Volvo Group

Nine months ended September 30, 2009

In the third quarter net sales decreased by 31% to SEK 48.5 billion (69.8). Adjusted for currency effects, net sales decreased by 39%

The third quarter operating loss was significantly reduced compared to the second quarter as a result of cost cutting measures. The operating loss amounted to SEK 3,286 M compared to an operating loss of SEK 6,883 M in the second quarter of 2009. In the third quarter of 2008 the operating income was SEK 3,177 M

In the third quarter basic and diluted earnings per share amounted to a negative SEK 1.44 (Positive SEK 0.98)

In the third quarter, operating cash flow in the Industrial operations was negative in an amount of SEK 1.4 billion (Negative SEK 6.1 billion). Cash flow was positively impacted by SEK 3.4 billion in reduction of inventories

During the quarter, net debt in the Industrial operations was reduced by SEK 0.7 billion to SEK 50.4 billion and the liquidity position was maintained with liquid assets of SEK 33.5 billion and unutilized credit facilities of SEK 31 billion, totaling SEK 64.5 billion

	Third quarter		First nine months	
	2009	2008	**2009**	2008
Net sales Volvo Group, SEK M	**48,483**	69,781	**158,563**	226,649
Operating income Volvo Group, SEK M	**(3,286)**	3,177	**(14,697)**	16,850
Operating income Industrial operations, SEK M	**(3,283)**	2,786	**(14,002)**	15,691
Operating income Customer Finance, SEK M	**(3)**	391	**(695)**	1,159
Operating margin Volvo Group, %	**(6.8)**	4.6	**(9.3)**	7.4
Income after financial items, SEK M	**(4,129)**	2,898	**(17,693)**	16,520
Income for the period, SEK M	**(2,913)**	2,000	**(12,700)**	11,364
Diluted earnings per share, SEK	**(1.44)**	0.98	**(6.27)**	5.58
Return on shareholders' equity, rolling 12 months,%			**(17.9)**	18.9

Content

Comments by the CEO – focus on profitability and cash flow

Although the third quarter remained, as expected, challenging in terms of profitability, there are some positive signs indicating that the decline in demand has bottomed out and that we are now beginning a gradual recovery. These signs are the most obvious in the Group's second largest region in terms of sales, Asia, where the economic growth is also reflected in demand for the Group's products.

Stabilization in the markets

The demand situation in Europe continued to stabilize with a more positive basic tone, except in certain markets, such as Russia and Spain. We see increased activities among our customers and a slight improvement in the use of their trucks, which is positive for our important aftermarket business. The sales trend for spare parts and service was weak during the spring but is now gradually improving. We also see that demand for used trucks is steadily improving in Europe, which indicates that the market has bottomed out and that our customers' businesses are moving in the right direction.

We are approaching January 1, 2010 when new emissions regulations will be put in place in North America and when we will introduce trucks with virtually zero emissions of nitrogen oxide and particulates, which is very positive for the environment. The new technology will lead to price increases for the trucks, which to date has not resulted in any notable pre-buy effects. Price increases may, however, have a delaying impact on the recovery of demand in 2010.

We have made strategic acquisitions in Asia in recent years and have worked hard to establish a structure that will help generate favorable profitability in the region. In combination with the recovery in demand that we are witnessing in many markets, not least in China and India, this work is paying off. Signs of improvements in demand for trucks can also be seen in Japan, although from exceptionally low levels.

In addition, demand in South America has remained relatively favorable. Brazil, in particular, has not at all been affected by the financial crisis in the same way as large parts of the rest of the world.

Lower costs and positive cash-flow trend

Demand for new vehicles and machinery in the third quarter, nevertheless, remained weak in most of the Volvo Group's markets. Adjusted for exchange-rate fluctuations, the Group's sales fell by approximately 39% to slightly more than SEK 48 billion.

Despite not being boosted by the market for new vehicles, it became increasingly clear toward the end of the quarter that measures to bring about a new lower cost level for the Group started to generate good effects on our profitability. These measures have made a major contribution to halving our losses compared with the second quarter, despite both July and August being characterized by extremely low capacity utilization, with extended vacation periods in many production plants.

The operating loss for the quarter amounted to SEK 3.3 billion, mainly due to lower sales and low cost coverage in our industrial systems. We also incurred costs related to inventory write-downs, credit provisions and personnel cutbacks.

The reduction of inventories of new trucks and machinery continued at a steady pace. After the vacation months, which is always a period of low activity, the pace picked up again in September. Production cutbacks contributed to the continued decline in inventories of new products and inventories are generally in balance with demand. Activities in the used vehicles segment have risen, although inventories remain slightly too high. In total, the capital tied up in the inventory was reduced by a total of SEK 3.4 billion during the quarter, which contributed to the operative cash outflow being limited to SEK 1.4 billion. Cash flow improved gradually during the third quarter and was positive towards the end of the quarter.

Increased order intake for trucks

The net order intake for trucks rose for the third consecutive quarter, increasing 20% compared with the second quarter. In terms of market outlook, we maintain our assessment that the total European market for heavy trucks will be at least halved in 2009 compared with 2008. Furthermore, we stick to our assessment that the North American heavy-duty truck market will decline by 30–40% in 2009.

The market for construction equipment remained generally weak. With the exception of China, the stimulus packages announced around the world have had only a very minor positive impact on demand. In spite of the weak market, also Volvo CE reduced its loss substantially compared with the first and second quarters of 2009 and has continued to have a good pace in inventory reduction.

For Volvo Buses, the weak trend for coaches continued, while the city bus market is faring somewhat better. The governments of countries such as the US, China and India are stimulating sales of new, more environmentally friendly city buses and throughout the world tenders from various city bus operators are increasing. We have advanced our positions in several key markets, such as Asia and South America, which has resulted in a higher order intake.

Volvo Penta has also been impacted by a continued weak market, with a slightly more stable trend in industrial engines than in marine engines. In spite of the 32% decline in sales adjusted for currency, Volvo Penta reported a profit for the quarter as an effect of cost reductions.

Also Volvo Aero was profitable, although both sales and earnings were impacted by the weak global economy that has affected all parts of the operations.

For the Customer Finance operations of Volvo Financial Services (VFS), there are indications that trends in the credit portfolio have stabilized. Another positive sign is that VFS is now selling more trucks than those coming off lease and those being repossessed. However, much hard work remains to be done since many customers continue to struggle with their profitability.

Continued hard work

Although we see that the markets have stabilized, we are not relying on our profitability being boosted by a substantial recovery in sales of new products. We remain far below the long-term trend line for sales of new trucks and machines, and will therefore continue to adjust our costs to current demand. We will also continue our work to improve efficiency throughout the Group.

Our liquidity remains favorable and the net debt in the Industrial Operations was reduced slightly during the quarter. We continue to focus strongly on improving profitability and on creating positive cash flows, for example, by continuing to reduce our inventories.

We are well positioned for the new emission regulations that will come into effect over the next few years, with products and services at the absolute forefront. For this reason, I remain highly confident that with hard and dedicated work we will be able to strengthen our position in the markets globally.

The last year has been very challenging for everyone in the Group. I am therefore very pleased to see that our employee satisfaction index this fall scored the second highest ever. I would like to take the opportunity to thank everyone for the professionalism that they demonstrate in these tough times.

Leif Johan

Leif Johansson
President and CEO

Important events

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 US institutional bond market. "The US market is one of the world's largest and most liquid markets and I am very pleased to note the great interest shown for this bond by the investor base, including U.S. institutional investors," said Mikael Bratt, CFO of AB Volvo.

Previously reported important events

- The Volvo Group secures SEK 30 billion in funding
- New generation of diesel engines from Volvo Trucks
- Annual General Meeting
- Hybrid vehicles from Volvo Group exceed expectations
- New agreement between Mack Trucks and UAW
- Volvo unveils proprietary medium-heavy engine
- Volvo Group begins selling trucks that meet EPA2010 emissions standards

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

Financial summary of the third quarter

Volvo Group

Income Statement Volvo Group

	Third quarter		First nine months	
SEK M	**2009**	2008	**2009**	2008
Net sales Volvo Group	**48,483**	**69,781**	**158,563**	**226,649**
Operating Income Volvo Group	**(3,286)**	**3,177**	**(14,697)**	**16,850**
Operating income Industrial operations	***(3,283)***	*2,786*	***(14,002)***	*15,691*
Operating income Customer Finance	***(3)***	*391*	***(695)***	*1,159*
Interest income and similar credits	**98**	251	**295**	804
Interest expense and similar credits	**(986)**	(460)	**(2,673)**	(1,177)
Other financial income and expenses	**46**	(70)	**(617)**	43
Income after financial items	**(4,129)**	**2,898**	**(17,693)**	**16,520**
Income Taxes	**1,214**	(898)	**4,992**	(5,156)
Income for the period	**(2,913)**	**2,000**	**(12,700)**	**11,364**

Net sales

The Volvo Group's net sales decreased by 31% to SEK 48,483 M during the third quarter of 2009, compared to SEK 69,781 M in the same quarter a year earlier. Adjusted for changes in exchange rates and acquired and divested operations, net sales decreased by approximately 39%.

Operating income

The Volvo Group's operating loss amounted to SEK 3,286 M in the third quarter compared to an operating income of SEK 3,177 M in the preceding year. The Industrial Operations' operating loss amounted to SEK 3,283 M (Income SEK 2,786 M). The Volvo Group's Customer Finance operations reported an operating loss of SEK 3 M (Income SEK 391 M). For detailed information on the development, see separate sections below.

Net financial items

Net interest expense in the third quarter was SEK 888 M compared to an expense of SEK 802 M in the second quarter of 2009. The net debt increased gradually during the second quarter but remained largely unchanged during the third quarter. However, in the third quarter, interest expenses increased when compared to the second quarter because of the higher debt level impacting the entire third quarter.

During the quarter, market valuation of derivatives used for hedging interest-rate exposure in the debt portfolio had a positive effect on Other financial income and expenses amounting to SEK 143 M compared to a negative impact of SEK 116 M in the third quarter of 2008.

Income taxes

The tax income in the third quarter amounted to SEK 1,214 M (Expense: SEK 898 M), mainly as a consequence of the loss after financial items.

Income for the period and earnings per share

The loss for the period amounted to SEK 2,913 M in the third quarter of 2009 compared to an income for the period of SEK 2,000 M in the third quarter of 2008.

Basic earnings per share in the third quarter amounted to a negative SEK 1.44 (Positive SEK 0.98). Assuming that the current incentive program is fully exercised earnings per share after full dilution was a negative SEK 1.44 (Positive SEK 0.98).

Volvo Group's Industrial Operations – losses reduced in the third quarter

In the third quarter, net sales for the Volvo Group's Industrial Operations decreased by 32% to SEK 46,086 M (67,461). Adjusted for changes in exchange rates and acquired and divested units net sales decreased by 40%. Compared to the second quarter of 2009 sales decreased by 11%. Adjusted for changes in exchange rates, net sales in the third quarter declined by 7% compared to the second quarter.

In comparison to the third quarter of 2008, net sales decreased in Asia and South America, but when compared to the second quarter of 2009, sales in Asia increased by 9% and sales in South America increased by 4%. In Western Europe and North America, net sales were down 20% and 11% respectively when compared to the second quarter of this year, mainly due to normal seasonality.

In the third quarter of 2009, Trucks' net sales decreased by 34% to SEK 30,351 M (46,154), Construction Equipment's by 38% to SEK 8,176 M (13,213) and Volvo Penta's by 28% to SEK 1,925 M (2,686). On the other hand Buses net sales increased by 4% to SEK 3,990 M (3,822) and Volvo Aero's net sales increased by 6% to SEK 1,761 M (1,656).

Net sales by market area

SEK M	Third quarter 2009	Third quarter 2008	Change in %	First nine months 2009	First nine months 2008	Change in %	Share of industrial operations' net sales, %
Western Europe	**17,438**	26,115	(33)	**62,571**	94,128	(34)	41
Eastern Europe	**2,098**	7,287	(71)	**6,847**	23,164	(70)	5
North America	**8,181**	10,619	(23)	**27,442**	34,830	(21)	18
South America	**3,994**	5,334	(25)	**10,950**	13,957	(22)	7
Asia	**10,893**	13,065	(17)	**31,836**	39,855	(20)	21
Other markets	**3,482**	5,041	(31)	**11,400**	14,338	(20)	8
Total Industrial operations	**46,086**	**67,461**	**(32)**	**151,046**	**220,272**	**(31)**	**100**

Income Statement Industrial operations

SEK M	Third quarter 2009	Third quarter 2008	First nine months 2009	First nine months 2008
Net sales	**46,086**	**67,461**	**151,046**	**220,272**
Cost of sales	**(39,317)**	(53,201)	**(131,264)**	(170,032)
Gross income	**6,769**	**14,260**	**19,782**	**50,240**
Gross margin, %	***14,7***	*21,1*	***13,1***	*22,8*
Research and development expenses	**(2,961)**	(3,428)	**(9,827)**	(10,097)
Selling expenses	**(5,551)**	(6,074)	**(18,048)**	(18,537)
Administrative expenses	**(1,185)**	(1,710)	**(4,466)**	(5,391)
Other operating income and expenses	**(343)**	(270)	**(1,421)**	(601)
Income from investments in associated companies	**(12)**	(2)	**(31)**	12
Income from other investments	**0**	10	**8**	66
Operating income	**(3,283)**	**2,786**	**(14,002)**	**15,691**
Operating margin, %	***(7.1)***	*4.1*	***(9.3)***	*7.1*
Operating income before depreciation and amortization (EBITDA)	**(258)**	5,523	**(4,512)**	23,770
EBITDA margin, %	***(0.6)***	*8.2*	***(3.0)***	*10.8*

Significantly reduced losses compared to the second quarter 2009

In the third quarter of 2009, the operating loss for the Volvo Group's Industrial Operations amounted to SEK 3,283 M, compared to an operating loss of SEK 6,587 M during the second quarter of 2009. The operating margin for the Industrial Operations was a negative 7.1% compared to a negative 12.8% during the second quarter of 2009.

The lower sales of trucks and construction equipment in particular continued to have a negative impact on operating income. Continued low capacity utilization in the industrial system resulted in an under absorption of costs equal to approximately SEK 2.5 billion in the quarter. Layoff-related costs had a negative impact of approximately SEK 250 M during the third quarter. Operating income was also negatively affected by write-downs mainly on the inventory of used trucks amounting to approximately SEK 200 M and provisions for residual-value commitments amounting to approximately SEK 150 M.

During the third quarter of 2009, operating income was positively affected by lower costs for raw materials and components, estimated at approximately SEK 200 M compared to the third quarter of 2008.

The combined effect of changed exchange rates had a negative effect on operating income of approximately SEK 500 million in the third quarter of 2009, compared with the same quarter in 2008 as a consequence of the translation effects of operating losses in foreign subsidiaries and hedging activities.

In the third quarter of 2009, research and development expenses declined by 14% to SEK 2,961 M (3,428). Adjusted for changes in exchange rates, research and development expenses decreased by 17%. During the quarter SEK 448 M of development costs were capitalized while costs of SEK 611 M were amortized.

Selling expenses decreased by 9% and administrative expenses by 31% compared to the third quarter of 2008. Excluding currency effects, selling expenses decreased by 16% and administrative expenses by 34%.

Improved cash flow development compared to the second quarter

In the third quarter of 2009, operating cash flow from the Industrial Operations was negative in an amount of SEK 1.4 billion compared to a negative cash flow of SEK 2.9 billion in the second quarter of 2009 and a negative cash flow of SEK 6.1 billion in the third quarter of 2008. The negative cash flow is mainly a consequence of the operating loss, which was almost offset by a reduction in working capital driven by a further reduction in inventories. Cash flow was also negatively impacted by a reduction in salary-related liabilities of SEK 1.7 billion, reported in Other in the table below. This is a normal seasonal effect as employees go on summer vacation during the third quarter. However, the extended vacation shutdowns this year resulted in a reduction that was bigger than normal.

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

Decrease in accounts receivable	1.6
Decrease in inventories	3.4
Decrease in trade payables	(0.7)
Other	(2.5)
Total	**1.8**

Volvo Group's Customer Finance
– early signs of stabilization, although challenging economic conditions remain

Operating results in Customer Finance continue to be impacted by portfolio delinquency and credit provisioning as customers struggle to meet their obligations, although not to the same extent experienced during the first half of the year. Recently, there have been signs of stabilization in the portfolio in many parts of the world as risk mitigation activities to reduce both loss frequency and severity are taking hold.

During the quarter, credit provision expenses amounted to SEK 418 M (124) while write-offs of SEK 628 M (140) were recorded. This resulted in a decrease in credit reserves from 1.88% at June 30, 2009 to 1.76% of the credit portfolio at September 30, 2009. The annualized write-off ratio through September 30, 2009 was 1.99% (0.43).

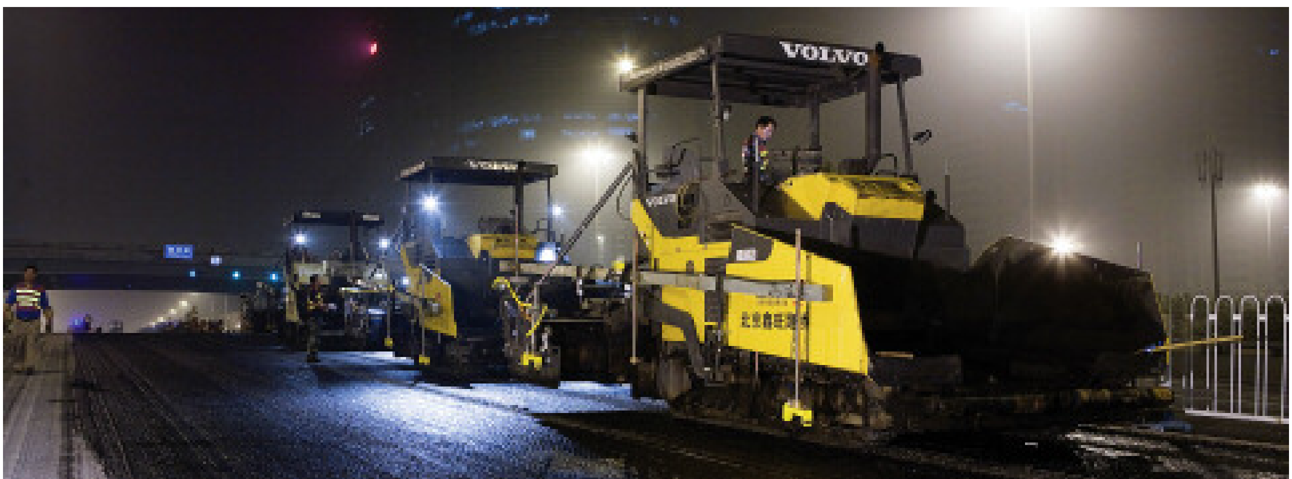
New financing volume in the third quarter of 2009 amounted to SEK 6.3 billion (10.9). Adjusted for changes in exchange rates, new business volume decreased by 46% compared to the third quarter of 2008 as a result of lower sales volumes of Group products. In total, 5,480 new Volvo Group units (11,715) were financed during the quarter. In the markets where financing is offered, the average penetration rate in the third quarter was 23% (28). The penetration decline from the previous period is due to a decline of volume in Eastern Europe where penetration is higher than average and to the start-up of the Japan customer finance operation where penetration will lag business activity into the fourth quarter.

The operating result in the third quarter was close to breakeven and amounted to SEK 3 M compared to an operating income of SEK 391 M in the previous year. The variance is driven mainly by higher credit provisions. Selling and administrative expenses adjusted for exchange rate fluctuations decreased by 8% from the third quarter of 2008.

At September 30, 2009 total assets amounted to SEK 98.3 billion (105.9). The credit portfolio decreased by 10.7% net over the last twelve months, adjusted for exchange-rate movements.

Income Statement Customer Finance

	Third quarter		First nine months	
SEK M	**2009**	2008	**2009**	2008
Finance and lease income	**2,781**	2,837	**8,897**	8,091
Finance and lease expenses	**(1,981)**	(1,965)	**(6,502)**	(5,594)
Gross income	**800**	**872**	**2,395**	**2,497**
Selling and administrative expenses	**(388)**	(389)	**(1,220)**	(1,133)
Credit provision expenses	**(418)**	(124)	**(1,861)**	(244)
Other operating income and expenses	**3**	33	**(9)**	40
Operating income	**(3)**	**391**	**(695)**	**1,159**
Income taxes	**(16)**	(139)	**107**	(386)
Income for the period	**(19)**	**252**	**(588)**	**774**
Return on Equity, 12 month rolling values, %			***(3.4)***	*14.1*



Volvo Group financial position

The net financial debt in the Volvo Group's Industrial Operations amounted to SEK 50.4 billion at September 30, 2009, a decrease of SEK 0.7 billion compared to the second quarter of 2009, and equal to 85.8% of shareholders' equity. Excluding provisions for post-employment benefits the Industrial Operations' net debt amounted to SEK 41.0 billion, which is equal to 69.6% of shareholders' equity.

The negative operating cash flow in the Industrial Operations during the third quarter increased the net financial debt by SEK 1.4 billion, while fluctuations in exchange rates decreased the net financial debt by SEK 1.9 billion.

At the end of the third quarter, the equity ratio in the Industrial Operations was 24.5% compared to 28.4% at year-end 2008.

The Volvo Group's liquid funds, cash and cash equivalents and marketable securities combined, amounted to SEK 33.5 billion at September 30, 2009. In addition to this, granted but unutilized credit facilities amounted to SEK 31 billion.

During the third quarter, currency had a negative effect on the Volvo Group's total assets amounting to SEK 15.4 billion.

The equity ratio in the Volvo Group amounted to 20.4% compared to 22.7% at year-end 2008. At September 30, 2009 shareholder's equity in the Volvo Group amounted to SEK 67.7 billion.

Related-party transactions

Sales to associated companies amounted to SEK 340 M and purchasing from associated companies amounted to SEK 76 M during the first nine months of 2009. On September 30, 2009, receivables from associated companies amounted to SEK 265 M and liabilities to associated companies to SEK 9 M. Sales to related-party Renault SA amounted to SEK 69 M and purchasing from Renault SA to SEK 1,526 M during the first nine months of 2009. Receivables from Renault SA amounted to SEK 41 M and liabilities to Renault SA to SEK 428 M at September 30, 2009.

Number of employees

On September 30, 2009 the Volvo Group had 92,066 employees, compared with 101,381 at year-end 2008. In addition, the Volvo Group had 5,603 temporary employees and consultants on September 30 compared to 8.234 at year-end 2008. The number of employees, temporary employees and consultants was reduced by 2,170 during the third quarter and an additional reduction of approximately 2,500 is expected during the fourth quarter.

Business segment overview

Net sales

SEK M	Third quarter 2009	Third quarter 2008	Change, %	Change in %*	First nine months 2009	First nine months 2008	12 months rolling value	Jan–Dec 2008
Trucks	**30,351**	46,154	(34)	(42)	**101,262**	149,509	155,395	203,642
Construction Equipment	**8,176**	13,213	(38)	(48)	**25,499**	45,059	36,717	56,277
Buses	**3,990**	3,822	4	(2)	**12,672**	11,762	18,260	17,350
Volvo Penta	**1,925**	2,686	(28)	(32)	**6,220**	9,164	8,574	11,518
Volvo Aero	**1,761**	1,656	6	(10)	**5,825**	5,226	8,224	7,625
Eliminations and other	**(117)**	(70)	–		**(433)**	(448)	(561)	(576)
Industrial operations	**46,086**	**67,461**	**(32)**	**(40)**	**151,046**	**220,272**	**226,610**	**295,836**
Customer Finance	**2,781**	2,837	(2)	–	**8,897**	8,091	11,879	11,073
Eliminations	**(384)**	(517)	–	–	**(1,380)**	(1,714)	(1,933)	(2,267)
Volvo Group	**48,483**	**69,781**	**(31)**	**(39)**	**158,563**	**226,649**	**236,556**	**304,642**

* Adjusted for exchange rates and acquired and divested units.

Operating income (loss)

SEK M	Third quarter 2009	Third quarter 2008	First nine months 2009	First nine months 2008	12 months rolling value	Jan–Dec 2008
Trucks	**(2,329)**	2,653	**(9,489)**	11,910	(9,232)	12,167
Construction Equipment	**(787)**	134	**(3,441)**	3,064	(4,697)	1,808
Buses	**(91)**	(72)	**(304)**	(148)	(232)	(76)
Volvo Penta	**25**	198	**(237)**	974	(283)	928
Volvo Aero	**108**	78	**219**	218	360	359
Group headquarter functions and other	**(210)**	(205)	**(751)**	(327)	(1,156)	(732)
Industrial operations	**(3,283)**	**2,786**	**(14,002)**	**15,691**	**(15,240)**	**14,454**
Customer Finance	**(3)**	391	**(695)**	1,159	(457)	1,397
Volvo Group	**(3,286)**	**3,177**	**(14,697)**	**16,850**	**(15,696)**	**15,851**

Operating margin

%	Third quarter 2009	Third quarter 2008	First nine months 2009	First nine months 2008	12 months rolling value	Jan–Dec 2008
Trucks	**(7.7)**	5.7	**(9.4)**	8.0	(5.9)	6.0
Construction Equipment	**(9.6)**	1.0	**(13.5)**	6.8	(12.8)	3.2
Buses	**(2.3)**	(1.9)	**(2.4)**	(1.3)	(1.3)	(0.4)
Volvo Penta	**1.3**	7.4	**(3.8)**	10.6	(3.3)	8.1
Volvo Aero	**6.1**	4.7	**3.8**	4.2	4.4	4.7
Industrial operations	**(7.1)**	**4.1**	**(9.3)**	**7.1**	**(6.7)**	**4.9**
Volvo Group	**(6.8)**	**4.6**	**(9.3)**	**7.4**	**(6.6)**	**5.2**

Overview of Industrial Operations

Trucks
– losses reduced in the third quarter

- Sales decreased by 42% compared to the previous year and adjusted for currency
- Very low capacity utilization in the industrial system
- 19% reduction of the new trucks in inventory during the quarter

Net sales by market area

SEK M	Third quarter 2009	Third quarter 2008	Change in %	First nine months 2009	First nine months 2008	Change in %
Europe	**13,074**	24,140	(46)	**48,365**	84,604	(43)
North America	**4,961**	5,965	(17)	**15,918**	19,043	(16)
South America	**3,053**	3,953	(23)	**8,440**	10,562	(20)
Asia	**6,619**	8,648	(23)	**19,583**	25,845	(24)
Other markets	**2,643**	3,449	(23)	**8,956**	9,456	(5)
Total	**30,351**	**46,154**	**(34)**	**101,262**	**149,509**	**(32)**

Net order intake per market

Number of trucks	Third quarter 2009	Third quarter 2008	Change in %	First nine months 2009	First nine months 2008	Change in %
Europe	**8,189**	115	7,021	**24,663**	48,348	(49)
North America	**5,093**	7,578	(33)	**11,219**	19,611	(43)
South America	**5,284**	5,096	4	**10,013**	13,639	(27)
Asia[1]	**10,079**	14,607	(31)	**23,674**	43,067	(45)
Other markets	**3,353**	4,676	(28)	**9,235**	19,823	(53)
Total	**31,998**	**32,072**	**0**	**78,804**	**144,488**	**(45)**

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

Continued weakness in Europe and North America, some recovery in Asia and South America

The European truck market is characterized by a continued weak demand. As of August, the total number of registrations in Europe 29 decreased by 50% to 112,700 heavy trucks (226,500).

Through September, the total market for heavy trucks (Class 8) in North America decreased by 42% to 81,900 trucks compared to 140,300 trucks in the previous year.

In South America, the important Brazilian market has been impacted positively by tax incentives. However registrations in Brazil declined by 26% to 45,600 heavy trucks (61,400) through September.

In India, Japan and China market conditions have improved in recent months after a weak first half of 2009. However, as of September registrations in India had declined by 41% to 84,600 trucks (143,500). As of September, the Japanese market for heavy trucks amounted to 13,100 vehicles (27,600), which was a decrease of 53%. During the first eight months of 2009 the Chinese market for trucks over 14 tons declined by 14% to 390,300 trucks (452,200).

Demand still on low levels, but net order intake continues to improve

Net order intake rose by 20% during the third quarter of 2009 when compared with the second quarter of 2009. However, orders continue to be on low levels.

Net order intake in Europe was 8,189 trucks during the third quarter, which was a significant increase compared to exceptionally low level in the year-earlier period. For the full year 2009 the European market for heavy-duty trucks is expected to be at least halved compared to the 2008 level of 319,000 trucks, which is unchanged from the previous outlook.

Order intake in North America increased by 56% in comparison to the second quarter of 2009. However, prevailing economic conditions continue to weigh heavily on the market and compared to the third quarter of 2008 net orders decreased by 33%. The North American market for heavy-duty trucks is expected to come down some 30–40% in 2009 from the 2008 level of 185,000 units, which is unchanged from the previous outlook.

Order intake in Asia increased by 28% to 10,079 trucks during the third quarter compared to the second quarter of 2009, with improvements in both Japan and India. The Japanese market for medium-duty and heavy-duty trucks is expected to decline by about 40% from the level of 74,500 vehicles in 2008, which is unchanged from the previous outlook.

Deliveries per market

Number of trucks	Third quarter 2009	Third quarter 2008	Change in %	First nine months 2009	First nine months 2008	Change in %
Europe	**8,359**	24,155	(65)	**35,628**	97,002	(63)
North America	**4,184**	6,572	(36)	**11,937**	22,511	(47)
South America	**2,930**	4,890	(40)	**8,227**	13,343	(38)
Asia[1]	**9,159**	15,471	(41)	**23,651**	44,090	(46)
Other markets	**2,984**	4,890	(39)	**10,069**	14,677	(31)
Total	**27,616**	**55,978**	**(51)**	**89,513**	**191,623**	**(53)**

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

Truck deliveries stabilizing on low level

The delivery pace of the truck operations continued to be low during the third quarter of 2009. In total, 27,616 trucks were delivered during the quarter, which was 7% fewer than in the second quarter of 2009 and 51% fewer compared to 55,978 trucks in the third quarter of 2008. All markets experienced sharp drops compared to last year. Compared to the second quarter of 2009, deliveries increased by 35% in Asia and by 14% in North America, while deliveries were down by 34% and 4% respectively in Europe and South America.

Significantly lower operating loss compared to the second quarter of this year

During the third quarter of 2009, the truck operation's net sales amounted to SEK 30,351 M, which was a decline of 9% compared with the second quarter and 34% lower than the third quarter of 2008. Adjusted for changes in exchange rates and acquired companies, net sales decreased by 42% compared to the third quarter of 2008.

The truck operations recorded an operating loss of SEK 2,329 M in the third quarter of 2009 compared to an operating loss of SEK 4,778 M in the second quarter and an operating income of SEK 2,653 M in the third quarter of 2008. The operating margin amounted to a negative 7.7% (Negative 14.3%, Positive 5.7%).

The operating loss is primarily an effect of considerably lower sales of new trucks combined with significant under absorption of costs due to low production volumes as well as continued high research and development costs ahead of new emission standards. The significantly lower operating loss compared to the second quarter of 2009 was a result of cost reduction efforts.

In the third quarter, operating income was also negatively affected by write-downs on the inventory of used trucks amounting to approximately SEK 200 M and provisions for residual-value commitments amounting to approximately SEK 150 M. Operating income was also impacted by SEK 200 M in layoff-related costs.

The efforts to reduce inventories were successful and the number of new trucks in inventory was reduced by a further 19% during the quarter. Used truck inventories declined by 4% in the quarter.

Construction Equipment – still very tough market conditions

- Sales down 48% adjusted for currency
- Operating loss reduced 37% since the second quarter despite 11% lower sales
- Units in inventory down another 10% in the quarter

Net sales by market area, Construction Equipment

SEK M	Third quarter 2009	2008	Change in %	First nine months 2009	2008	Change in %
Europe	**3,082**	5,839	(47)	**9,608**	20,715	(54)
North America	**1,035**	2,173	(52)	**4,348**	8,137	(47)
South America	**680**	929	(27)	**1,663**	2,242	(26)
Asia	**2,909**	3,215	(10)	**8,830**	10,907	(19)
Other markets	**470**	1,057	(56)	**1,050**	3,058	(66)
Total	**8,176**	**13,213**	**(38)**	**25,499**	**45,059**	**(43)**

Total market development in the third quarter

Unit sales in %	Europe	North America	Asia	Other markets	**Total**
Heavy equipment	(55)	(53)	(9)	(62)	**(39)**
Compact equipment	(54)	(49)	(13)	(60)	**(43)**
Road machinery	(57)	(47)	(23)	(61)	**(53)**
Total	**(54)**	**(50)**	**(11)**	**(61)**	**(42)**

Decline in all major markets except China

Measured in units, the total world market for heavy, compact and road machinery equipment decreased by 42% in the third quarter of 2009 compared to the same period last year. In Europe the total market was down 54% and North America decreased by 50%. China was up 45% while all of Asia declined by 11%. Other markets decreased by 61%.

The total market conditions for the construction equipment industry remains weak. The European market is expected to decline by around 50% for the full year of 2009 compared to 2008. The previous forecast was a decline of 40–50%. North America is expected to decline by 50% compared to the previous forecast of a decline of 30–40%. The rest of the world is expected to decline by 40–50% compared to the previous forecast of 30–40%.

Except for China and to a certain degree South Korea, stimulus packages that have been announced by several governments have not yet had any significant impact on the industry but may have so in 2010 and onwards. Volvo Construction Equipment's (Volvo CE) determined efforts in Asia, for instance the acquisition of the Chinese wheel loader manufacturer Lingong, is paying off. During the third quarter Asia accounted for 36% of the business area's net sales, which was on the same level as net sales in Europe.

During 2009 Volvo CE has been able to maintain market shares in many markets and product segments thanks to a strong distribution network, a reliable brand and very competitive products.

Lower sales but reduced losses compared to the previous quarter

Net sales declined by 38% to SEK 8,176 M (13,213) in the third quarter. Adjusted for changes in the exchange rates and acquired and divested units, net sales decreased by 48%.

The operating loss amounted to SEK 787 M compared to an operating loss of SEK 1,259 M in the second quarter of 2009 and an operating income of SEK 134 M in the third quarter of 2008. The decline in revenue was strongly driven by decreased deliveries as a consequence of the severe downturn in the global market for construction equipment and the requirement to adjust pipeline inventory to the present business conditions.

In order to adjust for the low demand and reduce inventory levels, Volvo CE continued to implement production cutbacks. Since the capacity utilization was only around 30% in the quarter there was a significant under absorption of costs in the manufacturing system. Operating income was also impacted by lay-off related costs amounting to SEK 40 M.

The efforts to reduce inventories continued to be successful and the number of units in inventory, excluding Lingong, was reduced by another 10% in the quarter. Inventory will continue to be in focus also in the fourth quarter.

The value of the order book at September 30 was 52% lower than the same date the previous year.

Buses
– demand weakening in Europe but improving in Asia

- Good order intake in Asia
- Significant change in market mix

Further decline in the bus market

The global bus market continued to decline during the third quarter, especially in the segment for coaches. The city bus market is also characterized by weakness, with the exception of the U.S., China and India, where governments through stimulus packages support the purchase of modern and environmentally friendly vehicles.

The coach market in Europe has continued to decline during the third quarter with a drop of 30–35%. The city bus market has also been affected by the downturn in the economy.

In the U.S. and Canada the market for coaches continued to decline. The city bus market continued to develop steadily at a high rate. The coach market in Mexico shows the same pattern as in the U.S., and registrations decreased by 69% through August.

In South America, the decline has been very severe for both intercity buses and coaches but there are signs of a slight recovery.

The toal bus registrations in region International (Asia, the Middle East, Australia and Africa) declined by approximately 30% during the first half of the year, which is the latest reported period, compared to the same period in the preceding year. The decrease is mainly attributable to declining city bus markets in China and India.

Net sales by market area, Buses

	Third quarter			First nine months		
SEK M	**2009**	2008	Change in %	**2009**	2008	Change in %
Europe	**1,589**	1,547	3	**5,693**	5,295	8
North America	**1,177**	1,239	(5)	**3,749**	3,625	3
South America	**197**	368	(46)	**669**	871	(23)
Asia	**841**	468	80	**1,782**	1,381	29
Other markets	**186**	200	(7)	**779**	590	32
Total	**3,990**	**3,822**	**4**	**12,672**	**11,762**	**8**

Increased order intake in Asia and South America

The order intake in the third quarter was 2,547 buses and chassis, which was an increase of 10% compared to the preceding year. Order intake increased in Asia and South America while it declined by 47% in Europe.

During the quarter a total of 2,351 buses (2,119) were delivered, which was an increase of 11% compared with the same quarter in the preceding year. The shift in market mix continues with a sharp increase in Asia (+120%) and lower deliveries in Europe (–24%) and North and South America (–22% and –46% respectively).

Operating loss

Net sales in the third quarter amounted to SEK 3,990 M (3,822), which was an increase of 4%. Adjusted for exchange-rate fluctuations, net sales decreased by 2%.

The operating loss amounted to SEK 91 M, compared to an operating loss of SEK 72 M for the third quarter of 2008. The operating margin was a negative 2.3% (Negative 1.9%). The operating income was negatively affected by a negative product and market mix and supply disturbances during the capacity increase in the North American city bus production.

Further cost reductions

The negative market development combined with the significant change in market mix demands further cost reductions. Earlier program continue with undiminished force in order to reduce inventories and lower costs.

During the third quarter a number of important contracts were signed, whereof an order for 150 double-deckers with the environmentally friendly EuroV engines to Singapore. During the autumn, Volvo Buses has also received a number of orders for high-capacity buses, among others 100 bi-articulated buses to Sao Paolo in Brazil and 134 articulated buses to Transmilenio in Bogota, Colombia. Volvo Buses has thereby strengthened its position as a leading supplier of BRT-systems globally.

Volvo Penta
– cost cutting measures contribute to operating profit

- Weak demand for marine engines, more stable for industrial engines
- Increased market shares for Volvo Penta IPS
- Operating profit due to positive effects from downsizing activities

Net sales by market area, Volvo Penta

SEK M	Third quarter 2009	2008	Change in %	First nine months 2009	2008	Change in %
Europe	**1,012**	1,446	(30)	**3,453**	5,341	(35)
North America	**261**	442	(41)	**816**	1,614	(49)
South America	**61**	92	(34)	**167**	269	(38)
Asia	**507**	574	(12)	**1,541**	1,559	(1)
Other markets	**84**	132	(36)	**243**	381	(36)
Total	**1,925**	**2,686**	**(28)**	**6,220**	**9,164**	**(32)**

Weak global market for marine engines

The global demand for marine engines continued to be very weak. Many boat builders in Europe have used shorter working weeks and in some cases been closed for extended periods as a consequence of the low demand and the situation is similar in North America.

Demand for industrial engines is somewhat stronger than for marine engines, but still on considerably lower levels than in previous years. The total market in China was somewhat softer compared to the positive development earlier this year.

Strengthened market positions

Diesel engines with sterndrives is Volvo Penta's strongest marine segment. Thanks to the new generation diesel engines, D4 and D6, Volvo Penta maintains and strengthens its market leading position in this segment.

During the autumn a large number of leisure boats with new and larger versions of the IPS system have been launched, which gradually strengthens Volvo Penta's market shares in the inboard segment.

Operating income affected by lower volumes

Volvo Penta's total sales during the third quarter amounted to SEK 1,925 M, compared with SEK 2,686 M in the year-earlier period. Adjusted for changes in currency exchange rates sales declined by 32%. Sales were distributed between the two business segments as follows: Marine SEK 1,162 M (1,642) and Industrial SEK 762 M (1,046).

The operating income amounted to SEK 25 M (198). Operating income was negatively affected by lower sales volumes and under absorption of costs in the production system, but reduced cost contributed to the operating profit. The operating margin amounted to 1.3% (7.4).

New products

On the industrial engine side, Volvo Penta as of this year launches diesel engines that adhere to the emission standards for 2011 and 2015. With the aid of these engines, Volvo Penta becomes an attractive partner for world leading industrial engine customers, which facilitates growth in the off road segment, such as stone crushers, mining equipment and cranes.

Volvo Penta gradually broadens its offering of so called soft products. One such example is the joystick for leisure boats. Until recently, the joystick has only been available for boats equipped with the IPS system, but as of now it can also be installed in boats with conventional drives, which makes manoeuvring considerably easier.

Volvo Aero
– sales impacted by the downturn

- Air traffic decrease flattening out
- Lower capacity utilization
- Personnel reductions

Airlines face major losses

A recovery in international air traffic seems to be under way, according to the latest data from IATA (International Air Transport Association). International passenger traffic for August decreased 1.1% year-over-year, which is an improvement over the 2.9% decline in July. Also, in the past two months load factors have increased significantly. The airline industry is struggling to return to profit despite more signs of a recovery in air traffic.

The order intake continues to be low. Airbus and Boeing announced 330 gross orders in the first nine months of this year, compared to 1,410 the year-earlier-period. The backlog for large commercial aircraft decreased from 6,998 at the end of the second quarter to 6,915 at the end of the third quarter. So far this year, the aircraft manufacturers have delivered 717 aircraft, which is 6.4% higher than in the corresponding period last year.

In August, Boeing announced that the first flight of the B787, "The Dreamliner" is targeted for the end of this year and first delivery by the end of 2010. Volvo Aero supplies components to both of the engine alternatives available for the aircraft.

Net sales by market area, Volvo Aero

SEK M	Third quarter 2009	Third quarter 2008	Change in %	First nine months 2009	First nine months 2008	Change in %
Europe	**931**	777	20	**2,920**	2,497	17
North America	**738**	816	(10)	**2,618**	2,434	8
South America	**6**	11	(45)	**26**	42	(38)
Asia	**58**	44	32	**165**	181	(9)
Other markets	**28**	8	250	**96**	72	33
Total	**1,761**	**1,656**	**6**	**5,825**	**5,226**	**11**

Sales and result affected by the downturn

For Volvo Aero, net sales during the third quarter increased by 6% to SEK 1,761 M, compared to SEK 1,656 M in the same period a year ago, mainly due to currency effects. Adjusted for currency fluctuations, sales decreased by 10%.

The operating income was SEK 108 M, compared to SEK 78 M in the preceding year. In spite of operating income improving somewhat compared to the preceding year, it is still on a low level. The operating margin amounted to 6.1% (4.7). The operating income continued to be negatively affected by low productivity and low capacity utilization in the industrial system.

Important aircraft order

Mitsubishi Aircraft has signed a contract with US regional carrier Trans States Airlines for 100 aircraft in the MRJ regional jet family. Under the agreement, Trans States has firm orders for 50 aircraft and options for 50 more. This is the second firm order for the MRJ. Japan's All Nippon Airways has firm orders for 15 MRJs and options for 10. The MRJ will be powered by the PW1000G engines by Pratt & Whitney, with Volvo Aero as a designer and supplier.

Income statements Volvo Group, for the third quarter

	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK M	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Net sales	**46,086**	**67,461**	**2,781**	**2,837**	**(384)**	**(517)**	**48,483**	**69,781**
Cost of sales	**(39,317)**	(53,201)	**(1,981)**	(1,965)	**384**	517	**(40,914)**	(54,649)
Gross income	**6,769**	**14,260**	**800**	**872**	**0**	**0**	**7,569**	**15,132**
Research and development expenses	**(2,961)**	(3,428)	**0**	0	**0**	0	**(2,961)**	(3,428)
Selling expenses	**(5,551)**	(6,074)	**(381)**	(378)	**0**	0	**(5,932)**	(6,454)
Administrative expenses	**(1,185)**	(1,710)	**(5)**	(11)	**0**	0	**(1,191)**	(1,721)
Other operating income and expenses	**(343)**	(270)	**(417)**	(91)	**0**	0	**(760)**	(361)
Income from investments in associated companies	**(12)**	(2)	**1**	1	**0**	0	**(11)**	(1)
Income from other investments	**0**	10	**1**	0	**0**	0	**2**	10
Operating income	**(3,283)**	**2,786**	**(3)**	**391**	**0**	**0**	**(3,286)**	**3,177**
Interest income and similar credits	**118**	272	**0**	0	**(20)**	(20)	**98**	251
Interest expenses and similar charges	**(1,005)**	(480)	**0**	0	**20**	20	**(986)**	(460)
Other financial income and expenses	**46**	(70)	**0**	0	**0**	0	**46**	(70)
Income after financial items	**(4,124)**	**2,508**	**(3)**	**391**	**0**	**0**	**(4,129)**	**2,898**
Income taxes	**1,230**	(759)	**(16)**	(139)	**0**	0	**1,214**	(898)
Income for the period*	**(2,894)**	**1,749**	**(19)**	**252**	**0**	**0**	**(2,913)**	**2,000**

	2009	2008
* Attributable to:		
Equity holders of the parent company	**(2,918)**	1,977
Minority interests	**5**	23
	(2,913)	**2,000**
Basic earnings per share, SEK	**(1,44)**	0,98
Diluted earnings per share, SEK	**(1,44)**	0,98

Other comprehensive income		
Income for the period	**(2,913)**	2,000
Exchange differences on translation of foreign operations	**(3,363)**	2,339
Exch diff on hedge instruments of net investm in foreign operations	**177**	(90)
Accumulated translation difference reversed to income	**2**	0
Available for sale investments	**(10)**	(190)
Cash flow hedges	**1,067**	(1,175)
Other comprehensive income, net of tax	**(2,127)**	884
Total comprehensive income for the period*	**(5,040)**	**2,884**
* Attributable to		
Equity holders of the parent company	**(5,021)**	2,831
Minority interests	**(19)**	53
	(5,040)	2,884

Income statements Volvo Group, for the first nine months

SEK M	Industrial operations 2009	Industrial operations 2008	Customer Finance 2009	Customer Finance 2008	Eliminations 2009	Eliminations 2008	Volvo Group Total 2009	Volvo Group Total 2008
Net sales	**151,046**	**220,272**	**8,897**	**8,091**	**(1,380)**	**(1,715)**	**158,563**	**226,649**
Cost of sales	**(131,264)**	(170,032)	**(6,502)**	(5,594)	**1,380**	1,715	**(136,386)**	(173,912)
Gross income	**19,782**	**50,240**	**2,395**	**2,497**	**0**	**0**	**22,177**	**52,737**
Research and development expenses	**(9,827)**	(10,097)	**0**	0	**0**	0	**(9,827)**	(10,097)
Selling expenses	**(18,048)**	(18,537)	**(1,200)**	(1,116)	**0**	0	**(19,248)**	(19,654)
Administrative expenses	**(4,466)**	(5,391)	**(19)**	(17)	**0**	0	**(4,486)**	(5,408)
Other operating income and expenses	**(1,421)**	(601)	**(1,876)**	(206)	**0**	0	**(3,297)**	(807)
Income from investments in associated companies	**(31)**	12	**1**	1	**0**	0	**(30)**	13
Income from other investments	**8**	66	**6**	0	**0**	0	**14**	66
Operating income	**(14,002)**	**15,691**	**(695)**	**1,159**	**0**	**0**	**(14,697)**	**16,850**
Interest income and similar credits	**363**	905	**0**	0	**(68)**	(100)	**295**	804
Interest expenses and similar charges	**(2,741)**	(1,277)	**0**	0	**68**	100	**(2,673)**	(1,177)
Other financial income and expenses	**(617)**	43	**0**	0	**0**	0	**(617)**	43
Income after financial items	**(16,997)**	**15,362**	**(695)**	**1,159**	**0**	**0**	**(17,693)**	**16,520**
Income taxes	**4,885**	(4,771)	**107**	(386)	**0**	0	**4,992**	(5,156)
Income for the period*	**(12,112)**	**10,591**	**(588)**	**774**	**0**	**0**	**(12,700)**	**11,364**
* Attributable to:								
Equity holders of the parent company							**(12,720)**	11,303
Minority interests							**20**	61
							(12,700)	**11,364**
Basic earnings per share, SEK							**(6.27)**	5.58
Diluted earnings per share, SEK							**(6.27)**	5.58

Other comprehensive income		
Income for the period	**(12,700)**	11,364
Exchange differences on translation of foreign operations	**(2,662)**	578
Exch diff on hedge instruments of net investm in foreign operations	**203**	(84)
Accumulated translation difference reversed to income	**(136)**	26
Available for sale investments	**89**	(324)
Cash flow hedges	**2,281**	(1,022)
Other comprehensive income, net of tax	**(225)**	(826)
Total comprehensive income for the period*	**(12,925)**	**10,538**
* Attributable to		
Equity holders of the parent company	**(12,973)**	10,474
Minority interests	**48**	64
	(12,925)	10,538

Balance Sheets, Volvo Group

SEK M	Industrial operations Sep 30 2009	Industrial operations Dec 31 2008	Customer Finance Sep 30 2009	Customer Finance Dec 31 2008	Eliminations Sep 30 2009	Eliminations Dec 31 2008	Volvo Group Total Sep 30 2009	Volvo Group Total Dec 31 2008
Assets								
Non-current assets								
Intangible assets	**40,706**	43,909	**89**	49	**0**	0	**40,795**	43,958
Tangible assets								
Property, plant and equipment	**54,240**	57,185	**70**	86	**0**	0	**54,311**	57,270
Assets under operating leases	**13,341**	16,967	**11,190**	13,238	**(4,051)**	(4,776)	**20,480**	25,429
Financial assets								
Shares and participations	**1,952**	1,935	**19**	18	**0**	0	**1,971**	1,953
Non-current customer-financing receivables	**496**	467	**41,692**	50,460	**(506)**	(495)	**41,682**	50,432
Deferred tax assets	**10,821**	10,976	**346**	204	**0**	0	**11,167**	11,180
Prepaid pensions	**2,288**	2,431	**10**	10	**0**	0	**2,298**	2,442
Non-current interest-bearing receivables	**708**	149	**0**	0	**(71)**	545	**637**	694
Other non-current receivables	**3,011**	3,051	**38**	28	**(47)**	(56)	**3,001**	3,023
Total non-current assets	**127,563**	**137,070**	**53,454**	**64,093**	**(4,675)**	**(4,782)**	**176,342**	**196,381**
Current assets								
Inventories	**40,544**	54,084	**1,680**	961	**0**	0	**42,224**	55,045
Current receivables								
Customer-financing receivables	**851**	508	**40,455**	48,382	**(1,057)**	(833)	**40,249**	48,057
Tax assets	**1,561**	1,749	**106**	61	**0**	0	**1,668**	1,810
Interest-bearing receivables	**1,123**	2,684	**34**	21	**(743)**	(740)	**414**	1,965
Internal funding	**0**	792	**0**	0	**0**	(792)	**-**	–
Accounts receivable	**19,395**	30,137	**462**	386	**0**	0	**19,857**	30,523
Other receivables	**13,825**	14,673	**1,368**	1,495	**(619)**	(1,145)	**14,574**	15,024
Non interest-bearing assets held for sale	**2,603**	–	**-**	–	**-**	–	**2,603**	–
Interest-bearing assets held for sale	**8**	–	**-**	–	**-**	–	**8**	–
Marketable securities	**14,580**	5,901	**7**	2	**0**	0	**14,586**	5,902
Cash and cash equivalents	**18,519**	16,674	**732**	2,245	**(329)**	(1,207)	**18,922**	17,712
Total current assets	**113,009**	**127,202**	**44,844**	**53,553**	**(2,748)**	**(4,717)**	**155,105**	**176,038**
Total assets	**240,572**	**264,272**	**98,298**	**117,646**	**(7,423)**	**(9,499)**	**331,447**	**372,419**
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company	**58,122**	74,416	**8,855**	9,594	**0**	0	**66,977**	84,010
Minority interests	**704**	630	**0**	0	**0**	0	**704**	630
Total shareholders' equity	**58,826**	**75,046**	**8,855**	**9,594**	**0**	**0**	**67,681**	**84,640**
Non-current provisions								
Provisions for post-employment benefits	**11,767**	11,677	**38**	28	**0**	0	**11,804**	11,705
Provisions for deferred taxes	**2,469**	6,557	**1,575**	1,703	**0**	0	**4,043**	8,260
Other provisions	**6,374**	7,938	**75**	148	**85**	50	**6,534**	8,136
Non-current liabilities								
Bond loans	**45,068**	35,798	**0**	0	**0**	0	**45,068**	35,798
Other loans	**44,866**	39,880	**7,538**	7,426	**(6)**	(7)	**52,398**	47,298
Internal funding	**(29,101)**	(44,934)	**35,208**	45,054	**(6,107)**	(119)	**-**	–
Other liabilities	**12,160**	13,249	**534**	674	**(2,722)**	(3,483)	**9,972**	10,442
Current provisions	**9,440**	10,723	**186**	122	**48**	38	**9,674**	10,883
Current liabilities								
Loans	**53,199**	56,178	**7,483**	7,241	**(795)**	(788)	**59,888**	62,631
Internal funding	**(38,171)**	(40,173)	**33,970**	42,784	**4,200**	(2,610)	**-**	–
Non interest-bearing liabilities held for sale	**593**	–	**-**	–	**-**	–	**593**	–
Interest-bearing liabilities held for sale	**45**	–	**-**	–	**-**	–	**45**	–
Trade payables	**28,292**	50,622	**155**	404	**0**	0	**28,447**	51,025
Tax liabilities	**594**	1,044	**235**	160	**0**	0	**829**	1,204
Other liabilities	**34,151**	40,667	**2,446**	2,308	**(2,126)**	(2,580)	**34,471**	40,397
Total shareholders' equity and liabilities	**240,572**	**264,272**	**98,298**	**117,646**	**(7,423)**	**(9,499)**	**331,447**	**372,419**
Contingent liabilities							**9,912**	9,427

Cash flow statement for the third quarter

	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK bn	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Operating activities								
Operating income	**(3.3)**	2.8	**0.0**	0.4	**0.0**	0.0	**(3.3)**	3.2
Depreciation and amortization	**3.0**	2.9	**0.7**	0.6	**0.0**	(0.1)	**3.7**	3.4
Other non-cash items	**0.5**	(0.5)	**0.3**	0.1	**0.0**	0.0	**0.8**	(0.4)
Change in working capital	**1.8**	(6.5)	**4.6**	(1.7)	**(0.2)**	(0.1)	**6.2**	(8.3)
Financial items and income taxes paid	**(1.4)**	(1.7)	**0.0**	(0.1)	**0.1**	(0.1)	**(1.3)**	(1.9)
Cash flow from operating activities	**0.6**	**(3.0)**	**5.6**	**(0.7)**	**(0.1)**	**(0.3)**	**6.1**	**(4.0)**
Investing activities								
Investments in fixed assets	**(2.1)**	(2.9)	**0.0**	(0.1)	**0.0**	0.1	**(2.1)**	(2.9)
Investment in leasing vehicles	**0.0**	(0.1)	**(0.6)**	(1.2)	**(0.2)**	0.0	**(0.8)**	(1.3)
Disposals of fixed assets and leasing vehicles	**0.1**	(0.1)	**0.6**	0.5	**0.0**	0.1	**0.7**	0.5
Operating cash flow	**(1.4)**	**(6.1)**	**5.6**	**(1.5)**	**(0.3)**	**(0.1)**	**3.9**	**(7.7)**
Investments and divestments of shares, net							**0.0**	0.1
Acquired and divested operations, net							**0.1**	(1.3)
Interest-bearing receivables incl marketable securites							**(6.5)**	4.0
Cash-flow after net investments							**(2.5)**	**(4.9)**
Financing activities								
Change in loans, net							**(2.6)**	8.1
Dividend to AB Volvo shareholders							**0.0**	0.0
Dividend to minority shareholders							**0.0**	0.0
Other							**0.0**	0.0
Change in cash and cash equivalents excl. translation differences							**(5.1)**	**3.2**
Translation difference on cash and cash equivalents							**(0.5)**	0.5
Change in cash and cash equivalents							**(5.6)**	**3.7**

Cash flow statement for the first nine months

	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK bn	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Operating activities								
Operating income	**(14.0)**	15.7	**(0.7)**	1.2	**0.0**	0.0	**(14.7)**	16.9
Depreciation and amortization	**9.5**	8.6	**2.2**	2.0	**0.0**	(0.5)	**11.7**	10.1
Other non-cash items	**1.5**	(0.8)	**1.6**	0.2	**0.0**	0.1	**3.1**	(0.5)
Change in working capital	**(7.0)**	(16.0)	**10.8**	(8.3)	**0.1**	0.1	**3.9**	(24.2)
Financial items and income taxes paid	**(3.1)**	(3.8)	**(0.1)**	(0.2)	**0.1**	(0.1)	**(3.1)**	(4.1)
Cash flow from operating activities	**(13.1)**	**3.7**	**13.8**	**(5.1)**	**0.2**	**(0.4)**	**0.9**	**(1.8)**
Investing activities								
Investments in fixed assets	**(7.3)**	(8.3)	**0.0**	(0.1)	**0.0**	0.1	**(7.3)**	(8.3)
Investment in leasing vehicles	**(0.1)**	(0.3)	**(2.9)**	(3.5)	**(0.1)**	0.2	**(3.1)**	(3.6)
Disposals of fixed assets and leasing vehicles	**0.5**	0.4	**2.3**	1.5	**0.0**	0.0	**2.8**	1.9
Operating cash flow	**(20.0)**	**(4.5)**	**13.2**	**(7.2)**	**0.1**	**(0.1)**	**(6.7)**	**(11.8)**
Investments and divestments of shares, net							**0.0**	0.0
Acquired and divested operations, net							**0.1**	(1.1)
Interest-bearing receivables incl marketable securites							**(7.0)**	4.1
Cash-flow after net investments							**(13.6)**	**(8.8)**
Financing activities								
Change in loans, net							**19.4**	18.0
Dividend to AB Volvo shareholders							**(4.1)**	(11.1)
Dividend to minority shareholders							**0.0**	(0.1)
Other							**0.0**	0.0
Change in cash and cash equivalents excl. translation differences							**1.7**	**(2.0)**
Translation difference on cash and cash equivalents							**(0.5)**	0.1
Change in cash and cash equivalents							**1.2**	**(1.9)**

Net financial position

SEK M	Industrial operations 30 sep 2009	Industrial operations 31 dec 2008	Volvo Group 30 sep 2009	Volvo Group 31 dec 2008
Non-current interest-bearing assets				
Non-current customer-financing receivables	**-**	–	**41,682**	50,432
Non-current interest-bearing receivables	**708**	149	**637**	694
Current interest-bearing assets				
Customer-financing receivables	**-**	–	**40,249**	48,057
Interest-bearing receivables	**1,123**	2,684	**414**	1,965
Internal funding	**0**	792	**-**	–
Interest-bearing assets held for sale	**8**	–	**8**	–
Marketable securities	**14,580**	5,901	**14,586**	5,902
Cash and cash equivalents	**18,519**	16,674	**18,922**	17,712
Total financial assets	**34,938**	**26,200**	**116,498**	**124,762**
Non-current interest-bearing liabilities				
Bond loans	**45,068**	35,798	**45,068**	35,798
Other loans	**44,866**	39,880	**52,398**	47,298
Internal funding	**(29,101)**	(44,934)	**-**	–
Current interest-bearing liabilities				
Loans	**53,199**	56,178	**59,888**	62,631
Internal funding	**(38,171)**	(40,173)	**-**	–
Interest-bearing liabilities held for sale	**45**	–	**45**	–
Total financial liabilities	**75,906**	**46,749**	**157,399**	**145,727**
Net financial position excl post-employment benefits	**(40,968)**	**(20,549)**	**(40,901)**	**(20,965)**
Prov for post-employm benefits, net	**9,479**	9,246	**9,506**	9,263
Net financial position incl post-employment benefits	**(50,447)**	**(29,795)**	**(50,407)**	**(30,228)**

Changes in net financial position, Industrial operations

SEK bn	Third quarter 2009	First nine months 2009
Beginning of period	**(51.1)**	**(29.8)**
Cash flow from operating activities	0.6	(13.1)
Investments in fixed assets	(2.1)	(7.4)
Disposals	0.1	0.5
Operating cash-flow	**(1.4)**	**(20.0)**
Investments and divestments of shares, net	0.0	0.0
Acquired and divested operations, net	0.2	0.2
Capital injections to/from Customer Finance operations	(0.1)	(0.2)
Currency effect	1.9	3.4
Dividend paid to AB Volvo shareholders	0.0	(4.1)
Revaluation of loans	0.0	0.9
Provision for UAW agreement	0.0	(0.9)
Other changes	0.1	0.1
Total change	**0.7**	**(20.6)**
Net financial position at end of period	**(50.4)**	**(50.4)**

Changes in shareholders' equity

	First nine months	
SEK bn	**2009**	2008
Total equity at beginning of period	**84,6**	**82,8**
Shareholders' equity attributable to equity holders of the parent company at beginning of period	**84,0**	**82,2**
Income for the period	**(12,7)**	11,3
Other comprehensive income	**(0,2)**	(0,9)
Total comprehensive income	**(12,9)**	**10,4**
Dividend to AB Volvo's shareholders	**(4,1)**	(11,1)
Share-based payments	**0,0**	0,1
Other changes	**0,0**	0,1
Shareholders' equity attributable to equity holders of the parent company at end of period	**67,0**	**81,7**
Minority interests at beginning of period	**0,6**	0,6
Income for the period	**0,0**	0,1
Other comprehensive income	**0,0**	0,0
Total comprehensive income	**0,0**	**0,1**
Cash dividend	**0,0**	(0,1)
Minority regarding new acquisitions	**0,1**	0,0
Other changes	**0,0**	0,0
Minority interests at end of period	**0,7**	**0,6**
Total equity at end of period	**67,7**	**82,3**

Key ratios

Industrial operations

	First nine months	
	2009	2008
Gross margin, %	**13.1**	22.8
Research and development expenses in % of net sales	**6.5**	4.6
Selling expenses in % of net sales	**11.9**	8.4
Administrative expenses in % of net sales	**3.0**	2.4
Operating margin, %	**(9.3)**	7.1

	Sep 30 2009	Dec 31 2008
Return on operating capital, %, 12 months rolling values	**(14.5)**	16.3
Net financial position at end of period, SEK billion	**(50.4)**	(29.8)
Net financial position in % of shareholders' equity at end of period	**(85.8)**	(39.7)
Shareholders' equity as percentage of total assets, end of period	**24.5**	28.4

Customer finance

	Sep 30 2009	Dec 31 2008
Return on shareholders' equity, %, 12 months rolling values	**(3.4)**	12.6
Equity ratio at end of period, %	**9.0**	8.2
Asset growth, % from preceding year end until end of period	**(16.5)**	24.2

Volvo Group

	First nine months	
	2009	2008
Gross margin, %	**14.0**	23.3
Research and development expenses in % of net sales	**6.2**	4.5
Selling expenses in % of net sales	**12.1**	8.7
Administrative expenses in % of net sales	**2.8**	2.4
Operating margin, %	**(9.3)**	7.4

	Sep 30 2009	Dec 31 2008
Basic earnings per share, SEK, 12 months rolling values	**(6.95)**	4.90
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	**33.0**	41.4
Return on shareholders' equity, %, 12 months rolling values	**(17.9)**	12.1
Shareholders' equity as percentage of total assets, end of period	**20.4**	22.7

Share data

	First nine months	
	2009	2008
Basic earnings per share, SEK	**(6.27)**	5.58
Diluted earnings per share, SEK	**(6.27)**	5.58
Number of shares outstanding, million	**2,027**	2,027
Average number of shares during period, million	**2,027**	2,027
Average diluted number of shares during period, million	**2,027**	2,027
Number of company shares, held by AB Volvo, million	**101**	101
Average number of company shares, held by AB Volvo, million	**101**	102

Quarterly figures

SEK M unless otherwise stated

Industrial operations	3/2008	4/2008	1/2009	2/2009	3/2009
Net sales	**67,461**	**75,564**	**53,448**	**51,512**	**46,086**
Cost of sales	(53,201)	(63,481)	(45,428)	(46,519)	**(39,317)**
Gross income	**14,260**	**12,083**	**8,020**	**4,993**	**6,769**
Research and development expenses	(3,428)	(4,251)	(3,463)	(3,403)	**(2,961)**
Selling expenses	(6,075)	(7,060)	(6,423)	(6,074)	**(5,551)**
Administrative expenses	(1,710)	(1,530)	(1,727)	(1,554)	**(1,185)**
Other operating income and expenses	(269)	(493)	(527)	(551)	**(343)**
Income from investments in associated companies	(2)	11	(15)	(4)	**(12)**
Income from other investments	10	3	3	5	**0**
Operating income Industrial operations	**2,786**	**(1,237)**	**(4,132)**	**(6,587)**	**(3,283)**
Customer Finance					
Finance and lease income	2,837	2,982	3,156	2,959	**2,781**
Finance and lease expenses	(1,965)	(2,090)	(2,349)	(2,172)	**(1,981)**
Gross income	**872**	**892**	**807**	**787**	**800**
Selling and administrative expenses	(389)	(418)	(423)	(410)	**(388)**
Credit provision expenses	(124)	(239)	(780)	(663)	**(418)**
Other operating income and expenses	32	3	0	(11)	**3**
Operating income Customer Finance	**391**	**238**	**(396)**	**(296)**	**(3)**
Volvo Group					
Operating income	**3,177**	**(999)**	**(4,528)**	**(6,883)**	**(3,286)**
Interest income and similar credits	251	367	120	77	**98**
Interest expense and similar credits	(460)	(758)	(808)	(879)	**(986)**
Other financial income and costs	(70)	(1,120)	(627)	(36)	**46**
Income after financial items	**2,898**	**(2,510)**	**(5,843)**	**(7,721)**	**(4,129)**
Income taxes	(898)	1,162	1,620	2,158	**1,214**
Income for the period*	**2,000**	**(1,348)**	**(4,223)**	**(5,564)**	**(2,913)**
* Attributable to					
Equity holders of AB Volvo	1,977	(1,361)	(4,228)	(5,574)	**(2,918)**
Minority interests	23	13	5	10	**5**
	2,000	**(1,348)**	**(4,223)**	**(5,564)**	**(2,913)**
Share data					
Earnings per share, SEK [1]	0.98	(0.67)	(2.09)	(2.75)	**(1.44)**
Number of shares outstanding, million	2,027	2,027	2,027	2,027	**2,027**
Average number of shares during period, million	2,027	2,027	2,027	2,027	**2,027**
Number of company shares, held by AB Volvo, million	101	101	101	101	**101**

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

Depreciation and amortization included above	3/2008	4/2008	1/2009	2/2009	3/2009
Product and software development, amortization	641	797	823	803	**753**
Other intangible assets, amortization	108	127	127	118	**110**
Property, plant and equipment, depreciation	2,670	2,596	3,082	3,040	**2,821**
Total	**3,419**	**3,520**	**4,032**	**3,961**	**3,684**
Of which					
Industrial operations	2,737	2,949	3,239	3,226	**3,025**
Customer Finance	682	571	793	735	**659**
Total	**3,419**	**3,520**	**4,032**	**3,961**	**3,684**

Key operating ratios, Industrial operations	3/2008	4/2008	1/2009	2/2009	3/2009
Gross margin, %	21.1	16.0	15.0	9.7	**14.7**
Research and development expenses in % of net sales	5.1	5.6	6.5	6.6	**6.4**
Selling expenses in % of net sales	9.0	9.3	12.0	11.8	**12.0**
Administrative expenses in % of net sales	2.5	2.0	3.2	3.0	**2.6**
Operating margin , %	4.1	(1.6)	(7.7)	(12.8)	**(7.1)**

Quarterly figures

Net sales

SEK M	3/2008	4/2008	1/2009	2/2009	**3/2009**
Trucks	46,154	54,132	37,384	33,527	**30,351**
Construction Equipment	13,213	11,219	8,172	9,151	**8,176**
Buses	3,822	5,589	4,006	4,676	**3,990**
Volvo Penta	2,686	2,355	2,037	2,258	**1,925**
Volvo Aero	1,656	2,398	2,030	2,034	**1,761**
Eliminations and other	(70)	(129)	(182)	(134)	**(117)**
Industrial operations	**67,461**	**75,564**	**53,448**	**51,512**	**46,086**
Customer Finance	2,837	2,982	3,156	2,960	**2,781**
Eliminations	(517)	(554)	(483)	(513)	**(384)**
Volvo Group	**69,781**	**77,992**	**56,121**	**53,959**	**48,483**

Operating income

SEK M	3/2008	4/2008	1/2009	2/2009	**3/2009**
Trucks	2,653	257	(2,382)	(4,778)	**(2,329)**
Construction Equipment	134	(1,256)	(1,395)	(1,259)	**(787)**
Buses	(72)	72	(95)	(118)	**(91)**
Volvo Penta	198	(46)	(97)	(165)	**25**
Volvo Aero	78	141	83	28	**108**
Group headquarter functions and other	(205)	(405)	(247)	(293)	**(210)**
Industrial operations	**2,786**	**(1,237)**	**(4,132)**	**(6,587)**	**(3,283)**
Customer Finance	391	238	(396)	(296)	**(3)**
Volvo Group	**3,177**	**(999)**	**(4,528)**	**(6,883)**	**(3,286)**

Operating margin

%	3/2008	4/2008	1/2009	2/2009	**3/2009**
Trucks	5.7	0.5	(6.4)	(14.3)	**(7.7)**
Construction Equipment	1.0	(11.2)	(17.1)	(13.8)	**(9.6)**
Buses	(1.9)	1.3	(2.4)	(2.5)	**(2.3)**
Volvo Penta	7.4	(2.0)	(4.8)	(7.3)	**1.3**
Volvo Aero	4.7	5.9	4.1	1.4	**6.1**
Industrial operations	**4.1**	**(1.6)**	**(7.7)**	**(12.8)**	**(7.1)**
Volvo Group	**4.6**	**(1.3)**	**(8.1)**	**(12.8)**	**(6.8)**

Accounting principles

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

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

New accounting principles in 2009

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

IFRS 8 Operating segments

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

IAS 23 amendment Borrowing costs

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

IAS 1 amendment Presentation of financial statements

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

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

Operating income before depreciation and amortization (EBITDA)

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

Clarification of the connection between net debt and the balance sheet

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

Hedging of commercial currency exposure

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

Volvo has decided to revise its hedging policy from the fourth quarter 2009 in order to only hedge firm flows going forward, whereof the major part are realised within 6 months. From the fourth quarter 2009, hedge accounting will not be applied for new contracts. However, for the major part of the earlier initiated contracts hedge accounting will continuously be applied until expiration of these contracts. For the remaining part of earlier initiated contracts the hedge reserve will be frozen. As hedge accounting will not be applied, unrealised gains and losses from fluctuations in the fair values of the contracts will be reported in the income statement in the segment Group headquarter functions and other. When the contracts have been realised the income effect will be reported within the respective segments.

Assets held for sale in segment reporting

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

Reclassification of funding obligation

As a consequence of the Master Agreement between Mack Trucks and United Auto Workers (UAW), which is further described in the section Risks and Uncertainties of this report, an independent trust has been established that will completely eliminate Mack's commitments for providing healthcare to retired employees. Instead, Mack Truck has an obligation to fund the newly established fund with USD 525 M paid over 5 years. Interest on the obligation starts accruing from October 1, 2009. By that, the formerly reported pension obligation in Mack Truck's will be reclassified to a financial liability from the beginning of the fourth quarter. Future amortizations will be reported as cash flow from financing activities. The reclassification itself will not impact the cash flow of the Volvo Group in the fourth quarter.

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

Risks and uncertainties

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

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

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

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

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

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

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

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

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

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities at September 30, 2009, amounted to SEK 9.9 billion, an increase of SEK 0.5 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 US Environmental Protection Agency (EPA). The demand is a consequence of dissenting opinions on whether an agreement between EPA and Volvo Powertrain regarding lower emitting engines also should include engines sold by Volvo Penta.

Members of the U.S. trade union, the United Auto Workers (UAW), have approved a new 40-month Master Agreement with the Volvo Group's subsidiary Mack Trucks. The agreement includes the establishment of an independent trust that will completely eliminate Mack's commitments for providing healthcare to retired employees. This had a negative impact of approximately SEK 870 M on the Volvo Group's operating income during the second quarter of 2009 and a negative impact of the same amount on net debt. The trust must be approved by the U.S. District Court for the Eastern District of Pennsylvania, which is expected in the second quarter 2010. The Volvo Group will fund the trust with USD 525 M, paid over 5 years. In accordance with the description of *Accounting principles* in this report the funding obligation is reported as a financial liability and amortizations will be reported as cash flow from financing activities.

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

Corporate acquisitions and divestments

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

During the second quarter 2009, assets of SEK 3,140 M and liabilities of SEK 874 M were reclassified to assets and liabilities held for sale. In connection to the reclassification, Volvo wrote down assets by SEK 298 M to the corresponding estimated fair value less costs to sell. At the end of the third quarter assets and liabilities held for sale amount to SEK 2,611 M and SEK 638 M respectively. Depending on how the sale process will progress, changes in the business environment, access to liquidity, market outlook etc, the fair value may change considerably in forthcoming periods or when the transactions are finalized. Reclassified assets and liabilities are pertaining to smaller operations and real estates.

Parent company

Income statements

Mkr	Third quarter 2009	Third quarter 2008	First nine months 2009	First nine months 2008
Net sales[1]	**186**	**214**	**558**	**623**
Cost of sales[1]	**(186)**	(214)	**(558)**	(623)
Gross income	**0**	**0**	**0**	**0**
Operating expenses[1]	**(70)**	(158)	**(330)**	(568)
Income from investments in Group companies	**(260)**	1,961	**6,818**	886
Income from investments in associated companies	**(9)**	(15)	**(22)**	(43)
Income from other investments	**2**	–	**2**	30
Operating income	**(337)**	**1,788**	**6,468**	**305**
Interest income and expenses	**(80)**	(289)	**(233)**	(674)
Other financial income and expenses	**(7)**	42	**6**	62
Income after financial items	**(424)**	**1,541**	**6,241**	**(307)**
Income taxes	**203**	397	**919**	902
Income for the period	**(221)**	**1,938**	**7,160**	**595**

1 Of net sales in the third quarter, SEK 155 M (193) pertained to Group companies, while purchases from Group companies amounted to SEK 111 M (87).

Balance Sheets

SEK M		Sep 30 2009		Dec 31 2008
Assets				
Non-current assets				
Intangible assets		**99**		110
Tangible assets		**16**		16
Financial assets				
Shares and participations in Group companies	**56,478**		46,122	
Other shares and participations	**2,337**		2,280	
Other long-term receivables	**1,106**	**59,921**	245	48,647
Total non-current assets		**60,036**		**48,773**
Current assets				
Short-term receivables from Group companies		**123**		9,561
Other short-term receivables		**343**		586
Cash and bank accounts		**0**		0
Total current assets		**466**		**10,147**
Total assets		**60,502**		**58,920**
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity	**9,891**		9,891	
Unrestricted equity	**30,866**	**40,757**	27,678	37,569
Untaxed reserves		**704**		704
Provisions		**145**		178
Non-current liabilities				
Liabilities to Group companies		**7**		7
Current liabilities[1]		**18,889**		20,462
Total shareholders' equity and liabilities		**60,502**		**58,920**

1 Of which SEK 18,649 M (20,166) pertains to Group companies.

Income from investments in Group companies for the third quarter includes dividends amounting to SEK 450 M (1,274) and transfer price adjustments, net, of SEK –710 M (–971). The third quarter 2008 also included revenue from liquidation amounting to SEK 2,661 M from the subsidiary Volvo Group Finance Europe BV and write-down of the shareholding in the company with SEK 1,003 M.

In 2009 shareholders´ contributions were made to Volvo Treasury AB and Volvo China Investment Co Ltd with SEK 10,000 M and SEK 355 M respectively.

In 2009 revaluation of the ownership in the listed company Deutz AG has increased the value by SEK 78 M, recognized in equity.

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

Financial net debt amounted to SEK 18,112 M at the end of the third quarter (11,510).

Events after the balance sheet date

As stated in the sections *Accounting principles* and *Risks and Uncertainties* of this report, the former reported pension obligation in Mack Trucks has been reclassified to a financial liability as per October 1, 2009, as a consequence of the Master agreement with United Auto Workers (UAW). The reclassification itself of USD 525 M has no effect on the cash flow of the Volvo group. Future amortizations will be reported as cash flow from financing activities.

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

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

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

Göteborg October 23, 2009
AB Volvo (publ)

Leif Johansson
President and CEO

Deliveries

Delivered trucks

	Third quarter			First nine months		
	2009	2008	Change, %	**2009**	2008	Change, %
Trucks						
Europe	**8,359**	24,155	(65)	**35,628**	97,002	(63)
Western Europe	**7,377**	17,955	(59)	**32,268**	75,040	(57)
Eastern Europe	**982**	6,200	(84)	**3,360**	21,962	(85)
North America	**4,184**	6,572	(36)	**11,937**	22,511	(47)
South America	**2,930**	4,890	(40)	**8,227**	13,343	(38)
Asia	**9,159**	15,471	(41)	**23,651**	44,090	(46)
Middle East	**995**	3,977	(75)	**4,048**	12,031	(66)
Other Asia	**8,164**	11,494	(29)	**19,603**	32,059	(39)
Other markets	**2,984**	4,890	(39)	**10,069**	14,677	(31)
Total Trucks	**27,616**	**55,978**	**(51)**	**89,513**	**191,623**	**(53)**
Mack Trucks						
Europe	**0**	0	–	**0**	8	(100)
Western Europe	**0**	0	–	**0**	0	–
Eastern Europe	**0**	0	–	**0**	8	(100)
North America	**1,951**	2,574	(24)	**5,609**	9,125	(39)
South America	**292**	1,037	(72)	**889**	2,473	(64)
Asia	**242**	1	–	**449**	62	624
Middle East	**242**	1	–	**449**	53	747
Other Asia	**0**	0	–	**0**	9	(100)
Other markets	**215**	270	(20)	**926**	800	16
Total Mack Trucks	**2,700**	**3,882**	**(30)**	**7,873**	**12,468**	**(37)**
Renault Trucks						
Europe	**5,074**	12,439	(59)	**21,345**	51,997	(59)
Western Europe	**4,711**	10,798	(56)	**19,963**	44,285	(55)
Eastern Europe	**363**	1,641	(78)	**1,382**	7,712	(82)
North America	**262**	74	254	**389**	359	8
South America	**174**	299	(42)	**351**	913	(62)
Asia	**371**	1,074	(65)	**1,235**	3,673	(66)
Middle East	**333**	940	(65)	**1,074**	3,409	(68)
Other Asia	**38**	134	(72)	**161**	264	(39)
Other markets	**1,197**	1,356	(12)	**3,721**	4,166	(11)
Total Renault Trucks	**7,078**	**15,242**	**(54)**	**27,041**	**61,108**	**(56)**
Volvo Trucks						
Europe	**3,285**	11,709	(72)	**14,281**	44,990	(68)
Western Europe	**2,666**	7,157	(63)	**12,305**	30,755	(60)
Eastern Europe	**619**	4,552	(86)	**1,976**	14,235	(86)
North America	**1,663**	3,531	(53)	**5,271**	11,660	(55)
South America	**2,351**	3,226	(27)	**6,661**	9,240	(28)
Asia	**1,104**	2,935	(62)	**3,888**	8,315	(53)
Middle East	**266**	1,631	(84)	**2,017**	4,895	(59)
Other Asia	**838**	1,304	(36)	**1,871**	3,420	(45)
Other markets	**593**	1,318	(55)	**2,915**	3,712	(21)
Total Volvo Trucks	**8,996**	**22,719**	**(60)**	**33,016**	**77,917**	**(58)**

AB Volvo (publ) discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 7.30 a.m. on October 23, 2009.

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

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

	Third quarter			First nine months		
	2009	2008	Change, %	**2009**	2008	Change, %
Nissan Diesel						
Europe	**0**	7	(100)	**2**	7	(71)
Western Europe	**0**	0	–	**0**	0	–
Eastern Europe	**0**	7	(100)	**2**	7	(71)
North America	**308**	393	(22)	**668**	1,367	(51)
South America	**113**	328	(66)	**326**	717	(55)
Asia	**4,486**	9,901	(55)	**11,124**	30,480	(64)
Middle East	**154**	1,405	(89)	**508**	3,674	(86)
Other Asia	**4,332**	8,496	(49)	**10,616**	26,806	(60)
Other markets	**979**	1,946	(50)	**2,507**	5,999	(58)
Total Nissan Diesel	**5,886**	**12,575**	**(53)**	**14,628**	**38,570**	**(62)**

Eicher [1]						
Europe	**–**	–	–	**–**	–	–
Western Europe	**–**	–	–	**–**	–	–
Eastern Europe	**–**	–	–	**–**	–	–
North America	**–**	–	–	**–**	–	–
South America	**–**	–	–	**–**	–	–
Asia	**2,957**	1,560	90	**6,956**	1,560	–
Middle East	**–**	–	–	**–**	–	–
Other Asia	**2,957**	1,560	90	**6,956**	1,560	–
Other markets	**–**	–	–	**–**	–	–
Total Eicher	**2,957**	**1,560**	**90**	**6,956**	**1,560**	**–**

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

Delivered buses

	Third quarter			First nine months		
	2009	2008	Change, %	**2009**	2008	Change, %
Buses						
Europe	**562**	740	(24)	**2,364**	2,459	(4)
Western Europe	**533**	709	(25)	**2,112**	2,354	(10)
Eastern Europe	**29**	31	(6)	**252**	105	140
North America	**337**	434	(22)	**964**	1,279	(25)
South America	**140**	259	(46)	**362**	601	(40)
Asia	**1,219**	555	120	**2,456**	2,113	16
Other markets	**93**	131	(29)	**439**	405	8
Total Buses	**2,351**	**2,119**	**11**	**6,585**	**6,857**	**(4)**

Further publication dates

Report on 2009 operations	February 5, 2010
Annual Report 2009	March, 2010
Annual General Meeting in Gothenburg	April 14, 2010
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

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