	**17,712**	**21,234**

1 Bank certificates which matures within three months from acquisition.

Cash and cash equivalents at December 31, 2009, include SEK 1.2 billion (0,7) restricted for use by the Volvo Group and SEK 5.3 billion (2,7) that are liquid funds in countries where exchange controls or other legal restrictions apply.

Note 23 Shareholders' equity

The share capital of the Parent Company is divided into two series of shares, A and B. Both series carry the same rights, except that each Series A share carries the right to one vote and each Series B share carries the right to one tenth of a vote. The shares quota value is SEK 1.20.

At the end of 2006 share capital amounted to SEK 2,554 million and was based on 425,684,044 registered shares. During 2007, following a decision at the Annual General Meeting, a 6:1 share split with automatic redemption was carried out, in which the sixth share was redeemed by AB Volvo for SEK 25.00 per share. Together with the ordinary dividend a total of SEK 20,255 million was distributed to Volvo's shareholders. The decision also included a bonus issue without issuance of new shares through the transfer of 426 from unrestricted shareholders' equity to share capital which then was restored to the same level as prior to the redemption procedure. Following these transactions Volvo has a total of 2,128,420,220 registered shares.

Cash dividend decided by the Annual General Meeting 2009 was SEK 2.00 (5.50) per share or total of SEK 4,054.8 million (11,149.6).

Unrestricted equity in the Parent Company at December 31, 2009 amounted to SEK 21,462 million (27,678).

The cumulative amount of the exchange difference deferred to equity relating to assets held for sale amount to positive SEK 60 million.

Notes to consolidated financial statements

Information regarding number of shares	2008	2009
Own Series A shares	20,728,135	20,728,135
Own Series B shares	80,310,082	80,265,060
Total own shares	**101,038,217**	**100,993,195**
Own shares in % of total registered shares	4.75	4.74
Outstanding Series A shares	656,873,495	656,873,495
Outstanding Series B shares	1,370,508,508	1,370,553,530
Total outstanding shares	**2,027,382,003**	**2,027,427,025**
Total registered Series A shares	677,601,630	677,601,630
Total registered Series B shares	1,450,818,590	1,450,818,590
Total registered shares	**2,128,420,220**	**2,128,420,220**
Average number of outstanding shares	2,026,977,937	2,027,419,396

Changes in outstanding Volvo shares	
Balance December 31, 2008	2,027,382,003
Share-based incentive program	45,022
	2,027,427,025

Change in other reserves (SEK M)	Hedge reserve	Available-for-sale reserve	Total
Balance at January 1, 2009	(2,057)	(206)	(2,263)
Change in fair value of contracts hedging currency risks	(259)	–	(259)
Tax on change in fair value of contracts hedging currency risks	68	–	68
Transfers to income	3,346	–	3,346
Tax on transfers to income statement	(880)	–	(880)
Change in fair value of commodity contracts	25	–	25
Fair value adjustments regarding holding in Deutz	–	74	74
Fair value adjustments regarding shares held by UD Trucks	–	1	1
Fair value adjustments regarding holding in Vindic AB	–	11	11
Balance at December 31, 2009	**243**	**(120)**	**123**

Earnings per share

Earnings per share are calculated as income for the period, attributable to the Parent Company's shareholders, divided by the Parent Company's average number of shares outstanding for the fiscal year. Diluted earnings per share is calculated as income for the period attributable to the Parent Company's shareholders divided by the average number of shares outstanding plus the average number of shares that would be issued as an effect of ongoing share-based incentive programs and employee stock option programs. If during the year there were potential shares redeemed or expired during the period, these are also included in the average number of shares used to calculate the earnings per share after dilution.

The share-based incentive program creates a dilution effect when the non-market-based financial goals are achieved for the fiscal year. Similarly, the employee stock option program creates a dilution effect by taking into account the difference between the exercise price and the share's average market price to determine how many shares that are assumed to be issued without any payment. It is solely this number of shares that have an effect on the calculated diluted earnings. The number of shares that this value symbolizes is less than the total potential number of shares attributable to the employee stock option program.

	2008	2009
Number of shares, December 31, in millions	2,027	2,027
Average number of shares before dilution in millions	2,027	2,027
Average number of shares after dilution in millions	2,027	2,027
Average share price, SEK	73.80	53.65
Net income attributable to Parent Company shareholders	9,942	(14,718)
Basic earnings per share, SEK	4.90	(7.26)
Diluted earnings per share, SEK	4.90	(7.26)
Dilution effect, number of shares		
Share-based incentive program	–	–
Employee stock option program	188,822	–
Number of potential shares, December 31	188,822	–

The share-based incentive program is implemented if certain non-market-based financial goals are fulfilled partly or wholly. The requirement for 2009 was not met. No other transactions have occurred that affected, or will have an effect on, the compilation of the reported share capital.

Note 24 Provisions for post-employment benefits

Post-employment benefits, such as pensions, healthcare and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through defined contribution plans. The remaining post-employment benefits are defined benefit plans; that is, the obligations remain within the Volvo Group or are secured by own pension foundations. Costs and the obligations at the end of the period for defined benefit plans are calculated based on actuarial assumptions and measured on a discounted basis. The Volvo Group defined benefits plans relate mainly to subsidiaries in the US and comprise both pensions and other benefits, such as healthcare. Other large-scale defined benefit plans apply for salaried employees in Sweden (mainly through the Swedish ITP pension plan) and employees in France and Great Britain. See note 1 for further information about the accounting principles.

The following tables disclose information about defined benefit plans in the Volvo Group. Volvo reports the difference between the obligations and the plan assets adjusted for unrecognized actuarial gains and losses in the balance sheet. The information refers to assumptions applied for actuarial calculations, periodical costs and the value of obligations and plan assets at year-end. The tables also include reconciliation of obligations and plan assets during the year and the difference between fair values and carrying amounts reported on the balance sheet date. According to IAS 19, actuarial assumptions such as the discount rate shall be based on market expectations at the balance sheet date for the period over which the obligations are to be settled and reflect the time-value of money but not the actuarial or investment risk.

Summary of provision for post-employment benefits	2008	2009
Obligations	41,171	38,070
Fair value of plan assets	22,105	22,610
Funded status	**(19,066)**	**(15,460)**
Unrecognized actuarial (gains) and losses	9,320	9,155
Unrecognized past service costs	482	303
Net provisions for post-employment benefits	**(9,264)**	**(6,002)**

Assumptions applied for actuarial calculations, %	December 31, 2008	December 31, 2009
Sweden		
Discount rate	4.50	4.00
Expected return on plan assets[1]	6.00	6.00
Expected salary increases	3.50	3.00
Inflation	2.00	1.50
United States		
Discount rate	5.75–6.25	4.00–5.75
Expected return on plan assets[1]	7.65	7.65
Expected salary increases	3.50	3.00
Inflation	2.50	2.00
France		
Discount rate	5.25	4.50
Expected salary increases	3.00	1.00–3.00
Inflation	2.00	1.50
Great Britain		
Discount rate	5.75	5.50
Expected return on plan assets[1]	4.60–5.50	5.00–6.30
Expected salary increases	3.60–4.90	3.50
Inflation	3.00	3.00

1 Applicable for the following accounting period. These assumptions reflect the expected long-term return rate on plan assets, based upon historical yield rates for different categories of investments and weighted in accordance with the foundation's investment policy. The expected return has been calculated net of administrative expenses and applicable taxes.

Notes to consolidated financial statements

Pension costs	2008	2009
Current year service costs	864	969
Interest costs	1,557	1,684
Expected return on plan assets	(1,655)	(1,362)
Actuarial gains and losses[1]	81	504
Past service costs		
– Unvested	14	18
– Vested	39	(314)
whereof effect of agreement with UAW in Mack Trucks	–	*(317)*
Curtailments and settlements	167	36
Termination benefits	21	40
Pension costs for defined benefit plans	**1,088**	**1,575**
Pension costs for defined contribution plans	3,462	3,116
Total pension costs	**4,550**	**4,691**

1 For each plan, actuarial gains and losses are reported as income or expenses, when the accumulated amount exceeds the so called corridor. The income or expenses are then recognized over the expected average remaining service period of the employees.

Costs for post-employment benefits other than pensions	2008	2009
Current year service costs	284	270
Interest costs	336	334
Expected return on plan assets	(3)	(1)
Actuarial gains and losses[1]	1	4
Past service costs		
– Unvested	(1)	7
– Vested	1	0
Curtailments and settlements	0	1,124
whereof effect of agreement with UAW in Mack Trucks	–	*1,194*
Termination benefits	0	20
Total costs for post-employment benefits other than pensions	**618**	**1,758**

1 For each plan, actuarial gains and losses are reported as income or expenses, when the accumulated amount exceed the so called corridor. The income or expenses are then recognized over the expected average remaining service period of the employees.

An increase of one percentage point per year in healthcare costs would change the accumulated post-employment benefit obligation as of December 31, 2009 by approximately 169, and the post-employment benefit expense by approximately 12. A decrease of one percentage point would decrease the accumulated value of obligations by about 144 and reduce costs by approximately 10. Calculations made as of December 31, 2009 show an annual increase of 9% in the weighted average per capita costs of covered health care benefits; It is assumed that the percentage will decline gradually to 5% and then remain at that level.

Obligations in defined benefit plans	Sweden Pensions	United States Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
Obligations at January 1, 2008	**8,451**	**11,207**	**1,800**	**4,608**	**5,582**	**4,336**	**35,984**
Acquisitions, divestments and other changes	(13)	(226)	(2)	116	–	22	**(103)**
Current year service costs	265	224	55	72	269	263	**1,148**
Interest costs	383	672	93	250	327	168	**1,893**
Past service costs							
– Unvested	1	–	–	–	–	–	**1**
– Vested	6	27	–	–	–	6	**39**
Termination benefits	14	–	–	–	–	7	**21**
Curtailments and settlements	(34)	65	(2)	–	(42)	(11)	**(24)**
Employee contributions	–	–	–	29	–	(2)	**27**
Actuarial (gains) and losses	336	257	47	(304)	261	205	**802**
Exchange rate translation	–	2,212	281	(593)	1,151	891	**3,942**
Benefits paid	(312)	(790)	(185)	(143)	(577)	(552)	**(2,559)**
Obligations at December 31, 2008	**9,097**	**13,648**	**2,087**	**4,035**	**6,971**	**5,333**	**41,171**
of which							
Funded defined benefit plans	8,675	13,322	–	4,035	3,224	2,179	**31,435**

Obligations in defined benefit plans	Sweden Pensions	United States Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
Acquisitions, divestments and other changes	–	–	(53)	–	–	(3)	**(56)**
Current year service costs	323	264	65	52	252	283	**1,239**
Interest costs	414	774	104	242	328	168	**2,030**
Past service costs							
– Unvested	1	(90)	–	–	–	–	**(89)**
– Vested	–	(316)	3	–	5	–	**(308)**
whereof effect of agreement with UAW in Mack Trucks	-	*(317)*	–	–	–	–	*(317)*
Termination benefits	32	–	(1)	–	–	25	**56**
Curtailments and settlements	(8)	(18)	–	–	(3,163)	(140)	**(3,329)**
whereof effect of agreement with UAW in Mack Trucks					*1,194*		*1,194*
whereof reclassification to financial liability	–	–	–	–	*(4,282)*	–	*(4,282)*
Employee contributions	–	–	–	24	–	(1)	**23**
Actuarial (gains) and losses	321	1,096	18	187	231	(47)	**1,806**
Exchange rate translation	–	(1,008)	(110)	73	(320)	(148)	**(1,513)**
Benefits paid	(299)	(992)	(216)	(175)	(607)	(671)	**(2,960)**
Obligations at December 31, 2009	**9,881**	**13,358**	**1,897**	**4,438**	**3,697**	**4,799**	**38,070**
of which							
Funded defined benefit plans	9,465	12,923	–	4,438	–	2,277	**29,103**

Fair value of plan assets in funded plans	Sweden Pensions	United States Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
Plan assets at January 1, 2008	**6,648**	**12,195**	**-**	**4,911**	**136**	**1,878**	**25,768**
Acquisitions, divestments and other changes	–	(180)	–	95	–	1	**(84)**
Expected return on plan assets	397	886	–	275	3	97	**1,658**
Actuarial gains and (losses)	(1,578)	(3,695)	–	(715)	–	(220)	**(6,208)**
Employer contributions	–	–	–	147	10	147	**304**
Employee contributions	–	–	–	29	–	33	**62**
Exchange rate translation	–	2,226	–	(609)	18	64	**1,699**
Benefits paid	–	(760)	–	(141)	(63)	(130)	**(1,094)**
Plan assets at December 31, 2008	**5,467**	**10,672**	**-**	**3,992**	**104**	**1,870**	**22,105**
Acquisitions, divestments and other changes	–	(3)	–	–	–	(141)	**(144)**
Expected return on plan assets	328	717	–	223	1	89	**1,358**
Actuarial gains and (losses)	635	644	–	141	–	43	**1,463**
Employer contributions	–	–	–	113	–	167	**280**
Employee contributions	–	–	–	24	–	20	**44**
Exchange rate translation	–	(1,203)	–	72	(3)	36	**(1,098)**
Benefits paid	–	(961)	–	(173)	(74)	(190)	**(1,398)**
whereof reclassification to financial liability in Mack Trucks	–	–	–		*(73)*	–	*(73)*
Plan assets at December 31, 2009	**6,430**	**9,866**	**-**	**4,392**	**28**	**1,894**	**22,610**

Notes to consolidated financial statements

Net provision for post-employment benefits	Sweden Pensions	United States Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
Funded status at December 31, 2008	**(3,630)**	**(2,976)**	**(2,087)**	**(43)**	**(6,867)**	**(3,463)**	**(19,066)**
Unrecognized actuarial (gains) and losses	3,476	4,021	207	604	382	630	**9,320**
Unrecognized past service costs	–	(1)	464	–	(8)	27	**482**
Net provisions for post-employment benefits at December 31, 2008	**(154)**	**1,044**	**(1,416)**	**561**	**(6,493)**	**(2,806)**	**(9,264)**
whereof reported as							
Prepaid pensions and other assets	14	1,422	0	561	320	124	**2,441**
Provisions for post-employment benefits	(168)	(378)	(1,416)	0	(6,813)	(2,930)	**(11,705)**
Funded status at December 31, 2009	**(3,451)**	**(3,492)**	**(1,897)**	**(46)**	**(3,669)**	**(2,905)**	**(15,460)**
Unrecognized actuarial (gains) and losses	3,030	4,373	232	635	384[1]	501	**9,155**
Unrecognized past service costs	–	(81)	405	–	(6)	(15)	**303**
Net provisions for post-employment benefits at December 31, 2009	**(421)**	**800**	**(1,260)**	**589**	**(3,291)**	**(2,419)**	**(6,002)**
whereof reported as							
Prepaid pensions and other assets	–	1,254	–	588	120	87	**2,049**
Provisions for post-employment benefits	(421)	(454)	(1,260)	1	(3,411)	(2,506)	**(8,051)**

1 A decrease by 194 from reclassification to financial liability in Mack Trucks.

Plan assets by category	2008	%	2009	%
Shares and participation, Volvo	138	1	195	1
Shares and participations, other	9,046	41	10,893	48
Bonds	10,564	48	10,167	45
Property	732	3	319	1
Other	1,625	7	1,036	5
Total	**22,105**	**100**	**22,610**	**100**

Actual return on plan assets amounted to 2,821 (neg 4,550).

Actuarial gains and losses	2008	2009
Experience-based adjustments in obligations	(871)	(110)
Experience-based adjustments in plan assets	(6,208)	1,463
Effects of changes in actuarial assumptions	69	(1,696)
Actuarial gains and (losses), net	**(7,010)**	**(343)**

Volvo's pension foundation in Sweden was formed in 1996 to secure obligations relating to retirement pensions for salaried employees in Sweden in accordance with the ITP plan (a Swedish individual pension plan). Plan assets amounting to 2,456 was contributed to the foundation at its formation, corresponding to the value of the pension obligations at that time. Since its formation, net contributions of 1,472 have been made to the foundation. The plan assets in Volvo's Swedish pension foundation are invested in Swedish and foreign stocks and mutual funds, and in interest-bearing securities, in accordance with a distribution that is determined by the foundation's Board of Directors. At December 31, 2009, the fair value of the foundation's plan assets amounted to 6,408 (5,467), of which 46% (35) was invested in shares or mutual funds. At the same date, retirement pension obligations attributable to the ITP plan amounted to 9,465 (8,675).

Swedish companies can secure new pension obligations through balance sheet provisions or pension fund contributions. Furthermore, a credit insurance must be taken for the value of the obligations. In addition to benefits relating to retirement pensions, the ITP plan also includes, for example, a collective family pension, which Volvo finances through insurance with the Alecta insurance company. According to an interpretation from the Swedish Financial Reporting Board, this is a multi-employer defined benefit plan. For fiscal year 2009, Volvo did not have access to information from Alecta that would have enabled this plan to be reported as a defined benefit plan. Accordingly, the plan has been reported as a defined contribution plan. Alecta's funding ratio is 141% (112.0).

Volvo's subsidiaries in the United States mainly secure their pension obligations through transfer of funds to pension plans. At the end of 2009, the total value of pension obligations secured by pension plans of this type amounted to 13,007 (13,322). At the same point in time, the total value of the plan assets in these plans amounted to 9,866 (10,672), of which 59% (50) was invested in shares or mutual funds. The regulations for securing pension obligations stipulate certain minimum levels concerning the ratio between the value of the plan assets and the value of the obligations. As a consequence of the Master Agreement between Mack Trucks and United Auto Workers (UAW) an independent trust has been established that will completely eliminate Mack's commitments for providing healthcare to retired employees.

Instead Mack Trucks has an obligation to fund the newly established fund over 5 years. As a result of the agreement the operating income of Mack Trucks was charged by 877 (USD 110 M), whereof 1,194 concerning settlement of post-employment benefits other than pensions and 317 in reduced pension costs from a change in past service costs. The obligation increased with the same amount. Interest on the obligation started accruing from October 1, 2009. By that, SEK 4,015 billion (USD 525 M), formerly reported as obligation has been reclassified a financial liability. Therefore the obligation decreased by 4,282, the plan assets by 73 and unrecognized actuarial losses by 194. During 2009, Volvo contributed 0 (0) to the American pension plans.

During 2009 Volvo has made extra contributions to the pension plans in Great Britain in the amount of SEK 113 M (147).

In 2010, Volvo estimates to transfer an amount not exceeding SEK 1 billion to pension plans.

Note 25 Other provisions

	Value in balance sheet 2008	Provisions	Reversals	Utilizations	Acquired and divested companies	Translation differences	Reclassifications	Value in balance sheet 2009	Whereof due within 12 months	Whereof due after 12 months
Warranties	10,354	5,762	(1,381)	(6,519)	(69)	(193)	(7)	7,947	4,926	3,021
Provisions in insurance operations	509	149	(23)	(95)	–	(35)	–	505	1	504
Restructuring measures	368	682	(72)	(262)	0	(4)	(5)	707	589	118
Provisions for residual value risks	898	713	(57)	(460)	(1)	(26)	(6)	1,061	457	604
Provisions for service contracts	478	63	(24)	(127)	0	2	73	465	214	251
Dealer bonus	1,897	1,743	(123)	(1,904)	(23)	(8)	(267)	1,315	1,191	124
Other provisions	4,515	2,228	(520)	(2,233)	(2)	(40)	(101)	3,847	2,109	1,738
Total	**19,019**	**11,340**	**(2,200)**	**(11,600)**	**(95)**	**(304)**	**(313)**	**15,847**	**9,487**	**6,360**

Long-term provisions as above is expected to be settled within 2 to 3 years.

Note 26 Non-current liabilities

The listing below shows the Group's non-current liabilities in which the largest loans are distributed by currency. Most are issued by Volvo Treasury AB. Information on loan terms is as of December 31, 2009.

Volvo hedges foreign-exchange and interest-rate risks using derivative instruments. See Note 36.

Bond loans	Actual interest rate, Dec 31, 2009, %	Effective interest rate, Dec 31, 2009, %	2008	2009
EUR 2003–2009/2011–2017	1.51–9.92	1.51–9.92	21,903	26,428
SEK 2006–2009/2011–2017	0.83–8.53	0.83–8.53	12,183	16,174
JPY 2001/2011	3.10	3.10	86	79
USD 2009/2015	5.98	5.98	1,626	5,381
NOK 2009/2011–2012	4.25–5.04	4.25–5.14	–	557
GBP 2009/2014	6.13	6.27	–	572
Total[1]			**35,798**	**49,191**

1 Whereof loans raised to finance the credit portfolio of the customer financing operations 12,302 (17,787).

Notes to consolidated financial statements

Other loans	Actual interest rate, Dec 31, 2009, %	Effective interest rate, Dec 31, 2009, %	2008	2009
USD 2004–2009/2011–2018	0.51–7.50	0.51–7.76	10,134	17,281
EUR 2006–2009/2011–2017	1.12–7.00	1.12–7.00	5,419	5,995
GBP 2008/2011–2013	0.96–7.28	0.96–7.05	1,952	1,664
SEK 2007–2008/2011–2017	0.63–1.96	0.63–1.97	3,778	2,684
CAD 2006–2008/2012–2013	0.80–1.01	0.80–1.02	2,712	2,067
MXN 2007–2009/2011–2014	4.99–9.06	5.11–9.45	1,197	2,145
JPY 2005–2009/2011–2016	0.77–3.71	0.77–3.71	17,076	16,374
CHF 2006/2011	0.61	0.61	735	696
BRL 2003/2017	6.58	6.86	2,994	5,940
Other loans	5.56–8.46	5.68–8.46	1,301	1,189
Total other non-current loans[2]			**47,298**	**56,035**
Deferred leasing income			2,508	1,965
Residual value liabilities			4,350	3,109
Accrued expenses service contracts			931	1,422
Other non-current financial liabilities			1,658	1,672
Other non-current liabilities			995	1,720
Total			**93,538**	**115,114**

2 Whereof loans raised to finance the credit portfolio of the customer financing operations 26,551 (34,955) and financial derivatives 769 (198).

Of the above long-term loans, 270 (374) was secured.

	Long-term loans mature as follows:
2011	23,782
2012	22,824
2013	11,199
2014	19,020
2015	8,056
2016 or later	20,345
Total	**105,226**

See note 16 for maturities of long-term customer financing receivables.

Of other non-current liabilities the majority will mature within five years.

At year-end 2009, credit facilities granted but not utilized and which can be used without restrictions amounted to approximately SEK 33.2 billion (26.7). These facilities consisted of stand-by facilities for loans with varying maturities through the year 2013. A fee is normally charged for the unused portion of credit facilities and is reported in the income statement under other financial income and expenses.

Note 27 Current liabilities

Balance sheet amounts for loans were as follows:

	2008	2009
Bank loans	15,222	14,083
Other loans	47,409	37,543
Total[1]	**62,631**	**51,626**

1 Whereof loans raised to finance the credit portfolio of the customer financing operations 40,766 (47,180) and derivatives 178 (604).

Bank loans include current maturities, 4,713 (4,701), of long-term loans. Other loans include current maturities of long-term loans, 25,108 (26,336), and commercial paper, 8,640 (17,876).

Non-interest-bearing liabilities accounted for 70,955 (91,759), or 58% (59) of the Group's total current liabilities.

Balance sheet amounts for Other current liabilities were as follows:

	2008	2009
Advances from customers	3,352	3,556
Wages, salaries and withholding taxes	6,978	8,504
VAT liabilities	1,455	1,511
Accrued expenses and prepaid income	14,307	11,756
Deferred leasing income	2,203	1,725
Residual value liability	2,138	2,730
Other financial liabilities	5,430	783
Other liabilities	4,534	3,540
Total	**40,397**	**34,105**

Current liabilities also include trade payables that amounted to 35,955 (51,025), current tax liabilities that amounted to 623 (1,204) and non interest-bearing liabilities held for sale reported within Note 4. Secured bank loans at year-end 2009 amounted to 329 (312). The corresponding amount for other current liabilities was 58 (416).

Note 28 Assets pledged

	2008	2009
Property, plant and equipment – mortgages	190	297
Assets under operating leases	155	109
Chattel mortgages	369	25
Receivables	569	451
Cash, marketable securities	97	76
Total	**1,380**	**958**

The liabilities for which the above assets were pledged amounted at year-end to 658 (1,102).

Note 29 Contingent liabilities

	2008	2009
Credit guarantees issued for customers and others	2,687	2,173
Tax claims	931	824
Other contingent liabilities	5,809	6,610
Total	**9,427**	**9,607**

The reported amounts for contingent liabilities reflect the Volvo Group's risk exposure on a gross basis. The reported amounts have thus not been reduced because of counter guarantees received or other collaterals in cases where a legal offsetting right does not exist. At December 31, 2009, the estimated value of counter guarantees received and other collaterals, for example the estimated net selling price of used products, amounted to 3,832 (4,172).

Tax claims amounted to 824 (931) pertain to charges against the Volvo Group for which provisions are not considered necessary. Other contingent liabilities pertain mainly to residual value guarantees.

Legal proceedings

The former labor agreement between Mack Trucks, Inc. and the United Auto Workers Union (UAW), expired on September 30, 2007. Thereafter Mack Trucks and UAW have entered into a new 40-month Master Agreement. The agreement includes the establishment of an independent trust that will completely eliminate Mack's commitments for providing healthcare to retired employees. This had a negative impact of 877 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, which is expected in the second quarter 2010. The Volvo Group will fund the trust with USD 525 M, paid over 5 years. As from the fourth quarter of 2009 the funding obligation is reported as a financial liability and amortizations will be reported as cash flow from financing activities.

In July 1999 Volvo Truck Corporation and Volvo Construction Equipment entered into a Consent Decree with the U.S. Environmental Protection Agency (EPA). The Consent Decree included, among other provisions, that new stricter emission requirements for certain engines that would come into force on January 1, 2006, should be applied by VTC and VCE from January 1, 2005. The Consent Decree was later transferred from VTC and VCE to Volvo Powertrain Corporation. During 2008, the EPA demanded stipulated penalties from Volvo Powertrain Corporation in the amount, including interest, of USD 72 M, alleging that the stricter standards under the Consent Decree should have been applied to engines manufactured by Volvo Penta during 2005. Volvo Powertrain disagrees with EPA's interpretation and is defending the case vigorously based on, among other grounds, that the Volvo Penta engines were not subject to the Consent Decree. The dispute was referred to a U.S. court. The amount requested by the EPA is included in contingent liabilities.

Nissan Diesel Thailand Co. Limited (the "Plaintiff") on November 30, 2009 filed a claim at the Pathumthani Provincial Court of First Instance, Thailand, against AB Volvo and three of its employees (together the "Defendants"), claiming damages in the sum of Baht 10.5 billion (equivalent to approximately SEK 2.2 billion). The Plaintiff claims that the Defendants' actions caused UD Trucks Corporation ("UDT"), a wholly-owned subsidiary of AB Volvo, to unlawfully terminate two agreements dated December 27, 2002 between UDT and the Plaintiff. The Plaintiff is one of UDT's private dealers. AB Volvo considers that the Plaintiff's claim is of no merit.

Global actors like Volvo are occasionally involved in tax disputes of different proportions and in different stages. On a regular basis Volvo evaluates the exposure related to such disputes and, to the extent it is possible to reasonably estimate what the outcome will be, makes provisions when it is more likely than not that there will be additional tax to pay.

Volvo is involved in a number of other legal proceedings. Volvo does not believe that any liabilities related to such proceedings are likely to entail any risk, in the aggregate, of having a material effect on the financial condition of the Volvo Group.

Notes to consolidated financial statements

Note 30 Cash-flow

Other items not affecting cash amounted to:	2008	2009
Risk provisions and losses related to doubtful receivables/customer – financing receivables	729	2,779
Capital gains/losses on the sale of subsidiaries and other business units	(395)	(108)
Unrealized exchange rate gains/losses on trade receivables and payables	(241)	(26)
Incentive program	17	–
Expenses for healthcare benefits as a result of the Master Agreement between Mack Trucks and UAW (see note 24)	–	877
Provision for restructuring reserves	–	334
Write-down of assets held for sale	–	368
Other non-cash items	(243)	173
	(133)	**4,397**

Investments in shares and participations:	2008	2009
New issue of shares	(13)	(2)
Capital contribution	(43)	(6)
Acquisitions	(94)	(61)
Divestments	78	16
Other	43	15
	(29)	**(38)**

Acquired and divested subsidiaries and other business units:	2008	2009
Acquired subsidiaries and other business units	(1,853)	(56)
Divested subsidiaries and other business units	536	205
	(1,317)	**149**

Important increase/decrease in bond loans and other loans
During 2009, the Volvo Group completed a number of important funding transactions. In February, a 5-year EUR 700 M bond was issued, followed by a 3-year SEK 4.2 billion bond in March. In March the Group also received a 7-year loan from the European Investment Bank equivalent to EUR 400 M. In October, Volvo Treasury AB, a subsidiary of AB Volvo, issued a USD 750 M guaranteed bond offering at an interest rate of 5,95% due 2015.

Note 31 Leasing

Volvo as a lessor
At December 31, 2009, future rental income from non-cancellable financial and operating leases (minimum leasing fees) amounted to 50,522 (63,233). Future rental income is distributed as follows:

	Finance leases	Operating leases
2010	14,927	3,647
2011–2014	22,200	8,265
2015 or later	625	858
Total	**37,752**	**12,770**
Allowance for uncollectible future rental income	(535)	
Unearned rental income	(3,150)	
Present value of future rental income related to non-cancellable leases	34,067	

Volvo as a lessee
At December 31, 2009, future rental payments (minimum leasing fees) related to non-cancellable leases amounted to 4,135 (4,206).

Future rental payments are distributed as follows:

	Finance leases	Operating leases
2010	501	894
2011–2014	500	1,702
2015 or later	85	453
Total	**1,086**	**3,049**

Rental expenses amounted to:

	2008	2009
Finance leases:		
Contingent rents	(4)	(6)
Operating leases:		
Contingent rents	(19)	(24)
Rental payments	(959)	(950)
Sublease payments	8	8
Total	**(974)**	**(972)**

Book value of assets subject to finance lease:

	2008	2009
Acquisition costs:		
Buildings	131	123
Land and land improvements	65	61
Machinery and equipment	2,609	1,799
Assets under operating lease	392	343
Total	**3,197**	**2,326**
Accumulated depreciation:		
Buildings	(40)	(41)
Land and land improvements	–	0
Machinery and equipment	(1,769)	(1,090)
Assets under operating lease	(127)	(78)
Total	**(1,936)**	**(1,209)**
Book value:		
Buildings	91	82
Land and land improvements	65	61
Machinery and equipment	840	709
Assets under operating lease	265	265
Total	**1,261**	**1,117**

Note 32 Transactions with related parties

The Volvo Group has transactions with some of its associated companies. The transactions consist mainly of sales of vehicles to dealers. Commercial terms and market prices apply for the supply of goods and services to/from associated companies.

	2008	2009
Sales to associated companies	1,222	529
Purchase from associated companies	116	91
Receivables from associated companies, Dec 31	273	297
Liabilities to associated companies, Dec 31	63	8

Group holdings of shares in associated companies are presented in note 15, Shares and participations.

The Volvo Group also has transactions with Renault s.a.s. and its subsidiaries. Sales to and purchases from Renault s.a.s. amounted to 85 (113) and 2,110 (2,833). Amounts due from and due to Renault s.a.s. amounted to 20 (31) and 457 (539) respectively, at December 31, 2009. The sales were mainly from Renault Trucks to Renault s.a.s. and consisted of components and spare parts. The purchases were mainly made by Renault Trucks from Renault s.a.s. and consisted mainly of light trucks. Renault Trucks has a license from Renault s.a.s. for the use of the trademark Renault.

Note 33 Government grants

During 2009, government grants amounting to 810 (492) have been received and 567 (465) have been accounted for in the income statement. R&D credits are included with 305 (237). The grants were mainly received from the European Commission and the Swedish government. During 2007 Volvo Buses received a grant of 116 from the Swedish Energy Agency for the development of hybrid technology. 25 (48) of the 116 have been accounted for during 2009.

Note 34 Personnel

Remuneration policy decided at the Annual General Meeting in 2009

The Annual General Meeting of 2009 decided upon principles for remuneration and other employment terms for the members of Volvo's Group Executive Committee ("Remuneration Policy"). The accepted principles can be summarized as follows:

The guiding principle is that remuneration and other employment terms for company management, shall be competitive to ensure that Volvo can attract and retain skilled persons in the Group Executive Committee. The fixed salary shall be competitive and shall reflect the individual's area of responsibility and performance.

In addition to the fixed salary a variable salary may be paid. The variable salary may for the CEO amount to a maximum of 65% of the fixed salary and for the other senior executives a maximum of 50% of the fixed salary. The variable salary shall be based on the Volvo Group's and/or the executive's respective Business Area's or Business Unit's fulfilment of certain financial goals. These goals are decided by the Board of AB Volvo and may be related, for example, to operating income and/or cash flow.

In addition to fixed and variable salary, normally other customary benefits, such as company car and company healthcare are provided. In individual cases, accommodation benefits and other benefits may be provided.

In addition to pension benefits provided by law and collective bargain agreements, the members of the Group Executive Committee domiciled in Sweden are offered a defined-contribution pension plan whereby

Notes to consolidated financial statements

the amount of the individual's pensions comprises the premium paid and any return. Members of the Group Executive Committee resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden are offered pension solutions that are competitive in the country where the members are or have been resident or to which the members have a material connection.

With regard to notice of termination of employment for members of the Group Executive Committee domiciled in Sweden, the notification period is 12 months if the company terminates the employment and six months if the individual terminates the employment. In addition, the employee is entitled to a severance pay of 12 months' salary if Volvo terminates the employment. Members resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden are offered notice periods for termination and severance payment that are competetive in the country where the members are or have been resident or to which the members have a material connection.

Fee paid to the Board of directors

In accordance with a resolution adopted at the Annual General Meeting 2009, the fee paid to the Board of Directors was SEK 5,725,000. Due to changes of the Board of Directors SEK 5,581,250 has been paid, distributed among the members as follows; SEK 1,181,250 to the retiring Chairman, including fee in the capacity of being a member of the Remuneration Committee. Incoming Chairman received SEK 825,000 including fee in the capacity of being a member of the Remuneration Committee. Except for the President and Chief Executive Officer each of the boardmembers received SEK 500,000. In addition SEK 250,000 was paid to the chairman of the audit committee SEK 125,000 to each of the members in the audit commmittee and SEK 75,000 to each of the members in the remuneration committee. Apart from board fee no renumeration was paid to the Board of directors except for the President and Chief Executive Officer.

Terms of employment and remuneration to the CEO

The President and Chief Executive Officer, Leif Johansson, is entitled to a remuneration consisting of a fixed annual salary and a variable salary. The variable salary is based on operating income and cash flow for the Volvo Group up to a maximum of 65% of his fixed annual salary. Leif Johansson also participates in the Volvo Group long-term incentive program and may receive shares to the extent the financial goals for the financial year are being met.

For the financial year 2009, Leif Johansson received a fixed salary of SEK 12,331,683 and a variable salary of SEK 1,002,348. The variable salary corresponded to 8,1% of the fixed annual salary and was pertaining to the fourth quarter of 2009 and the positive cash flow for the Volvo Group. The share-based incentive program was based on financial goals for 2009, as these goals was not met no incentives were paid. Other benefits, mainly pertaining to car and housing, amounted to SEK 583,125 in 2009.

Leif Johansson is covered by the Volvo executive pension plans, Volvo Management Pension (VMP) and Volvo Executive Pension (VEP). The retirement benefit is a defined contribution plan with refund protection. The disability pension is a defined benefit plan. Contributions to VMP and VEP are not tax deductable, the benefit from the insurance is not taxable to the company, but pension paid will be tax deductable. A defined time for retirement does not exist. The pensionable salary consists of the annual salary and the average of the variable salary for the previous five years. The premium for the VMP is SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts and the premium for VEP is 10% of pensionable salary. There are no commitments other than the payment of the premiums. The disability pension consists of 70% of pensionable salary up to 30 income base amounts and 40% of the pensionable salary between 30 and 50 income base amounts. The right to disability pension is conditional to employment and will cease upon termination of duty.

Leif Johansson is also covered by Volvo Företagspension, a defined contribution plan for additional retirement benefit. The premium is negotiated each year, for 2009 the premium amounted to SEK 500 a month.

Pension premiums for the President and CEO amounted to SEK 4,891,488 for 2009.

Leif Johansson has a six-month notice of termination on his own initiative and 12 months notice of termination from AB Volvo. Leif Johansson is not entitled to severance payments.

Remuneration to other senior executives

Fixed and variable salaries

Members of the Group Executive Committee and a number of senior executives receive variable salaries in addition to fixed salaries. Variable salaries are in most cases based on the fulfillment of certain improvement targets or financial targets. The targets are decided by the Board of Directors in AB Volvo and may relate to operating income and/or cash flow. During 2009, a variable salary could amount to a maximum of 50% of the fixed annual salary.

For the financial year 2009, fixed salaries amounted to SEK 59,574,280 and variable salaries amounted to SEK 4,915,952 for members of the Group Executive Committee, excluding the President and CEO. In addition to the CEO and the Group Chief Executive, the Group Executive Committee comprised 17 members at the beginning and at the end of the year. The share-based incentive program was based on 2009 financial goals, as these goals were not met no incentives were paid to the Group Executive Committee. Other benefits, mainly pertaining to car and housing, amounted to SEK 6,685,499 in 2009.

For the financial year 2008, other senior executives received SEK 253,504 related to allotted shares and SEK 123,757 pertaining to cash payments, for the GEC members not residing in Sweden, linked to the share-based incentive program 2008. This allotment, made in 2009, was based on the fulfillment of certain financial goals in 2008.

Severance payments

The employment contracts for members of the Group Executive Committee and certain other senior executives contain rules governing severance payments when the company terminates the employment. The rules provide that, when the company terminates the employment, an employee is entitled to severance pay equal to the employee's monthly salary for a period of 12 or 24 months, depending on age at date of severance.

In agreements concluded after the spring of 1993, severance pay is reduced, in the event the employee gains employment during the severance period, with an amount equal to 75% of the income from the new employment. In agreements concluded after the spring of 2004, severance pay is reduced by the full income from the new employment. Furthermore, age limit at date of notice of termination is removed and with few exceptions, severance pay is entitled for a period of 12 months.

Pensions

Members of the Group Executive Committee and certain other senior executives are offered pensions that are competitive in the country in which the person is or have been domiciled or in the country to which the person is essentially connected.

Previous pension agreements for certain senior executives stipulated that early retirement could be obtained from the age of 60. Agreements for retirement at age 60 are no longer signed, and are instead replaced by a defined-contribution plan without a definite time for retirement. The premium constitutes 10% of the pensionable salary.

Earlier defined-benefit pension plans, which entitled the employee to 50% of the pensionable salary after normal retirement age, have also been replaced by a defined-contribution plan. The pension plan includes employees born before 1979 and is a complement to the collective agreement regarding occupational pension. The premium constitutes of SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts. The pensionable salary consists of the annual salary and the average of the variable salary for the previous five years. Pension premiums amounted to SEK 33,594,037 for other senior executives in 2009.

Total costs for remuneration and benefits to senior executives

Total costs for total remuneration and benefits to the members of the Group Executive Committee (GEC) in 2009 is pertaining to the following: fixed salary SEK 91 million (87); variable salary SEK 8 million (19); other benefits including allotted shares in the share incentive program SEK 14 million (49); employee stock options SEK 0 million (revenue of 6) and pensions SEK 45 million (61). Total costs for members of the GEC include social fees on salaries and benefits, special pension tax and additional costs for other benefits. The remuneration model of the Volvo group is to a main part designed to follow changes in the profitability of the group, why the remuneration to the members of the GEC have declined significantly during 2009 compared to previous years.

Incentive programs

During 2009, Volvo had two types of incentive programs for certain senior executives, one program exercised in 2009 and one program approved at the Annual General Meeting 2009 with a proposed allotment in 2010.

Share-based incentive program

In 2007, the Annual General Meeting approved a share-based incentive program for certain senior executives within the Volvo Group. In February 2008, allotment was made of a value corresponding to 2,443,333 shares and was based on the fulfillment on certain financial goals determined by the Board for the fiscal year 2007. The allotment was made from Volvo´s treasury stock , with 1,333,333 and cash payment corresponding to 1,110,000 shares. The share price at allotment was SEK 90,00. The total cost for Volvo for the shared-based incentive program 2007/2008 amounted to SEK 304 million whereof SEK 249 million during 2007 and SEK 55 million during 2008 and pertains to the costs for payments in shares and in cash.

In 2008, the Annual General Meeting approved a share-based incentive program for certain senior executives within the Volvo Group. Allotment of a value corresponding to 85,557 shares in the program was executed in March 2009 and was based on the fulfillment of certain financial goals determined by the Board for fiscal year 2008. The allotment was made from Volvo's treasury stock, with 45,022, and cash payment corresponding to 40,535 shares. The share price at allotment was SEK 36,20. The total costs for the share-based incentive program 2008/2009 amounted to SEK 6 million, whereof SEK 5 million during 2008 and SEK 1 million in 2009, this covers compensations both in stock and in cash.

The Annual General Meeting in 2009 decided on a similar program for allotment during 2010. The financial targets set as conditions for allotment were not fulfilled and no allotment was therefore made.

The Board of directors decided to not propose an incentive program regarding 2010 for the Annual General Meeting. The Board of directors intend to propose a new and possibly revised program for the Annual General Meeting in 2011.

Outcome of share-based incentive program decided at the Annual General Meeting, shares	2008[1]	2009[2]
President and CEO	1,333	–
Other members of GEC	10,811	–
Other senior executives	73,441	–
Total	**85,585**	**-**

1 Out of a total of 85,585 shares, 45,022 have been alloted, a cash-settlement corresponding to 40,535 shares has been paid at allotment date and 28 shares has matured since personnel included in the program has left the Volvo Group.

2 No allotment has been made under the incentive program decided by the Annual General Meeting 2009.

Employee stock options program

Allotment was made from May 2, 2006 to May 1, 2008, and thereby the employee stock options program was closed in 2008.

Cost for the long-term incentive program

Costs in 2009 for the 2008/2009 share-based incentive program amounted to SEK 1 million (5). The cost for Volvo for the incentive program is for cash and cost for share-based payment including social fees. As of December 31, 2009 debt for the share-based incentive program amounted to SEK 0 millon (5). As the financial goals for the incentive program was not met no allotment will occur for this program.

Notes to consolidated financial statements

Average number of employees	2008 Number of employees	2008 of which women, %	2009 Number of employees	2009 of which women, %
AB Volvo				
Sweden	196	47	190	46
Subsidiaries				
Sweden	28,126	21	23,637	20
Western Europe	27,584	18	25,533	17
Eastern Europe	5,694	20	5,542	21
North America	10,625	19	10,091	18
South America	4,328	13	4,180	14
Asia	17,924	11	16,650	10
Other countries	2,553	13	2,261	17
Group total	**97,030**	**17**	**88,084**	**17**

Board members[1] and other senior executives	2008 Number at year-end	2008 of which women, %	2009 Number at year-end	2009 of which women, %
AB Volvo				
Board members[1]	11	9	12	8
CEO and GEC	18	6	18	6
Volvo Group				
Board members[1]	885	10	880	11
Presidents and other senior executives	1,701	17	1,330	19

1 Excluding deputy Board members.

Wages, salaries and other remunerations, SEK M	2008 Board and Presidents[1]	2008 of which variable salaries	2008 Other employees	2009 Board and Presidents[1]	2009 of which variable salaries	2009 Other employees
AB Volvo						
Sweden	31.0	9.8	195.7	19.0	1.1	140.6
Subsidiaries						
Sweden	78.3	30.7	11,550.3	56.1	5.0	9,662.6
Western Europe	514.3	10.2	10,628.7	432.8	10.7	9,995.8
Eastern Europe	50.1	11.8	1,087.2	110.0	9.6	904.2
North America	163.0	34.4	4,808.9	142.1	14.7	4,974.0
South America	26.5	16.5	974.1	43.5	29.4	1,015.9
Asia	125.3	16.6	4,840.1	93.1	5.6	4,602.9
Other countries	59.3	3.3	614.8	44.6	11.5	625.8
Group total	**1,047.8**	**133.3**	**34,699.8**	**941.2**	**87.6**	**31,921.8**

Wages, salaries and other remunerations and social costs, SEK M	2008 Wages, salaries, remu-nerations	2008 Social costs	2008 of which pens. costs	2009 Wages, salaries, remunerations	2009 Social costs	2009 of which pens. costs
AB Volvo[2]	226.7	107.1	62.1	159.6	139.5	107.5
Subsidiaries	35,520.9	11,632.9	4,487.9	32,703.4	12,746.0	4,593.2
Group total[3]	**35,747.6**	**11,740.0**	**4,550.0**	**32,863.0**	**12,885.5**	**4,700.7**

1 Including current and former Board members, Presidents and Executive Vice Presidents.

2 The Parent Company's pension costs, pertaining to Board members and Presidents are disclosed in Note 21 in the Parent Company.

3 Of the Group's pension costs, 135.1 (170.8) pertain to Board members and Presidents, including current and former Board members, Presidents and Executive Vice Presidents. The Group's outstanding pension obligations to these individuals amount to 267.2 (246.4).

The cost for non-monetary benefits in the Group amounted to 1,300.0 (1,615.0) of which 49.3 (43.9) to Board members and Presidents.

The cost for non-monetary benefits in the Parent company amounted to 9.8 (13.0) of which 1.7 (1.8) to Board members and Presidents.

Note 35 Fees to the auditors

Audit fees	2008	2009
Audit fees to PricewaterhouseCoopers	105	112
Audit fees to other audit firms	2	1
Total	**107**	**113**
Other fees to PricewaterhouseCoopers		
Fees for audit related services	12	8
Fees for tax services	17	14
Total	**29**	**22**
Fees and other remuneration to external auditors total	**136**	**135**

Auditing assignments involve examination of the annual report and financial accounting and the administration by the Board and the President, other tasks related to the duties of a company auditor and consultation or other services that may result from observations noted during such examination or implementation of such other tasks. All other tasks are defined as other assignments.

Note 36 Goals and policies in financial risk management

Apart from derivatives, Volvo's financial instruments consist of bank loans, financial leasing contracts, accounts payable, accounts receivable, shares and participations, as well as cash and short-term investments.

The primary risks deriving from the handling of financial instruments are interest-rate risk, currency risk, liquidity risk and credit risk. All of these risks are handled in accordance with an established financial policy.

Interest-rate risks

Interest-rate risk refers to the risk that changed interest-rate levels will affect consolidated earnings and cash flow (cash-flow risks) or the fair value of financial assets and liabilities (price risks). Matching the interest-fixing terms of financial assets and liabilities reduces the exposure. Interest-rate swaps are used to change/influence the interest-fixing term for the Group's financial assets and liabilities. Currency interest-rate swaps permit borrowing in foreign currencies from different markets without introducing currency risk. Volvo also has standardized interest-rate forward contracts (futures) and FRAs (forward-rate agreements). Most of these contracts are used to hedge interest-rate levels for short-term borrowing or investment.

Cash-flow risks

The effect of changed interest-rate levels on future currency and interest-rate flows refers mainly to the Group's customer financing operations and net financial items. Within the customer finance operations the degree of matching interest-rate fixing on borrowing and lending is measured. The calculation of the matching degree excludes equity, which in the customer finance operations amount to between 8 and 10%. According to the Group's policy, the degree of matching for interest-rate fixing on borrowing and lending in the customer-financing operations must exceed 80%. At year-end 2009, the degree of such matching was 100% (100). A part of the short-term financing of the customer financing operations can however be pertaining to internal loans from the industrial operations, why the matching ratio in the Volvo group then may be slightly lower. At year-end 2009, in addition to the assets in its customer-financing operations, Volvo's interest-bearing assets consisted primarily of cash, cash equivalents and liquid assets invested in short-term interest-bearing securities. The objective is to achieve an interest-fixing term of three months for the liquid assets in Volvo's industrial operations through the use of derivatives. On December 31, 2009, after taking derivatives into account, the average interest on these assets was 1.1% (2.9). After taking derivatives into account, outstanding loans had interest terms corresponding to an interest-rate fixing term of three months and the average interest at year-end amounted to 4.1% (4.1).

Price risks

Exposure to price risks as result of changed interest-rate levels refers to financial assets and liabilities with a longer interest-rate fixing term (fixed interest). A comparison of the reported values and the fair values of all of Volvo's financial assets and liabilities, as well as its derivatives, is provided in note 37, Financial instruments.

Assuming that the market interest rates for all currencies suddenly rose by one percentage point (100 interest-rate points) over the interest-rate level on December 31, 2009, for the next 12-month period, all other variables remaining unchanged, Volvo's net interest income would be negatively impacted by 354 (negatively 88) considering an interest rate fixing term of 3 months. During 2008 the interest rate fixing term was 6 months. Assuming that the market interest rates for all currencies fell in a similar manner by one percentage point (100 interest-rate points), Volvo's net interest income would be positively impacted by a corresponding amount.

The following table shows the effect on income before taxes in Volvo's key financing currencies if the interest-rate level were to increase by one percentage point, (100 interest-rate points) not considering interest rate fixing terms.

SEK M	Effect on income
SEK	197
USD	(153)
EUR	(304)
CAD	(8)
JPY	(111)
KRW	9

The above sensitivity analysis is based on assumptions that rarely occur in reality. It is not unreasonable that market interest rates change with one percentage point (100 interest-rate points) over a 12-month period. However, in reality, market interest rates usually do not rise or fall at one point in time. Moreover, the sensitivity analysis

Notes to consolidated financial statements

also assumes a parallel shift in the yield curve and an identical effect of changed market interest rates on the interest-rates of both assets and liabilities. Consequently, the effect of actual interest-rate changes may deviate from the above analysis. Volvo uses derivatives to hedge currency and interest rate risks.

Currency risks

The content of the reported balance sheet may be affected by changes in different exchange rates. Currency risks in Volvo's operations are related to changes in the value of contracted and expected future payment flows (commercial currency exposure), changes in the value of loans and investments (financial currency exposure) and changes in the value of assets and liabilities in foreign subsidiaries (currency exposure of shareholders' equity). The aim of Volvo's currency-risk management is to minimize, over the short term, negative effects on Volvo's earnings and financial position stemming from exchange-rate changes.

Commercial currency exposure

In order to hedge the value of future payment flows in foreign currencies, Volvo uses forward contracts and currency options. During 2008, 75% of the forecasted net flows for each currency for the coming six months were hedged and 50% for months seven to twelve. Contracted flows after 12 months were normally hedged. As a consequence of the financial turmoil, Volvo gradually shifted focus in 2009 from hedging forecasted flows to only hedge contracted flows. From the fourth quarter 2009, Volvo revised its hedging policy in order to only hedge firm flows, whereof the major part are realised within six months. Also, from the fourth quarter 2009, hedge accounting was not applied for new contracts. For details regarding Hedge accounting, refer to note 37.

The nominal amount of all outstanding forward and option contracts amounted to SEK 17.2 billion (73.8) at December 31, 2009. On the same date, the fair value of these contracts was positive in an amount of SEK 186 million (negative 2,936).

The table below presents the effect a change of the value of the Swedish krona in relation to other currencies would have on the fair value of outstanding contracts. In reality, currencies usually do not change in the same direction at any given time, so the actual effect of exchange-rate changes may differ from the below sensitivity analysis.

Change in value of SEK in relation to all foreign currencies, %	Fair value of outstanding contracts
(10)	(773)
0	186
10	1,145

Financial currency exposure

Loans and investments in the Group's subsidiaries are done mainly through Volvo Treasury in local currencies, which minimizes individual companies' financial currency exposure. Volvo Treasury uses various derivatives, in order to facilitate lending and borrowing in different currencies without increase the company's own risk. The financial net position of the Volvo Group is affected by exchange rate fluctuations, since financial assets and liabilities are distributed among Group companies that conduct their operations in different currencies.

Currency exposure of shareholders' equity

The consolidated value of assets and liabilities in foreign subsidiaries is affected by current exchange rates in conjunction with translation of assets and liabilities to Swedish kronor. To minimize currency exposure of shareholders' capital, the size of shareholders' equity in foreign subsidiaries is continuously optimized with respect to commercial and legal conditions. Currency hedging of shareholders' equity may occur in cases where a foreign subsidiary is considered overcapitalized. Net assets in foreign subsidiaries and associated companies amounted at year-end 2009 to SEK 59.4 billion (66.0). Of this amount, SEK 4.1 billion (4.3) was currency-hedged through loans in foreign currencies. Out of the loans used as hedging instruments SEK 3.1 billion are due in 2010 and the remaining SEK 1.0 billion in 2011. The need to undertake currency hedging relating to investments in associated companies and other companies is assessed on a case-by-case basis.

Credit risks

Volvo's credit granting is steered by Group-wide policies and customer-classification rules. The credit portfolio should contain a sound distribution among different customer categories and industries. The credit risks are managed through active credit monitoring, follow-up routines and, where applicable, product reclamation. Moreover, regular monitoring ensures that the necessary provisions are made for incurred losses on doubtful receivables. In the tables below, ageing analyses are presented of accounts receivables overdue and customer finance receivables overdue in relation to the reserves made. It is not unusual that a receivable is settled a couple of days after due date, which affects the extent of the age interval 1–30 days.

The credit portfolio of Volvo's customer-financing operations amounted at December 31, 2009, to approximately SEK 82 billion (98). The credit risk of this portfolio is distributed over a large number of retail customers and dealers. Collaterals are provided in the form of the financed products. Credit granting aims for a balance between risk exposure and expected yield. The Volvo Group's financial assets are largely managed by Volvo Treasury and invested in the money and capital markets. All investments must meet the requirements of low credit risk and high liquidity. According to Volvo's credit policy, counterparties for investments and derivative transactions should have a rating of A or better from one of the well-established credit rating institutions.

The use of derivatives involves a counterparty risk, in that a potential gain will not be realized if the counterparty fails to fulfill its part of the contract. To reduce the exposure, master netting agreements are signed, wherever possible, with the counterparty in question. Counterparty risk exposure for futures contracts is limited through daily or monthly cash transfers corresponding to the value change of open contracts. The estimated gross exposure to counterparty risk relating to futures, interest-rate swaps and interest-rate forward contracts, options and commodities contracts amounted at December 31, 2009, to 588 (3,798), 3.560 (2,763), 167 (229) and 42 (38).

Credit portfolio – Accounts receivable and Customer financing receivables

Accounts receivable	2008	2009
Accounts receivable gross	32,272	22,638
Valuation allowance for doubtful accounts receivable	(1,749)	(1,301)
Accounts receivable net	**30,523**	**21,337**

For details regarding the accounts receivable and the valuation for doubtful accounts receivable, refer to note 20.

Customer financing receivables	2008	2009
Customer financing receivables gross	99,931	83,490
Valuation allowance for doubtful customer financing receivables	(1,442)	(1,513)
Customer financing receivables net	**98,489**	**81,977**

Change of valuation allowances for doubtful customer financing receivables	2009
Balance sheet, December 31, preceding year	1,442
New valuation allowance charged to income	2,895
Reversal of valuation allowance charged to income	(602)
Utilization of valuation allowance related to actual losses	(2,168)
Translation differences	(54)
Balance sheet, December 31	**1,513**

For details regarding the long-term customer finance receivables and the short-term customer receivables, refer to Note 16 and 19.

Age analysis of portfolio value – Accounts receivable and Customer financing receivables

	2008					2009				
Accounts receivable	not due	1–30	31–90	>90	**Total**	not due	1–30	31–90	>90	**Total**
Accounts receivable gross	27,045	2,008	1,266	1,953	**32,272**	19,705	1,032	616	1,285	**22,638**
Valuation allowance for doubtful accounts receivable	(400)	(63)	(79)	(1,207)	**(1,749)**	(493)	(37)	(46)	(725)	**(1,301)**
Accounts receivable not recognized as impairment losses	**26,645**	**1,945**	**1,187**	**746**	**30,523**	**19,212**	**995**	**570**	**560**	**21,337**

	2008					2009				
Customer financing receivables payments due	not due	1–30	31–90	>90	**Total**	not due	1–30	31–90	>90	**Total**
Overdue amount	–	955	497	387	**1,839**	–	655	560	740	**1,955**
Valuation allowance for doubtful customer financing receivables	(82)	(65)	(149)	(146)	**(442)**	(99)	(111)	(159)	(313)	**(682)**
Customer financing receivables not recognized as impairment losses	**(82)**	**890**	**348**	**241**	**1,397**	**(99)**	**544**	**401**	**427**	**1,273**

The table above presents overdue payments within the customer financing operations in relation to specific reserves. The total contractual amount that the overdue payments are pertaining to are presented in the table below. In order to provide for occured but not yet identified customer financing receivables overdue, there are additional reserves of 831 (1,000). The remaining exposure is secured by liens on the purchased equipment, and, in certain circumstances, other credit enhancements such as personal guarantees, credit insurance, liens on other property owned by the borrower etc.

Collaterals taken in possession that meet the recognition criteria amounted to 1,391 (748) at December 31, 2009.

	2008					2009				
Customer financing receivables total exposure	not due	1–30	31–90	>90	**Total**	not due	1–30	31–90	>90	**Total**
Customer financing receivables	83,618	9,237	4,129	2,947	**99,931**	67,692	7,886	4,511	3,401	**83,490**

Renegotiated financial assets

Financial assets that would otherwise have been overdue whose terms have been renegotiated amount to 8,948 (2,826) and are mainly related to renegotiated customer contracts within the customer finance operations.

Notes to consolidated financial statements

Concentration of credit risk

Customer concentration

The ten largest customers in Customer Finance account for 4.8% (4.7) of the total asset portfolio. The rest of the portfolio is pertinent to a large number of customer. This way the credit risk is spread across both many markets and among many customers.

Concentration by geographical market

The table below shows the concentration of the customer financing portfolio divided into geographical markets.

Geographical market	Percentage of customer financing portfolio
Europe	53.4
North America	26.4
Asia	6.0
Other markets	14.2

Liquidity risks

Volvo assures itself of sound financial preparedness by always keeping a certain percentage of its sales in liquid assets. A sound balance between short- and long-term borrowing, as well as borrowing preparedness in the form of overdraft facilities, are intended to meet long-term financing needs.

The table below shows expected future cash-flows including derivatives related to financial liabilities. Capital flow refers to expected payments of loans and derivatives. Interest flow refers to the future interest payments on loans and derivatives based on interests rates expected by the market. The interest flow is reported within cash flow from operating activities.

See also note 26 for long-term loans maturity analysis and for credit facilities granted but not utilized as well as note 31 for contractual duration analysis of future rental payments of noncancellable finance lease agreements and operating lease agreements.

The table below shows payments for the two business operations of the Volvo Group together, Industrial operations and Customer finance. The credit portfolio within Customer Finance is principally matched in respect of payments from customers and amortization of loans. The future payments in 2010 and 2011 mainly relates to Customer Finance. The maturity structure for the loans within Industrial operations has been advanced during the year with limited amortizations as a consequence during 2010-2011 (approx. SEK 12 billion).

Future cash-flow including derivatives related to financial liabilities	Capital flow	Interest flow
2010	(51,493)	(5,586)
2011	(23,735)	(4,597)
2012	(22,836)	(4,105)
2013	(10,463)	(3,235)
2014	(19,831)	(2,089)
2015	(8,085)	(1,285)
2016–	(20,435)	(1,148)

Note 37 Financial instruments

The financial assets treated within the framework of IAS 39 are classified either as financial assets at fair value through profit and loss, as loans and receivables, as investments held to maturity or as available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit and loss or as financial liabilities valued at amortized cost. For more information about the categories within Financial assets and liabilities refer to note 1.

Information regarding reported and fair values

In the table below, carrying values are compared with fair values of financial instruments.

	December 31, 2008		December 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Financial assets at fair value through profit and loss				
The Volvo Group's outstanding currency risk contracts – commercial exposure	2,280	2,280	467	467
The Volvo Group's outstanding raw materials contracts	38	38	42	42
The Volvo Group's outstanding interest risk contracts – financial exposure	4,510	4,510	3,848	3,848
Marketable securities	5,902	5,902	16,676	16,676
	12,730	12,730	21,033	21,033
Loans receivable and other receivables				
Accounts receivable	30,523	–	21,337	–
Customer financing receivables[3]	98,489	–	81,977	–
Loans to external parties and other interest-bearing receivables	384	–	349	–
Conduit loans and other interest-bearing loans	10	–	131	–
	129,406	–	103,794	–
Financial assets available for sale				
Shares and participations for which:				
a market value can be calculated[1]	661	661	707	707
a market value can not be calculated[2]	1,292	–	1,337	–
	1,953	661	2,044	707
Cash and cash equivalents	17,712	17,712	21,234	21,234
Liabilities				
Financial liabilities at fair value through profit and loss				
The Volvo Group's outstanding currency risk contracts – commercial exposure	5,216	5,216	281	281
The Volvo Group's outstanding raw materials contract	93	93	58	58
The Volvo Group's outstanding interest risk contracts – financial exposure	2,978	2,978	3,285	3,285
	8,287	8,287	3,624	3,624
Financial liabilities valued at amortized cost				
Long term bond loans and other loans	82,948	84,712	105,427	112,733
Short term bank loans and other loans	62,027	62,148	51,448	51,943
	144,975	146,860	156,875	164,676
Trade Payables	51,025	–	35,955	–

1 Refers to Volvo's ownership in Deutz AG valued at market value and UD Trucks' holdings in listed shares.

2 Unlisted shares, for which a reliable fair value can not be determined, are reported at acquisition value. No single block of shares represent a significant amount.

3 Volvo does not estimate the risk premium for the customer finance receivables and chooses therefore not to disclose fair value for this category.

Notes to consolidated financial statements

Financial assets and liabilities measured at Fair value

	December 31, 2008				December 31, 2009			
Assets	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value through profit and loss								
Currency risk contracts – commercial exposure	–	2,280	–	**2,280**	–	467	–	**467**
Raw materials contracts	–	38	–	**38**	–	42	–	**42**
Interest risk contracts – financial exposure	–	4,510	–	**4,510**	–	3,848	–	**3,848**
Marketable securities	–	5,902	–	**5,902**	–	16,676	–	**16,676**
Available for sale financial assets								
Shares and participations for which: a market value can be calculated	661	–	–	**661**	707	–	–	**707**
Total	**661**	**12,730**	**-**	**13,391**	**707**	**21,033**	**-**	**21,740**
Liabilities								
Financial liabilities at fair value through profit and loss								
Currency risk contracts – commercial exposure	–	5,216	–	**5,216**	–	281	–	**281**
Raw materials contracts	–	93	–	**93**	–	58	–	**58**
Interest risk contracts – financial exposure	–	2,978	–	**2,978**	–	3,285	–	**3,285**
Total	**-**	**8,287**	**-**	**8,287**	**-**	**3,624**	**-**	**3,624**

The levels in the table above reflect the significance of the inputs used in making the measurements. Financial instruments in level 1 are valued based on unadjusted quoted market prices for identical assets or liabilities. Level 2 instruments are valued based on inputs, other than quoted prices within level 1, that are observable either directly (as prices) or indirectly (derived from prices). Level 3 instruments would be valued based on unobservable inputs i.e. using a valuation technique based on assumptions. Volvo has no financial instruments classified as level 3 instruments.

Derecognition of financial assets
Financial assets that have been transferred in such a way that part or all of the financial assets do not qualify for derecognition, are included in reported assets of the Volvo Group. In accordance with IAS 39 Financial Instruments, Recognition and Measurement, an evaluation is made whether substantially all the risks and rewards have been transferred to an external party. When Volvo has concluded that it is not the case, the part of the financial assets that reflect Volvo's continuous involvement are being recognized. On December 31, 2009, Volvo recognizes SEK 2.2 (3.9) billion corresponding to Volvo's continuous involvement, mostly within the customer financing operations. Of this balance, SEK 2.1 (3.8) billion derives from credit guarantees for customer finance receivables that Nissan Diesel has entered into. A corresponding amount is reported as a financial liability.

Gains, losses, interest income and expenses related to financial instruments

The table below shows how gains and losses as well as interest income and expense have affected income after financial items in the Volvo Group divided on the different categories of financial instruments.

	2008			2009		
	Gains/ Losses	Interest income	Interest expenses	Gains/ Losses	Interest income	Interest expenses
Financial assets and liabilities at fair value through profit and loss[1]						
Marketable securities	864	0	0	248	0	0
Derivatives for financial exposure	(924)	0	0	(1,272)	0	0
Loans receivable and other receivables	0	11	0	0	10	0
Financial assets available for sale						
Shares and participations for which a market value can be calculated	42	–	–	11	–	–
Shares and participations for which a market value can not be calculated	60	–	–	19	–	–
Cash and cash equivalents	0	362	0	0	299	0
Financial liabilities valued at amortized cost	(1)	0	(5,083)	0	0	(5,259)
Effect on income	41	373	(5,083)	(994)	309	(5,259)

1 Accrued and realized interest is included in gains and losses related to Financial assets and liabilities at fair value through profit and loss.

Net effect of foreign exchange gains and losses

Foreign exchange gains and losses pertaining to financial instruments have affected income after financial items in the Volvo Group according to the table below:

	2008	2009
Derivative instruments	(812)	(1,131)
Cash and cash equivalents	(421)	471
Loans originated by the company and Financial liabilities value at amortized cost – Volvo internal	12,373	(5,268)
Loans originated by the company and Financial liabilities value at amortized cost – External	(11,041)	5,755
Effect on income	**99**	**(173)**

Various categories of financial instruments are treated separately in specific notes. See note 15 for Shares and participations, notes 16 and 19 for Customer-financing receivables, note 20 for Other short-term receivables, note 21 for Marketable securities, note 22 for Cash and cash equivalents, note 26 for Non-current liabilities and note 27 for Current liabilities.

Notes to consolidated financial statements

Below is a presentation of derivative instruments and options.

Outstanding derivative instruments for dealing with currency and interest-rate risks related to financial assets and liabilities

	Dec 31, 2008		Dec 31, 2009	
	Notional amount	Carrying value	Notional amount	Carrying value
Interest-rate swaps				
– receivable position	47,441	2,752	64,162	3,560
– payable position	85,980	(2,038)	100,460	(2,948)
Forwards and futures				
– receivable position	19,443	11	0	0
– payable position	17,740	(32)	30,274	(3)
Foreign exchange derivative contracts				
– receivable position	32,671	1,608	16,165	172
– payable position	30,022	(766)	15,424	(214)
Options purchased				
– receivable position	1,675	139	1,985	116
– payable position	428	(26)	353	(3)
Options written				
– receivable position	42	0	13	0
– payable position	1,147	(116)	2,572	(117)
Total		**1,532**		**563**

Outstanding forward contracts and options contracts for hedging of currency risk and interest risk of commercial receivables and liabilities

	Dec 31, 2008		Dec 31, 2009	
	Notional amount	Carrying value	Notional amount	Carrying value
Foreign exchange derivative contracts				
– receivable position	25,712	2,190	9,307	416
– payable position	41,773	(4,710)	5,448	(281)
Options purchased				
– receivable position	3,142	90	1,222	51
– payable position	–	–	–	–
Options written				
– receivable position	–	–	–	–
– payable position	3,214	(506)	1,193	–
Subtotal		**(2,936)**		**186**
Raw materials derivative contracts				
– receivable position	85	38	367	42
– payable position	443	(93)	106	(58)
Total		**(2,991)**		**170**

Hedge accounting

Cash-flow hedging

Derivative financial instruments used for hedging of forecasted and contracted commercial cash-flows and electricity consumption have, in accordance with IAS 39, been reported at fair value in the balance sheet. When hedge accounting is applied on the financial instruments the fair value is debited or credited to a separate component of equity to the extent the requirements for cash-flow hedge accounting are fulfilled. Accumulated changes in the value of the hedging instruments are reported in the income statement of the same time as the underlying hedged transaction affects the Group results.

The table in note 23, Shareholders' equity shows how the currency risk reserve has changed during the year.

To the extent that the requirements for hedge accounting are not met, any changes in value attributable to derivatives are immediately charged to the income statement.

Volvo tests all cash-flow hedges for effectiveness when they are entered into. Hedging is considered to be effective when the projected future cash flow's currency fluctuation and maturity date coincide with those of the hedging instrument. The hedging relationship is regularly tested up until its maturity date. If the identified relationships are no longer deemed effective, the currency fluctuations on the hedging instrument from the last period the instrument was considered effective are reported in the Group's income statement. For 2009, Volvo reported 36 (positive 22) as a loss related to the ineffectiveness of cash-flow hedging.

From the fourth quarter in 2009 hedge accounting is not applied on new financial instruments used for hedging commercial flows. However for the major part of the earlier initiated financial instruments hedge accounting is continuously applied until expiration of these contracts. For the remaining part of earlier initiated contracts the currency risk reserve is frozen.

When hedge accounting is not applied, unrealized gains and losses from fluctuations in the fair values of the financial instruments are reported in the income statement in the segment Group headquarter functions and other. This has negativley affected the Group's operating income by 27 in 2009. When the derivative financial instrument have been realized the income effect is reported within the respective segments.

The hedged amount of projected future flows for all periods are within the framework of Volvo's currency policy. Volvo has revised its hedging policy from the fourth quarter in 2009 in order to only hedge firm flows going forward, whereof the major part are realized within six months.

Hedging of forecasted electricity is considered to be effective when predetermined factors that affect electricity prices are in agreement with forecasts of future electricity consumption and designated derivative instruments. The hedging relationship is regularly tested up until its maturity date. If the identified relationships are no longer deemed effective, the currency fluctuations on the hedging instrument from the last period the instrument was considered effective are reported in the Group's income statement. For 2009, Volvo reported 4 (1) related to the ineffectiveness of the hedging of forecasted electricity consumption.

Hedging of currency and interest rate risks on loans

Volvo has chosen to apply hedge accounting for a loan of 1 billion euro borrowed in the second quarter 2007. Fair value of the outstanding hedge instrument amounts to 1,159 (1,088). The carrying value of the loan related to hedge accounting amounts to a negative 970 (neg 882). The changes in the fair value of the outstanding hedge instruments and the changes in the carrying value of the loan are reported in the income statement.

Volvo has not applied hedge accounting for financial instruments used to hedge interest and currency risks on loans before. Changes in market value on the instruments used for hedging of risk in financial assets and liabilities for which hedge accounting has not been applied are reported in net financial income and expense, see note 11. Going forward, in applicable cases when the requirements for hedge accounting are considered to be fulfilled, Volvo will consider to apply hedge accounting for this kind of instruments.

Hedging of net investments in foreign operations

Volvo applies hedge accounting for certain net investments in foreign operations. Current earnings from such hedging shall be accounted for in a separate item within shareholders' equity. A total of negative 314 (neg 473) in shareholders' equity relating to hedging of net investments in foreign operations was reported in 2009.

The Volvo Group's outstanding forward contracts and options contracts for hedging of commercial currency risks

		Currencies				Other currencies	Fair value
Million		USD	GBP	EUR	JPY	Net SEK	
Due date 2010	amount	500	39	102	(1,275)	1,473	
Due date 2011	amount	(9)	(6)	2	–	84	
Due date 2012	amount	(5)	–		–		
Total		**486**	**33**	**104**	**(1,275)**	**1,557**	
Average contract rate		7.84	12.52	10.30	0.08		
Fair value of outstanding forward contracts		**233**	**31**	**3**	**(3)**	**(78)**	**186**

The heged amount of projected future flows for all periods are within the framework of Volvo's currency policy.

Parent Company AB Volvo

Corporate registration number 556012-5790.

Amounts in SEK M unless otherwise specified. Amounts within parentheses refer to preceding year.

Board of Directors' report

AB Volvo is Parent Company of the Volvo Group and its operations comprise the Group's head office with staff together with some corporate functions.

Income from investments in Group companies includes dividends amounting to 10,275 (15,356) and Group contributions and transfer price adjustments, net of neg 16,859 (neg 1,521). Dividends were received from Volvo Holding Sverige AB, 6,000, Volvo Korea Holding AB, 2,000 and from Volvo Aero AB, 1,000.

The carrying value of shares and participations in Group companies amounted to 57,062 (46,122), of which 56,536 (45,596) pertained to shares in wholly owned subsidiaries. The corresponding shareholders' equity in the subsidiaries (including equity in untaxed reserves but excluding minority interests) amounted to 91,944 (92,009).

In 2009 shareholders' contributions were made to Volvo Treasury AB, 10 billion, Volvo Information Technology AB, 500 and Volvo China Investment Co Ltd, 355.

Other shares and participations include the direct and indirect ownership in Volvo Eicher Commercial Vehicles (VECV) for total amount of 1,845. In the consolidated accounts of the Volvo group, VECV is reported as a joint venture and consolidated according proportional method. The indirect ownership is an effect of the acquisition of 8.1% of Eicher Motors Limited, which is the other venturer of VECV. These shares are not separately valued as they form a part of the indirect ownership in VECV.

Shares and participations in non-Group companies included 206 (199) in associated companies that are reported in accordance with the equity method in the consolidated accounts. The portion of shareholders' equity in associated companies accruing to AB Volvo totaled 300 (303). Shares and participations in non-Group companies include listed shares in Deutz AG with a carrying value of 286, corresponding to the quoted market price at year-end. In 2009 revaluation of the ownership has increased the value by 74, recognized in equity and included in Other comprehensive income in the income statement.

Financial net debt amounted to 18,922 (11,510).

AB Volvo's risk capital (shareholders' equity plus untaxed reserves) amounted to 31,357 corresponding to 45% of total assets. The comparable figure at year-end 2008 was 65%.

Income statements

SEK M		2008	**2009**
Net sales		790	**698**
Cost of sales		(790)	**(698)**
Gross income		0	**0**
Administrative expenses	Note 2	(524)	**(485)**
Other operating income and expenses	Note 3	(126)	**(13)**
Income from investments in Group companies	Note 4	15,494	**(6,584)**
Income from investments in associated companies	Note 5	(59)	**4**
Income from other investments	Note 6	30	**2**
Operating income		14,815	**(7,076)**
Interest income and similar credits	Note 7	2	**1**
Interest expenses and similar charges	Note 7	(845)	**(393)**
Other financial income and expenses	Note 8	97	**(8)**
Income after financial items		14,069	**(7,476)**
Allocations	Note 9	2,530	**700**
Income taxes	Note 10	226	**4,537**
Income for the period		16,825	**(2,239)**

Other comprehensive income		
Income for the period	16,825	**(2,239)**
Available-for-sale investments	(324)	**74**
Other comprehensive income, net of income taxes	(324)	**74**
Total comprehensive income for the period	16,501	**(2,165)**

Balance sheets

SEK M			December 31, 2008		**December 31, 2009**
Assets					
Non-current assets					
Intangible assets	Note 11		110		**96**
Tangible assets	Note 11		16		**16**
Financial assets					
Shares and participations in Group companies	Note 12	46,122		**57,062**	
Other shares and participations	Note 12	2,280		**2,363**	
Deferred tax assets	Note 10	234		**4,712**	
Other long-term receivables		11	48,647	**0**	**64,137**
Total non-current assets			48,773		**64,249**
Current assets					
Short-term receivables from Group companies			9,561		**4,707**
Current tax receivables			364		**0**
Other short-term receivables	Note 13		222		**247**
Cash and bank accounts			0		**0**
Total current assets			10,147		**4,954**
Total assets			58,920		**69,203**
Shareholders' equity and liabilities					
Shareholders' equity					
Restricted equity					
Share capital (2,128,420,220 shares, quota value SEK 1:20)		2,554		**2,554**	
Statutory reserve		7,337	9,891	**7,337**	**9,891**
Unrestricted equity					
Non-restricted reserves		135		**211**	
Retained earnings		10,718		**23,490**	
Income for the period		16,825	27,678	**(2,239)**	**21,462**
Total shareholders' equity			37,569		**31,353**
Untaxed reserves	Note 14		704		**4**
Provisions					
Provisions for pensions	Note 15	178		**136**	
Other provisions		0	178	**0**	**136**
Non-current liabilities	Note 16				
Liabilities to Group companies			7		**7**
Current liabilities					
Trade payables		80		**94**	
Other liabilities to Group companies		20,166		**37,370**	
Other current liabilities	Note 17	216	20,462	**239**	**37,703**
Total shareholders' equity and liabilities			58,920		**69,203**
Assets pledged			–		**-**
Contingent liabilities	Note 18		253,489		**254,299**

Changes in Shareholders' equity

SEK M	Restricted equity: Share capital	Restricted equity: Statutory reserve	Unrestricted equity: Share premium reserve	Unrestricted equity: Fair value reserve	Unrestricted equity: Retained earnings	Unrestricted equity: Total	Total share-holders' equity
Balance at December 31, 2007	**2,554**	**7,337**	**88**	**271**	**21,895**	**22,254**	**32,145**
Income for the period	–	–	–	–	16,825	16,825	16,825
Other comprehensive income							
Available-for-sale investments:							
Gain/loss at valuation to fair value	–	–	–	(324)	–	(324)	(324)
Other comprehensive income	–	–	–	(324)	–	(324)	(324)
Total income for the period	**–**	**–**	**–**	**(324)**	**16,825**	**16,501**	**16,501**
Transactions with shareholders							
Cash dividend	–	–	–	–	(11,150)	(11,150)	(11,150)
Share-based payments	–	–	100	–	(27)	73	73
Transactions with shareholders	–	–	100	–	(11,177)	(11,077)	(11,077)
Balance at December 31, 2008	**2,554**	**7,337**	**188**	**(53)**	**27,543**	**27,678**	**37,569**
Income for the period	-	–	–	–	(2,239)	(2,239)	(2,239)
Other comprehensive income							
Available-for-sale investments:							
Gain/loss at valuation to fair value	–	–	–	74	–	74	74
Other comprehensive income	–	–	–	74	–	74	74
Total income for the period	**–**	**–**	**–**	**74**	**(2,239)**	**(2,165)**	**(2,165)**
Transactions with shareholders							
Cash dividend	–	–	–	–	(4,055)	(4,055)	(4,055)
Share-based payments	–	–	2	–	2	4	4
Transactions with shareholders	–	–	2	–	(4,053)	(4,051)	(4,051)
Balance at December 31, 2009	**2,554**	**7,337**	**190**	**21**	**21,251**	**21,462**	**31,353**

Further information regarding the share capital of the Parent company is shown in Note 23 to the consolidated financial statements.

Cash-flow statements

SEK M			2008		**2009**
Operating activities					
Operating income			14,815		**(7,076)**
Depreciation and amortization			7		**14**
Other adjustments of operating income	Note 19		5,191		**15,361**
Changes in working capital:					
(Increase)/decrease in receivables			(11)		**(48)**
Increase/(decrease) in liabilities and provisions			(47)		**(27)**
Interest and similar items received			116		**45**
Interest and similar items paid			(960)		**(431)**
Other financial items			97		**(8)**
Income taxes paid/received			367		**423**
Cash-flow from operating activities			19,575		**8,253**
Investing activities					
Investments in fixed assets		(116)		**0**	
Shares and participations in Group companies, net	Note 19	2,391		**(11,091)**	
Shares and participations in non-Group companies, net	Note 19	(1,892)		**(1)**	
Interest-bearing receivables including marketable securities, net	Note 19	13	396	**-**	**(11,092)**
Cash-flow after net investments			19,971		**(2,839)**
Financing activities					
Increase/(decrease) in loans	Note 19	(8,831)		**6,894**	
Cash payment to AB Volvo shareholders		(11,150)	(19,981)	**(4,055)**	**2,839**
Change in liquid funds			(10)		**0**
Liquid funds, January 1			10		**0**
Liquid funds, December 31			0		**0**

Liquid funds

Liquid funds include cash and bank balances and deposits at Volvo Treasury.

Notes and comments

General information

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to preceding year.

Intra-Group transactions
Of the Parent Company's net sales, 578 (707) pertained to Group companies while purchases from Group companies amounted to 357 (406).

Fees to external auditors
Fees and other remunerations paid to PricewaterhouseCoopers for the fiscal year 2009 totaled 19 (23), of which 18 (16) for auditing and 1 (7) relating to non-audit services.

Note 1 Accounting principles

The accounting principles applied by Volvo are described in note 1 to the consolidated financial statements.

The Parent Company also applies RFR 2.2 including the exception in the application of IAS 39 which concerns accounting and valuation of financial contracts of guarantee in favour of subsidiaries and associated companies. The Parent Company decided to early adopt the amended RFR 2.2 regarding presentation of comprehensive income applied as of 2010, from January 1, 2009.

The share-based incentive programs adopted at the Annual General Meeting as from 2004 are covered by IFRS 2 Share-based payments.

The Volvo Group has adopted IAS 19 Employee Benefits in its financial reporting. The parent company is still applying the principles of FAR SRS's Recommendation No. 4 "Accounting of pension liabilities and pension costs" as in previous years. Consequently there are differences between the Volvo Group and the Parent Company in the accounting for defined-benefit pension plans as well as in valuation of plan assets invested in the Volvo Pension Foundation.

The difference between depreciation according to plan and tax depreciation is reported as accumulated additional depreciation, which is included in untaxed reserves. In the consolidated balance sheet a split is made between deferred tax liability and equity.

Reporting of Group contributions is in accordance with UFR 2, a statement issued by the Swedish Financial Reporting Board. Group contributions are reported among Income from investments in Group companies.

Note 2 Administrative expenses

Administrative expenses include depreciation of 14 (7) of which 0 (0) pertain to machinery and equipment, 0 (1) to buildings and 14 (6) to other intangible assets.

Note 3 Other operating income and expenses

Other operating income and expenses include profit-sharing payments to employees in the amount of 1 (0).

Note 4 Income from investments in Group companies

Of the income reported, 10,275 (15,356) pertain to dividends from Group companies. Of the dividends, 6,000 (12,935) pertain to dividend from Volvo Holding Sverige AB, 2,000 (–), from Volvo Korea Holding AB and 1,000 (–) from Volvo Aero AB. In 2008, the shares in Volvo Group Finance Europe BV (VGFE) were written down by 1,003.

Transfer price adjustments and Group contributions total a net of neg 16,859 (1,521). In 2008, the liquidation of VGFE resulted in a gain of 2,662.

Note 5 Income from investments in associated companies

Income from associated companies that are reported in the Group accounts in accordance with the equity method amounted to 4 (neg 59). The participations in Blue Chip Jet I HB and Blue Chip Jet II HB have effected the income with neg 4 (neg 1) and 8 (neg 58) respectively.

Note 6 Income from other investments

Dividend was received from Eicher Motors Ltd in the amount of 2. In 2008, dividend of 30 was received from Deutz AG.

Note 7 Interest income and expenses

Interest income and similar credits amounting to 1 (2) included interest in the amount of 0 (1) from subsidiaries, and interest expenses and similar charges totalling 393 (845) included interest of 386 (837) to subsidiaries.

Note 8 Other financial income and expenses

Other financial income and expenses include guarantee commissions from subsidiaries, financial income pertaining to changed taxable income previous years, exchange rate differences on loans, costs for confirmed credit facilities as well as costs of having Volvo shares registered.

Note 9 Allocations

	2008	2009
Allocation to additional depreciation	0	0
Tax allocation reserve	2,530	700
Total	**2,530**	**700**

Notes and comments

Note 10 Income taxes

	2008	2009
Current taxes	191	59
Deferred taxes	35	4,478
Total income taxes	**226**	**4,537**

Current taxes relate to prior periods.

Claims as a consequence of tax audit carried out previously for which provisions are not deemed necessary amount to 249 (184). The amount is included in contingent liabilities.

Deferred taxes relate to estimated tax on the change in tax-loss carryforwards and temporary differences. Deferred tax assets are reported to the extent that it is probable that the amount can be utilized against future taxable income.

Deferred taxes related to change in tax-loss carryforwards amount to 4.472 (78) and to changes in other temporary differences to 6 (–43).

The table below shows the principal reasons for the difference between the corporate income tax 26,3% (28) and the tax for the period.

	2008	2009
Income before taxes	16,599	(6,776)
Income tax according to applicable tax rate	(4,648)	1,782
Capital gains/losses	746	0
Non-taxable dividends	4,308	2,703
Non-taxable revaluations of shareholdings	(281)	(1)
Other non-deductible expenses	(83)	(23)
Other non-taxable income	8	17
Adjustment of current taxes for prior periods	191	59
Recognition and derecognition of deferred tax assets due to change in tax rate	(15)	–
Income taxes for the period	**226**	**4,537**

Specification of deferred tax assets	2008	2009
Tax-loss carryforwards	78	4,550
Valuation allowance for doubtful receivables	1	1
Provision for post-employment benefits	155	161
Deferred tax assets	**234**	**4,712**

Note 11 Intangible and tangible assets

Acquisition cost	Value in balance sheet 2008	Value in balance sheet 2009
Rights	52	52
Other intangible assets	116	116
Total intangible assets	**168**	**168**
Buildings	6	6
Land and land improvements	3	3
Machinery and equipment	45	45
Total tangible assets	**54**	**54**

Accumulated depreciation	Value in balance sheet 2008[1]	Depreciation[2]	Value in balance sheet 2009	Net carrying value in balance sheet 2009[3]
Rights	52	–	52	0
Other intangible assets	6	14	20	96
Total intangible assets	**58**	**14**	**72**	**96**
Buildings	2	0	2	4
Land and land improvements	0	0	0	3
Machinery and equipment	36	0	36	9
Total tangible assets	**38**	**0**	**38**	**16**

The assessed value of buildings was 3 (3) and of land 3 (2). Capital expenditures in intangible and tangible assets amounted to – (116) and 0 (0) respectively. In 2008, capital expenditures in intangible assets related to a competition clause included in the agreement with Eicher Motors Limited. Capital expenditures approved but not yet implemented at year-end 2009 amounted to – (2).

1 Including accumulated write-downs.
2 Including write-downs.
3 Acquisition value, less accumulated depreciation, amortization and write-downs.

Note 12 Investments in shares and participations

Holdings of shares and participations are specified in AB Volvo's holding of shares. Changes in holdings of shares and participations are shown below.

	Group companies		Non-Group companies	
	2008	2009	2008	2009
Balance December 31, previous year	47,011	46,122	772	2,280
Acquisitions/New issue of shares	2,660	85	1,891	2
Divestments	(3,225)	–	–	–
Shareholder contributions	679	10,855	–	1
Write-downs/Participations in partnerships	(1,003)	–	(59)	6
Revaluation of shares in listed companies	–	–	(324)	74
Balance, December 31	**46,122**	**57,062**	**2,280**	**2,363**

Shares and participations in Group companies

During 2009, AB Volvo acquired all shares in Volvo Logistics AB from Fortos Ventures AB with the amount of 85.

Shareholders' contributions were made, during the year, to Volvo Treasury AB, SEK 10 billion, Volvo Information Technology AB, 500 and Volvo China Investment Co Ltd, 355.

In 2008 the shares in Volvo Korea Holding AB, with a book value of SEK 2,655, were transferred from Volvo Group Finance Europe BV (VGFE) to AB Volvo. The shares in VGFE were written down completely with 1,003 whereupon the company has been liquidated.

During the year, newly issued shares in Volvo Bussar AB was acquired with the amount of 5.

As of January 31, 2008, AB Volvo divested the shares in the subsidiary Mack Trucks Inc to Volvo Holding USA AB for 3,225 corresponding to book value. Volvo Holding USA AB is a wholly-owned subsidiary in the Volvo group.

Shareholders' contributions were made in 2008 with 529 to Volvo Italia Spa and with 150 to Volvo Powertrain AB.

Shares and participations in non-Group companies

The book value of the participations in the partnerships Blue Chip Jet I HB and Blue Chip Jet II HB increased during the year by a net of 8.

AB Volvo acquired half of Skandia's participation in Blue Chip Jet I HB (5%) with the amount of 2. Write-down was then made by 2. AB Volvo's participation in Blue Chip Jet I HB is 45% after the acquisition.

A capital contribution of 43 was given to Blue Chip Jet II HB in 2008.

The revaluation of AB Volvo's ownership in the listed company Deutz AG has increased the value by 74 (neg. 324), recognized in equity.

Other shares and participations include the direct and indirect holdings of VE Commercial Vehicles (VECV) for total amount of 1,845. In the consolidated accounts of the Volvo group, VECV is reported as a joint venture and consolidated according to the proportionate method. The indirect ownership is an effect of the acquisition of 8.1% of Eicher Motors Limited, which is the other venturer of VECV. These shares are not separately valued as they form a part of the indirect ownership VECV.

Notes and comments

Note 13 Other short-term receivables

	2008	2009
Accounts receivable	35	35
Prepaid expenses and accrued income	162	199
Other receivables	25	13
Total	**222**	**247**

The valuation allowance for doubtful receivables amounted to 15 (5) at the end of the year.

Note 14 Untaxed reserves

The composition of, and changes in, untaxed reserves	Value in balance sheet 2008	Allocations 2009	Value in balance sheet 2009
Tax allocation reserve	700	(700)	–
Accumulated additional depreciation			
Land	3	–	3
Machinery and equipment	1	0	1
Total	**704**	**(700)**	**4**

Note 15 Provisions for pensions

Provisions for pensions and similar benefits correspond to the actuarially calculated value of obligations not insured with third parties or secured through transfers of funds to pension foundations. The amount of pensions falling due within one year is included. AB Volvo has insured the pension obligations with third parties. Of the amount reported, 0 (41) pertains to contractual obligations within the framework of the PRI (Pension Registration Institute) system.

The Volvo Pension Foundation was formed in 1996. Plan assets amounting to 224 were contributed to the foundation at its formation, corresponding to the value of the pension obligations at that time. Since its formation, net contributions of 25 have been made to the foundation.

AB Volvo's pension costs amounted to 55 (95).

The accumulated benefit obligation of all AB Volvo's pension obligations at year-end 2009 amounted to 601, which has been secured in part through provisions in the balance sheet and through transfer of funds to pension foundations. Net asset value in the Pension Foundation, marked to market, accrued to AB Volvo was 14 higher than the corresponding pension obligations.

Note 16 Non-current liabilities

Non-current debt matures as follows:	
2015 or later	7
Total	**7**

Note 17 Other current liabilities

	2008	2009
Wages, salaries and withholding taxes	62	102
Other liabilities	2	4
Accrued expenses and prepaid income	152	133
Total	**216**	**239**

No collateral is provided for current liabilities.

Note 18 Contingent liabilities

Of the contingent liabilities amounting to 254,299 (253,489), 254,041 (253,186) pertained to Group companies.

Guarantees for various credit programs are included in amounts corresponding to the credit limits. These guarantees amount to 247,010 (246,646), of which guarantees on behalf of Group companies totaled 247,010 (246,536).

At the end of each year, the utilized portion amounted to 130,961 (126,880), including 130,872 (126,762) pertaining to Group companies.

Note 19 Cash-flow

Other adjustments of operating income	2008	2009
Revaluation of shareholdings	1,061	(4)
Gain/loss on sale of shares	(2,661)	–
Group contributions and transfer price adjustments, current year	(1,351)	14,016
Payments of previous year's Group contributions and transfer price adjustments	8,061	1,351
Other	81	(2)
Total	**5,191**	**15,361**

Further information is provided in notes 4, 5 and 6.

Shares and participations in Group companies, net		
Investments	(841)	(11,091)
Disposals	3,232	–
Net investments in shares and participations in Group companies	**2,391**	**(11,091)**

Investments and sales of shares in Group companies are shown in note 12.

Shares and participations in non-Group companies, net	2008	2009
Investments	(1,892)	(1)
Net investments in shares and participations in non-Group companies	**(1,892)**	**(1)**

Investments and sales of shares in non-Group companies are presented in note 12.

Interest-bearing receivables including marketable securities, net		
Amortization received	13	–
Change in interest-bearing receivables, net	**13**	**-**

Increase /decrease in loans		
New loans	2	6,894
Amortization	(8,833)	–
Change in loans, net	**(8,831)**	**6,894**

Notes and comments

Note 20 Financial risks and instruments

Volvo's accounting policies for financial instruments are described in note 1, note 36 and note 37 to the consolidated financial statements. Hedging transactions in AB Volvo are carried out through Volvo Treasury AB. The Parent Company has used interest-rate swaps to hedge financial liabilities of Group companies. The swaps matured during 2009.

Outstanding derivative instruments for hedging of financial currency risks and interest rate risks related to financial assets and liabilities

	December 31, 2008			December 31, 2009		
	Notional amount	Carrying value	Fair value	Notional amount	Carrying value	Fair value
Interest-rate swaps						
– payable position	1,551	(1)	(1)	–	–	–

Note 21 Personnel

Wages, salaries and other remunerations amounted to 160 (227). Social costs amounted to 87 (140) of which pension costs, 55 (95). Of the pension costs 8 (32) pertained to Board members and Presidents. The Company's outstanding pension obligations to these individuals amounted to – (1).

The number of employees at year-end was 190 (196). Information on the average number of employees, wages, salaries and other remunerations including option programs as well as Board members and senior executives by gender is shown in note 34 to the consolidated financial statements.

Absence due to illness	2008	2009
Total absence due to illness in percentage of regular working hours	1.5	1.2
of which, continuous sick leave for 60 days or more, %	33.5	21.4
Absence due to illness in percentage of regular working hours		
Men, %	0.9	0.7
Women, %	2.1	1.8
29 years or younger, %	0.7	0.2
30–49 years, %	1.7	1.2
50 years or older, %	1.3	1.3

AB Volvo's holding of shares

AB Volvo's holding of shares and participations in non-Group companies[1]	Registration number	Percentage holding[2]	Dec 31, 2008 Carrying value, SEK M	Dec 31, 2009 Carrying value, SEK M
Deutz AG, Germany	–	7	212	286
Blue Chip Jet II HB, Sweden	969717-2105	50	198	206
Other investments			25	26
Total carrying value, non-Group companies			**435**	**518**

1 AB Volvo's holdings of shares and participations include the direct and indirect holdings of VE Commercial Vehicles (VECV). AB Volvo's direct holdings in VECV amount to SEK 1,845 M. In the consolidated accounts of the Volvo group, VECV is reported as a joint venture, consolidated according to the proportionate method, and accordingly included in the table for group companies below.
2 Percentage figures refer to share capital as well as voting rights.

AB Volvo's holding of shares and participations in major Group companies	Registration number	Percentage holding	Dec 31, 2008 Carrying value, SEK M	Dec 31, 2009 Carrying value, SEK M
Volvo Lastvagnar AB, Sweden	556013-9700	100	8,678	8,678
Volvo Truck Center Sweden AB, Sweden	556072-7777	100	–	–
Volvo Finland AB, Finland	–	100	–	–
Volvo Group Belgium NV, Belgium	–	100	–	–
Volvo Group UK Ltd, Great Britain	–	100	–	–
Volvo Otomotiv Turk Ltd STI, Turkey	–	100	–	–
Volvo India Ltd, India	–	100	–	–
Volvo Holding Sverige AB, Sweden	556539-9853	100	7,634	7,634
Volvo Logistics AB, Sweden	556197-9732	100	–	–
BRS Ltd, Great Britain	–	100	–	–
Volvo Construction Equipment North America, Canada	–	100	–	–
Volvo Polska Sp. O.O., Poland	–	100	–	–
Volvo (Southern Africa) Pty Ltd, South Africa	–	100	–	–
Volvo do Brasil Veiculos Ltda, Brazil	–	100	–	–
Banco Volvo (Brasil) SA, Brazil	–	100	–	–
Volvo Group Canada Inc., Canada	–	100	–	–
Prévost Car Inc, Canada	–	100	–	–
Volvo Group Australia Pty Ltd, Australia	–	100	–	–
Volvo Holding France SA, France	–	100	–	–
Volvo Trucks France s.a.s., France	–	100	–	–
Volvo Compact Equipment s.a.s., France	–	100	–	–
Volvo CE Europe s.a.s., France	–	100	–	–
VFS Finance France s.a.s., France	–	100	–	–
VFS Location France s.a.s., France	–	100	–	–

Notes and comments

AB Volvo's holding of shares and participations in major Group companies (cont.)	Registration number	Percentage holding	Dec 31, 2008 Carrying value, SEK M	Dec 31, 2009 Carrying value, SEK M
Renault Trucks s.a.s., France	–	100	–	–
Renault Trucks Deutschland GmbH, Germany	–	100	–	–
Renault Trucks Polska SP Z OO, Poland	–	100	–	–
Renault Trucks, España, Spain	–	100	–	–
Renault Trucks Italia Spa, Italy	–	100	–	–
UD Trucks Corporation, Japan	–	100	3,493	3,493
DRD Co., Ltd, Japan	–	100	–	–
UD Trucks Japan Co, Japan	–	100	–	–
Nissan Diesel South Africa (Pty) Ltd., South Africa	–	80	–	–
Volvo Bussar AB, Sweden	556197-3826	100	1,882	1,882
Volvo Construction Equipment NV, The Netherlands	–	100	2,582	2,582
Volvo Construction Equipment AB, Sweden	556021-9338	100	–	–
Volvo Maskin AS, Norway	–	100	–	–
Volvo Construction Equipment Europe Ltd, Great Britain	–	100	–	–
Volvo Construction Equipment Europe GmbH, Germany	–	100	–	–
ABG Algemeinen Baumaschinen GmbH, Germany	–	100	–	–
AB Volvo Penta, Sweden	556034-1330	100	421	421
Volvo Aero AB, Sweden	556029-0347	100	2,885	2,885
Volvo Aero Norge AS, Norway	–	78	–	–
VNA Holding Inc., USA	–	100	2,491	2,491
Volvo Group North America Inc, USA	–	100	–	
Arrow Truck Sales, Inc., USA	–	100	–	–
Mack Trucks Inc, USA	–	100	–	–
Volvo Construction Equipment North America Inc., USA	–	100	–	–
Volvo Penta of The Americas Inc., USA	–	100	–	–
Volvo Aero Services LP, USA	–	100	–	–
Volvo Commercial Finance LLC The Americas, USA	–	100	–	–
VFS US LLC, USA	–	100	–	–
VFS Leasing Co., USA	–	100	–	–

AB Volvo's holding of shares and participations in major Group companies (cont.)	Registration number	Percentage holding	Dec 31, 2008 Carrying value, SEK M	Dec 31, 2009 Carrying value, SEK M
Volvo Financial Services AB, Sweden	556000-5406	100	1,720	1,720
VFS International AB, Sweden	556316-6064	100	–	–
VFS Nordic AB, Sweden	556579-1778	100	–	–
VFS Financial Services BV, The Netherlands	–	100	–	–
VFS Financial Services Belgium NV, Belgium	–	100	–	–
VFS Financial Services (UK) Ltd, Great Britain	–	100	–	–
VFS Deutschland GmbH, Germany	–	100	–	–
VFS Financial Services Spain EFC, SA Spain	–	100	–	–
Volvo Finance (Suisse) SA, Switzerland	–	100	–	–
VFS Vostok, Russia	–	100	–	–
VFS Romania, Romania	–	100	–	–
VFS Canada Inc, Canada	–	100	–	–
VE Commercial Vehicles, Ltd, India[1,6]	–	50	–	–
NA Co Ltd, Japan	–	100	2,886	2,886
Volvo Treasury AB, Sweden	556135-4449	100	3,044	13,044
Sotrof AB, Sweden	556519-4494	100	1,388	1,388
Volvo Group Real Estate AB, Sweden	556006-8313	100	–	–
Volvo Korea Holding AB, Sweden	556531-8572	100	2,655	2,655
Volvo Group Korea Co Ltd, South Korea	–	100	–	–
Volvo China Investment Co Ltd, China	–	100	523	879
Shanghai Sunwin Bus Co, China[1]	–	50	–	–
XIAN Silver Bus Co, China[1]	–	50	–	–
Shandong Lingong Construction Machinery, China	–	85	–	–
Volvo Automotive Finance (China) Ltd, China	–	100	491	491
Volvo Group UK Ltd, Great Britain[2]	–	100	413	413
Volvo Holding Mexico, Mexico	–	100	388	388
Volvo Technology Transfer AB, Sweden	556542-4370	100	361	361
Volvo Powertrain AB, Sweden	556000-0753	100	498	498
Volvo Information Technology AB, Sweden	556103-2698	100	163	663
Volvo Parts AB, Sweden	556365-9746	100	200	200
Volvo Group Insurance Försäkrings AB, Sweden	516401-8037	100	182	182
Volvo Business Services AB, Sweden	556029-5197	100	107	107
Volvo Danmark Holding AS, Denmark	–	100	104	104
VFS Servizi Financiari Spa, Italy[3]	–	100	79	79
Kommersiella Fordon Europa AB, Sweden	556049-3388	100	89	89
Volvo Norge AS, Norway	–	100	56	56
Volvo Malaysia Sdn, Malaysia	–	100	48	48
ZAO Volvo Vostok, Russia[4]	–	100	34	34
Volvo Italia Spa, Italy	–	100	556	556
Volvo Logistics AB, Sweden	556197-9732	100	–	85
Rossareds Fastighets AB, Sweden	556009-1190	100	26	26
Alviva AB, Sweden	556622-8820	100	24	25
Volvo East Asia (Pte) Ltd, Singapore	–	100	9	9
Volvo Automotive Holding BV, The Netherlands	–	100	3	3
Volvo Information Technology GB Ltd, Great Britain	–	100	3	3
Other holdings			6	6
Total carrying value Group companies[5]			**46,122**	**57,062**

1 Joint venture, reported in accordance with the proportionate consolidation method in Volvo's consolidated accounts.
2 Total holding by VTC Holding and AB Volvo is 100%.
3 Total holding by Volvo Italia and AB Volvo is 100%.
4 Total holding by AB Volvo and Volvo Trucks Region Central Europe is 100%.
5 AB Volvo's share of shareholders' equity in subsidiaries (including equity in untaxed reserves) was 91,944 (92,009).
6 AB Volvo's holdings of shares and participations include the direct and indirect holdings of VE Commercial Vehicles (VECV). AB Volvo's direct holdings in VECV amount to SEK 1,845 M. In the consolidated accounts of the Volvo group, VECV is reported as a joint venture, consolidated according to the proportionate method, and accordingly included in the table for group companies above.

Proposed remuneration policy

Proposal by the Board of Directors of AB Volvo to be adopted by the Annual General Meeting April 14, 2010

This Policy concerns the remuneration and other terms of employment for the Group Executive Committee of the Volvo Group. The members of the Group Executive Committee, including the President and any possible Executive Vice President, are in the following referred to as the "Executives".

This Policy will be valid for employment agreements entered into after the approval of the Policy by the Annual General Meeting and for changes made to existing employment agreements thereafter.

1. Guiding principles for remuneration and other terms of employment

The guiding principle is that the remuneration and the other terms of employment for the Executives shall be competitive in order to ensure that the Volvo Group can attract and retain competent Executives.

The annual report 2009 sets out details on the total remuneration and benefits awarded to the Executives during 2009.

2. The principles for fixed salaries

The Executive's fixed salary shall be competitive and based on the individual Executive's responsibilities and performance.

3. The principal terms of variable salary and incentive schemes, including the relation between fixed and variable components of the remuneration and the linkage between performance and remuneration

The Executives may receive variable salaries in addition to fixed salaries. The variable salary may, as regards the President, amount to a maximum of 65% of the fixed annual salary and, as regards the other Executives, a maximum of 50% of the fixed annual salary.

The variable salary may be based on i.a. the performance of the entire Volvo Group or the performance of the Business Area or Business Unit where the Executive is employed. The performance will be related to the fulfilment of various improvement targets or the attainment of certain financial objectives. Such targets will be set by the Board and may relate to i.a. operating income or cash flow.

The Board shall before each Annual General Meeting evaluate whether a share or share-price related incentive program shall be proposed to the Annual General Meeting or not. The Annual General Meeting decides upon such programs. The Board of Directors has decided not to propose to the Annual General Meeting 2010 to resolve on any share-based incentive program relating to the financial year 2010.

The Executives are also participating in Volvo's Profit Sharing Program (VPS), which applies to the majority of the Volvo Group's employees and which can give a maximum individual result of SEK 8,500 per year, provided AB Volvo's return on equity (ROE) amounts to 20% or more. Results under VPS are principally placed in Volvo shares and they can be disposed of on the individual level after three years, at the earliest.

4. The principal terms of non-monetary benefits, pension, notice of termination and severance pay

4.1 Non-monetary benefits

The Executives will be entitled to customary non-monetary benefits such as company cars and company health care. In addition thereto in individual cases company housing and other benefits may also be offered.

4.2 Pension

In addition to pension benefits which the Executives are entitled to according to law and collective bargaining agreements, Executives resident in Sweden may be offered defined-contribution plans with annual premiums amounting to SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts. In the defined-contribution plan, the pension earned will correspond to the sum of paid-in premiums and possible return without any guaranteed level of pension received by the employee. In the defined-contribution plan, no definite retirement date is set.

Some of the Executives have earlier been entitled to defined-benefit pension plans, but the majority of the Executives have re-negotiated these to the new system of defined-contribution plans. In connection therewith, agreements have in some cases been reached on individual adjusting premiums in accordance with actuarial calculations.

Previous pension agreements for certain Executives stipulated that early retirement could be obtained from the age of 60. Such agreements are no longer signed and the majority of the Executives that earlier were entitled to such defined-benefits pension plans have agreed to exchange these for defined-contribution plans without any defined point of time for retirement. The premium amounts to 10% of the pensionable salary plus individual adjusting premiums based on actuarial calculations in some cases.

Executives resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden may be offered pension benefits that are competitive in the country where the Executives are or have been resident or to which the Executives have a material connection, preferably defined-contribution plans.

4.3 Notice of termination and severance pay

For Executives resident in Sweden, the termination period from the Company will be 12 months and 6 months from the Executive. In addition thereto, the Executive, provided that termination has been made by the Company, will be entitled to 12 months severance pay.

Executives resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden may be offered notice periods for termination and severance payment that are competitive in the country where the Executives are or have been resident or to which the Executives have a material connection, preferably solutions comparable to the solutions applied to Executives resident in Sweden.

5. The Board's preparation and decision-making on issues concerning remuneration and other terms of employment for the Group Executive Committee

The Remuneration Committee is responsible for (i) preparing the Board's decisions on issues concerning principles for remuneration, remunerations and other terms of employment for Executives, (ii) monitoring and evaluating programs for variable remuneration, both ongoing and those that have ended during the year, for Executives, (iii) monitoring and evaluating the application of this Policy, and (iv) monitoring and evaluating current remuneration structures and levels in the Company.

The Remuneration Committee prepares and the Board decides on (i) terms of employment and remuneration of the President and the Executive Vice President, if any, and (ii) principles for remuneration (incl. pension and severance pay) for the Group Executive Committee. The Remuneration Committee shall approve proposals on remuneration of the members of the Group Executive Committee.

The Remuneration Committee is further responsible for the review and recommendation to the Board of share and share-price related incentive programs to be decided upon by the Annual General Meeting.

6. Deviations from this Policy

The Board of Directors may deviate from this Policy, except as regards section 3, third paragraph, if there are specific reasons to do so in an individual case.

7. Information on earlier decisions on remuneration that has not become due for payment at the time of the Annual General Meeting's consideration of this Policy

The decisions already taken on remuneration to the Executives that has not become due for payment at the time of the Annual General Meeting 2010 fall within the frames of this Policy, except that some of the Executives have a right to receive 24 months severance pay provided they are above 50 years of age.

The policy concerning remuneration and other terms of employment for the Group Executive Committee decided at the Annual General Meting 2009 is provided in note 34 Personnel.

Proposed disposition of unappropriated earnings

AB Volvo	SEK
Retained earnings	23,701,326,280.26
Income for the period 2009	(2,239,039,142.76)
Total retained earnings	**21,462,287,137.50**

The Board of Directors and the President propose that the above sum be disposed of as follows:

	SEK
To be carried forward	21,462,287,137.50

The Board of Directors and the President certify that the annual financial report has been prepared in accordance with generally accepted accounting principles and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and give a true and fair view of the position and profit or loss of the Company and the Group, and that the management report for the Company and for the Group gives a fair review of the development and 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, February 26, 2010

Louis Schweitzer
Board Chairman

Peter Bijur
Board member

Jean-Baptiste Duzan
Board member

Leif Johansson
President, CEO 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

Our audit report was issued on February 26, 2010

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Lead Partner

Olov Karlsson
Authorized Public Accountant
Partner

Audit report for AB Volvo

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Volvo for the year 2009. The company's annual accounts and the consolidated accounts are included in the printed version on pages 20–55 and 66–129. Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Göteborg, February 26, 2010

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Lead Partner

Olov Karlsson
Authorized Public Accountant
Partner

Eleven-year summary

The eleven-year summary presents each year in accordance with General Accepted Accounting Practice for that year. Earlier years are not restated when new accounting standards are applied. The years 1999–2003 are accounted for in accordance with Swedish GAAP for the respective year. As from 2004 the reporting is based on IFRS. The transition to IFRS is described in note 3 in the Annual Reports 2005 and 2006. As from January 1, 2007, the benefits from the synergies created in the business units are transferred back to the product areas. Also, as from January 1, 2007, the responsibility for the Group's treasury operations and real estate has been transferred from Financial services, which, as from January 1, 2007, only are consolidated in accordance with the purchase method. Comparison figures for 2006 have been recalculated.

Consolidated income statements

SEK M	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net sales	**125,019**	**130,070**	**189,280**	**186,198**	**183,291**	**211,076**	**240,559**	**258,835**	**285,405**	**303,667**	**218,361**
Cost of sales	(99,501)	(104,548)	(155,592)	(151,569)	(146,879)	(164,170)	(186,662)	(199,054)	(219,600)	(237,578)	(186,167)
Gross income	**25,518**	**25,522**	**33,688**	**34,629**	**36,412**	**46,906**	**53,897**	**59,781**	**65,805**	**66,089**	**32,194**
Research and development expenses	(4,525)	(4,876)	(5,391)	(5,869)	(6,829)	(7,614)	(7,557)	(8,354)	(11,059)	(14,348)	(13,193)
Selling expenses	(8,865)	(10,140)	(15,766)	(16,604)	(16,866)	(19,369)	(20,778)	(21,213)	(26,068)	(27,129)	(25,334)
Administrative expenses	(4,791)	(4,974)	(6,709)	(5,658)	(5,467)	(5,483)	(6,301)	(6,551)	(7,133)	(6,940)	(5,863)
Other operating income and expenses	(611)	622	(4,096)	(4,152)	(1,367)	(618)	(588)	(3,466)	163	(1,915)	(4,798)
Income (loss) from investments in associated companies	567	444	50	182	200	27	(557)	61	430	25	(14)
Income from other investments	170	70	1,410	309	(3,579)	830	37	141	93	69	(6)
Income from divestment of subsidiaries	26,695	–	–	–	–	–	–	–	–	–	–
Restructuring costs	–	–	(3,862)	–	–	–	–	–	–	–	–
Operating income (loss)	**34,158**	**6,668**	**(676)**	**2,837**	**2,504**	**14,679**	**18,153**	**20,399**	**22,231**	**15,851**	**(17,013)**
Interest income and similar credits	1,812	1,588	1,275	1,217	1,096	821	654	666	952	1,171	390
Interest expenses and similar charges	(1,505)	(1,845)	(2,274)	(1,840)	(1,888)	(1,254)	(972)	(585)	(1,122)	(1,935)	(3,559)
Other financial income and expenses	131	(165)	(191)	(201)	(55)	(1,210)	181	(181)	(504)	(1,077)	(392)
Income (loss) after financial items	**34,596**	**6,246**	**(1,866)**	**2,013**	**1,657**	**13,036**	**18,016**	**20,299**	**21,557**	**14,010**	**(20,573)**
Income taxes	(2,270)	(1,510)	326	(590)	(1,334)	(3,129)	(4,908)	(3,981)	(6,529)	(3,994)	5,889
Income (loss) for the period	**32,326**	**4,736**	**(1,540)**	**1,423**	**323**	**9,907**	**13,108**	**16,318**	**15,028**	**10,016**	**(14,685)**
Attributable to											
Equity holders of the parent company	32,222	4,709	(1,467)	1,393	298	9,867	13,054	16,268	14,932	9,942	(14,718)
Minority interest	104	27	(73)	30	25	40	54	50	96	74	33
	32,326	**4,736**	**(1,540)**	**1,423**	**323**	**9,907**	**13,108**	**16,318**	**15,028**	**10,016**	**(14,685)**

Consolidated income statements Industrial operations

SEK M	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net sales	**116,382**	**120,392**	**180,615**	**177,080**	**174,768**	**202,171**	**231,191**	**249,020**	**276,795**	**294,932**	**208,487**
Cost of sales	(92,772)	(97,131)	(149,477)	(145,453)	(141,256)	(158,453)	(180,823)	(192,400)	(214,160)	(232,247)	(179,578)
Gross income	**23,610**	**23,261**	**31,138**	**31,627**	**33,512**	**43,718**	**50,368**	**56,620**	**62,635**	**62,685**	**28,909**
Research and development expenses	(4,525)	(4,876)	(5,391)	(5,869)	(6,829)	(7,614)	(7,557)	(8,354)	(11,059)	(14,348)	(13,193)
Selling expenses	(8,117)	(9,285)	(14,663)	(15,393)	(15,891)	(18,317)	(19,616)	(19,999)	(24,671)	(25,597)	(23,752)
Administrative expenses	(4,632)	(4,651)	(6,474)	(5,464)	(5,259)	(5,310)	(6,147)	(6,481)	(7,092)	(6,921)	(5,838)
Other operating income and expenses	(587)	309	(3,071)	(2,989)	(540)	7	(397)	(3,275)	249	(1,457)	(2,432)
Income from Financial Services	1,066	1,499	325	490	926	1,365	2,033	–	–	–	–
Income (loss) from investments in associated companies	478	341	(86)	126	166	2	(568)	61	428	23	(15)
Income from other investments	170	70	1,408	309	(3,581)	828	37	141	93	69	(13)
Income from divestment of subsidiaries	26,695	–	–	–	–	–	–	–	–	–	–
Restructuring costs	–	–	(3,862)	–	–	–	–	–	–	–	–
Operating income (loss)	**34,158**	**6,668**	**(676)**	**2,837**	**2,504**	**14,679**	**18,153**	**18,713**	**20,583**	**14,454**	**(16,333)**

Eleven-year summary

Consolidated balance sheets

SEK M	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Intangible assets	6,618	6,925	17,525	17,045	16,756	17,612	20,421	19,117	36,508	43,958	41,628
Property, plant and equipment	19,788	22,231	33,234	30,799	30,640	31,151	35,068	34,379	47,210	57,270	55,280
Assets under operating leases	12,337	14,216	27,101	23,525	21,201	19,534	20,839	20,501	22,502	25,429	20,388
Shares and participations	29,213	30,481	27,798	27,492	22,206	2,003	751	6,890	2,219	1,953	2,044
Inventories	21,438	23,551	31,075	28,305	26,459	28,598	33,937	34,211	43,645	55,045	37,727
Customer-financing receivables	34,313	41,791	48,784	46,998	46,002	51,193	64,466	64,742	78,847	98,489	81,977
Interest-bearing receivables	18,617	19,228	8,079	5,490	6,632	3,384	1,897	4,116	4,530	5,101	3,044
Other receivables	24,019	26,352	39,946	33,990	32,621	35,747	42,881	42,567	55,152	61,560	50,575
Non-current assets held for sale	–	–	–	–	–	–	–	805	–	–	1,692
Liquid funds	29,269	15,968	27,383	25,578	28,735	34,746	36,947	31,099	31,034	23,614	37,910
Assets	**195,612**	**200,743**	**260,925**	**239,222**	**231,252**	**223,968**	**257,207**	**258,427**	**321,647**	**372,419**	**332,265**
Shareholders' equity[1]	98,236	88,931	85,576	78,525	72,636	70,155	78,760	87,188	82,781	84,640	67,034
Provision for post-employment benefits	2,130	2,632	14,647	16,236	15,288	14,703	11,986	8,692	9,774	11,705	8,051
Other provisions	14,832	14,941	18,427	16,721	15,048	14,993	18,556	20,970	27,084	29,076	19,485
Interest-bearing liabilities	53,345	66,233	81,568	72,437	74,092	61,807	74,885	66,957	108,318	145,727	156,852
Liabilities associated with assets held for sale	–	–	–	–	–	–	–	280	–	–	272
Other liabilities	27,069	28,006	60,707	55,303	54,188	62,310	73,020	74,340	93,690	101,271	80,571
Shareholders' equity and liabilities	**195,612**	**200,743**	**260,925**	**239,222**	**231,252**	**223,968**	**257,207**	**258,427**	**321,647**	**372,419**	**332,265**
[1] of which minority interests	544	593	391	247	216	229	260	284	579	630	629
Assets pledged	3,930	2,990	3,737	3,610	3,809	3,046	3,255	1,960	1,556	1,380	958
Contingent liabilities	6,666	6,789	10,441	9,334	9,611	9,189	7,850	7,726	8,153	9,427	9,607

Consolidated balance sheets, Industrial operations

SEK M	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Intangible assets	6,518	6,781	17,366	16,919	16,662	17,570	20,348	19,054	36,441	43,909	41,532
Property, plant and equipment	17,318	19,652	30,370	27,789	27,248	27,260	31,330	30,493	47,132	57,185	55,208
Assets under operating leases	1,611	4,245	15,020	11,155	8,976	8,477	10,260	11,822	13,850	16,967	13,539
Shares and participations	35,296	37,366	35,145	34,750	30,022	10,116	10,357	16,565	2,189	1,935	2,025
Inventories	21,053	22,998	30,557	27,564	25,848	28,291	33,583	33,893	43,264	54,084	35,765
Customer-financing receivables	9	15	114	99	118	230	1,377	1,193	1,233	975	1,367
Interest-bearing receivables	18,617	19,286	12,426	8,495	9,413	12,127	7,691	13,214	13,701	6,056	8,010
Other receivables	21,075	24,882	38,815	34,256	33,079	36,535	43,992	43,335	55,970	60,586	49,008
Non-current assets held for sale	–	–	–	–	–	–	–	805	–	–	1,692
Liquid funds	24,465	10,958	24,874	24,154	28,102	34,628	36,047	29,907	30,026	22,575	37,404
Assets	**145,962**	**146,183**	**204,687**	**185,181**	**179,468**	**175,234**	**194,985**	**200,281**	**243,806**	**264,272**	**245,550**
Shareholders' equity	98,236	88,931	85,576	78,525	72,636	70,155	78,760	87,188	75,129	75,046	58,485
Provision for post-employment benefits	2,118	2,619	14,632	16,218	15,264	14,677	11,966	8,661	9,746	11,677	8,021
Other provisions	9,861	8,277	14,085	13,893	12,792	14,115	17,164	19,385	25,372	27,015	17,456
Interest-bearing liabilities	12,206	18,233	29,710	22,494	24,677	13,968	13,097	9,779	38,286	46,749	78,890
Liabilities associated with assets held for sale	–	–	–	–	–	–	–	280	–	–	272
Other liabilities	23,541	28,123	60,684	54,051	54,099	62,319	73,998	74,988	95,273	103,785	82,426
Shareholders' equity and liabilities	**145,962**	**146,183**	**204,687**	**185,181**	**179,468**	**175,234**	**194,985**	**200,281**	**243,806**	**264,272**	**245,550**

Eleven-year summary

Consolidated cash-flow statements

SEK bn	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating income[1]	7.5	6.7	(0.7)	2.8	2.5	14.7	18.2	20.4	22.2	15.9	(17.0)
Depreciation and amortization	5.2	6.3	10.0	10.8	10.2	10.0	9.9	12.4	12.5	13.5	15.2
Other items not affecting cash	(0.3)	(0.4)	0.5	2.0	4.9	(0.1)	0.4	0.7	(0.5)	(0.2)	4.4
Change in working capital	(1.0)	(3.3)	6.4	1.0	0.4	(1.4)	(4.7)	(7.7)	(9.9)	(23.3)	16.9
Customer financing receivables, net	(7.1)	(4.5)	(3.7)	(5.7)	(4.3)	(7.4)	(7.8)	–	–	–	–
Financial items and income tax	(1.7)	(1.3)	(2.1)	(1.3)	(0.9)	(0.5)	(2.0)	(4.3)	(5.9)	(5.2)	(4.6)
Cash-flow from operating activities	**2.6**	**3.5**	**10.4**	**9.6**	**12.8**	**15.3**	**14.0**	**21.5**	**18.4**	**0.7**	**14.9**
Investments in fixed assets	(4.9)	(5.4)	(8.1)	(6.7)	(6.0)	(7.4)	(10.3)	(10.0)	(10.1)	(12.7)	(10.5)
Investments in leasing assets	(5.6)	(5.7)	(5.8)	(5.2)	(5.3)	(4.4)	(4.5)	(4.6)	(4.8)	(5.4)	(4.2)
Disposals of fixed assets and leasing assets	1.6	2.1	2.6	3.2	2.9	2.4	2.6	3.2	2.9	2.9	3.8
Shares and participations, net	(25.9)	(1.6)	3.9	(0.1)	(0.1)	15.1	0.3	(5.8)	0.4	0.0	0.0
Acquired and divested subsidiaries and other business units, net	31.0	0.0	13.0	(0.2)	0.0	(0.1)	0.7	0.5	(15.0)	(1.3)	0.2
Interest-bearing receivables including marketable securities	(16.9)	11.7	(3.7)	(1.5)	(2.0)	(6.4)	(1.3)	7.7	3.6	10.9	(8.9)
Cash-flow after net investments	**(18.1)**	**4.6**	**12.3**	**(0.9)**	**2.3**	**14.5**	**1.5**	**12.5**	**(4.6)**	**(4.9)**	**(4.7)**
Increase (decrease) in loans	16.3	8.1	6.2	(0.1)	1.9	(8.8)	3.6	(2.6)	28.7	18.2	12.6
Repurchase of own shares	–	(11.8)	(8.3)	–	–	(2.5)	(1.8)	–	–	–	0.0
Cash dividend/payment to AB Volvo's shareholders	(2.6)	(3.1)	(3.4)	(3.4)	(3.4)	(3.4)	(5.1)	(6.8)	(20.3)	(11.1)	(4.1)
Other	(0.1)	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	(0.1)
Change in cash and cash equivalents excluding translation differences	**(4.5)**	**(2.2)**	**6.9**	**(4.3)**	**0.9**	**(0.2)**	**(1.8)**	**3.1**	**3.8**	**2.2**	**3.7**
Translation differences on cash and cash equivalents	(0.2)	0.3	0.6	(0.7)	(0.6)	(0.2)	1.1	(0.5)	0.0	1.0	(0.2)
Change in cash and cash equivalents	**(4.7)**	**(1.9)**	**7.5**	**(5.0)**	**0.3**	**(0.4)**	**(0.7)**	**2.6**	**3.8**	**3.2**	**3.5**

1 1999, excluding gain on sale of Volvo Cars of SEK 26.7 billion.

Operating cash-flow Industrial operations

SEK bn	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating income	6.4	5.2	(1.0)	2.3	1.6	13.3	16.1	18.7	20.6	14.5	(16.3)
Depreciation and amortization	3.1	3.8	7.0	7.8	7.2	7.1	7.3	9.8	10.3	11.8	12.4
Other items not affecting cash	(0.5)	(1.6)	0.0	1.0	4.1	(0.6)	0.2	0.2	(0.4)	(0.7)	2.3
Change in working capital	(1.6)	(3.0)	6.8	0.4	0.7	(1.4)	(5.6)	(3.1)	(0.1)	(10.9)	4.7
Financial items and income taxes	(1.7)	(0.8)	(2.3)	(1.1)	(0.7)	(0.2)	(1.9)	(3.7)	(6.0)	(5.0)	(4.7)
Cash flow from operating activities	**5.7**	**3.6**	**10.5**	**10.4**	**12.9**	**18.2**	**16.1**	**21.9**	**24.4**	**9.7**	**(1.6)**
Investments in fixed assets	(4.7)	(5.1)	(7.7)	(6.3)	(5.8)	(7.2)	(9.9)	(9.7)	(10.1)	(12.6)	(10.3)
Investments in leasing assets	(0.5)	(0.6)	(0.5)	(0.1)	(0.1)	(0.3)	(0.3)	(0.5)	(0.2)	(0.4)	(0.2)
Disposals of fixed assets and leasing assets	0.8	0.7	1.1	1.1	0.6	0.7	0.9	0.9	1.1	0.6	0.7
Operating cash-flow	**1.3**	**(1.4)**	**3.4**	**5.1**	**7.6**	**11.4**	**6.8**	**12.6**	**15.2**	**(2.7)**	**(11.4)**

Exports from Sweden

SEK M	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Volvo Group, total	52,719	46,251	50,394	52,730	49,300	62,653	71,133	80,517	88,606	96,571	41,829

Key ratios

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gross margin, %[1]	20.3	19.3	17.2	17.9	19.2	21.6	21.8	22.7	22.6	21.3	13.9
Research and development expenses as percentage of net sales[1]	3.9	4.1	3.0	3.3	3.9	3.8	3.3	3.4	4.0	4.9	6.3
Selling expenses as percentage of net sales[1]	7.0	7.7	8.1	8.7	9.1	9.1	8.5	8.0	8.9	8.7	11.4
Administration expenses as percentage of net sales[1]	4.0	3.9	3.6	3.1	3.0	2.6	2.7	2.6	2.6	2.3	2.8
Return on shareholders' equity, %	34.9	5.0	neg	1.7	0.4	13.9	17.8	19.6	18.1	12.1	(19.7)
Interest coverage, times[1]	23.1	4.5	neg	2.2	1.9	11.0	16.7	26.1	20.7	8.8	(4.7)
Self-financing ratio, %	29	39	92	110	152	163	116	189	153	5	137
Self-financing ratio Industrial operations, %	130	72	148	196	243	268	173	235	265	78	(16)
Financial position, Industrial operations, SEK M	28,758	9,392	(7,042)	(6,063)	(2,426)	18,110	18,675	23,076	(4,305)	(29,795)	(41,489)
Net financial position as percentage of shareholders' equity , Industrial operations	29.3	10.6	(8.2)	(7.7)	(3.3)	25.8	23.7	29.2	(5.7)	(39.7)	(70.9)
Shareholders' equity as percentage of total assets	50.2	44.3	32.8	32.8	31.4	31.3	30.6	33.7	25.7	22.7	20.2
Shareholders' equity as percentage of total assets, Industrial operations	67.3	60.8	41.8	42.4	40.5	40.0	40.4	40.6	30.8	28.4	23.8
Shareholders' equity excluding minority interest as percentage of total assets	49.9	44.0	32.6	32.7	31.3	31.2	30.5	33.6	25.6	22.6	20.0

1 Pertains to the Industrial operations. For periods up to and including 2006, Financial Services is included and consolidated according to the equity method.

Eleven-year summary

Volvo share statistics

Data per share (adjusted for issues and splits)[1]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Basic earnings, SEK[1]	14.60	2.24	(0.70)	0.66	0.14	4.72	6.44	8.03	7.37	4.90	(7.26)
Cash dividend, SEK	1.40	1.60	1.60	1.60	1.60	2.50	3.35	10.00[9]	5.50	2.00	0[10]
Share price at year-end, SEK (B share)	44	31.3	35.2	28.4	44	52.7	74.9	90.70	108.50	42.90	61.45
Direct return, % (B share) [2]	3.2	5.1	4.5	5.6	10.5[8]	4.7	4.5	11.0	5.1	4.7	–
Effective return, % (B share)[3]	22	(23)	17.6	(14.8)	71.2	25.5	48.5	39.8	25.7	(59)	43
Price/earnings ratio (B share)[4]	3	14	neg	43	310	11.2	11.6	11.3	14.7	8.8	neg
EBIT multiple[5]	10	10	25	23	14	9.2	9.3	10.3	9.7	3.6	neg
Payout ratio, %[6]	10	71	neg	242	1,143	53	52	62	75	41	–
Shareholders' equity, SEK[7]	44.2	44.4	40.6	37.4	34.6	34	38.8	43	41	41	33
Return on shareholders' equity	34.9	5.0	neg	1.7	0.4	13.9	17.8	19.6	18.1	12.1	neg

Other share data	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of shareholders at year-end	238,000	230,000	214,000	211,000	208,500	202,300	195,442	183,735	197,519	220,192	233,311
Number of Series A shares outstanding at year-end, million	138.6	124.7	131.7	131.7	131.7	131.5	131.4	131.4	657	657	657
Number of Series B shares outstanding at year-end, million	302.9	272.6	287.8	287.8	287.8	278.6	273.1	273.4	1,369	1,371	1,371
Average number of outstanding shares, million	441.5	421.7	422.4	419.4	419.4	418.5	405.2	404.7	2,025	2,027	2,027
Number of Series A shares traded in Stockholm during the year, million	27.0	42.4	40.3	27.3	31.4	42.0	39.3	56.4	172.3	308	147.0
Number of Series B shares traded in Stockholm during the year, million	479.6	391.2	344.4	349.4	404.8	498.0	518.7	617.0	2,712.4	3,130.0	2,713.9
Number of shares traded in ADR, NASDAQ during the year, million	54.9	16.0	15.0	11.0	10.4	24.0	19.8	14.1	113.5	–	–

1 Basic earnings per share is calculated as income for the period divided by average number of shares outstanding. Reporting according to IFRS from 2004.
2 Proposed dividend in SEK per share divided by share price at year-end.
3 Share price at year-end, including proposed dividend during the year, divided by share price at beginning of the year, (2006 includes a share split 6:1 in which the sixth share was redeemed by AB Volvo for an amount of SEK 5.00 per share).
4 Share price at year-end divided by basic earnings per share.
5 Market value at year-end minus net financial position and minority interests divided by operating income excluding restructuring costs and revaluation of shares.
6 Cash dividend divided by basic earnings per share.
7 Shareholders' equity for shareholders in AB Volvo divided by number of shares outstanding at year-end.
8 Including distribution of shares in Ainax equal to SEK 3.01 (share-split adjusted) per Volvo share in 2004.
9 Including extra payment of SEK 5 through redemption of shares.
10 Proposed by the Board of Directors.

The largest shareholders in AB Volvo, December 31, 2009[1]

	Number of shares	% of total votes	Share capital, %
Renault s.a.s.	441,520,885	21.8	21.3
Industrivärden	70,218,284	3.5	8.8
Svenska Handelsbanken[2]	50,141,612	2.5	6.2
Violet Partners LP	43,727,400	2.2	5.5
AFA Insurance	32,620,063	1.6	4.1
AMF Pension and Funds	50,705,910	2.5	3.9
Alecta (pension funds)	51,525,000	2.5	3.3
SEB fonder (savings funds)/ Trygg Försäkring	44,042,621	2.2	2.9
Skandia Liv	27,034,933	1.3	2.6
Swedbank Robur fonder	87,581,105	4.3	2.5
Total	**899,117,813**	**44.4**	**61.1**

1 Based on the number of outstanding shares.
2 Svenska Handelsbanken comprises shares held by Svenska Handelsbanken, Svenska Handelsbanken Pension Fund, Svenska Handelsbanken Personnel Foundation, Svenska Handelsbanken pensionskassa and Oktogonen.

Distribution of shares, December 31, 2009[1]

Volvo shareholders	Number of shareholders	% of total votes[1]	Share of capital, %[1]
1–1,000 shares	177,654	2.2	2.5
1,001–10,000 shares	51,104	5.5	6.9
10,001–100,000 shares	3,945	3.1	4.4
100,001–	608	89.2	86.1
Total	**233,311**	**100**	**100**

1 Based on all registered shares.

Following the repurchase of its own shares, AB Volvo held 4.7% of the Company´s shares on Dec. 31, 2009.

Business area statistics

Net sales[1]

SEK M		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Trucks	Western Europe	30,006	30,415	60,841	61,406	63,097	68,664	70,567	80,116	86,035	86,994	58,754
	Eastern Europe	2,265	3,158	5,526	6,424	7,004	8,767	9,139	13,166	22,616	22,920	7,120
	North America	22,303	17,048	33,630	33,721	28,151	35,154	46,129	50,605	27,255	26,588	21,563
	South America	2,190	3,111	3,993	3,277	3,464	5,223	7,657	9,213	11,483	14,680	12,490
	Asia	2,010	3,432	4,659	5,919	9,206	12,378	13,551	8,975	26,593	37,515	26,943
	Other markets	1,492	1,911	7,919	8,005	6,047	6,693	8,353	9,190	13,910	14,538	12,069
	Total	**60,266**	**59,075**	**116,568**	**118,752**	**116,969**	**136,879**	**155,396**	**171,265**	**187,892**	**203,235**	**138,940**
Buses	Western Europe	5,735	6,767	6,263	6,695	6,153	6,422	6,564	7,390	7,204	6,987	7,269
	Eastern Europe	226	182	373	409	381	526	578	534	563	334	438
	North America	6,871	7,723	6,847	3,838	2,984	2,960	4,247	4,910	4,630	5,355	5,673
	South America	469	732	757	366	329	521	2,641	1,537	1,623	1,571	1,235
	Asia	943	1,269	1,839	2,022	1,447	1,632	1,612	2,003	1,802	2,094	2,749
	Other markets	469	514	596	705	684	661	947	897	786	971	1,101
	Total	**14,713**	**17,187**	**16,675**	**14,035**	**11,978**	**12,722**	**16,589**	**17,271**	**16,608**	**17,312**	**18,465**
Construction Equipment	Western Europe	9,901	10,029	10,326	10,383	11,576	12,443	14,213	18,438	21,852	20,763	11,188
	Eastern Europe	193	255	341	454	772	1,010	1,311	1,888	3,442	4,429	1,799
	North America	5,725	5,823	6,145	5,667	5,428	8,601	10,337	11,280	11,170	10,159	5,475
	South America	498	776	847	709	636	922	1,238	1,358	2,155	2,913	2,578
	Asia	1,903	2,484	2,773	3,048	3,707	4,961	5,717	6,903	12,179	13,738	12,957
	Other markets	662	626	703	751	1,035	1,423	2,000	2,264	2,835	4,077	1,661
	Total	**18,882**	**19,993**	**21,135**	**21,012**	**23,154**	**29,360**	**34,816**	**42,131**	**53,633**	**56,079**	**35,658**
Volvo Penta	Western Europe	2,986	3,204	3,789	3,846	4,081	4,723	4,845	5,748	6,290	6,100	4,113
	Eastern Europe	26	30	38	99	108	184	257	363	508	454	277
	North America	1,770	2,257	2,175	2,261	2,109	2,500	2,832	2,815	2,674	1,947	1,100
	South America	134	160	213	127	146	142	208	221	274	364	284
	Asia	692	794	988	1,141	947	1,324	1,427	1,359	1,624	2,082	2,054
	Other markets	153	154	177	195	205	184	207	268	349	486	331
	Total	**5,761**	**6,599**	**7,380**	**7,669**	**7,596**	**9,057**	**9,776**	**10,774**	**11,719**	**11,433**	**8,159**
Volvo Aero	Western Europe	4,560	4,651	4,788	3,422	3,951	3,130	3,346	3,674	3,431	3,468	3,914
	Eastern Europe	16	42	87	28	49	49	60	124	31	29	28
	North America	4,557	5,040	5,841	4,573	3,301	3,127	3,612	3,815	3,723	3,534	3,508
	South America	193	134	187	177	152	138	168	173	127	58	34
	Asia	491	701	708	497	428	400	284	356	234	234	205
	Other markets	136	145	173	140	149	81	68	91	100	125	114
	Total	**9,953**	**10,713**	**11,784**	**8,837**	**8,030**	**6,925**	**7,538**	**8,233**	**7,646**	**7,448**	**7,803**
	Other and eliminations	6,807	6,825	7,073	6,775	7,041	7,228	7,076	(654)	(703)	(575)	(538)
Net sales Industrial operations		**116,382**	**120,392**	**180,615**	**177,080**	**174,768**	**202,171**	**231,191**	**249,020**	**276,795**	**294,932**	**208,487**
Customer Finance	Western Europe	6,300	6,240	5,314	5,573	5,604	6,114	4,213	4,009	3,845	6,021	5,417
	Eastern Europe	185	257	360	424	474	499	584	379	639	1,078	1,710
	North America	1,620	2,626	3,216	3,344	2,542	2,432	2,036	2,569	2,467	369	3,004
	South America	455	452	451	403	358	396	570	608	620	791	1,070
	Asia	1	0	24	49	65	90	101	45	87	158	435
	Other markets	76	103	130	132	110	67	45	38	47	68	75
	Total	**8,637**	**9,678**	**9,495**	**9,925**	**9,153**	**9,598**	**7,549**	**7,648**	**7,705**	**8,485**	**11,711**
	Eliminations	–	–	(830)	(807)	(630)	(693)	1,819	2,167	905	250	(1,836)
Volvo Group total		**125,019**	**130,070**	**189,280**	**186,198**	**183,291**	**211,076**	**240,559**	**258,835**	**285,405**	**303,667**	**218,362**

As of January 1, 2007, the results from the synergies created in the business units are transferred back to the various business areas. Comparison figures for 2006 have been restated.

1 Net sales 1999–2001 have been restated in accordance with new organization effective from 2002.

Eleven-year summary

Operating income

SEK M	1999[5]	2000	2001[4]	2002	2003[3]	2004[2]	2005	2006[1]	2007	2008	2009
Trucks[6]	3,247	1,414	(2,066)	1,189	3,951	8,992	11,717	13,116	15,193	12,167	(10,805)
Buses	224	440	(916)	(94)	(790)	158	470	745	231	(76)	(350)
Construction Equipment	1,709	1,594	527	406	908	1,898	2,752	4,072	4,218	1,808	(4,005)
Volvo Penta	314	484	658	647	695	940	943	1,105	1,173	928	(230)
Volvo Aero	584	621	653	5	(44)	403	836	359	529	359	50
Customer Finance	1,066	1,499	325	490	926	1,365	2,033	1,686	1,649	1,397	(680)
Other	319	616	143	194	(3,142)	923	(598)	(684)	(762)	(731)	(994)
Volvo Group excluding divested operations	**7,463**	**6,668**	**(676)**	**2,837**	**2,504**	**14,679**	**18,153**	**20,399**	**22,231**	**15,851**	**(17,013)**
Cars	26,695	–	–	–	–	–	–	–	–	–	–
Operating income (loss) Volvo Group	**34,158**	**6,668**	**(676)**	**2,837**	**2,504**	**14,679**	**18,153**	**20,399**	**22,231**	**15,851**	**(17,013)**

As of January 1, 2007, the benefits from the synergies created in the business units are transferred back to the various Business Areas. Comparison figures for 2006 have been restated.

1 Operating income in 2006 includes adjustment of goodwill of neg 1,712, reported in Trucks.
2 Operating income in 2004 included reversal of write-down of shares in Scania AB of 915, reported in Other, and write-down of shares in Henlys Group Plc of 95, reported in Buses.
3 Operating income in 2003 included write-down of shares in Scania AB and Henlys Group Plc amounting to 4,030, of which 429 was reported in Buses (Henlys Group) and 3,601 was reported in Other (Scania AB).
4 Operating income in 2001 included restructuring costs mainly related to the integration of Mack Trucks and Renault Trucks of 3,862 of which 3,106 in Trucks, 392 in Buses and 364 in Construction Equipment.
5 Effective January 1, 1999, Volvo Cars was reported as a divested operation. The capital gain from the divestment was 26,695.
6 Refers to Volvo Trucks for 1999–2000.

Operating margin

%	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Trucks	5.4	2.4	(1.8)	1.0	3.4	6.6	7.5	7.7	8.1	6.0	(7.8)
Construction Equipment	9.1	8.0	2.5	1.9	3.9	6.5	7.9	9.7	7.9	3.2	(11.2)
Buses	1.5	2.6	(5.5)	(0.7)	(6.6)	1.2	2.8	4.3	1.4	(0.4)	(1.9)
Volvo Penta	5.5	7.3	8.9	8.4	9.1	10.4	9.6	10.3	10.0	8.1	(2.8)
Volvo Aero	5.9	5.8	5.5	0.1	(0.5)	5.8	11.1	4.4	6.9	4.8	0.6
Volvo Group excluding divested operations	**6.4**	**5.5**	**(0.4)**	**1.6**	**1.4**	**7.3**	**7.9**	**7.9**	**7.8**	**5.2**	**(7.8)**
Operating margin, total	**29.3**	**5.5**	**(0.4)**	**1.6**	**1.4**	**7.3**	**7.9**	**7.9**	**7.8**	**5.2**	**(7.8)**

Number of employees at year-end

Number[1]	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Trucks	23,330	24,320	44,180	43,470	46,900	49,450	50,240	49,900	64,390	64,280	56,505
Buses	8,860	9,060	6,230	6,660	6,680	7,700	7,710	7,760	9,290	8,930	9,541
Construction Equipment	8,900	8,830	7,780	8,410	9,280	9,930	10,290	11,050	19,710	19,810	16,126
Volvo Penta	1,400	1,480	1,370	1,410	1,440	1,580	1,560	1,650	3,000	2,940	2,928
Volvo Aero	4,550	4,240	4,040	3,660	3,440	3,350	3,460	3,510	3,550	3,510	3,278
Financial Services	1,160	1,220	1,080	1,060	1,060	1,100	1,070	1,010	1,150	1,290	1,234
Other	5,270	5,120	6,240	6,490	6,940	7,970	7,530	8,310	610	620	596
Volvo Group, total	**53,470**	**54,270**	**70,920**	**71,160**	**75,740**	**81,080**	**81,860**	**83,190**	**101,700**	**101,380**	**90,208**

1 As of 2007, employees on Business Units are allocated to the Business Areas.

Employees

Number	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sweden	24,840	25,030	24,350	25,420	26,380	28,530	27,070	27,830	28,660	28,190	22,763
Europe, excluding Sweden	11,900	12,320	27,800	27,130	29,120	28,930	29,650	30,070	32,780	32,940	29,793
North America	11,880	11,410	12,670	12,440	12,270	14,620	15,140	14,820	15,750	14,200	12,640
South America	1,930	2,100	2,090	2,020	2,640	3,110	3,690	3,890	4,640	4,380	4,257
Asia	2,480	2,570	2,550	2,590	3,710	4,130	4,210	4,420	17,150	19,090	18,416
Other markets	440	840	1,460	1,560	1,620	1,760	2,100	2,160	2,720	2,580	2,339
Volvo Group total	**53,470**	**54,270**	**70,920**	**71,160**	**75,740**	**81,080**	**81,860**	**83,190**	**101,700**	**101,380**	**90,208**

Delivered units

Number	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Heavy trucks (>16 tons)	81,240	76,470	117,180	120,200	120,920	152,300	172,242	179,089	172,322	179,962	82,675
Medium-heavy trucks (7–15.9 tons)	3,850	5,360	17,310	16,220	15,870	18,800	18,643	14,695	27,933	30,817	21,653
Light trucks (<7 tons)	–	–	20,820	20,710	19,200	22,120	23,494	26,147	36,101	40,372	23,354
Total trucks	**85,090**	**81,830**	**155,310**	**157,130**	**155,990**	**193,220**	**214,379**	**219,931**	**236,356**	**251,151**	**127,681**
Buses and bus chassis	**9,500**	**11,015**	**9,953**	**9,059**	**7,817**	**8,232**	**10,675**	**10,360**	**9,916**	**9,937**	**9,857**

Number		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Trucks	Total Europe	42,530	46,140	98,040	96,290	92,080	102,670	103,622	114,417	128,070	121,847	49,145
	Western Europe	39,630	42,050	90,460	87,490	82,670	90,750	91,087	97,074	100,106	95,969	43,919
	Eastern Europe	2,900	4,090	7,580	8,800	9,410	11,920	12,535	17,343	27,964	25,878	5,226
	North America	34,300	23,610	34,650	36,510	34,760	49,270	64,974	70,499	33,280	30,146	17,574
	South America	3,900	4,530	5,790	5,360	5,980	9,190	11,248	11,646	15,264	18,092	12,587
	Asia	2,720	5,560	6,600	9,140	16,290	24,880	25,706	12,817	39,916	60,725	34,800
	Other markets	1,640	1,990	10,230	9,830	6,880	7,210	8,829	10,552	19,826	20,341	13,575
	Total	**85,090**	**81,830**	**155,310**	**157,130**	**155,990**	**193,220**	**214,379**	**219,931**	**236,356**	**251,151**	**127,681**
Buses	Total Europe	3,630	3,994	3,115	3,413	3,087	3,417	3,723	3,570	3,748	3,313	3,164
	Western Europe	3,430	3,870	2,899	3,076	2,782	3,073	3,385	3,081	3,377	3,140	2,896
	Eastern Europe	200	124	216	337	305	344	338	489	371	173	268
	North America	3,640	3,869	3,128	1,945	1,553	1,388	1,546	1,741	1,547	1,884	1,539
	South America	710	980	1,009	495	369	624	2,297	1,236	1,318	995	690
	Asia	1,000	1,659	2,209	2,639	2,227	2,341	2,554	3,349	2,757	3,033	3,839
	Other markets	520	513	492	567	581	462	555	464	546	712	625
	Total	**9,500**	**11,015**	**9,953**	**9,059**	**7,817**	**8,232**	**10,675**	**10,360**	**9,916**	**9,937**	**9,857**

Environmental performance of Volvo production plants, Industrial operations

Absolute values related to net sales	2005	2006	2007[1]	2008	2009
Energy consumption (GWh; MWh/SEK M)	2,683; 11.6	2,612; 10.5	2,426; 9.6	2,530; 8.6	1,888; 9.1
CO_2 emissions (1,000 tons; tons/SEK M)	292; 1.3	282; 1.1	242; 1.0	291; 1.0	213; 1.0
Water consumption (1,000 m^3; m^3/SEK M)	7,419; 32.1	7,596; 30.6	7,067; 27.9	8,205; 27.8	6,637; 31.8
NOx emissions (tons; kilos/SEK M)	672; 2.9	606; 2.4	542; 2.1	800; 2.7	322; 1.5
Solvent emissions (tons; kilos/SEK M)	1,960; 8.5	2,048; 8.3	1,979; 7.8	1,945; 6.6	1,435; 6.9
Sulphur dioxide emissions (tons; kilos/SEK M)	209; 0.9	69; 0.3	58; 0.2	64; 0.2	38; 0.2
Hazardous waste (tons; kg/SEK M)	23,590; 102	26,987; 109	27,120; 107	27,675; 94	17,558; 84
Net sales, SEK bn	231.2	248.1	253.2	294.9	208.5

1 Excluding UD Trucks and Ingersoll Rand Road Development.

Definitions of key ratios

Basic earnings per share
Income for the period attributable to shareholders of the parent company divided by the weighted average number of shares outstanding during the period.

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

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

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

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

Equity ratio
Shareholders' equity divided by total assets.

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

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

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

Operating margin
Operating income divided by net sales.

Return on shareholders' equity
Income for the period divided by average shareholders' equity.

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

Annual General Meeting, April 14, 2010

The Annual General Meeting of AB Volvo will be held in Göteborg in Lisebergshallen (entrance from Örgrytevägen) Wednesday April 14, 2010, at 3:00 p.m.

Notice

Shareholders who wish to participate must be recorded in the share register maintained by Euroclear Sweden AB (former VPC AB) on April 8, 2010 and give notice of intention to attend, not later than April 8, 2010, preferably before 12:00:

- by telephone, +46 8 402 90 76, beginning March 12, 2010
- by mail addressed to AB Volvo (publ), "AGM", P.O. Box 7541, SE-103 98 Stockholm, Sweden
- on AB Volvo's website www.volvogroup.com

When giving notice, shareholders should state their:

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

Shareholders whose shares are held in the trust department of a bank or by a brokerage firm should, several banking days prior to April 8, 2010, request temporary owner-registration, so called voting-right registration, at the bank or broker holding the shares.

Volvo's Election Committee

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

Thierry Moulonguet	Chairman of the Election Committee, Renault s.a.s.
Ingrid Bonde	AMF Pension
Carl-Olof By	AB Industrivärden
Lars Förberg	Violet Partners LP
Håkan Sandberg	SHB Pension Fund, SHB Pensionskassa, SHB Employee Fund and Oktogonen
Lars Öhrstedt	AFA Försäkring

Finn Johnsson was a member of Volvo's Election Committee until January 15, 2010, when he resigned as Chairman of the Board and Board member.

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

Preliminary publication dates

Report for the first three months 2010	April 23, 2010
Report for the first six months 2010	July 22, 2010
Report for the first nine months 2010	October 22, 2010
Report on 2010 operations	February, 2011
Annual Report 2010	March, 2011

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

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

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01-19-2009 VOLVO TRUCKS INAUGURATES NEW PRODUCTION PLANT IN RUSSIA. **01-20-2009** VOLVO AERO GIVES NOTICE OF REDUNDANCY, AFFECTING 250 EMPLOYEES IN TROLLHÄTTAN. **01-22-2009 VOLVO BUSES INTRODUCED IN THE US AND CANADA.** **01-23-2009** AB VOLVO ASSIGNED A- LONG-TERM CREDIT RATING BY STANDARD & POOR'S. **01-28-2009** INVITATION TO PRESS AND TELE CONFERENCE. **01-29-2009** ORDERS FOR 424 VOLVO BUSES TO NORWAY AND SWEDEN. **02-06-2009** PRESS RELEASE FROM THE ELECTION COMMITTEE OF AB VOLVO. **02-06-2009** VOLVO GROUP – REPORT ON OPERATIONS 2008. **02-06-2009** RENAULT TRUCKS TO DISTRIBUTE RENAULT TRAFIC VAN. **02-13-2009** MOODY'S CHANGING CREDIT RATING FOR AB VOLVO TO BAA1 WITH STABLE OUTLOOK. **02-17-2009** MAJOR ORDER FOR VOLVO BUSES IN CANADA. **02-24-2009** TRUCK DELIVERIES JANUARY 2009. **02-26-2009** PRESS RELEASE FROM AB VOLVO'S REMUNERATION COMMITTEE. **02-27-2009** ANNUAL GENERAL MEETING OF AB VOLVO. **03-04-2009** PRESS RELEASE FROM AB VOLVO´S BOARD OF DIRECTORS. **03-09-2009 NEW VOLVO TRUCKS ARE CLEANER THAN EVER.** **03-10-2009** AB VOLVO PUBLISHES 2008 ANNUAL REPORT. **03-24-2009** TRUCK DELIVERIES FEBRUARY 2009. **03-25-2009** AB VOLVO PUBLISHES 2008 SUSTAINABILITY REPORT. **03-27-2009** ORDER FOR 260 VOLVO BUSES IN INDIA. **04-01-2009** VOLVO'S TECHNOLOGY AWARD PRESENTED TO TEAM BEHIND FUEL-EFFICIENT HYBRID SOLUTION. **04-01-2009** ANNUAL GENERAL MEETING OF AB VOLVO. **04-07-2009** ASSOCIATE PROFESSOR PÅL BÖRJESSON RECEIVES VOLVO SCHOLARSHIP. **04-14-2009** INVITATION TO PRESS AND TELECONFERENCE . **04-22-2009** ADDITIONAL PERSONNEL REDUCTIONS WITHIN THE VOLVO GROUP. **04-24-2009** VOLVO GROUP – THREE MONTHS ENDED MARCH 31, 2009. **04-28-2009 WORLD PREMIERE FOR VOLVO'S HYBRID BUS IN GÖTEBORG.** **04-29-2009** JÖRGEN ELGQVIST RECEIVES ASSAR GABRIELSSON AWARD FOR THESIS ON RADIATION THERAPY. **04-30-2009** ANNUAL REPORT OF VOLVO TREASURY AB (PUBL). **05-05-2009** VOLVO'S PRESIDENT AND CEO AWARDED FOR PROMOTING SWEDISH ENGINEERING INDUSTRY. **05-18-2009** MACK AND UAW REACH TENTATIVE AGREEMENT INCLUDING CREATION OF INDEPENDENT RETIREE HEALTHCARE TRUST. **05-18-2009** VOLVO POWERTRAIN SIGNS AGREEMENT ON SHORTENING OF WORK HOURS. **05-20-2009** TRUCK DELIVERIES IN APRIL 2009. **05-25-2009** INVITATION TO PRESS CONFERENCE ON GREEN COMMUTING. **05-26-2009** HYBRID VEHICLES FROM VOLVO GROUP EXCEED EXPECTATIONS. **05-27-2009** VOLVO GROUP TO LAUNCH ELECTRIC HYBRID TECHNOLOGY FOR ENERGY-EFFICIENT FORESTRY MACHINERY. **05-27-2009** GREENER COMMUTING AT VOLVO BY USE OF CO2 "PEDOMETER". **05-28-2009** WIRELESSCAR AWARDED EUROPEAN TELEMATICS CONTRACT. **05-29-2009** VOLVO POWERTRAIN SIGNS AGREEMENT ON SHORTENING OF WORK HOURS FOR COLLECTIVE-AGREEMENT EMPLOYEES. **05-29-2009 MACK DELIVERS HYBRID VEHICLE TO CITY OF NEW YORK.** **05-31-2009** UAW MEMBERS APPROVE NEW AGREEMENT WITH MACK TRUCKS. **06-04-2009** THE SWEDISH GOVERNMENT INVESTS IN ARIANE. **06-09-2009** VOLVO TRUCKS WITHDRAW THE GIVEN NOTICE IN GÖTEBORG. **06-12-2009** VOLVO POWERTRAIN SWEDEN SIGNS AGREEMENT ON SHORTENING OF WORK HOURS FOR SALARIED EMPLOYEES IN SKÖVDE. **06-15-2009** TRUCK DELIVERIES IN MAY 2009. **06-16-2009 VOLVO UNVEILS PROPRIETARY MEDIUM-HEAVY ENGINE.** **06-22-2009** VOLVO IT SIGNS NEW AGREEMENT WITH CITY OF GÖTEBORG. **06-22-2009** MAJOR AGREEMENT FOR VOLVO BUSES IN CHINA. **06-22-2009** VOLVO GROUP LAUNCHES NEW PROGRAM FOR COOPERATION WITH UNIVERSITIES AND COLLEGES. **06-23-2009** SUSAN SOLOMON WINS THE VOLVO ENVIRONMENT PRIZE FOR 2009 – DELIVERING FINDINGS ON OZONE LAYER DEPLETION AND PROMINENT ON THE UN CLIMATE PANEL. **06-23-2009 VOLVO GROUP BEGINS SELLING TRUCKS THAT MEET EPA 2010 EMISSIONS STANDARDS.** **06-24-2009** HEAVY TRUCKS OF THE FUTURE WILL BE SUPER-LIGHT. **06-26-2009** SNECMA AND VOLVO AERO SIGN KEY AGREEMENT IN PRINCIPLE FOR DELIVERIES UP TO 2014. **06-30-2009** INVITATION TO PRESS AND TELECONFERENCE. **07-02-2009** VOLVO AERO NORWAY SIGNS AGREEMENT WITH SNECMA, SAFRAN GROUP CONCERNING CONTINUED COOPERATION ON CFM56. **07-02-2009** INVESTMENT IN VOLVO'S FUEL-CELL TECHNOLOGY TO CREATE 100 NEW POSITIONS. **07-03-2009 VOLVO SECURES RECORD TRUCK ORDER IN INDIA.** **07-07-2009** VOLVO HYBRID DOUBLE DECK BUSES UNVEILED AT HISTORIC VENUE. **07-08-2009** ADDING GÖTEBORG AND MALMÖ – NOW VOLVO POWERTRAIN HAS WORK TIME REDUCTION AGREEMENTS AT ALL SITES IN SWEDEN. **07-21-2009** VOLVO GROUP – SIX MONTHS ENDED JUNE 30, 2009. **08-20-2009** VOLVO LOGISTICS TEST DRIVES WITH BIODIESEL IN THE TANK. **08-27-2009** TRUCK DELIVERIES IN JULY 2009. **08-31-2009** HALF YEAR REPORT OF VOLVO TREASURY AB (PUBL). **09-10-2009** COMPUTER GAMES MAKE YOU MORE EFFICIENT AT WORK. **09-14-2009** TRUCK DELIVERIES IN AUGUST 2009. **09-18-2009 VOLVO IN UNIQUE BIO-DME PROJECT.** **09-21-2009** SWEDISH FAMILY DRAMA DEMONSTRATES THE VOLVO GROUP'S INTELLIGENT TRANSPORT SYSTEMS. **10-07-2009** AB VOLVO IMPROVES ITS FUNDING CAPABILITIES THROUGH ENTRY INTO US BOND MARKET. **10-07-2009** VOLVO TO LAUNCH BUS-ADAPTED ALCOLOCK SYSTEM. **10-08-2009** INVITATION TO PRESS AND TELECONFERENCE IN GOTHENBURG. **10-14-2009** VOLVO TRUCKS IN UMEÅ SHOWCASES ITS SUCCESSFUL ENVIRONMENTAL COMMITMENT. **10-15-2009 VOLVO TO SELL 100 BI-ARTICULATED BUSES TO SAO PAULO.** **10-23-2009** VOLVO GROUP – NINE MONTHS ENDED SEPTEMBER 30, 2009. **10-27-2009** GOVERNMENT-OWNED FOURIERTRANSFORM TO INVEST 60 MSEK IN THE FUEL CELL COMPANY POWERCELL SWEDEN AB. **11-03-2009** WORLD-LEADING ATMOSPHERIC RESEARCHER SUSAN SOLOMON ARRIVES IN SWEDEN FOR HER VOLVO ENVIRONMENT PRIZE. **11-16-2009** VOLVO GROUP ENTERED INTO AN AGREEMENT WITH CHINA NATIONAL HEAVY DUTY TRUCK GROUP CO, LTD TO SELL ITS EQUITY INTEREST IN JINAN HUAWO TRUCK CORPORATION. **11-18-2009** TRUCK DELIVERIES IN OCTOBER 2009. **11-19-2009 VOLVO AND MACK ENGINES FIRST TO BE CERTIFIED FOR NEAR-ZERO EMISSIONS OF EPA 2010.** **11-24-2009** REDUCE YOUR CARBON EMISSIONS – WITH THE VOLVO GROUP'S PERSONAL CO2-COUNTER COMMUTE GREENER. **11-24-2009** VOLVO TRUCKS DELIVERS FIRST EPA2010-CERTIFIED TRUCKS TO TALON LOGISTICS INC. **11-27-2009** ORDER FOR 145 VOLVO BUSES FOR JAMAICA. **12-04-2009** SMART WINDOWS AT COP 15 CLIMATE CONFERENCE IN COPENHAGEN. **12-07-2009** VOLVO SIGNS LETTER OF INTENT REGARDING MANUFACTURE OF VEHICLE FUEL FROM LANDFILL GAS. **12-11-2009 VOLVO CONSTRUCTION EQUIPMENT (VOLVO CE) TO CONSOLIDATE NORTH AMERICAN INDUSTRIAL OPERATIONS.** **12-15-2009** TRUCK DELIVERIES IN NOVEMBER 2009. **12-18-2009** PERSONAL CLIMATE ACTIVISM MADE EASY WITH THE VOLVO GROUP´S CO2 CALCULATOR.

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